

CITY OF FRIDLEY
CHARTER COMMISSION MEETING
FEBRUARY 6, 2017

CALL TO ORDER:

Vice Chairperson Ostwald 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, Avonna Starck, Lois Scholzen, Richard Walch

Members Absent: Commissioners Rick Nelson, Ted Kranz, Zach Crandall, and Pam Reynolds

Others Present: Deb Skogen, City Clerk/Staff Liaison
Wally Wysopal, City Manager
Scott Lund, Mayor
Jim Saefke, Councilmember Ward 1
Jake Foster, Management Analyst
Bruce Nelson, Fridley Resident and Charter Commission Applicant
Richard Johnston, Fridley Resident and Charter Commission Applicant
Valerie Rolstad, Fridley Resident and Charter Commission Applicant

APPROVAL OF AGENDA

Commissioner Braam MOVED and Commissioner Granroos seconded a motion to approve the agenda.

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

APPROVAL OF MINUTES

Commissioner Reiland suggested that on the first line of the second paragraph under the “New Business” section on page four, the word “to” needed to be changed to “the”.

With no other changes, Commissioner Soule MOVED and Commissioner Braam seconded a motion approving the Charter Commission meeting minutes as amended of October 3, 2016.

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

ADMINISTRATIVE MATTERS

A. Nominating Committee

Commissioner Reiland said the Nominating Committee met after the last Commission meeting to review candidates for the 2017-18 officers. The Nominating Committee submitted the nominees as follows: Commissioner David Ostwald for chairperson, Commissioner Donald Findell as vice chairperson, and Commissioner Manuel Granroos as secretary.

Commissioner Reiland also asked Ms. Skogen if the voting would take place during the March meeting. Ms. Skogen confirmed it would. Commissioner Reiland said each of these nominees have volunteered and agreed to serve in their respective positions.

B. Vacancies

Ms. Skogen suggested the Commissioners look at the candidates in the order in which their applications were received which was Bruce Nelson, Richard Johnston and Valerie Rolstad.

Commissioner Reiland asked Mr. Nelson what brought him to the attention of the Commission. Mr. Nelson said he had a friend on the Commission and he finds the work very interesting.

A follow-up question asked Mr. Nelson what he could bring to the Charter Commission. Mr. Nelson said he is a good listener and communicator, gets along well with others, and is someone who honors their commitments and works hard for them.

Ms. Skogen stated, the commission meets eight times a year on Mondays, and asked Mr. Nelson if the meetings would be compatible with his other obligations. Mr. Nelson said the meetings would work with his other obligations.

Commissioner Reiland asked what Mr. Johnston would bring to the Commission if appointed. Mr. Johnston said he has developed many skills over the years, works well with others, and is reliable.

Ms. Skogen asked if the meeting dates would work for Mr. Johnston, and he confirmed they would.

Ms. Skogen also asked what interested him in working on the Charter Commission. Mr. Johnston said he is looking to stay active in the community during his retirement.

Ms. Rolstad was welcomed and asked why she applied to become a member of the Charter Commission. Ms. Rolstad said she was asked to apply by a few Charter Commissioners and felt the Commission would be a good fit for her skills. She added she has been a long time advocate for her children's education and in public education. She has developed a lot of

skills serving on various committees and boards while communicating with a wide variety of people. She added she is a long time resident of Fridley and is interested in ensuring the City is heading in the right direction.

Ms. Skogen also asked Ms. Rolstad if the meeting schedule would work for her, and Ms. Rolstad confirmed it would.

Commissioner Soule asked Ms. Skogen to provide the names of the Commissioners whose terms were expiring, since there were three applicants and only two openings, in case any of them did not want to be reappointed. Ms. Skogen said Commissioners Ostwald and Reiland's terms expired in February, Commissioners Findell, Soule, and Scholzen's terms expired in May, and Commissioner Walch's term was expiring in October.

Commissioner Starck asked how the Commission's size was determined. Ms. Skogen stated the size was legislated as to a maximum of 15. Ms. Skogen said there were years in the past when there were only nine or ten commissioners on the Commission at a time, and it was great to see such an interest.

Mr. Nelson, Mr. Johnston, and Ms. Rolstad were asked to leave the room so the Commissioners could discuss how best to fill the vacancies.

Commissioner Scholzen stated she was not interested in being reappointed to the commission for her term ending in May. The third candidate who was not chosen immediately could then be appointed to fill the vacancy created by Commissioner Scholzen.

