

**CITY OF ISANTI
CITY COUNCIL MEETING
Tuesday, December 1, 2015
CITY HALL**

Mayor Wimmer called the meeting to order at 7:00 p.m.

The Pledge of Allegiance was recited.

Members Present: Mayor George Wimmer, Councilors: Paul Bergley and Steve Lundeen

Members Absent: Dan Collison and Adam Johnson

Staff Present: City Administrator/City Clerk Don Lorsung, City Attorney Clark Joslin, Human Resources/ Deputy City Clerk Karissa Henning, Police Chief Gene Hill, Economic Development Director Sean Sullivan, and Assistant City Engineer Jason Cook

D. Adopt Agenda

Motion by Lundeen second by Bergley to approve the agenda as presented. Motion carried unanimously

E. Proclamations/Commendations/Certificate Awards

None

F. Approve City Council Minutes

1. November 17, 2015 - Regular Meeting of the City Council
2. November 17, 2015 - Closed Session of the City Council - City Administrator Performance Review

Motion by Bergley, second by Lundeen to approve the Regular and Closed City Council Minutes of November 17, 2015 meeting as presented. Motion carried unanimously.

G. Citizens Input

Glenn Farrell, 200 1st Avenue NW, questioned why, when the City is raising taxes, there are funds to hang Christmas decorations on private buildings downtown. Farrell questioned whether it was legal for Church and State to intermix and for the City to specifically support the Christian religion by hanging Christmas decorations on private properties at City expense. Farrell felt it was wrong, when the City is not representing all the religions for all of their holidays, to do so solely for the Christian religion. He also questioned why, with the increased income from meter fees through the utility companies, taxes were being raised.

Mayor Wimmer responded that the Chamber of Commerce requested assistance putting up Christmas decorations. This is something that the City has done for years and there had never been an issue with that in the past. The City assisted the Chamber of Commerce to decorate, as a way to help decorate the downtown area. Mayor Wimmer stated that if Mr. Farrell wanted to make this claim, the City would need to check with the City Attorney to determine what it can and cannot do. Mr. Farrell responded that city taxes should not be used to support the Chamber of Commerce.

H. Announcements

Announcements were read

I. Council Committee Reports

Lundeen noted that Fire Chief Randy Polzin was nominated Fire Officer of the Year and he will be retiring effective December 31, 2015. Al Jankovich, the 1st Assistant Chief, will be motioned in as Fire Chief effective January 1, 2016.

Mayor Wimmer noted that due to the Youth Hockey Association withdrawing from their outdoor rink agreement with the City of Isanti approximately two years ago, the City now needs to determine what to do with the rink and how it will be used going forward. It costs approximately \$5,000 to \$7,000 to maintain the rink over the ice season and the boards surrounding the rink are pretty well worn. The Park and Recreation Board have been working on suggestions for going forward. The City is considering making ice for the rink; however, the rules currently state specific hours for hockey usage. As there are no longer exclusive hours for youth hockey, the question of someone simply wanting to skate needs to be addressed. There have been requests by youth hockey teams to reserve it, but that is not currently allowed because the agreement is no longer in force. This is an item that will be coming before the Council in the future.

The Mayor also addressed the pavement extension of the City Hall parking area and the extension out to Main Street. The extension out to Main Street was not completed with the original project as the City had been working with the Railroad for the right to construct the alley on that property. This was finally accomplished a week or two ago. These areas will be paved in the spring as a completion of that project.

The Mayor announced that the City of Isanti is the Winner of the 2016 EDAM Excellence in Economic Development Award for Business Recruitment for SnoBear USA. The City also won the 2008 EDAM Business Recruitment Award in 2008 for Ever Cat Fuels. Recruitment of SnoBear USA took quite an effort as the company was looking at sites in Minnesota, North Dakota, South Dakota and Canada. SnoBear USA became aware of Isanti through its marketing program and was impressed by how well City representatives, including Economic Development Director Sean Sullivan, presented the community and welcomed the business. The Mayor expressed that this will be a fantastic project for the City of Isanti as there is the potential for 40 new manufacturing jobs to be created by SnoBear USA over the next 2 years. As part of the project, SnoBear USA has agreed to construct a new building on an adjacent site next spring. SnoBear USA operates at 1 Enterprise, which is also partially occupied by American Manufacturing. The Mayor noted that the City Investment for this project was \$27,000 from the revolving Loan program, the sale of land for expansion and use of adjacent land for product testing. In addition, the State of Minnesota provided nearly \$600,000 in Minnesota Investment Fund and Job Creation Fund dollars to the project. All the assistance provided was possible due to the manufacturing designation to the project, the creation of a substantial amount of quality jobs, and a commitment by the City of Isanti to be a co-applicant for State funding with SnoBear USA.

J. Public Hearings

None.

K. Business Items

1. Establishing the City Council Goal Setting Meeting

Monday, January 25, 2016 at 8:30 am was selected for the City Council Goal Setting Meeting.

Motion by Lundeen, second by Bergley to approve the date for the City Council Goal Setting Meeting. Motion carried unanimously.

2. 2016 Final Budget and Levy Presentation

The Mayor presented the budget as the new City Finance Director will not be starting until December 7, 2015. The presentation given was designed to show how the budget has changed over time. The Mayor noted that, with regards to expenditures, the largest budget item is always Public Safety which includes the Police and Civil

Defense. Fire Protection was broken out as a separate item as it is a contracted service through the Isanti Fire District. General government is another large item which has gone from 28.1% of the budget in 2006 to 22% of the proposed budget for 2016. The Mayor noted that the City of Isanti usually ranges from 30% to 33% less than its peer group of Cities for administrative costs.

The Mayor then presented 2016 budget items which were new or reflected an increase of expenditures. The Mayor stated that \$53,000 has been directed to help replenish the Fund Balance. The big difference in City homeowners' tax statements for 2016 is due to the fact that the City is no longer funding its budget through cash reserves, which it had been doing for the past six to seven years. The 2015 General Fund Budget was \$3,931,735 and for 2016 it is \$3,923,030; thus the 2016 General Fund Budget is approximately \$9,000 less. The City, however, needs to start replenishing the General Fund Balance. Most of the depletion of the General Fund reserves occurred in 2007, 2008 and 2009 when City staff members were cut and the cash was reserved because City representatives understood what was coming down the pike. Even though the economy tanked in 2007, the highest valuation the City has ever seen as a complete City was in 2009 because there is an approximate 2 year lag. As the dollars came in, they were set in reserve to help offset City finances so that during the recession, taxes weren't increased.

The Mayor explained that the \$44,000 allotted for COLA, which is a cost of living increase, was a negotiated amount for City staff. \$36,000 has been allotted to meet City compost site clean-up and re-opening costs. The Mayor affirmed that, and as many were aware, the City Compost Site had been closed the past year due to MPCA violations, in addition to the compost being unfit for use because some people were using the site as a dump. The Mayor indicated that the area is now fenced in. There are cleanup costs to remove the product that is at the site now, so the City can re-open the compost site in 2016. The City plans to have the site open up to 2 days per week during certain times; however, those days/ times have not yet been selected. There will be an attendant on-site to assure that only city residents are using the site.

