

2017 Town Hall Budget Meeting

Questions and Responses

Following are responses to the questions asked by those attending the Town Hall meeting held on Wednesday October 12, 2016. Similar questions have been consolidated.

1. For every dollar of property tax that a resident will pay, what percentage goes to the City?

Approximately 30% or \$0.30. The remainder goes to the County, School District, and other taxing authorities.

2. For 2017, there is a budgeted difference between revenues and expenditures of \$50k for a building inspector. How will this position be funded for in the future?

This position will assist the building department in conducting inspections due to the construction of new apartment buildings. Once these are completed or as work slows down, it is anticipated that the position will end. Funding will come from building permit fees.

3. Is there still something such as the state highway tax fund or is that gone?

MnDOT distributes funds for highway maintenance and construction to counties, cities and townships from the Highway User Tax Distribution Fund. This fund is supported by revenues from the gas tax, license tab fees and the motor vehicle sales tax. The state constitution dictates the disbursement percentages to counties, cities and townships with Municipal State Aid (MSA) City's receiving 9%. The MSA funds are then allocated to each city based on a formula considering both population and construction needs. In 2016 the City was allocated \$930,000. 35% of this amount is received as a revenue in the general fund for street maintenance. The remaining 65% is administered through MnDOT and is kept in the City's MSA account for distribution at the completion of state aid construction projects.

4. Are grants available still?

The City applies for grants in certain circumstances and for eligible projects. For example, this past year the police department applied for and received grants for traffic safety equipment such as radars and portable digital speed display signs. We have also received grants for well-head protection. Usually grants come with restrictions on the use (typically for new items) and are matching grants which means the City has to cover a portion of the costs.

We do receive \$430,000 from the SMSC as local government aid. Since 1992 the SMSC has paid this semi-negotiated amount but they are not required to pay for city services.

5. What is the plan if the SMSC does not pay?

We have no reason to expect that they will not continue to provide some level of funding for the services the City provides. If they did however, we would have to make major cuts or tap into reserves. The use of reserves is a temporary solution since it is a limited resource.

If we were to cut services, it would be across all departments. We are obligated to provide services to SMSC but they have no obligation to pay for them under the law.

6. Regarding Emerald Ash Borer (EAB), what do you need that much money for?

The funds are for the treatment of 8,000 Ash trees on public property to slow down the spread of the disease and for removing public trees that become afflicted with the disease. Other cities with EAB have experienced dying trees which poses a safety hazard. Cities need to be proactive by stopping the spread for public safety and to protect the urban tree forest. The funds are not adequate to assist in private tree removal or treatment.

7. How do we get other residents to understand those service challenges brought up in the PowerPoint? Stated EAB is not anything she expected the city to be doing but it helps protect her trees as well as keeping the roads repaired because she does not want to live with potholes but everything costs money to maintain.

Getting residents involved in the budget process is a challenge in many communities. Most people are extremely busy and unless something impacts them directly (i.e. road projects) they have a tendency not to become involved. We will continue to do what we can by having workshops on the budget, continuing the Town Hall meeting, and posting information on the City's web site as well as other social media. We hope that residents who support and oppose annual budget proposals will participate to be better informed.

8. The budget is very lean, what are the things missing? What should be included? If it has not been included, then why not?

The Police budget is very lean. Compared to our two neighboring cities, the Prior Lake Police budget is 28% of General Fund expenditures, in comparison to Shakopee at 34% and Savage at 38%. This creates challenges in delivering what are considered "normal" police services in most suburban police departments. The police respond to calls for service, which continue to increase each year, and staffing has not kept up. There are also challenges in delivering proactive public safety measures such as community policing, neighborhood watch programs, neighborhood patrols, and traffic enforcement such as distracted driving, DWI, and speed in neighborhoods. Since officers are tied up responding to calls, which are the highest priority, these other efforts do not have the resources devoted to them. These are all important crime reduction and community outreach programs that make our neighborhoods safer, hold people accountable, and build strong working relationships between the police and the community.

