

CITY OF FRIDLEY  
CHARTER COMMISSION MEETING  
JANUARY 3, 2017

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**CALL TO ORDER:**

Chairperson Reynolds called the Charter Commission meeting to order at 7:00 p.m.

**ROLL CALL:**

Members Present: Commissioners Gary Braam, Don Findell, Manuel Granroos, Cindy Soule, David Ostwald, Barb Reiland, Pam Reynolds, Avonna Stark

Members Absent: Lois Scholzen, Rick Nelson, Ted Kranz, Zach Crandall, and Richard Walch

Others Present: Deb Skogen, City Clerk/Staff Liaison  
Wally Wysopal, City Manager  
Scott Lund, Mayor  
Ann Bolkcom, Councilmember Ward 3  
Jake Foster, City Management and Elections Intern  
Rich Johnston, Fridley resident

**APPROVAL OF AGENDA**

Chairperson Reynolds asked if she needed to call for a motion to amend the agenda to add an item appointing the nominating committee for officers. Ms. Skogen said Chairperson Reynolds could add the item to the agenda and someone could make a motion to amend the agenda.

Commissioner Findell MOVED and Commissioner Braam seconded a motion to amend the meeting agenda by adding the appointment of the nominating committee to the administrative matters section of the agenda.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED.

Commissioner Reiland MOVED and Commissioner Stark seconded a motion to approve the amended agenda.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED.

**APPROVAL OF MINUTES**

Chairperson Reynolds asked for a motion to amend the minutes from October 3, 2016. Commissioner Findell MOVED and Commissioner Braam seconded a motion to amend the Charter Commissioner meeting minutes of October 3, 2016.

Chairperson Reynolds stated she had some minor edits to the minutes from October 3, 2016.

On page 4, fourth paragraph, she would like the minutes to reflect it is her personal belief and opinion the language creates a conflict of interest. She wanted to language to state, "Chairperson Reynolds responded saying it is her personal issue that she believes..." adding the words "her personal issue" to the language.

Chairperson Reynolds asked if there were any other changes. She said on page 5, first sentence, the word "was" should be removed from the first sentence in the second to last paragraph. Commissioner Reiland agreed.

With no other changes, Commissioner Reiland MOVED and Commissioner Stark seconded a motion approving the amendments to the Charter Commission meeting minutes of October 3, 2016.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED.

Ms. Skogen stated there was one other open motion from Commissioner Findell who MOVED to amend the Charter Commission meeting minutes of October 3, 2016.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED.

**ADMINISTRATIVE MATTERS****A. 2017 Calendar/Membership Information**

Ms. Skogen provided the commissioners with hard copies of the approved 2017 calendar and membership information. She asked that each commissioner review the information provided on the 2017 Charter Commission Membership handout and make corrections if needed.

**B. Vacancies**

Ms. Skogen stated she had received a resignation from Novella Ollawore, as she had moved out of Fridley. She had received one application from Bruce Nelson which was included in their agenda packet.

Commissioner Stark asked if any other applications were received. Ms. Skogen confirmed there were not and that Mr. Nelson's application was the only one that was received.

Chairperson Reynolds asked if they would like to discuss Mr. Nelson's application or wait until he was present. Commissioner Reiland said it looked like he had a lot of good experience that would help the committee and was in favor of considering him. Both Commissioner Reiland and Chairperson Reynolds thought it would make sense to wait until he was in attendance to discuss his application.

#### C. Nominating Committee

Ms. Skogen said the Commissioners should appoint a Nominating Committee who would meet before the next meeting to provide a report for the next meeting. The election would then take place in March for the new officers.

Chairperson Reynolds said the Commission's Bylaws stated it was time to create a nominating committee of three commissioners to nominate individuals for the leadership positions and asked for volunteers to participate on the committee. After some discussion, Commissioners Reiland, Findell, and Granroos agreed to become members of the Nominating Committee.

Ms. Skogen mentioned the Committee must meet in person, not over-the-phone, to be in compliance with open meeting laws. She also said the meeting needed to take place before next meeting so a report could be provided to the members. Commissioner Reiland suggested they meet after their current meeting concluded. The others agreed.

Chairperson Reynolds asked for volunteers who would be interested in serving in a leadership position, and Commissioner Ostwald volunteered for serving as the Commission chair or vice chair.

### **OLD BUSINESS**

#### A. Discussion of Chapter 2

Chairperson Reynolds said Ms. Skogen had prepared the amended changes for Chapter 2 in ordinance format for recommendation to the City Council.

Chairperson Reynolds said when they met last October, the Commissioners were discussing Chapter 2.07 which is now 2.08, and added the conversation was in the minutes. Her concern was that it did not explicitly explain what "reasonable remuneration" meant in regards to Councilmembers' salary and benefits.

