City of Blaine
City Council Workshop

December 4, 2023 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

MINUTES

NOTICE OF WORKSHOP MEETING

In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

The meeting was called to order by Mayor Sanders at 5:31PM.

PRESENT: Mayor Tim Sanders, Councilmembers Terra Fleming, Leslie Larson, Chris Massoglia, Tom Newland, Jess Robertson, and Lori Saroya (arrived at 5:37PM).

ABSENT: None.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; City Planner Sheila Sellman; Police Captain Joe Gerhard; Officer Jake Green; Finance Director Jason Zimmerman; Finance Analyst Jenna Trittin; Senior Parks and Recreation Manager Jerome Krieger; Public Works Director Nick Fleishhacker; Director of Engineering Dan Schluender; City Attorney Tom Loonan; Communications Manager Ben Hayle; and City Clerk Catherine Sorensen.

2. New Business

2.1. 2023-539 Trunk Highway 65 Update
Sponsors: Daniel Schluender, Director of Engineering

Director of Engineering Schluender presented an update on the TH 65 project, including status of funding, lobbying/legislative efforts, project meetings of note, and project design schedule. He commented further on a matrix of funding the city had secured to date. He discussed the two meeting that were held with residents and businesses on the east and west side of TH65. He stated staff was pleased by the turn out for the open house that was held at the NSC in October. The process that will be followed for noise walls was further discussed with the council. Staff provided further information on the project schedule, noting a preliminary layout had been completed by MNDOT and this layout was available on Thrive65.

2.2. 2023-605 City Attorney Contracts
Sponsors: Michelle Wolfe, City Manager

City Manager Wolfe stated the five-year contracts for both civil and prosecution services with Eckberg and Lammers will end on December 31, 2023. In 2018, a request for proposals was conducted with seven proposals received, and three firms selected for interviews. City Council directed staff to present contracts for both civil and criminal prosecution with Eckberg and Lammers for approval at the October 4, 2018, city council meeting. Eckberg submitted a proposal for three-year renewals of the contracts commencing January 1, 2024, through December 31, 2026. The 2024-2026 criminal prosecution proposal requests a 3% increase each year of the contract. The 2023 annual fee for prosecution is $264,000 and the 2024 rate would be $271,920. Currently, the city has a hybrid agreement for civil legal services which includes a monthly retainer and an hourly rate. The hourly rate is dependent on the type of legal services required. Staff asked if the council supported staff putting the city attorney contracts on the December 18 city council agenda.

Councilmember Massoglia was of the opinion Eckberg and Lammers was doing a good job for the city and supported moving forward approving these contracts on December 18.

Councilmember Newland agreed stating he would like to maintain stability with the city attorney given the amount of change that has occurred at city hall and with the city council over the past five years. In addition, he believed Eric Larson was a talented and knowledgeable individual that brought a great skill set to the 105th Area Redevelopment Project.

Councilmember Fleming supported the city attorney contracts coming forward on December 18.

Councilmember Saroya requested an opportunity to provide a review of the city attorney's services as would be done for any city employee. She believed it was awkward to be discussing this topic with the city attorney in attendance at this meeting. She explained that in many cases, since she has been on council, she has consulted with outside attorneys and has received different opinions. She discussed the concerns she has had with council behavior, such as when a councilmember hugged a developer in council chambers and she did not recuse herself from a vote, as well as having concerns regarding conflict of interest involving the mayor's personal business dealings in the city. She stated she was getting push back when requesting outside counsel to look at these issues. She stated she was not comfortable renewing this contract. She suggested an RFP process be considered and asked staff to provide information regarding current costs balanced against in-house counsel.

Councilmember Fleming asked if this item would move forward with council consensus. Mayor Sanders reported this was the case.

Councilmember Larson asked if City Attorney Loonan liked working with the city of Blaine. City Attorney Loonan reported he was new to the city and explained he would not have asked to renew the contract if he did not enjoy working for the city of Blaine.

Councilmember Saroya questioned how much the city was spending for civil and prosecutorial services. Ms. Wolfe indicated she could not answer this question at this time but could research further and could report back to the council. She explained it was rare for a city to have an in-house attorney and that most cities opt to contact for attorney services in order to ensure they receive both civil and prosecutorial services.

Councilmember Saroya asked what the term was for the proposed contract. Mr. Loonan explained the contract would have a three year term.

After discussion, council consensus was to bring the item forward for city attorney services to the December 18 city council meeting.

2.3. 2023-606 2024 General Fund Budget & Tax Levy
Sponsors: Jason Zimmerman, Finance Director

Finance Director Zimmerman stated the City Manager has completed a review and developed a final recommendation for the 2024 city levy (excludes EDA). The recommended levy includes what is necessary to maintain services, enhance public safety, and fully fund the debt issued for core infrastructure and equipment. Further reductions to the levy would result in a decrease of service levels and increased future financial risk. Initial budget requests were submitted in May and have been reviewed after each council workshop and meeting. Not only were requests evaluated and vetted, opportunities for savings and reductions were identified and explored. In addition, it should be noted that the council's commitment to resolving the deficit balances in the internal service funds directly contributed to the city maintaining its AAA credit rating for the most recent debt issuance. As a reminder, based off the proposed property tax levies for our peer communities, Blaine continues to provide phenomenal value for property owners. Absent other significant funding sources, the impact of funding core city services falls vastly on property taxes.