Over the last ten years, the City's infrastructure has increased about 15% while budgets and staffing levels in the Public Works Department have remained flat. In addition, there have been three increased areas of service for the department including water treatment, storm water treatment and facilities management. This dynamic pressure has led to the department prioritizing services (i.e. winter maintenance of streets takes priority over trails and sidewalks). Generally, operations are more reactive in nature addressing problems or maintenance activities as they arise as oppose to proactively maintaining assets and being strategic. Many tasks are completed as time allows which becomes less as we continue to add assets disproportionate to staffing levels. The City has made efforts to focus on pavement management and ensure funding for pavement preservation to capture the most life out of the original pavements. This is an excellent example of how city assets are

managed to make the most of the dedicated tax dollars. Further using this approach on other city assets (i.e. trails, sidewalks, utility pipes, and facilities) can ensure maximizing the funds budgeted for asset management.

Overall, staff levels are at a point where due to the work load it is difficult to be proactive and to take advantage of the numerous long term plans that the City has developed. For example, the City's Capital Improvement Plan (CIP) is generally a collection of spreadsheets with some limited narrative briefly describing projects. The budget is similar. The CIP and the Budget are the two most important financial documents that the City Council adopts that guide current and future spending decisions. Earlier we discussed the lack of resident interest in the process. Improving the readability of these documents will be an opportunity to further engage with our residents.

In an effort to save personnel costs the city has had a longstanding tradition of hiring seasonal and less than full time employees. This worked well when our retired staff would come back to work the peak seasons as they are highly productive and require little oversight or training. Those people are aging out and the quality of the worker hired for temporary or seasonal is not as it used to be. The City finds itself having to increase funding for personnel simply to keep the same level of employee resources.

9. The 5.13% is not going to cover items needed, what percent would cover additional fire, police and repairs the staff recommends to make?

The Police Chief recommended adding two officers in 2017 as part of a ten-year plan to bring up staffing to a level commensurate with similar sized communities in order to effectively provide police services. Two additional police officers would be about a 1.7% increase in the general fund levy.

10. The community is only focusing on the last two years; they need to go back five years to see that the percent all around is not high. Why was there a gap of increases?

Recognizing the challenge of the housing bust, the Council at the time looked for alternatives to reduce the tax burden on homeowners experiencing declines in property values. This was accomplished in a variety of ways including reduced expenditures and the use of fund balance to offset an increase in property taxes. This continued for three years before an increase was approved in 2015. Taken over the years 2010 to 2017, the actual increase in the levy is about 15.5% or just over 2.2% per year. Granted, most of the increase occurred in the last two years. This was necessary to "catch-up" for several years of zero tax increases.

11. How do we or do we not pay for that growth?

Approximately 56% of the general fund operating budget is paid for with property taxes, 13% with charges for services, and 12% with intergovernmental revenue. A total of 81% of the general fund revenue comes from these three sources. Considering that the City has no control over the amount of intergovernmental revenue it receives, it's critical that we manage a consistent but sustainable level of property tax increases along with fee increases to help cover the costs of providing a service. We annually review our fee schedule and discuss new ways to raise revenues but the options are limited.

12. How do we communicate to the naysayers that private businesses cannot underprice a product which is similar to the city not being able to afford services?

It will be a gradual process that will take some time to accomplish. The message is not that “the sky is falling” but more about making choices based on available resources. What service cuts are residents willing to accept? Part of the challenge is that everyone has a different level of expectations. Some people are willing to pay for a higher level of service than others and how does that get balanced out across the community. Staff needs to continue to request (and justify) as part of the budget process the resources they need to accomplish the tasks they have been given based on Council priorities.

13. Councilor Keeney said he can live without stuff to keep the taxes low, resident asked what are those things you are willing to live without?

Keeney stated he can live with wooden light poles, potholes and uncut grass. Stated he does not want to lay off staff but could support a general lower level of service.

14. Staff, with the current percent tell me what do you need to do your job better, to run your departments more efficiently. What is not being done?

Two examples include the addition of a Fire Marshall and a City Clerk. Proactive life safety inspections of high-density housing, elderly living facilities and other City-licensed facilities are not currently happening as often as necessary. These inspections only recently started and are being conducted through the Building Department but only as time permits. This model will not keep up to the demand for these critical life-safety inspections. The city needs to add a full-time Assistant Fire Chief who would assume the duties of a Fire Marshall to ensure the safety of city structures. Administration needs a full-time City Clerk to fulfill the statutory obligations of the City Council, including attending meetings, posting meeting notices, maintaining official city records and public documents (Laserfiche), responding to Minnesota Government Data Practice requests, and ensuring compliance with applicable state laws. This position would manage municipal elections and licensing activity (liquor, business, and cigarette), which are currently handled by the Account Specialist in the Finance Department. This would allow Finance staffing to remain static as the workload of the Account Specialist increases. The Executive Assistant, who now serves informally as the City Clerk, would be redeployed to support human resources, communications and potential volunteer coordination.