There was \$36,000 also allotted for a new squad car. This is a budget item that the City hadn't had previously, as for the past 8-9 years the City was able to fund squad cars and other equipment through DUI forfeiture funds. The Mayor noted that a great benefit of improved DUI enforcement and the establishment of programs such as Sober Cab is the resulting reduction in the number of drunk drivers being picked up and vehicles being forfeited. On the positive side, the City is seeing fewer DUI's; on the flip side, the costs for replacing Police vehicles are being fully born by city taxpayers. The Mayor noted, as he has a number of times in the past, that there is still some inequity with the School Board. This year the School Board paid for a squad car for the City of Cambridge as part of their School Resource Officer Program. When the City of Isanti learned of this, they tried to understand why Cambridge would receive this type of funding. The School Superintendent has acknowledged that this was not something that should have happened; however, Isanti will not be receiving equal funding.

The \$31,000 allotted for building, code enforcement, and zoning software will increase efficiency from an operations standpoint and allow the City to better service the public.

Also on the list of new and increased costs were: \$25,000 allotment for health insurance premiums, \$16,000 increase for Fire Protection Services, \$15,000 for street lighting infill (a program the City began funding last year to progressively add street lights in dark, residential areas to create a safer environment); and \$12,000 to add a second election precinct. When the voter population reaches a certain level, the County requires cities to add voter precincts to allow for a smoother and faster process. Next year there will be two precincts in Isanti: Precinct 1 will still be located at the City Hall; Precinct 2 will be next door in the Community Center. The City has been divided into precincts in such a way as to allow for growth and a logical, future precinct 3.

Additional costs outlined include \$11,000 allotted for Capital Replacement which is primarily for the bridge that goes across on the Cambridge-Isanti Bike/Walk Trail. Isanti will be covering 40% of the cost and Cambridge will cover the remainder. \$10,000 has been allotted for park equipment replacement. \$10,000 has been allotted which may or may not be needed, for the Building Official transition. The City's Building Official will be retiring, and the current Building Inspector is anticipated to transition into the Building Official position, but because the City has some larger projects coming up, it may need to contract with the retiring Building Official to pick up some of the work. At this time, it looks as though the transition funding may not be necessary, but in case it will be, the budget includes the funding. The last General Fund costs listed in the Mayor's presentation included: \$10,000 for EDA Marketing, \$9,000 in general liability and Worker's Compensation insurance premiums, \$7,000 for automatic doors at Public Works, \$7,000 for force controls on the white plow truck, and \$6,000 for Public Works equipment including shop lighting and a pressure washer. The Mayor noted that these items are just the General Fund portion of the costs. Some of these items cost quite a bit more but are covered in part by revenue funds (e.g. sewer, water.)

The Mayor went on to present a slide which outlined where the City's General Fund Budgeted Revenue comes from: 64.8% comes from Property taxes, 14.6% from the C/O LGA (Local Government Aid) Flip, 8.1% from transfers (7.9% of this is the \$300,000 being transferred from the Liquor Store fund into the General Fund), 3% Miscellaneous, 3.3% intergovernmental, 2.6% Licenses & Permits, 1.4% Charges for Services, 0.8% Fines & Forfeitures, and 0.6% Interest Earnings.

Next, the Mayor presented the proposed 2016 Property Tax Levy of \$2,540,561 vs. the 2015 Levy of \$1,957,506. The Mayor noted again that the difference in these amounts is the cash reserves that were used to balance that out. The preliminary Taxable Market Value for 2016 indicates an increase of 13.9%. The Mayor acknowledged that every property is different; however, the overall valuation of the City has increased nearly 14%. The Mayor outlined what is included in the Levy and noted that these represent new items with the Fire District costs of \$110,000 for budget increases over time being broken out. The Mayor stated that when the Fire District was created in 2005, the City was paying from \$85,000 to \$86,000 for that service which has gone up to \$190,000 for 2016 which reflects an increase of 10% each year on average. The reason for this in part is that the Fire District provides a lot of services that other fire departments do not including EMT services. Approximately 98% of the Fire District calls in Isanti are medical calls. This reflects one of the demographic trends being seen in Isanti of the aging population from the townships moving into the City so they can be closer to services. There is no direct billing to individuals from the Fire District; it is all covered by the City of Isanti and the six other townships that make up the Fire District.

The levy covers \$100,000 for pavement management. The Mayor noted that there were two public meetings on the pavement management plan earlier in the year which, unfortunately, none of the public attended. The City approved a 10 year pavement plan and a 10 year utility plan which insures that the City's infrastructure will be maintained over time. The \$75,000 for court ordered abatements covers the loss of projected City income due to court ordered property tax changes from lowered property valuations. The City prefers that property owners challenge the tax valuation with the Assessor when they get their first statement in March so the process will be completed when the City is preparing budgets for the upcoming year and that information can be taken into consideration. The court ordered tax abatement process is often not settled before well into the next calendar year which results in budget shortfalls for the City. Two years ago the budget shortfall was approximately \$40,000. For 2015 the budget shortfall was approximately \$60,000. The City has budgeted \$75,000 for the upcoming year and, if the trend continues, the following year will require a budget line of \$90,000. The Mayor noted a second timing challenge the City faces when preparing its budget of needing to provide preliminary levy numbers to the State prior to the County providing the City with its levy numbers; thus, the City has only guidance amounts, not a complete view.

The levy cost of \$25,000 for the City Compost Site should be a one-time cost only. After next year there should only be the attendant costs.

The Mayor went on to discuss, primarily the East 65 development, where City infrastructure has been put in place, but the lots remain undeveloped. At one time, the City had approximately 400 undeveloped lots with City infrastructure. Undeveloped lots bring in approximately \$100 in taxes to the City; a developed lot with a finished home would bring in approximately \$1,000 in taxes. These amounts represent the City portion only. So, during the 10 years that City infrastructure was in place, but the property remained undeveloped, the City missed out on approximately \$2.7 million in revenue over that period of time which is equivalent to approximately 12% of the total budget dollars from 2005 to 2014. There has also been \$1.2 million in local government aid that the City should have received, but hasn't. The loss of revenue is even greater when one considers the Homestead Credit problem.

The Mayor shared a slide on the pavement management and utility plans so the public would have an opportunity to view some of the information missed from the unattended public meetings. The plan represents approximately \$9 million in costs over time. The Mayor outlined the funding sources for cost: MSA (Municipal State Aid) \$2,367,633, LGA Dedicated to Streets \$2,250,000, Franchise Fee Revenue \$2,025,000, Debt Service Levy \$1,825,456, Special Assessment Revenue \$534,044, Capital Reserves \$250,000. The Mayor acknowledged that when cities run into economically difficult times, road maintenance is one of the easier items to cut. However, doing the seal coating and other maintenance extends the life of the roads. Road maintenance at \$9 per lineal foot is more manageable expense than the full depth reconstruction of roads which runs \$253 per lineal foot. The Mayor went on to express that the City doesn't want to get into the situation where a high number of roads are falling apart at the same time as this would result in even greater property tax increases.

City property owners were invited to address the Council.