Chairperson Reynolds provided a handout suggesting changes to the language to this section. After additional discussion regarding the timeline and specificity of the language, the Commissioners decided the language was fine as written, and that this section of the chapter could be sent to Council as prepared by Ms. Skogen.

Chairperson Reynolds also asked why there was not a specific process outlined in Chapter 2 for how a vacancy was determined and then filled. Ms. Skogen responded saying the language for Chapter 2 in the agenda only included the changes or updates being recommended in order to save money when printing the public notice.

Commissioner Braam MOVED and Commissioner Soule seconded a motion approving the recommended amendments for Chapter 2 as prepared in ordinance format and sending it to the City Council for the public hearings.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED.

## **NEW BUSINESS**

### **A. Discussion Pertaining to Chapter 7**

Chairperson Reynolds and Ms. Skogen asked Mr. Foster if all of the materials for the discussion of Chapter 7 were provided in the packet. Mr. Foster stated the materials provided had been sent to the Commissioners and Council previously, but he had put them in one packet for easier reference and provided a handout.

Ms. Skogen asked Chairperson Reynolds if she would like to open the floor to Mr. Wysopal to begin the discussion of Chapter 7. Chairperson Reynolds said she would like the Commissioners to have a few minutes to look over the materials prior to opening the discussion. Ms. Skogen said if there is no objection, Mr. Wysopal can begin the presentation he has prepared.

Mr. Wysopal thanked Chairperson Reynolds and the Commissioners for their time and agreeing to discuss Chapter 7 of the City's Charter. Mr. Wysopal recapped the process so far. He stated city staff had sent a questionnaire detailing the purpose and general thoughts on Chapter 7, with a follow-up memo asking Commissioners and Council members what metrics might be helpful to use in the evaluation of Chapter 7. Based on the responses to the follow-up memo, city staff prepared and provided statistics, metrics, and other measures as requested by Council members and Commissioners. The handout provides metrics they would like to review and address any questions. He stressed they have not tried to be evaluative throughout this whole process, but to seek to discuss it in an unbiased and educational matter so he can provide a financial evaluation of the city in the future. He stated there was no other city that could be compared to Fridley, as Fridley was the only City with the levy restriction.

### **Handout 1: "City of Fridley" (Containing information regard the year, population, unemployment rate, and personal income)**

Mr. Wysopal stated the intent of this graph was to provide historical demographics of Fridley; where it ranks in population (33<sup>rd</sup> highest in the state of Minnesota), how unemployment and personal income rates have compared to the state averages, and the sources from which the information was obtained. Mr. Foster stated personal income was based on the "per-capita" personal income metric for the City of Fridley.

**Handout 2: “City of Fridley Historical Data”**

Mr. Wysopal said graph 2 showed how state changes can affect how metrics are calculated from time-to-time. For example, up until 1995, estimated market value was used in calculating tax rates. After 1995 the state began to use the tax capacity rate. Estimated market value is the total value of the locally assessed real property values in the city. Tax capacity rate is determined by dividing the total levy by the total tax capacity. Tax Capacity is the valuation of property based on the estimated market value and property class.

Commissioner Soule asked why there was such a drastic difference between the estimated market value and the tax capacity rate in 2015. Mr. Wysopal and Mr. Foster were uncertain for the difference and agreed to further investigate.

Mr. Wysopal and Mr. Foster wanted to ensure everyone understood these metrics, their impact on the City’s tax levy, and why there may have been other drastic changes in the numbers in certain years.

**Handout 3: “City of Fridley Historical Levy”**

Mr. Wysopal defined the tax levy as being the amount of money the City used on its operations through property taxes. He said Springbrook Nature Center began receiving its own levy in 2005. Due to the restrictions, the City needed to start issuing debt to cover operational costs in 2006. He further described the chart on the bottom as being the year-over-year percent change in operational levy.

Chairperson Reynolds asked if any of the charts showed when Local Government Aid (LGA) from the state may have changed. Mr. Wysopal referenced an indicator on the charter in 2011 where LGA was cut, but the City was able to levy beyond the restrictions to make up the difference in revenue.

**Handout 4: “City of Fridley 20 Year History of Fund Balances Non-Enterprise Funds”**

Mr. Wysopal described fund balances as being similar to “cash-flow” in a business as the total money left in a personal checking account one might have between paychecks. He said the City generally receives two “paychecks” a year in July and December. The City must cash-flow during the months in between each of these “paychecks.” He also said the City Council established a policy that the City carries a balance between 35% and 50% of last year’s operating budget in order to make sure they have sufficient funds until they receive the next property taxes or LGA.