Finance Analyst Trittin explained at this time, after extensive review, this is the City Manager's recommended levy to fund core city services. The recommended levy increase of 17.59% supports a budget that reflects the true costs of operating our city and provides a more stable and accurate base for building future budgets. At the recommended levy, the median valued single-family property in Blaine valued at $327,400, which experienced an increase of 2.18% in value, is estimated to see the city's share of their property tax bill increase by approximately $89.43 or 9.01% for 2024. Staff commented further on the scenarios that were available to the council and requested direction on how to proceed.

Councilmember Massoglia stated with utility rates going up 20%, he could not support the tax levy going up 17%. He supported the council getting this number down to a more reasonable level.

Councilmember Robertson questioned what a reasonable level was for the tax levy. She indicated she did not believe it would be possible to get the levy down to a single digit number, given the expenses the city had in 2024. She questioned if it would be reasonable to find $500,000 to $1,000,000 to move out of the levy.

Councilmember Massoglia indicated he could support the levy being closer to 11%, which would put the tax rate where it was in 2023.

Councilmember Newland indicated he supported the city manager's recommendation. He did not support additional cuts to parks and recreation maintenance. He was of the opinion the proposed increases were reasonable based on the 17% increase. He stated he was not getting caught up on the proposed percentage, but rather was looking at what the city needs as it grows and moves forward. He feared the city would begin to fall behind if they did not begin to properly fund the tax levy.

Councilmember Robertson suggested moving the parks and trails expenditures off the general levy and that strategic priorities funds be used for one year to cover these expenses. She commented on how using $500,000 from the strategic priorities fund would put the levy below 16%. She requested further comment on the new positions that would be added in 2024. Ms. Trittin reported two of the three positions would be added in 2024.

Councilmember Robertson recommended only the fleet manager position be added in 2024. She commented further on how the council had to decide whether or not they wanted to fund itself properly, now that Blaine was the ninth largest city in the state.

City Manager Wolfe explained the city could sustain funding the parks and trails expenditures for one year from the strategic priorities fund, but noted this would not be sustainable long term. She commented on how the use of these funds would have to be built into the budget and levy for next year.

Councilmember Massoglia thanked staff for all of their time and effort on the budget. He discussed how workers' comp expenses were slated to increase by $800,000 in 2023. He asked if this expense could be covered by the strategic priorities fund. Mr. Zimmerman stated the city's insurance policies had a mid-year renewal. He explained the workers' comp premium would cost the city $1.2 million and came with a minimum and maximum based on the city's experience over the past 15 years. He commented on the retroactive claims the city has had and noted the city knew going into next year, both the workers' comp and the self-insurance fund would be negative. Ms. Wolfe reported the council would have to be cautious if using the strategic priorities funds for these expenses because these funds were not renewable.

Councilmember Fleming thanked staff for their efforts on the budget and tax levy. She understood this was a difficult project to undertake. She stated she wanted to do what was right by the city, while also doing what was right by the residents. She stated this was a really difficult decision, especially given the fact she was new on the council. She indicated she liked what Councilmember Robertson was proposing and would like to learn more on what this would look like.

Councilmember Saroya questioned if the three staff positions were included in the city manager's recommended budget. Ms. Wolfe reported her recommended budget included funding for two full-time positions. She stated she was sensing the forester would not make it into the budget for 2024 and therefore put consulting dollars aside for this work.

Councilmember Saroya recommended the new positions be removed. She did not believe the city was in the position to be hiring new personnel at this time. Ms. Wolfe clarified two new police officers were included in the base budget and two new utility positions were included in the utility funds. Beyond that there was an allocation for two to three new positions and she had allocated this down to two. She noted Councilmember Robertson was recommending this be reduced to one. She indicated she supported the hiring of a fleet manager. She commented further on how the budget was drafted, keeping in mind, staff was working to maintain service levels.

Councilmember Larson thanked staff for all of their work on the budget. She appreciated how the budget had become more and more palatable based on the discussions being held between staff and the council.

Mayor Sanders thanked the council for their comments. He noted the council had to come to a consensus on how to proceed with the budget and tax levy, in order to provide staff with proper direction so they can prepare for the Truth in Taxation Hearing.

Further discussion ensued regarding how to properly budget for the city in order to protect the city's bond rating.

Councilmember Larson stated she supported the city using strategic priorities funds to cover the parks and trails expenditures. Ms. Wolfe cautioned the council from taking too much from the strategic priorities fund.