Rob Turner, 210 Norelius, asked if building the infrastructure for new homes without buyers wasn't a bit like counting your chickens before they are hatched. The Mayor stated that this was a frustrating situation for him to be in as he had been on the City Council at that time, although not Mayor, but he had voted against how it was done as a Council member. The City subsidized the Developer by putting in the infrastructure at the City's expense; and this is why the utility rates are high. That debt will not be retired until 2018. The City will be doing a rate study for utilities in 2016 so the City can get a definitive number; but by internal calculations it looks as though there should be an approximate 20-25% reduction in sanitary/sewer in 2018. Turner stated the importance of living within "our" means. The Mayor acknowledged the validity of Turner's point regarding living within one's means, stating that it comes down to what level of service people want and the cost of those services. The Mayor gave the example of cutting the entire Park and Recreation Department (e.g. eliminate or close: City parks, the Community Center, Street Dances and Farmer's Market) which would also eliminate some revenue, but would reflect a savings to the City of approximately \$317,000. This still wouldn't pay for the tax increase. The Mayor emphasized that Government is a Human Service Business. Most of the City's departments have only one employee. The City tries to keep everything as lean as possible on the administrative end and that is how it is able to run on 30-33% less than other cities in its peer group. There is \$10,000 put into reserve for building inspection costs, if needed, and if not, that money could lower what is needed for the 2017 budget. In addition, there are some cost numbers (e.g. tax payments) that the City simply doesn't have. There have been two trends in the City of Isanti which, from a financial standpoint, have been challenging as they represent revenue loss; the Mayor gave two examples of this: the number of businesses that become non-profit (i.e. Spectacular Events, the Charter School building and now Parkview apartments is working to become non-profit) and unfunded government mandated standards (e.g. last year the City was required to meet the Municipal Separated Storm Water System standard which cost approximately \$250,000 and resulted in the storm water fee on utility bills.). The Mayor stated he prefers to charge fees instead of

increasing property taxes because churches, schools and other non-profit entities don't pay property taxes; but they are required to pay fees which helps to meet the costs of services which the city is required to provide.

The Mayor also reported that the number of inequities experienced by the City had increased astronomically since he took office in 2005. The Mayor gave the following example: if the City buys a \$200,000 plow truck, it is required to pay sales tax on that; however, if a Township buys the exact same piece of equipment for the exact same purpose it does not have to pay sales tax.

The Mayor also addressed the on-going debate of whether it is better for the City to gradually increase its tax rate over time to cover increased expenses or to do a larger, one time increase. The gradual increase ends up costing the individual more over time. The Mayor noted, several times, that there is never a good time to raise taxes. During the recession, when the City had hundreds of homes in foreclosure, the City of Isanti was like the canary in the coal mine. Previously, the City had been one of the fastest growing communities in the entire Country and when the housing market collapsed, the ground fell out from under the City as well. As a result, the City did everything it possibly could to try to maintain services and not raise property taxes. The Mayor reiterated that there is no good way to make this tax increase sound better than it is, it is not a good thing. No one likes to raise taxes. The Mayor stated this plan was put together with the intent to save Isanti taxpayers as much as possible over the longest period possible.

Rod Turner stated he has been an Isanti resident since 2007, and that Cambridge taxes are higher than Isanti's and have been for years, but if he were to pay this increase for the next three years, it would totally circumvent that. The Mayor responded that that is not actually the case. The resident asked, "Are you thinking that taxes will go down once some of the reserve is replenished?" To which the Mayor responded that, although he could not speak for the Council members, he believes this is something that could be done and would be his plan. In reference to the first portion of the resident's comment, the Mayor indicated that if one were to take the City's 2016 number and extrapolate that out all the way to 2020, even assuming that Cambridge and Braham don't raise their taxes at all, City of Isanti residents would still have paid less than these City residents in taxes.

Al Garber, 1223 Blossom Blvd, stated that he appreciated the work and information that went into the slide presentation and, as a citizen, he particularly appreciates the City's police service, parks and snow removal service; however, he did take issue with the statement that this large increase in taxes still saves residents money in the end. Garber stated he felt that his taxes went up a lot at 30% and believed that what the City Officials were forgetting to factor into their formulas was the fact that residents are also making monthly mortgage payments. He would rather the City had raised taxes incrementally. Garber also stated that the City would not need to eliminate an entire department to make up a shortage, but rather could eliminate small parts. Finally, Garber referenced the \$44,000 COLA for employees, with which he had no problem, but asked the Council to consider residents who do not receive COLA raises, are on fixed incomes and live month to month. Garber specifically asked to hear from the Council members as well as to where they stand on these issues.

The Mayor responded that there were several years that the cost of living increase (COLA) was zero. This was when the City was trying to conserve as much money as possible. The City has tried to reduce benefits paid by the City and salary increases by negotiating with the labor unions, having gone to binding arbitration as well, yet has lost every case. The Mayor remarked that 4-5 years prior, the City had succeeding in reducing its personnel costs. At one time the City gave greater benefits and lower salaries to their employees because it was less expensive for the City. However, over time health care costs had gone through the roof so the City made it a point at that time to reduce its liability and pass on a greater portion of these health care benefit costs to the individual employee. The Mayor noted that the reason he was giving the financial report at the Council meeting was because the City's Finance Director had left for the same position with another City that paid \$20,000 more annually. The Mayor also stated that the City is paying its employees, depending on the position,

approximately \$15,000 to \$30,000 less than comparable communities. The City is trying to walk the fine line between keeping its personnel costs to a minimum yet paying enough to get quality employees. The Council has gone through this budget and tried to take out as much as it can; they are attempting to do the most they can for the City with the limited resources available. The Mayor reflected on the difficulty of making cuts and stated his concern when reducing services by closing the Compost Site as an example of this. The Mayor acknowledged that there are a number of things in differing areas that could be cut as Garber suggested; however, and although he hadn't intended to suggest that the Park and Recreation department should be cut, he did want to convey the scope of the difference between available funds and the services that people want. The Mayor addressed two areas where he has advocated for additional spending. The first was that of the addition of two police officers – a parole officer and a police investigator position. He acknowledged that this represents a significant financial investment with the addition of salaries, benefits, and having to have an extra squad car. The second, was the addition of a Public Works Technician within the last year. The Mayor also acknowledged that the City is spending more money to get the compost site up to MPCA standards and making sure it is a secure site so that people can take advantage of that service. However, as the Mayor noted, when it comes down to dollars – and here the Mayor acknowledged that everyone has their own idea of what the appropriate number would be -- its not just trimming one little thing here and one little thing over there, it is determining which services need to be cut to get to that number that is the challenge.

The Mayor noted that in 2009 there were a number of community meetings to determine what people were willing to see cut and what residents wanted to do from a tax standpoint to be able afford the services they wanted. The residents who showed up for those meetings wanted every service they were getting and didn't want their taxes to go up at all. Each time the City has considered cutting services, they get a reaction similar to that which was being experienced with this property tax impact. The Mayor indicated that he would be happy to sit down with anyone, he has office hours every Tuesday for meeting with people, and if a resident has a better answer he would be happy to see it and happy to go through it.

Luke Merrill, 223 Broadway Street SE, stated his appreciation of the City looking out for the long-term growth of the City through the projects it has undertaken; however, as the public record indicates that there is over \$500,000 in the City's savings account and the fact that there is that much money which is intended to help the City in the long run, there to help the citizens, Merrill asked why this balance wasn't being used to spread out some of the current tax burden for the residents versus throwing it at them in its entirety right now.