Mr. Foster added the chart was not adjusted for inflation. The 1996 total of 39 million dollars was the real dollar amount in 1996 and not what that dollar value would be worth in 2016.

Additional discussion took place to clarify any confusion with charts or to address any questions.

**Handout 5: “City of Fridley General Fund Balance”**

Mr. Wysopal introduced the next chart in the same context of the prior handout, but this chart also showed where 35% to 50% of last year’s operating budget would be in each year. He also mentioned how the City had a strict policy against issuing debt for operational expenses, which puts an additional strain on these funds. They are required to carry a fund balance into the New Year.

**Handout 6: Chart containing information on county, city, school district, median value home, 2017 total taxes, and whether or not the city was a fiscal disparities net recipient**

Mr. Wysopal said the next few handouts begin to compare various Fridley indicators with neighboring and similar cities. He further described the information on the chart and how Fridley compares to the other cities. He added it was important to understand there are two rates for home values. Homes are taxed at one rate up to \$100,000, and another beyond that amount.

Mr. Wysopal described fiscal disparities and how it worked. He said many of the neighboring cities are the largest receivers of these fiscal disparities in the metro area. Mayor Lund added that Fridley is the only city in Anoka that is a “loser” in regards to fiscal disparities.

**Handout 7: Net Benefit of Fiscal Disparities of Surrounding Communities**

Mr. Wysopal said this chart would further describe fiscal disparities. He said Columbia Heights receives almost a 25% benefit increase on their property taxes due to fiscal disparities in contrast with Fridley that is losing value. He added, since the fiscal disparities program has been put into place, cities in the metro area put 40% of all new commercial and industrial property that is generated in a city into a pool, and then the state uses a formula to decide who needs these benefits the most. This commercial value, or benefit, is given to cities that have less commercial and industrial growth.

Mr. Wysopal used an example in saying a home valued at \$171,000 in Fridley would pay about \$150 less in property taxes if it were located in Columbia Heights.

Commissioner Findell said this program could create a disincentive for a city to further develop its commercial and industrial areas to grow their tax bases. Mr. Wysopal said it is still beneficial as it can add jobs, and it is easier not to have to depend on receiving fiscal disparities.

Chairperson Reynolds asked if population figured into the determination of receiving fiscal disparities. Mr. Foster said it might be more related to population density and a lack of room for commercial and industrial development.

Further discussion took place to clarify various attributes of the fiscal disparities program.

**Handout 8: Table containing information on city, the total revenues in dollars generated by franchise fees, and whether or not the city had gas and/or electric franchise fees**

Mr. Wysopal said this graph addresses franchise fees which was a major component of the restriction in Chapter 7, which relates to the City's lack of ability to impose new fees, including franchise fees.

Mr. Foster said the State Auditor's website only had information dating back to 2014, and Columbia Heights and Brooklyn Park have recently voted to implement gas and electric franchise fees, but the chart does not yet show the revenues generated by these fees.

Chairperson Reynolds asked if there were other cities similar to Fridley relating to franchise fees. Mr. Wysopal responded they chose the cities directly neighboring the City of Fridley.

Mr. Foster and Mr. Wysopal explained how it was difficult for them and city staff to determine the impact of the revenue dollars as the specific totals from each fee and where this money was used was unclear.

Mr. Wysopal further explained that franchise fees can be a way to fund city operations through a source other than property taxes so tax-exempt buildings can also contribute to that revenue.

Mr. Wysopal stated that the next few graphs dealt with comparisons of current index measure being used in the levy restriction (CPI) and other similar indexes.

**Handout 9: % Change in CPI**

Mr. Wysopal said this graph showed how the CPI had changed from year-to-year, and more about what the CPI is (a measure for consumers).

**Handout 10: IPD vs. CPI % Change**

Mr. Wysopal stated the Implicit Price Deflator is another measure that can be used to limit government spending, and that is often used at the state-level to impart restrictions. He defined this particular price deflator as the ratio of current dollar gross domestic product (GDP) to constant dollar GDP for state and local governments. The ratio is used to account for the effects of inflation.

Chairperson Reynolds noted the color of the line for the CPI changed from the last chart. Mr. Foster agreed that it was confusing at the he would standardize the CPI's line color for each chart to provide better clarity.

More general conversation took place regarding what was included in the CPI and what might impact the index.

**Handout 11: % Change CPI vs. % Change in MCI**

Mr. Wysopal stated the Municipal Cost Index is another measure that is similar to the CPI and has been developed by American City & County. This measure seeks to account more specifically for government expenses and the impact of inflation on these expenses.

Discussion took place regarding the initial standard for Fridley's levy restriction using a "mill rate" instead of the CPI, and when the state quit using the mill rate Fridley followed. He further mentioned property values would go up and the mill rate restriction would account for this value increase, thus, allowing the City not to have to raise their tax rate.