Councilmember Robertson indicated she did not have an issue with levying funds to make the workers' comp plan right. She commented on how the health of this fund directly reflected on the city's financial health and bond rating. She questioned what the balance was in the strategic priorities fund. Ms. Trittin reported the balance was over $2.2 million.

Councilmember Massoglia asked if the council would be able to amend the budget in the coming year. Mr. Zimmerman reported this could occur.

Councilmember Massoglia suggested the council move forward with an 11% levy with the understanding amendments could be made in January or February. Ms. Wolfe reported the city council could amend the budget but the levy could not be amended. She stated it was a personal point of pride for herself and staff to have a final levy lower than the preliminary levy. She commented further on how service levels would be impacted if the budget and levy were further reduced. She reported service levels would not be impacted if strategic priorities funds were used for one year.

Councilmember Larson asked if it was possible to move the budget forward with no new hires. Ms. Wolfe indicated this would be possible, but this decision would have service level impacts.

Mayor Sanders requested Councilmember Robertson restate her suggestion.

Councilmember Robertson explained she was proposing the use of $500,000 in strategic priorities funds be used to cover the expense of parks and trails improvements in 2024. She recommended the fleet manager position remain in the budget to assist the city council with budgeting for fleet expenses going forward. She commented on the work the council had to do when it comes to future budgets because the council could no postpone budget decisions to the future. Ms. Trittin explained bringing the new positions down to one and using $500,000 in strategic priorities funds for park and recreation expenses would bring the levy down to 15.84%.

Mayor Sanders, Councilmember Robertson and Councilmember Newland supported this percentage.

Councilmember Massoglia stated the city was raising utility rates 20% and was proposing a 15+% levy increase in the middle of a recession. He did not believe residents would respond well to the proposed increases. He supported the levy being closer to 11%.

Councilmember Fleming indicated she agreed with what Councilmember Massoglia was saying, but noted she would be supporting the 15.84% tax levy moving forward.

Councilmember Larson appreciated the fact the council was reaching a further compromise when it came to the levy, and she thanked Councilmember Robertson for her explanation.

Council consensus was to support a 15.84% levy, directing staff to transfer $500,000 for park/trails, and requesting staff to utilize the strategic priorities fund for one year.

2.4. 2023-607 2024 Charitable Gambling Budget
Sponsors: Jason Zimmerman, Finance Director

Ms. Trittin stated at the November 20 council workshop, staff presented the returned scoring allocations and asked for council feedback. Council requested to see equalized allocation amounts for similar organizations (e.g. food shelves, schools, etc.). Staff was directed to incorporate the feedback, send an updated document for council review, and bring the item back for the December 4 workshop. Two additional scenarios that were adjusted based on council feedback are attached for consideration. Council may choose one of the scenarios presented or make modifications. Staff has received inquiries about the timeline of the award determination process. Once council has provided guidance on recommended allocations, staff can respond to organizations regarding the estimated award. The council recommended funding for each organization will be incorporated in the 2024 Charitable Gambling Fund budget and presented for council adoption on December 18.

Councilmember Larson commented on the great work Jam Hope was doing in the community and indicated she supported the city providing funding to Jam Hope.

Mayor Sanders stated he would like to see $5,000 in funding being provided to the Civil Air Patrol.

Councilmember Robertson requested $5,000 in funding be considered for Meals on Wheels.

Councilmember Newland supported funding Scenario #2 moving forward with the amendments as discussed.

Councilmember Saroya stated it was her understanding the Veterans Memorial Park was eligible for charitable funding. Ms. Wolfe explained after conducting some research, she learned that charitable gambling funds could not be given to parks. She stated the only way for charitable gambling funds to be used for the Veterans Memorial Park would be to pay a vendor directly. For this reason, staff did not recommend using this funding source.

Councilmember Saroya explained she supported the city allocating $21,500 for a new monument. She suggested strategic priorities funding be used to support the Veterans Memorial Park and indicated she would like to bring a discussion item regarding this matter to a future workshop meeting.

Council supported charitable gambling donations as outlined in Scenario #2 as amended to include $5,000 for Civil Air Patrol, $5,000 for Jam Hope, and $5,000 for Meals on Wheels.

2.5. 2023-608 Proposed Charter Amendment - Council Salaries
Sponsors: Cathy Sorensen, City Clerk

This item was postponed to a future workshop meeting.

2.6. 2023-610 Proposed Charter Amendment - Council Recall
Sponsors: Cathy Sorensen, City Clerk

This item was postponed to a future workshop meeting.

2.7. 2023-609 Proposed Charter Amendment - Redetermination of Ward Boundaries
Sponsors: Cathy Sorensen, City Clerk

This item was postponed to a future workshop meeting.

3. Other Business

Police Captain Gerhard invited the Council to a license plate reader demonstration at 5:00PM on December 18. It was noted that staff would forward the council a calendar invite for this event.

4. Adjournment

The workshop was adjourned at 6:56PM.

Signed by ______________________________
Tim Sanders, Mayor

Signed by ______________________________
Catherine M. Sorensen, CMC, City Clerk