The Mayor asked for clarification as to what Merrill meant by savings account. Merrill replied that he had been told that there was \$540,000 dollars in the City's savings account for insurance in case something happens with either the City or State taxes. The Mayor explained that the State guidelines, in case of catastrophe, for the City's General Fund balance are between 35% and 50% of the City's total tax revenue of that year. The General Fund is the City's operating fund. \$500,000 out of a \$4,000,000 General Fund budget is only 25% which is 10% lower than where the City should be under State guidelines. The Mayor acknowledged that the City could spend that balance down to one dollar; however, there are two potentially catastrophic problems with that. First, the City is paid twice a year through property taxes collected by the County and the City's LGA, from the State; if the City was expecting a payment on day 30 and the payment didn't arrive until day 40, the City wouldn't have the funds to meet its obligations which would be disastrous. The Mayor went on to describe a second situation which would have negative repercussions for the City. The City does not want to draw that balance down so low that it is perceived as being a credit risk which would result in the bond market slashing the City's credit rating. The City would not only loose the credit rating increases that it has gained over this period, the increased credit ratings make money cheaper for road construction projects, etc which are bonded over a 10 year period and save the City money in the long run, but it would likely end up in a worse position then it was in when this long range financial plan was implemented.

Glenn Steichen, 110 4th Avenue SW, indicated that he has a small City lot and a 1200 square foot house and between this year and next year his property taxes will have risen 102%. He has looked at homes with double the square footage on 5 acre lots in Linwood Township and he would pay only \$200 more in property taxes. Steichen asked, with reference to the City's long-term planning, why someone would chose to move to Isanti and pay higher taxes when they could get more for their money elsewhere? Steichen also noted that he would have preferred incremental increases.

The Mayor asked Steichen what the valuation increase was on Steichen's property, noting that this was the highest rise he had seen thus far. Referencing Steichen's statement, the Mayor noted that there had been a 32% valuation increase in Steichen's property. These increases broke down to: \$359 City Taxes, \$198 County, and \$100 School District. Steichen noted that the majority of the increase the past year was due to School, but it was still a hard pill to swallow. In the future, Steichen would consider taxes when choosing a place to live and he wouldn't choose Isanti. In response, the Mayor reiterated that at the end of next year, even with these increases, City taxes will be a slightly more than Cambridge and still quite a bit less than Braham for property taxes.

Denise Merrill, 223 Broadway Street SE, stated that they had moved into a 100 year old home in Isanti in 1993. This is a home that requires a lot of upkeep and the family is on a fixed income. At the time that they moved to the City they disputed their property taxes and utilities and were told that due to the communities projected growth, property taxes should not go up but rather very gradually down. Merrill stated she understood that there were increases everywhere, however, in one year their City taxes went up 47.4%. The Mayor did ask to see Merrill's tax statement, which she provided. Merrill then noted that the reported projection was that taxes will go down again; this was something that had been told her 23-24 years ago and it never happened. The Mayor noted that Merrill's property valuation was nearly the same as Steichen's. Merrill indicated that at the time they moved here, they were given an estimate of taxes going forward at approximately \$700 per year. When they received their first property tax statement, it was \$1,200 per year which they were able challenge and reduce slightly. Merrill stated that she appreciated the explanation given; however, it doesn't change her response to the increase. The Mayor agreed that the explanation doesn't change the numbers which can't be changed. The Merrill home valuation went from \$114,000 to \$138,000. The \$24,000 increase in the valuation exacerbates the increase. The City taxes went up approximately \$310, the County taxes \$150 and the School District \$130. Merrill noted the school increase was 20% while the City increase was 47% which meant there was less going to the children. To which Lundeen responded that Merrill's school tax went up 20% last year and 20% this year, the City taxes didn't and now it has to be done to offset budget deficits and everything else that is happening across the board. Merrill asked who made the decision that determined taxes would not be raised last year to which the Mayor replied that it is the Council's decision every year. The Mayor went on to state that when the long-term financial plan that was formulated in 2007-2009 the City had presented a list of 15 to 20 cuts that the City would need to make. And, at that time, the City did something that no other City had ever done to the Mayor's knowledge which was to dedicate funds to the Parks program which by State Statute can only be used for new parks, new park equipment, new park land and could not be used to maintain existing parks. The City took the interest from the dedicated Parks fund which was over \$100,000 and put that into the General Fund. The City did this in an effort to grab every dollar that it could to be sure that the City could continue to function in a positive way and continue to grow. The Mayor acknowledged that there are those in the community that didn't want the City to grow; however, those decisions that were made are decisions that the community has now inherited. The Mayor specified that when the City decided to move to east 65 and do the expansion it did, it took on a tremendous amount of debt and a tremendous amount of infrastructure that it had to maintain and that is only going to be paid for if the City continues to grow.

When the Mayor referred to the City in context with surrounding Cities, Merrill indicated that she wasn't concerned about those Cities, her concern was with her family and her neighbors and the idea that the City needs to take care of its own.

Luke Merrill stated that no changes will be made if the City doesn't listen to what the residents are saying. Merrill indicated that residents don't feel they have a role in the decision making. The Mayor responded that there have been numerous Council meetings, numerous budget sessions, in addition to daytime and nighttime meetings on the Pavement Management Plan and Utility Management Plan. The City has had all these public meetings and yet the present meeting is the only meeting which residents have attended; thus, the idea that the Council hasn't listened or wanted to listen doesn't really hold a lot of credence.

Denise Merrill asked what the projected increases are for next year. The Mayor indicated that the plan is that this is the level the City will be at until 2020. If there isn't an increase in valuation for the resident, there should not be a tax increase. It was then confirmed that churches and non-profits do not pay property taxes. Merrill asked if there are incentives for the new businesses coming in to town. The Mayor reiterated that Coborn's and Allina received zero incentive; and will be paying over \$100,000 just in City property taxes. That amount will not get recorded in the books until 2018. Merrill then expressed her concern that the old businesses such as Riverside Market which might be leaving the community. The Mayor stated that he and the Economic Development Director met with the business owner of Riverside Market and his response was very upbeat. He's looking at making improvements to his facility and, in his words; this has induced him to be more creative. Merrill stated her concern that new businesses will move in but they are simply swapping out the old. The Mayor acknowledged that this was a legitimate concern. Whenever something new comes in it changes things and the only way to prevent that is to never make changes which may not be a great strategy either.

Merrill made mention of the Economic Award received by the City and asked why, with new businesses coming in, residents have to take a tax hit like this. The Mayor restated that the taxes took a hit because they have been subsidized by the General Fund balance. Merrill stated that their property with a small, land locked half acre that is attached is paying approximately \$100 per month for water and sewer. They pay \$77 per year for sewer on a piece of property that is land locked. The Mayor responded that this is a storm water fee and as stated previously, the State had mandated that Cities follow the MS4. This is unfunded by the State. The City is mandated to follow the MS4 and obligated to pay the resulting expenses. The Mayor referenced Merrill's 1/2 acre land-locked parcel indicating that there is a base calculation that residents pay based on a certain size which is the average amount of surface area that is covered by impervious surface. That is why the property with your home, garage, driveway which has a greater run-off rate is higher. If the parcel were considered a single parcel, due to the calculated rate, there probably wouldn't be a much different rate than you are paying now. There is a lot of undeveloped land in the City of Isanti which is also being charged the storm fee and the rate is being determined by the size of those lots. All parcels, landlocked or otherwise pay for this mandate. If the City weren't mandated to follow the MS4, it wouldn't; however, it can't ignore the State. Merrill asked if the utilities would go down. The Sanitary Sewer base fee was increased to pay for the infrastructure that was put in on east 65. This debt should be reduced such that residents will see a reduction in their Sanitary Sewer charge by 2018.

