

**City of Moorhead
Committee of the Whole
Meeting Minutes
August 15, 2011 at 5:30 PM
City Hall Council Chambers**

Pursuant to due call and notice thereof, a regular meeting of the Committee of the Whole was held in the City Hall Council Chambers, on August 15, 2011, at 5:30 PM.

Roll call of the members was made as follows:

1st Ward Council Member:	Luther Stueland	Present
1st Ward Council Member:	Nancy Otto	Present
2nd Ward Council Member:	Diane Wray Williams	Present
2nd Ward Council Member:	Mark Altenburg	Present
3rd Ward Council Member:	Dan Hunt	Present
3rd Ward Council Member:	Brenda Elmer	Absent
4th Ward Council Member:	Mark Hintermeyer	Present
4th Ward Council Member:	Greg Lemke	Present
Mayor:	Mark Voxland	Present

Committee of the Whole Meeting

1. Coalition of Greater Minnesota Cities (CGMC) Presentation – Tim Flaherty and J.D. Burton, Flaherty & Hood

Minutes: Tim Flaherty, Flaherty & Hood, provided a presentation on Coalition of Greater Minnesota (CGMC) activities.

There are five areas that pose major challenges to cities, including cuts to Local Government Aid (LGA); the \$5 billion state deficit; an untested Governor; many new legislators; and opposition from the Minnesota Chamber of Commerce.

The Coalition did manage to preserve LGA at 2010 levels. The Coalition obtained support from the Governor when he was a candidate, and the state Mayor's association emphasized the need for LGA. The Coalition met with media around state in major regional centers and received newspaper editorial board support. 14 local Chambers of Commerce around the state also strongly supports the program.

The Governor's proposed solution to close the \$5B deficit is \$3.2B in new revenue, while the Legislature's idea is a \$3.1B spending reduction with both sides delaying payments to school districts. During special session it was determined that K-12 education would receive a 1% increase, Health and Human Services would be cut by 8%, LGA would be cut of 18%, and higher education would receive a 12% cut.

According to Flaherty, the market value credit conversion causes LGA losses of \$203M, so cities will be seeing property tax increases no matter what the city levies.

The following clarifications were made in response to Mayor and Council questions:

- No matter what the City does, it can't avoid a tax increase due to the school district and county needs and the state shifting the tax burden onto local jurisdictions.
- In the future, the Coalition hopes to preserve LGA at the 2010 level, phase out LGA and replace it with local sales tax, or restore LGA/tax aids and credits as part of the bigger budget picture.
- There has been some success with economic development programs, including a \$4M allocation for business development and a one-year expansion of the TIF program.
- CGMC worked with DEED to increase economic development in greater Minnesota cities. The statewide investment tax credit program allocated very little money to greater Minnesota.
- Accreditation for wastewater treatment plants was revised to avoid costly new regulations.
- CGMC helped to ensure that a share of the legacy funds would be dedicated to greater Minnesota.
- CGMC also worked to maintain the Disparity Reduction Credit and flood relief funds.
- Moorhead needs about \$16.5M to complete flood mitigation projects including buying and moving more homes, stockpiling sandbags, and completing more dikes.
- The market value exclusion program, formerly the market value homestead credit, a direct credit for homesteaded property, is now an exclusionary program that takes into account some credit for the net property tax burden. The exclusion reduces homestead market value and relates to the total tax capacity of the jurisdiction including the city, county, and school district.
- The movement of homeless, chronically mentally ill, and chemically dependent people from other states and areas of Minnesota put a heavy strain on Moorhead facilities and budgets; however, there is little that can be done to prevent people from moving here.
- Consolidation of services will become a larger issue as population moves from rural to urban areas. The state will have to provide some funds for this. One potential problem is territorial attitudes.

2. Proposed 2012 Operating and Capital Budget Discussion

Minutes: Michael Redlinger, City Manager, provided a copy of the Proposed 2012 Operating and Capital Budget. Key points included the following:

- There is a need to form a sustainable revenue strategy.
- LGA will continue to decline; the City has seen over \$2M unallotted in the past several years.
- The four Pillars of Revenue are changing (LGA, taxes, fees, electric fund transfer).