Mr. Wysopal summarized the purpose of these last handouts were to demonstrate similar measures to the CPI

**Handout 12: Local Gross Domestic Product (GDP – Minneapolis-St. Paul-Bloomington)**

Mr. Wysopal described the graph showing the local GDP and what that measure has done since 2001.

**Handout 13: State and local government investment (National – in billions)**

Mr. Wysopal indicated this graph showed spending in state and local governments and how it has changed over time.

**Handout 14: Personal income (Thousands of dollars – Minneapolis-St. Paul-Bloomington)**

Mr. Wysopal stated this graph provided information on how personal income has changed in the area since 1994. He noted the percent change in per capita personal income from 1994-2014 is 156.24%.

**Handout 15: Budgeted Salary Increase vs. CPI % Change**

Mr. Wysopal said this graph compared the budgeted salary increase vs. the CPI change showing it is any city's largest expenditure is on labor. Cities provide local services and they cannot be outsourced. He added that the salary increases are discretionary and decided on by the City Council.

Chairperson Reynolds asked what happened to the CPI in 2009. Mr. Foster responded in saying the market crashed around 2008 and the CPI change in 2009 was likely in response to that crash

Chairperson Reynolds followed up asking why a similar drop happened in 2015. Mr. Foster said this drop may have been in response the large increase in CPI in 2011. He said the graph represents a percent change in CPI which may indicate stabilization in inflationary measures.

Further discussion took place regarding the CPI and its drastic changes in certain years.



Chairperson Reynolds asked if the Gross Domestic Product (GDP) or other economic measures, could be compared to the CPI. Mr. Foster said the measures were related, but certainly different. He added the CPI could be overlaid with another access if so desired.

More general discussion took place relating to the measures and charts that have been presented by Mr. Wysopal.

**Handout 16: Chart containing information on the differences and similarities between statutory cities and Fridley's charter in regards to levy, budget and financial reporting, fund accounting, and fees**

Mr. Wysopal said this graph was a comparison between the limits statutory cities face and the Fridley Charter or other charter cities.

The commissioners reviewed this handout independently.

**Handout 17: Timeline outlining the major changes in Chapter 7 regarding levy and fee restrictions**

Mr. Foster distributed the timeline handout to those in attendance and Mr. Wysopal addressed each point on the chart.

General discussion took place regarding the timeline handout.

Ms. Skogen said the 5% cap added to the restriction in 2001 carried over from the original petition. Mr. Foster said he would make the correction on the chart.

Ms. Skogen asked what Mr. Wysopal's plan was moving forward. He stated he would like to open the meeting for discussion. He added he wanted to provide these metrics in an unbiased measure so Chapter 7 could be evaluated independently by the Commissioners.

Mr. Wysopal said it was difficult to compare Fridley to other cities and evaluate their financial situation. The purpose for this exercise was to better educate and understand what the implications of Chapter 7 and this other data to understand the city's financial outlook.

Commissioner Findell discussed how taxes and fees were determined during the time of the updated language regarding the City's levy restriction. He stated fees were self-sustaining and taxes were more general. Commissioner Reiland added that fees were typically implemented for a specific use.

General discussion took place regarding Chapter 7, fees and taxes, and Mr. Wysopal's presentation.

Commissioner Findell stated he would like to continue the discussion on Chapter 7 with specific goals and examples of what the City would like to accomplish, and to better understand the

ramifications of the restrictions. The Commissioners agreed the discussion should be on-going and added to the agenda for the next meeting.

Mr. Wysopal thanked the Commissioners again for their time and for approaching the issue in a positive and patient manner.

Upon prompting from Mr. Wysopal, Chairperson Reynolds agreed the continued discussion of Chapter 7 was a good idea and that the additional metrics and changes requested by the commissioners should be made for the next meeting.

Commissioner Reiland also asked if any progress had been made with CenturyLink and Chapter 10. Ms. Skogen responded that the City was still waiting for a response from CenturyLink.

Ms. Skogen summarized the desires of the commissioners on the topics to add to the “Future Topics” section of the agenda.

### **FUTURE TOPICS**

#### Old Business

- Discussion of Chapter 7

#### New Business

- Discussion of the nominating committee’s report
- Interview of Bruce Nelson and other applicants for the two vacancies.

### **ADJOURNMENT:**

Commissioner Braam MOVED and Commissioner Reiland seconded a motion to adjourn the meeting.

UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON REYNOLDS DECLARED THE MOTION CARRIED AND THE MEETING WAS ADJOURNED AT 8:30 P.M.

Respectfully submitted,

Debra A. Skogen, MMC  
City Clerk/Staff Liaison

Commissioner Donald Findell  
Secretary