Mike Kruse, 219 Richard Avenue SE, reported that he bought a renovated property and his City tax portion alone is being raised 131%. In March, he did not and could not get anyone to provide him with a tax statement. Kruse indicated that he didn't dispute the value of the property as such; however, he was unable to get the statement in order to challenge the value. The Mayor asked who Kruse had tried to contact. Kruse indicated that he had contacted the City and County. The Mayor indicated he should have been able to obtain the information from the County. Kruse reported that due to closing dates and various things, they couldn't provide the paperwork and he received only ballpark numbers. When he looked at moving into the area approximately one year ago what he liked was the fact that the City was doing a good job at keeping taxes down for its residents and making the area affordable for families so that they can enjoy life. Kruse reported that his wages will not cover this increase. The Mayor, having reviewed Kruse's statement, noted that the property value had

increased \$50,000 and acknowledged that Kruse's statement reflected the greatest value increase percentage-wise that he had seen. Kruse acknowledged that the property value had been based on the home pre-renovation. Kruse had based his calculations on the highest number that the County could provide. We are the City of Isanti, not Cambridge and not Braham, whose increases have been due to infrastructure compliance. Kruse indicated he was offended by the comparisons. "Cambridge is not a comparable city", Kruse stated. The Mayor asked why Kruse felt that Cambridge was not comparable to Isanti. Kruse responded that Cambridge has two main roads, one of which has a bypass, and has a completely different tax base whether it is business or residential. Kruse stated that the high taxes were responsible for why he hadn't moved to Cambridge. The Mayor indicated that he made comparisons with Cambridge because they are located in the same county. Kruse stated that, in his book, they were not comparable.

The Mayor agreed that the County should have been able to provide Kruse with the documentation he requested. The Mayor noted that Kruse's property increased from \$79,000 to \$124,000 in value. The County increase was \$300; the City increase was \$560 and \$210 for School so overall Kruse's taxes increased \$1,070.00. Kruse stated that this amount may have been manageable over a three year period but billed as it is. The Mayor stated that he is not a lawyer or an advisor in any way; however, if it were him, he would challenge that increase in tax court. Kruse stated that a lot of what he has to challenge is the City tax amount. The Mayor responded that the City tax was driven by the substantial increase in the value of Kruse's property. Kruse stated that the current number is \$600 higher than the highest number the County could give him and it doesn't add up. The Mayor stated that if the City had not increased taxes at all, Kruse would still have an approximate \$700 plus increase in his taxes. The Mayor acknowledged that it was still a significant amount and was so due to the valuation change. Kruse acknowledged that the renovation of the home and a new garage did increase the value; however, he felt that an increase of 131% on the City side alone was a hard pill to swallow.

Glenn Farrell, 201st Avenue NW, stated that this past summer the City watered its grass every other day, the summer previously grass was watered every day seven days a week. Farrell stated that the City lawn looks no better than his lawn or the lawn of the homeowner across the street and they do not water. Why is water being dumped down the drain? Farrell stated he could understand watering the flowers next to the building that are enclosed in concrete as they don't have access to water; however, to water lawns is a waste and City residents have no idea how much money is being wasted by the City in doing this. Farrell asked how much money was being spent in tax dollars for watering lawns. Farrell stated that when the State went to complete salt for snow removal purposes they cut their maintenance staff in half over the years. Farrell claimed the City increased the amount of snow removal being done, the number of maintenance workers and how the snow is managed. When Farrell questioned the Council about the addition of a new public works technician, the reply was that the position was already in the budget. Farrell asked how much in advance budgets were being created. Farrell stated that residents don't need the City to take over everything for them, attributing the rise in taxes to increased staff numbers and the City undertaking work for some residents and not others. Farrell referenced the street dances stated that the City could build a one-time pavilion for the dances rather than pay City employees to bring in and haul back everything that is needed.

The Mayor responded that if the City was watering something every day and it wasn't new grass, they would be in violation of City Ordinance, so the Mayor would certainly like to hear about that right away. The Mayor stated City policy is up to the curb stop with the City paying on the City side and the homeowner paying on the homeowner's side. With regards to clean-up after events for so-called outside organizations, the Mayor noted that City workers spend the most time cleaning up after the parade. The City also does traffic control for the Rodeo which is associated with the County. The Mayor acknowledged that there are costs associated with the Street Dance. The reason the City started having street dances downtown was for the same reason that the City picked up the Farmer's Market which was to draw people to the Main Street area as an economic development tool. The Mayor stated that there could be disagreement as to whether these activities were a good way to

accomplish that goal or not, but that is why these activities were undertaken in the area. Farrell asked the Mayor if he had ever been to a street dance and noted how many businesses were open during the dance. Farrell stated the number to be 2-3. Farrell's argument was if only 2 or 3 businesses care enough to be open for a short time during the street dances; why does the City believe that there is an economic draw and why should the City spend money to revitalize what Farrell perceived to be a dead part of town that even the business owners don't care about. Farrell stated that it isn't the responsibility of the taxpayers to increase the value of area businesses at the taxpayer's expense. The Mayor acknowledged that Farrell had a valid point; however, the City had decided to try to bring as much attention to the downtown area as possible and it has as every building, or nearly so, is now occupied which has had a positive impact for the City.

Warren Thunstrum, 310 Dahlin, noted that some communities have gone to subscription and he gave the example that homeowners in those communities have the option to sign up for fire protection. If a homeowner has not subscribed and paid for this service, the fire department will allow the home to burn down. A second example given by Thunstrum was that of communities having gone to private security and surrendered their police department. Thunstrum noted that he didn't necessarily suggest these options, but that they are available. A third example given by Thunstrum was the idea of a park pass necessary for those who want to use those facilities. Thunstrum's suggestion was to perhaps allow taxpayers to choose the services they themselves want to have and not put the burden on the City to provide those services. The Mayor agreed that there are communities that have tried a variety of similar things. With regards to Fire Protection, the Mayor described a discussion he had heard between legislatures at the Capital where one of the legislatures commented that it would work in principle, but what happens when a neighbor's fire jumps to my house 20 feet away. The Mayor stated he understood the logic behind having subscriptions but there are inherent hazards as well. The Mayor acknowledged that there are a lot of communities that charge for services (e.g. the fire department charges for calls, the police department charges for calls, etc.) The Mayor also noted that service providers do run into challenges if bills go unpaid. The City had urged the Isanti Fire District to charge for calls a few years ago, but as they represent only one of 7 communities, the City was overruled. The Mayor listed off other communities that had tried or use a pay-for-service system, sometimes successfully, sometimes not with varying degrees of risk for the community members. The Mayor stated that this is an option that has been discussed by the Council over the years. The Mayor stated his belief that, from a financial standpoint, it is best when the City follows the County model. The Mayor went on to describe the variety and layers of taxes being paid, County services and the option of consolidating services. The Mayor summarized by expressing that there are options, but what is the best option for providing services that City residents want or expect. Thunstrum re-stated his point that if residents, businesses and non-profits choose and pay for their own services, the cost burden will not be shouldered by all taxpayers. In response, the Mayor gave the example of the City's compost site closing. The Mayor noted that if the number of people who show up for the meeting determines the importance of an issue, closing the City compost site would have been the biggest issue to-date in 2015. In fact, this tax issue pales in comparison to the anger and passion expressed at that meeting. The City bases its decisions on what they believe to be the mood of the community at that time and it costs money. The Mayor gave a second example of the outdoor hockey rink. The Youth Hockey Association approached the City to build an outdoor hockey rink. It was supposed to be a 50/50 transaction. The Association would then take care of minor repairs and the City would take care of major repairs. The Association would handle the flooding of the ice and the maintenance of the ice and the City would handle the snow. When it was first built, the Association didn't have the money so the Association paid 30% and the City picked up 70%. Then the Association stopped doing the maintenance so minor repairs ended up being major repairs. Then the Association ran out of volunteers to run it and the City took that over. The City is determining now whether or not to continue with the hockey rink because it has become hazardous without further repairs. Should the City have an outdoor hockey rink, half a hockey rink or fund a new one? This is something that the Council will be considering at the next goal setting session at the end of January. The Mayor noted that even if the rink were operating fine, it still costs the City \$5,000-\$7,000