15. If we go with this number, how much is going away? Can the staff lay out what this current % will eliminate, then what % would it take to fix issues, and another % to improve items? Is this something that can be laid out for the next budget?

It is too late in the process to provide those numbers this year. The budget model takes future years into consideration.

16. How does the county pay for their roads since they don't have assessments?

Based on a cursory review of the County's budget, it appears that it is a combination of property taxes, other funding sources including the state, and debt.

17. We haven't increased our staff even though the city is growing. What happens when the council wants to look good and cut the % even more?

It depends on the level of decrease the council would like to see. Regardless, any sort of decrease would require either a reduction in expenditures, increased revenues, use of fund balance or some combination of all three. Staff is currently working on additional revenue sources which will be presented to the Council at the workshop on November 14. The intent of this is not necessarily to reduce the tax levy but to complete unfunded projects.

Like many municipalities during the great recession (2008), the city was forced to reduce staffing by eliminating positions and implementing hiring freezes while the economy slowly worked itself out. Subsequent years have seen a modest uptick in staffing levels, but the pace of that hiring has not kept up with Prior Lake's growth. Over the last 8 years, the city's population has grown by 10.5% and staffing levels by 3.2%. The impact of this inequity has now put the City in the difficult position of limiting services, deferring maintenance and over-taxing current staff. The next five years will be critical in defining the future of government services for the residents of Prior Lake.

18. Can the city look at 15-20 year bonds while rates are low to get caught up on improve services and get real with the public on what different levels of service mean?

The City's policy limits the term of the bond issue to 10 years. There have been some exceptions to this including bonds including those issued for some of our larger building projects including City Hall and the Water Treatment Plant. The City can extend the term beyond 10 years. A better solution could be to determine a tax levy level for debt that the City can afford and schedule projects accordingly.

19. How much did the IT issue cost?

The Crypto lock virus cost the City just over \$12k in outside consultants to fix. This does not include lost productivity during the time the system was down. During this process, we learned how much support is needed to maintain our existing software and how outdated our equipment. Due to the tight budget and the direction to minimize the levy increase, we are struggling to find \$10k to get additional IT support so we can keep up with maintaining our IT infrastructure.

20. Is IT in the budget?

What the budget allows is a modest effort to maintain our IT infrastructure. The City has one full-time employee dedicated to serving the City's informational technology needs. This individual oversees 1,200 devices located at 6 municipal buildings and supports 90.5 city employees, many of whom work night and weekend shifts. The Council has authorized major software purchases for a new financial system (2014) and permitting/code enforcement (2106). These systems replaced the existing programs that were originally installed in the late 80's and in the early 2000's.

21. How many homeowners in the city are on a fixed income?

According to the American Community Survey for the period from 2010 to 2014, approximately 6.2% of Prior Lake residents fell below the Federal Poverty level. For 2016, this amount is \$16,020 for a family of two.

22. Per the community surveys, there seems to be a conflict on people wanting growth and people who want a small-town feel. How can the city make those two factors work together?

Mayor Hedberg stated the small-town feel depends on a person's perspective. He has lived here since 1981 when the population was only 7500 with people saying they wanted to keep the small town feel and now with a population of 25k people are still saying they want to keep the small town feel.

Keeney stated you cannot stop the growth and people will sell their land for development if they wish. It is up to the city to provide services for residents.

23. Define for me a small-town feel?

Mayor Hedberg offered this: "Wide open spaces on both sides, with corn fields, a traditional downtown rather than "big-box" retailers; it's about how many people you know from around town. We aren't a small town but it is the edge of rural space that gives you the sense that we are there. You still have the key buildings of government visible downtown. Strong neighborhoods. Low turnover."

24. It is getting hard for people on fixed incomes to stay in their homes, is there a way of putting a threshold for income?

The state legislature defines how the money is allocated; the city has no way to set a threshold. The state also provides some level of rebates for those with low incomes for property taxes. We recognize the challenge that some people face and do what we can to minimize the burden. Even so, running a city of 26,000 requires a certain level of taxation.

25. Where is everyone? Why are they not here? How in the world did there becomes a friendly crowd in election year?

Last year there were about 30-40 people. Staff communicated the date and intent of the meeting throughout the budget process and expected a similar turnout.