- Market value increases contributed to tax increases, not necessarily new City spending.
- The increase of nearly 6,000 new residents causes increased demands on City services with fewer dollars.
- Spending is being kept flat with unfilled positions, partnerships, wage freezes, delayed compensation, and budget reductions.

Points to consider:

- What does the City Council want staff to focus on for next five years?
- Decisions made now will determine where the City is in 2015, 2016, 2017, and beyond.
- Want to be transparent and understandable to Council and the public
- The City requires infrastructure development in order to bring in new residents and compete with neighboring communities.

Expenditures:

- Operating budgets remain at 2011 levels.
- There will be increased costs for the Dispatch Center.
- The budget is very conservative.
- There are no COLA increases, but some step movement (\$245,000).
- Flood fight costs will continue; \$3.8M this year.
- There are currently 9.8 position vacancies; two Police officers are being hired, but there will still be two vacancies in Fire and one in Police.

Revenue:

- The 2012 budget is \$62M, a 8.3% increase over 2011 (\$623,000 increase in property tax over last year).
- There are 248 authorized FTEs; not all are filled.
- There is a significant impact with the Market Value Exclusion Program - all homesteaded property receives a 40% reduction in market value which means a \$2M reduction in tax capacity on those properties.
- For the proposed budget, the property tax increase on a \$139,000 home would be \$73.
- The City gets the same amount of revenue but the homeowner is paying \$26 more because of the new Market Value Exclusion Program which replaced the Homestead Market Value Credit Program.

Timeline:

- September 12: Adoption of preliminary budget and levy; the levy can be reduced, but not increased.
- December 12: Final budget adoption.

Staff clarified the following in response to Mayor and Council questions:

- The \$623,000 tax increase is due to the fluctuating tax base – some homes were removed, some commercial and industrial properties were added.
- The electrical transfer is a \$167,450 increase (16%).
- The 2012 budget has to make up for \$827,000 in unallocated LGA, \$245,000 for salary, \$61,000 for debt service, and \$100,000 in increased operating costs.
- Last year, public meetings were arranged and an electronic budget comments site set up, but there was very little response to either one.
- Meetings can be set up with the Department Directors to answer any questions regarding budgets.
- Market value credit is not a decrease in the value of a property, but is a decrease in the amount of credit the state allows on property tax. The value of the property doesn't change, but the amount the state contributes toward property tax has changed.
- An updated fee schedule will be provided to Council after being updated by the Department Directors.
- After consulting with the City's financial advisors, information will be provided to the Council on the \$4M match required for DNR funds. Special assessments for Chapter 429 can't be used for property acquisition, so a way to assess for infrastructure will be researched, as well as how to leverage for the \$16.5M from the State of Minnesota. Stormwater retention fees are a possibility, but the City still has to remain market competitive on fees. The County has its own match requirement.

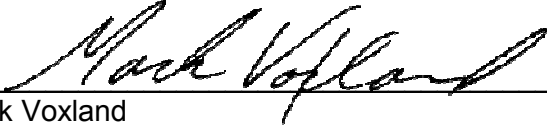
Council Members were encouraged to look through the information, prepare any questions they may have, and discuss them at the August 22nd and August 29th meetings.

2. City Manager Reports

Minutes: Redlinger provided Council Members with an official statement on the sale of General Obligation Improvement Bonds (Series 2011A) and General Obligation Improvement Refunding Bonds (Series 2011B). The Council will consider a resolution to accept offers on the sale of these bonds at the August 22, 2012 Council meeting.

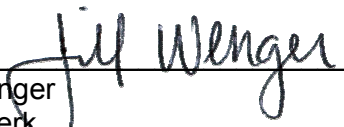
Meeting adjourned at 8:55 p.m.

APPROVED BY:



Mark Voxland
Mayor

ATTEST:



Jill Wenger
City Clerk

The proceedings of this meeting are digitally recorded and are available for public review.

Respectfully submitted by:
Becky Jahnke, Executive Secretary