in labor to maintain the ice. With a pleasure rink, the City can flood it, run it over with a truck and take the snow right off but with a hockey rink is much more labor intensive.

The Mayor acknowledged that the City can become much less service-oriented; however, but is that something that the majority of the community wants to do? The answer won't come until election time as that is the only time one has a poll of the whole community. The Mayor stated that the only other time people attend meetings are when the roads are torn up for street repairs or taxes are being raised. The Mayor expressed a wish that more people had attended meetings while the council was going through this process throughout the entire year. No one is happy with the current tax situation in the City.

Bergley wanted to address the situation with the Fire Department. He stated that, as the Mayor said, medical is the department's biggest run now and one of the reasons that the City pays more and more to the Fire Department is that the Fire Department doesn't bill individuals for the medical runs. Lundeen added that this has been discussed repeatedly and the other communities don't want to go down that road. Lundeen noted that it is a sad thing, but as Mayor Wimmer stated, more and more of the elderly are moving into town and medical runs are 98% of all the calls are medical. There are very few fire calls anymore. Lundeen also noted that the Isanti Fire District has an ISO record that is phenomenal compared to any of the surrounding communities; thus, not supporting the Fire District in the community would be detrimental to City residents. Lundeen agreed with Mayor Wimmer that what the City is paying cost wise to the Fire District is not fair, it should be better than what it is as the City currently pays 60% of the Fire District's budget. It has been brought up a number of times to go to go into a taxing district for a fire district but that idea has been shot down by two of the communities. The City of Isanti has entertained the idea of having its own Fire Department strictly in the City and it would be a cost savings in 5-6 years to come but it isn't worth it to make that fight. The Mayor stated that the Isanti Fire District provides more services. Cambridge's Fire Department does not make medical calls although they are starting to go that route a bit. A lot of fire departments in communities this size don't offer the services that this department does. The Fire District does Hazmat, etc. They are a top line fire department and they have top line costs.

The Mayor reiterated this is just one of the arguments behind one of the costs. There are other areas where the Mayor advocated for change. The Mayor gave the example of adding a Police Investigator due to the number of cases that are being handled which makes the City more efficient. The Mayor acknowledged that the Chief of Police could speak better to the topic; however indicated that it frees up the officers who have must come off patrolling the streets to write their reports or attend court, etc. Recently there was an officer who had to attend court and court was delayed. The Mayor underscored that there are numerous things that come up that slow down the department and by having an Investigator, it frees up the Officers to be out on the road where they are needed. The Mayor noted that the City is seeing a lot more criminal activity. Community discussions are almost always around some aspect or level of crime. There was a community meeting at the City hall attended by the County Commissioner, Sheriff, Deputy Sheriff, the City's Chief of Police and the neighborhood watch group to go over a number of these things. There are a number of these watch groups within the City. The City is 14th out of approximately 800 cities for safest community to live in within the State of Minnesota. The Mayor stated that these are the cost drivers that go into having really good police protection and that safe community.

Joseph Cross, 401 Cardinal Court, asked if the City would be on the hook for any related liability, like the outdoor rink, with the new BMX track. The Mayor responded that if it fails there will be liability for it. The BMX Association is paying and will be paying even past when the bonds are paid off for the City. The City is also setting aside approximately 5% of the income stream from those payments for long term capital replacement because in 15-20 years some of the bigger, mechanical type parts will require replacing. It's a steel structure building so the life of it should be 40 years or longer. In approximately 25 to 30 years there will

basically be enough dollars in reserve, as the bonds will have been paid off, to build a whole new structure. The break even, where there is no longer a risk for the City and where the building would be sold off for scrap, etc. is year 9, 10 or 11. The City is going into its second year of operation with the track and it has been phenomenally successful. The Mayor noted that the City looked at the BMX track because one of the goals for economic development was to bring a hotel into the community and one of the big holes the City has for that is winter activity. The Mayor stated that the community is incredibly busy from spring through fall. There are tens of thousands of people that come for soccer, BMX, rodeo and those types of activities; the tournament cups are hosted here. There are a number of activities the City can't host because there isn't a hotel in the community. There is enough activity to fill hotel rooms in those months, but in the winter months, activity does full off. The indoor arena does stimulate some activity; however, it is the BMX facility, which brings in hundreds of people on a normal week to thousands and thousands when the City hosts different, larger races, that has dramatically helped improve the City's capacity to support a hotel. There was a hotel and tourism study done last fall into early last winter and it made projections for a hotel look tremendous with good cash flow without the City participating. If there were to be a hotel deal, the Mayor stated his certainty that the City would be asked to participate to some level. In summary, the Mayor acknowledged that the BMX track was a risk, and will be until the City gets to that breakeven point. Cross asked for the dollar value of the liability, to which the Mayor responded that it was a \$2.3 million facility. The Mayor noted that improvements in the Public Works building were scheduled simultaneously in connection with the BMX building so all of the work was done as one project which resulted in cost savings. There is fairly high confidence by the City, obviously, that there shouldn't be problems; however, as long as the City can get to that year 9/10, there won't be that risk. The reason Cross stated for asking the question was, as he had always lived on the newer side of town his taxes had always been higher than the rest of the City, and he wondered if the building of the BMX track factored into those high taxes due to the two year lag between the investment and the taxes. To explain the situation with the 2 year lag time, the Mayor related a story from 2005. At that time, the City's tax rates were higher than those of surrounding communities and a resident came in noting how low his taxes were. This was because the resident was paying lot tax. He had built a new home and hadn't yet been assessed the new value which he wouldn't be getting until the following year. When asked, Cross indicated that he had moved in November 2008. The Mayor stated that at one point in time there were 110/120 new houses a year and unfortunately, the Council at that time decided that that is what they City would get for 10 years and that is how this debt was set up to be paid. Obviously that wasn't the case, there were a number of years were the City had zero new builds. That is why the utility rates are burdened with paying off that debt. Now that the City has had some significant growth, that new revenue will be coming in and the positive is that the new growth will not trigger the need for a new water treatment plant, waste water plant, or those types of things because the infrastructure was sized for future City growth to that 12,000 to 14,000 population. The Mayor gave a brief history of the City's development, reiterating that the decision that Isanti was going to be a growth City was made a long time ago.

