

Cambridge City Council Meeting- Special Budget Minutes Monday, August 15, 2022

A regular meeting of the Cambridge City Council was held on Monday, June 20, 2022, 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.

Staff Present: City Administrator Vogel, Assistant City Administrator Smith, Finance Director Moe

Call to Order and Pledge of Allegiance

Godfrey called the meeting to order at 4:00 pm and led the public in the Pledge of Allegiance.

Approval of Agenda

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

3. Update to Long Range Plan and 2023 Budget and Levy Discussions

- A. Review 2023 Budget and Levy Recommendations
 - 1. Levy Projections 2023-2032
 - 2. Parcel Projections of 2023 City Taxes at Various Levy Amounts
 - 3. Proposed 2023 General Fund & EDA Admin Budgets
 - 4. Determine Preliminary 2023 Levy
- B. Discussion of Budget Impact of Land Sale Proceeds

Upon roll call, Godfrey, Shogren, Ziebarth, Iverson, and Conley voted aye, no nays. Motion passed unanimously.

New Business

Update to Long Range Plan and 2023 Budget and Levy Discussions

Finance Director Moe began the conversation by providing an overview from the July 18, 2022 City Council Special Budget Meeting. The City Council had a special meeting to review the initial draft of the 2023 budget and the long-range financial plan update.

Moe stated that since July 18, the draft 2023 budget has changed as follows:

- New police officer position in 2023 budget was added.
- Property tax revenue increased to support addition of new police officer.

Moe stated that Staff have also received 2023 taxable market value information on more parcels so they could include more calculations on the impact of various levels of property tax increases. The City Council packet before the Council Members has included a summary that shows city tax impact on these parcels with a variety of increases in the levy.

Unfortunately, since the last meeting in July, the 2022 comparative tax rate information is still not available. Accordingly, Staff does not have an update on 2022 "middle of the pack" tax rate for MN cities. Moe stated that staff will continue to request this information from the League of MN Cities as they work directly with the MN Dept of Revenue to collect this information.

As Council is aware, the preliminary levy sets the ceiling for property tax levels for 2023 but the City can always reduce the amount when adopting the final levy in December 2022. However, Council also needs to consider that the preliminary levy is what Isanti County uses to prepare truth in taxation notices for all city properties.

Moe concluded that the Council should generate consensus as to what level the preliminary levy should be set at during the September 6, 2022, Council meeting.

Moe continued the discussion by looking what a 5.96% levy increase would look like in the budget. If the Council would like to go lower, Moe provided some numbers that would show the amount that would need to be reduced. For example, to decrease the levy to 4%, the City would have to cut \$113,433. She mentioned that they did run the numbers with the calculated inflation. She said she is concerned about the increases in 2024, 2025 and 2026. She highly recommends that the Council takes action to set the city up well in the future.

Moe provided a financial comparative analysis of property tax for Cambridge city parcels of what residents paid in 2021, 2022, and the difference of what they would pay with the levy increase in 2023. This comparative analysis had the numbers for a 4%, 5%, 5.96%, 7%, 9.1%, and 10%. The purpose of this breakdown was to show Council how these levies would financially affect the population of Cambridge. Moe did note that these numbers did not include county and school district tax, they only reflected the City taxes.

Moe highlighted how the market valuation for retailers like Target and WalMart have decreased, which means that their City tax amount would actually decrease in 2023. However, the average home owner, would still see a tax increase.

Moe and Barfknecht Conley expressed having frustration with the difficulty of the big businesses seeing a decrease in taxes while the home owners of Cambridge will see a raise in their taxes. But stated again that this is out of their control as it is the market valuation.

Administrator Vogel suggested that the Council considering an 8% levy increase to accommodate for flexibility for personnel changes and possible union negotiations that are forthcoming in the fall. The Council and Staff then went over what was done to determine the budget in the past few years and the goals of the City for the budget in the upcoming years. Particularly on the aspects of Public Safety.

Vogel said that other cities are looking at the need to increase the levy by 10% or 12%. The staff of Cambridge are very aware and the Ziebarth inquired on what they should tell the public when they ask about the increase. Vogel replied that the increase will provide two police officers on call at each shift. Therefore, the increase is so the City has appropriate staffing levels for Public Safety and for the Community Development.

The Council was curious on Moe's suggestion on how they could appeal to the Minnesota legislature to ensure that the unbalanced levels of commercial taxes versus homeowners can become more balanced.

Moe concluded the meeting by hoping that by the end of the year the City will have a clearer picture of the funds.

B. Discussion of Budget Impact of Land Sale Proceeds

Vogel and Moe described the recent land sales and whether the Council should consider purchasing more land for sales or acquisition. Vogel described that some acquisition could be useful in considering more parking in the downtown area. But land acquisition sales finances could also be used to attract more industrial business or the City could continue to expand outward. Moe stated these are tricky questions, but that the City also does not have a ton of funding for the purchasing of land.

Iverson stated that when the Design Team was with Cambridge, they explained that the downtown did not have enough parking and that the Council should consider that when they think about land acquisition.

Vogel stated that these funds could be directed into the General Fund, but that he does not believe that this is the best solution, but iterated that this is an option.

Vogel reminded Council that the reason that Land Sale Proceeds was being discussed was that the funds from a recent land sale did not have a category in the budget as of that moment. Further, there were other inquiries about the Industrial Park, and at Spirit River Crossing, and as the City moves forward, having an idea of how Land Proceeds will be allocated will be important.

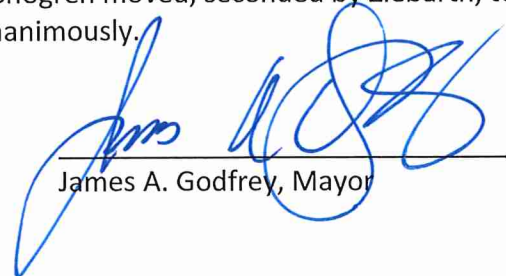
Adjournment of Council Meeting

Being no further business before the City Council, Shogren moved, seconded by Ziebarth, to adjourn the regular meeting at 5:02 pm. Motion carried unanimously.

ATTEST:



Evan Vogel, City Administrator



James A. Godfrey, Mayor

Prepared by: Caroline Moe, Director of Finance

Background

On July 18, 2022, the City Council had a special meeting to review the initial draft of the 2023 budget and the long-range financial plan update.

Since July 18, the draft 2023 budget has changed as follows:

- New police officer position in 2023 budget was added.
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We also received 2023 taxable market value information on more parcels so we could include more calculations on the impact of various levels of property tax increases. We have included a summary that shows city tax impact on these parcels with a variety of increases in the levy.

Unfortunately, since our last meeting, the 2022 comparative tax rate information is still not available. Accordingly, we do not have an update on 2022 “middle of the pack” tax rate for MN cities. We will continue to request this information from the League of MN Cities as they work directly with the MN Dept of Revenue to collect this information.

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Compatibility with Strategic Goals:

Deliberation of the upcoming budget supports City Council core strategy #5—Foster engaged, informed, and involved citizens and community, specifically related to the strategic objective of build trust with the community by maintaining clean audits, clear communication, and transparency.

Council Action Requested

Generate consensus as to what level the preliminary levy should be set at during the September 6, 2022, Council meeting.

NOTE—11x17 color copies will be available at the meeting for Council members of tax levy and parcel information.