

Cambridge City Council Meeting Minutes Monday, November 15, 2021

A special budget meeting of the Cambridge City Council was held on Monday, November 15, 2021, at Cambridge City Hall Council Chambers, 300 3rd Avenue NE, Cambridge, Minnesota, 55008.

Members Present: Mayor James Godfrey; Council Members Lisa Iverson, Kersten Conley, Mark Ziebarth, and Bob Shogren (arrived at 4:08 pm).

Staff Present: City Administrator Vogel, City Attorney Squires, Police Chief Schuster, Finance Director Moe, Utilities/Public Works Director Schwab, and Emergency Management Director/Deputy Fire Chief Pennings.

Call to Order and Pledge of Allegiance

Godfrey called the meeting to order at 4:00 pm.

Approval of Agenda

Iverson moved, seconded by Conley, to approve the agenda. Motion carried unanimously.

Financial Matters

Vogel distributed a graph of the City's population growth since 2010.

Moe gave an overview of the information to be presented at the Truth in Taxation Hearing. She noted the newly updated City vision statement along with strategies to accomplish the vision. Moe identified what the city plans to do in 2022 with taxes and other funds it receives. The main goals are to keep the public safe, keep the public moving, encourage recreation and quality of life activities, encourage creation of jobs and tax base, and make sure the city is compliant with laws, fiscally responsible, and transparent to the public about what it is doing. Moe provided information about the 2022 Budget Summary, and pointed out the components of the 2022 Tax Levy. The Tax Levy and Tax Rate History were also reviewed, and any reasons for an increase in the levy were identified. She went on to provide commercial and residential examples of how property valuation can impact property taxes. Ziebarth asked if staff could provide more explanation between property taxes and assessments to the public, and help residents understand property taxes as a whole within the city. Moe identified the different approaches being used to reach out and provide information to the public.

The levy projections from 2022 through 2031 were reviewed. Moe noted the main reasons for change between 2021 and 2022. She identified the recommended actions that will allow the Council to set the 2022 levy with a 4% increase as opposed to the 8% increase passed in September. The truth in taxation notices sent to residents will show tax estimates on the 8% increase, not the 4% now recommended for adoption due to the timing of the production of the notices.

Moe reviewed detailed city tax calculation for 20 different properties for 2022, highlighting the difference between the 8% increase on the proposed levy and the 4% increase now recommended.

Moe reviewed the city tax rate comparisons based on information received from the League of Minnesota Cities (LMC). Moe indicated that she received information on all 853 Minnesota cities but that the information in the Council packet represents City tax rates for those cities with populations from 8,000-20,000 along with a few additional cities of interest. Moe discussed that in 2021, Cambridge ranks at the 61st percentile for city tax rate in Minnesota. There was significant discussion with Council as to how to set the new desired tax rate goal as discussed in core strategy #4 of the City of Cambridge 2021 Strategic Planning and Goal Setting Report. This report was adopted by the City Council as an official document on November 1, 2021. After discussion, consensus of the group was that the tax rate goal is to be at the 50th percentile for city tax rate in Minnesota within five years. However, Council was clear that while this is a goal, we need to make sure that quality service delivery is never sacrificed to achieve this goal.

Moe highlighted the capital improvement plan in the packet for 2022-2031. She reminded Council that department heads provide the information for developing the plan so that each department has the capital equipment and facilities necessary for delivering quality services to the City.

Moe highlighted that the details of the proposed 2022 budget for the General Fund, Airport Operating Fund, EDA Admin Fund, Debt Service fund, and Capital Project funds.

Moe reviewed the proposed changes to the 2022 utility rates and provided the estimated impact on a sample household. Moe is recommending that water and sewer base rates be slightly reduced but water and sewer flow rates remain unchanged. Moe is recommending a slight increase in the storm sewer rate but no change to the street light utility rate. Moe discussed the rationale for the changes. Changes in the scope of the 2022 Street Project to remove a river crossing allows for the reduction in water and sewer base rates. Growth in customer base is allowing us to keep rates the same while still generating funds to cover routine increases in cost.

Moe reviewed the proposed 2022 Northbound Liquor Fund budget. Planned transfer to the General Fund will increase from \$400,000 in 2021 to \$425,000 in 2022. All other items are reasonably consistent with 2021. Vogel highlighted to Council that a more detailed review of MN State Statutes has been done and that it is now believed that the City may continue to maintain the position of being the sole seller of liquor within the City, even if population exceeds 10,000.

Moe reviewed the expected close out of the 2020 Street Improvement Capital Project Fund. The project was not quite complete at the end of 2020 and thus a final payment could not be made to the contractor in 2020. The project is now complete and final payment has been made. The project is being completed approximately \$530,000 under budget, primarily due to the under-run of contract quantities along with no need for project contingency. Staff will be recommending to Council at a future meeting to set aside approximately \$65K for proposed improvements by Cambridge Township on the road adjacent to the north end of Cambridge Opportunity Industrial Park. In addition, \$244,000 will be used on the 2022 Street Project to offset costs of additional curb replacement in that project. Assuming the 2022 Street Project bids are as planned, the remaining balance of the excess funds from the 2020 Street project will be used on the 2024 Street Improvement Project. Formal council action will be taken at a future meeting.

Moe reviewed three additional financial matters.

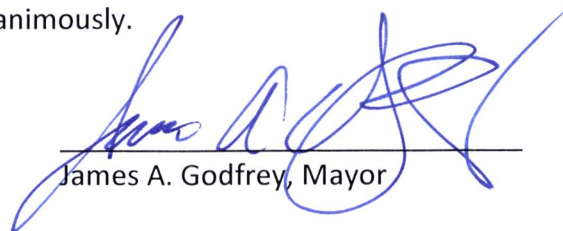
She discussed a proposal from First Bank and Trust, the City's main operating bank, to change how they administer pledged collateral. This change will not reduce the city's protection of pledged collateral and will continue to meet all legal requirements set by the State of Minnesota. The change just makes it easier for First Bank and Trust to manage collateral pledging. Council gave consensus to staff to move forward working with First Bank and Trust on making the change.

Moe then discussed her potential concern that the market value of the City's investments may have declines that exceed the interest earned in 2021. The investments the city holds are completely compliant with Minnesota State Statutes but due to changes in the Government Accounting Standards Board (GASB) reporting of investments after problems with other governments in the mid-1990s, investments are now required to be recorded at market value at the fiscal year end of the City, even though the City intends to hold its investments to maturity, negating any temporary market value losses. Moe indicated that she hoped by the end of December 2021 that this will not be an issue for the City but she wanted to prepare the Council for the potential, just as it happened back in 2013.

And finally, Moe indicated that she had discussions with Deputy Fire Chief Pennings and Fire Chief Tomczik that the hourly rates for fire firefighters will likely need to be adjusted upwards in 2023 to help the City fire department recruit and retain quality fire fighters. Currently, when fire fighters are on a call, they earn \$10 per hour, significantly less than what is paid at local retail establishments. The next cycle of fire service contracts with the Townships will begin in 2023 and this change should be reflected in the cost basis for the next contract cycle. Council gave consensus on making this change and working with the townships that contract fire service from the City regarding this expected change.

Adjournment of Council Meeting

Being no further business before the City Council, Conley moved, seconded by Shogren, to adjourn the special meeting at 5:43 pm. Motion carried unanimously.



James A. Godfrey, Mayor

ATTEST:



Evan Vogel, City Administrator