The second part of Cross' question related to the initial valuation of his home of \$190,000 and the taxes he paid, roughly \$1800-\$1900 per year, at that time compared to his current valuation of \$140,000 and his taxes are \$2200. The Mayor provided his home as an example knowing his numbers; at the height of the expansion, his home was valued at \$245,000 in 2009 and it sunk all the way down to approximately \$140,000. The Mayor had lost over \$100,000 in valuation. The Mayor noted that the best way to talk about this would be to watch the video that the County has on their website as to how the pie has grown and shrunk over time. The City of Isanti has continued to grow, even in the down times, and there are more services provided. So the cost side has increased and that pie not even close to what it was in 2009. The City is trying to get back to where it was in 2009 by bringing in a better mix of commercial and industrial as they pay a higher tax rate and the City is continuing to grow on the residential side. The rule of thumb, and this is a broad general statement, is that for every \$1 in property tax the resident pays, h/she receives \$1.50 in services. Every business pays \$1.50 in taxes for every \$1.00 in services that it receives. This is why it's desirable to increase commercial and industrial participation, so that the residential property tax portion needed to make up the pie is less.

Cross conceded his understanding of the Mayor's explanation; however, he noted that his proposed taxes increased 22% last year and are slated to increase another 18% this year. Cross' point being that City residents are paying metro-style property taxes for a non-metro area community. People in Anoka, for example, are paying the same tax rate and they are 5 minutes from amenities; whereas city residents are 20 minutes from amenities. Why then, Cross asked, would people be drawn to this community? The Mayor responded that residents were drawn to this community, in a broad sense, because they were chasing home values. It cost less to purchase a home in Isanti than it would have in Blaine, Anoka, etc. The City of Isanti went from a population of approximately 2,000 in 2000 to a current population of 5600. The other impetus that brought in a lot of young families was the average age of 28. Now, a lot of seniors are coming into the community from the neighboring townships to be closer to services. The Mayor noted that there are probably a lot of those suburban communities where the tax rate is even less than those of Isanti due to fiscal disparities and the fact that they have a much greater pie to use.

The Mayor further discussed the tax increases, sewer rates, and keeping the same City feel while still expanding commercial business.

Cross asked that now that his taxes have risen four years in a row, with no significant increase in valuation, at what point will taxes even off? The Mayor noted that there are two other structural issues: the County taxes and school taxes. He stated that school districts face some of the same disadvantages as the cities do. Last year the school district did go forward with their operating levy. The Cambridge-Isanti School District, at one point was the lowest funded, per pupil, from the state. The County share of state revenue is lower than theirs should be as well. The County, City and schools are all trying to provide services to these areas and they have not had a very good partner in the State. The City's LGA has gone from a little over \$600,000 in LGA to \$313,000 in LGA. The situation of funding from a State level has hurt everyone.

The Mayor readdressed the question, 'why would someone want to move here', and discussed the future and quality of life in Isanti.

Bernie Cowan, 402 12th Avenue NW, stated he had a couple of questions. The first question was whether the property tax increase that is projected for 2016 will be ongoing. The Mayor responded that he anticipated that taxes would remain, for at least two years, at the present level. The Mayor reiterated that each individual property would be a little different; however, the tax rate for 2016 will be the new norm and as the new tax base is created that should level off. The Mayor emphasized that neither Coborn's nor the Clinic has been built yet. They are supposed to be, there has been a lot of prep work but it is within the realm of possibility that it would fail to happen; however unlikely. Cowan then asked if that bump in revenue from 2015 to 2016 would bring Isanti over the hump? Because of the additional taxes, Isanti would have the needed bump in revenue for the budget. The Mayor responded that the City's actual spending is going to be less in 2016 than 2015 by approximately \$9,000. The big difference is that for the last 5-6 years or so the City has been using budget reserves to maintain service level without increasing taxes. That is why the City's tax rate has been substantially lower. Cowan clarified his understanding by asking if the City would then be replenishing budget reserves with the revenue income. The Mayor responded that approximately \$50,000 would go to start replenishing that fund over time until it is built back up which helps the City with its bond rating. The property tax increase is going to pay that differential. So the City is not increasing its overall budget from a dollar standpoint, but from the fund it is going on to the taxpayer, versus that reserve. Cowan stated his next question, which was on the general sales tax, inquiring if municipalities in Minnesota can do whatever is necessary to get something passed so that the City can charge a municipal or County or City sales tax. The Mayor stated he was most familiar with this when seeking funding for a particular project. First, the City Council would need to agree that this was an action they wanted to take. The Mayor then believed that it would need to go to a voter

referendum. Then the Council would approve it and at the end the legislature would need to authorize it. The Mayor noted that there may be someone in the audience who was more familiar with the process. It was a process the Mayor knew that Cambridge had undergone to fund its Aquatic Center which they've now ended that process. However, at the end of the day, the legislature would have to authorize municipalities to have a sales tax. Cowan asked if the City had considered this avenue to fund something that is currently in the budget that could be a big expenditure or something in the future. If not, why couldn't the City look at something like this? The Mayor responded that the Council could look at anything. It is something that the Mayor had never really considered it because he hasn't wanted to do something that would give the City a competitive disadvantage while they are attempting to bring in businesses. Cowan indicated that he was simply trying to get a point across that the biggest concern for everyone at the meeting was the tax increase for 2016 and Cowen felt that a City tax may be a viable option to consider. Cowan indicated that funding a large budget expenditure that could fit under the state guidelines and get passed could help to keep the property taxes down a little bit. The Mayor stated that the reason that the Council has never discussed this option in the past was for the reason he stated previously. If the City implemented a sales tax, it would be the only community in the area with a sales tax. Cowen asked, "What would be wrong with that?" Cowan noted that the Mayor was considering the idea from a particular perspective of trying to get businesses in. Cowan felt that the issue needed to be looked at from a present day perspective considering citizens and property owners who are already here and paying high property taxes, rather than trying to satisfy the pie in the sky idea of bringing in businesses. Cowan stated his perspective of definitely needing to look at instituting a sales tax and then making a decision as to what is going to be better. In other words, having a comparable; asking the question can we get a sales tax in here and if so, what would be the detriment or negative is it going to impose against businesses relocating or locating here in Isanti. The Mayor responded that he did not know what Cowan meant by stating the pie in the sky idea of bringing businesses in as that is something the City does very well. The Mayor stated that is was something that the City could definitely explore. However, after watching what Cambridge has gone through over the last 6-9 months with their implementation of a ½ cent sales tax to fund their Aquatic Center and possibly a library; the number of the issues that were caused was quite exceptional. Cowan noted that the increases in property taxes in Cambridge are not where Isanti is at with their property taxes. Cowan stated that he felt that the difference lie in the some of the things being done in Cambridge. Cowan stated that the taxpayer's bottom line is the additional cost of property taxes and so, just because Cambridge has tried it and maybe shied away from it, this still doesn't preclude Isanti from trying it or at least taking a real strong look at it. The Mayor responded that Cambridge's property tax increase was not as great as Isanti's; however, their whole history of property taxes are consistently higher than Isanti's over that whole period of time. Cowan stated that the problem at hand is the additional amount of property taxes to be paid in 2016.

The Mayor discussed the sales tax process, timeframe for implementation, and potential for upcoming big facility projects that would utilize the tax.

Bergley noted that one of Cambridge City Council members along with local businesses were concerned that residents would go to neighboring communities to purchase items to avoid the sales tax. It would likely be the same thing here in Isanti, even with a restaurant; a sales tax might push business away. Bergley stated that he felt the implementation of a sales tax would hurt retail business even more than commercial.

Cowan stated that even now, the discussion was about hurting the businesses with the sales taxes yet there is already an item in front of the community which is the increased property taxes which many in the community feel is hurting them personally, especially those on a fixed income. Cowan also stated that if older adults are moving into the community that is adding to the number of current residents on a fixed income. Cowan noted that all he wants is for the City to consider it before shooting it down with all kinds of negatives.

Jeff Duncan, 407 12th Avenue, wanted to clarify a few things. Duncan asked when the City expects property tax revenues from the new SnoBear project to hit the books. The Mayor responded that SnoBear will be taking over a facility that would have been empty and then they will be building a 12,000 square foot facility next year in a tax increment district. Economic Development Director Sullivan explained that the SnoBear project is two-phased. They have already moved into the former American Manufacturing building as Mayor Wimmer had mentioned. To date the company has already hired approximately 18 people which is an economic engine for the City. They will be doing upgrades to that particular facility as well which will increase the market value associated with that. In addition there are two parcels that they are acquiring as part of this deal which are currently tax exempt and which will be going on the tax roll; thus adding property taxes to a property that currently has zero tax. This will happen within the next year. With regards to the expansion on the new building, the construction on that per the development agreement will begin next year. It will be completed, if everything goes on schedule, next October. That will put it taxable not in 2016, but there will be a two-year lag just as it would for a residential house, so taxes will come in in 2018. Duncan asked if that were true for the grocery store and clinic as well, that taxes would be coming in in 2018. To this the Mayor responded, yes.

Duncan asked that with the increase in non-profit properties that the overall taxable increase for the City at 13.3% would that number include commercial and residential? The Mayor responded that is the overall value of the City. So, for example, if the City was worth \$100,000 it is now worth \$140,000. Duncan noted that that was pretty much in line with his individual property. Duncan clarified by stating that the levy is going up roughly \$600,000 and \$53,000 of that is for the fund replenishment. Duncan asked if that would mean that last year there was \$550,000 taken out of that budget. The Mayor responded that there was approximately \$600,000 total taken out of that fund as there were some one-time dollars in there. The Mayor stated that most years there is some carry-over where they budget for an item and it may not hit that amount. That money goes back into the General Fund and that offsets what the City would need to bring in for the budget that year. And, as the Mayor had stated previously, he believed there was potential for the \$75,000 in court-ordered abatements as well as the \$10,000 for the building official transition to come in lower. There was also possibility that the abatements could come in higher. If there is carry-over then that is applied to the next year's budget. It does not rest with the department. The Mayor gave the example that if the Chief had an extra \$100,000 in his budget, he doesn't get to keep it plus get whatever the next budget determines. That money would go back to the General Fund to be redistributed as the Council deems appropriate. The Park and Recreation budget is being reduced from \$317,000 for 2015 to \$291,000 for 2016. Those fluctuate each year. Duncan asked what the budget reserve was forecasted to be for the end of 2015. The Mayor did not have that number, the City has been without a Finance Director, but he stated he believed the amount was right around 30-36% of the budget. The City has a policy to be at 50% which would allow the City to maximize its bond rating. Replenishing the General Fund reserve versus drawing it down puts the City in a better position. The greater thing in terms of budget as the City looks at bonding calls for these infrastructure projects would be that the 50% in reserve says the City is willing to do what it takes to make sure that its financial footing is as firm as any community can be.

Duncan noted that one slide noted that 2016's budget would be paid at 64.8% by the property taxes. Duncan asked the Mayor if he knew what that number was in 2015. The Mayor stated that he has the number but it isn't in front of him at this meeting. However, he could certainly provide it to Duncan. Duncan stated that the only other comment he had was when the Mayor was discussing undeveloped properties being paid \$100 a lot and the Mayor discussed a revenue shortfall; Duncan did not see that as a revenue shortfall because the City is still collecting the entire tax levy it's just a bigger piece paid by all the developed properties. The Mayor stated Duncan was 98% correct. The Mayor's point was that over that period of time, the City did not increase the taxes to pay for all that infrastructure. Taxpayers have been paying for that debt in the same way that they have been paying for the debt incurred for the utilities through fees. Duncan clarified that it was \$2.7 million that was paid for by all the developed properties that wouldn't have had to been paid had those properties been developed. The Mayor stated that the City also did make some cuts internally to help offset some of that. The

City is still maintaining those roads which have aged 10 years now and it's had very little usage and some infrastructure, if it doesn't have good usage, requires more water flushing, etc. because there isn't the normal flow.

There were no further citizen questions.

- a. **Resolution 2015-283** Adopting the Final Budget for Year 2016
- b. **Resolution 2015-284** Adopting the Final 2015 Tax Levy, Collectible in 2016
- c. **Resolution 2015-285** Adopting the Final Budget for the Enterprise Funds for Year 2016
- d. **Resolution 2015-286** Approving a Cost of Living Adjustment (COLA) for Non-Union Employees

Motion by Lundeen, second by Bergley to approve Resolutions 2015-283, 2015-284, 2015-285 and 2015-286 as presented. Motion carried unanimously.

3. Election Precinct and Polling Changes

- a. **Ordinance 626** Amending the Code for the City of Isanti, Chapter 18, Elections, Amending Article 1, Polling Locations
- b. **Resolution 2015-287** Reestablishing Precincts in the City of Isanti
- c. **Resolution 2015-288** Reestablishing Polling Places in the City of Isanti

Motion by Lundeen, second by Bergley to approve Ordinance 626 and Resolutions 2015-287 and 2015-288 as presented. Motion carried unanimously.

4. Resolution 2015-289 to Extend SAC and WAC Deferral Program to December 31, 2016

Motion by Lundeen, second by Bergley to approve Resolution 2015-289 as presented. Motion carried unanimously.

L. Approve Consent Agenda

1. Consider Accounts Payable in the Amount of \$166,820.80 and Payroll in the Amount of \$81,062.97
2. 2015 City Parking Improvements Pay Request No. 2 in the Amount of \$76,576.85
3. Final Minutes of the October 27, 2015 Park, Recreation, and Culture Board Meeting
4. **Resolution 2015-290** Approving to Enter Into a Contract with the League of Minnesota Cities to Provide Patrol On-Line Training for Peace Officers
5. **Resolution 2015-291** Acknowledging Permanent Employee Status for Part Time Clerk Greta Stodieck
6. **Resolution 2015-292** Acknowledging Permanent Employee Status for Police Lieutenant Travis Muyres
7. **Resolution 2015-293** Accepting the Resignation of Police Officer Chelsea Doherty
8. **Resolution 2015-294** Approving a Respectful Workplace Policy - Citizens/ Vendors/ Public Contacts
9. **Resolution 2015-295** Awarding the Contract for Benefit Consulting Services to NFP (National Financial Partners)

Motion by Bergley second by Lundeen to approve the Consent Agenda as presented. Motion carried unanimously.

Adjournment

Motion by Lundeen second by Bergley to adjourn. Motion carried unanimously. Meeting adjourned at 9:42 p.m.

Respectfully Submitted,
Carla Scharber
Administrative Data Clerk