Commissioner Granroos stated each of the candidates are qualified and viable to serve on the Commission. Commissioner Reiland said the commissioners then needed to discuss and determine who would be appointed right away to fill the immediate vacancies and who would be appointed to the term expiring in May.

Commissioner Starck suggested the Commissioners seek to provide gender equity in their decision to fill the initial vacancies.

Commissioner Braam asked who the first applicants were and recommended the Commissioners chose the first two applicants to fill the immediate vacancies. He said the third applicant can then be appointed to the vacancy that will be created by the departing Commissioner Scholzen.

General discussion took place on these suggestions, as well as other representation equity in the charter (including the ward in which each member is a resident), and it was determined the best way to proceed was to do a secret ballot where each of the commissioners could vote for the two candidates that they would like to fill the immediate two vacancies.

Commissioner Findell MOVED and Commissioner Soule seconded a motion to proceed with a secret ballot voting to fill the vacancies.

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

Ms. Skogen handed out paper for the Commissioners to place their votes. After voting the Commissioners handed their ballots to Ms. Skogen who then tallied the results. The results of the vote were: Mr. Nelson – 6 votes, Mr. Johnston– 5 votes, and Ms. Rolstad – 3 votes.

Commissioner Braam MOVED and Commissioner Reiland seconded a motion to proceed with the appointments in accordance with the results.

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

Once the applicants returned, Vice Chairperson Ostwald informed them that Mr. Nelson and Mr. Johnston would fill the immediate vacancies and Ms. Rolstad would fill the vacancy created by Commissioner Scholzen resignation.

Mayor Lund recognized Commissioner Scholzen's service of 10 years on the commission and thanked her for that service.

OLD BUSINESS

A. Discussion of Chapter 7

Mr. Foster said he and other staff members have created a presentation and an accompanying report based on the feedback from the last meeting and the Commissioners requests to provide specific examples of how the levy restriction in Chapter 7 impacted City operations.

Upon Commissioner Reiland's request, Mr. Foster provided some background information about their discussions in previous months for the sake of the new appointees and Commissioners that have missed past meetings. Mr. Foster then proceeded with the presentation.

Mr. Foster said there three main categories were identified showing how the City has been impacted by the levy restriction. Information was gathered through discussing the impacts with city staff and department managers. Examples of specific impacts were identified and categorized into the categories of: 1) Financial trends/management, 2) diminishment of services, and 3) the inability to react to unanticipated circumstances and mandates.

At Commissioner Walch's request, Mr. Foster reviewed the language in Chapter 7 relating to the levy restrictions and the historical behavior of the CPI.

Mr. Foster showed how debt has been impacted by the levy restriction. The City has been forced to fund part of the operations or its equipment or through debt financing due to limited reserves and no new funding sources. The City has been borrowing every 2-3 years compared with 8-10 years previously prior to the levy restrictions. Additionally, there is less money that has been allocated to capital investments despite them being deemed necessary.

Moving forward, Mr. Foster outlined how daily operations have been impacted. He cited the cost of gasoline increased 3.8% in 2016, electric costs increased 4.93%, and natural gas increased 3.5% despite a CPI of 1.4% in 2016.

Commissioner Reiland asked to clarify that one could say that the CPI of 1.4% then is not accurately accounting for the added cost in these areas, to which Mr. Foster agreed. Mr. Foster then reviewed the impacts of the levy restriction and how Local Government Aid (LGA) is allocated in the City's budget.

Mayor Lund described how City Council wanted to use LGA for capital expenses, but due to the levy/fee restrictions, LGA has been used toward operations instead of capital improvements/investments.

Mr. Foster reviewed how debt financing and depleting fund balances has impacted the City's ability to finance/bond for the new civic campus due to the levy restrictions. Mr. Wysopal also discussed how the current City Hall building deteriorated at a much faster rate as maintenance projects could not be completed due to the lack of funding.

Mr. Foster described additional challenges provided by state-driven levy restrictions. He further detailed how the state imposes restrictions regularly and how they can be more restrictive than the language in the City Charter at times. Mr. Wysopal added that due to the City's restriction, any restriction provided by the state only adds complexity and a compounding effect on the City's ability to levy for needed services.

Mr. Foster reviewed the diminishment of services, citing how the City's seal coating program has been cut back due to 11% increase in costs, but the City budget had a flat levy from the prior year which did not cover the additional expenses. This also adds to increased costs for road maintenance in the future.

Additionally, Mr. Foster described how equipment replacement has been delayed to adapt to the levy and fee restrictions.

Mr. Foster cited the City's limited ability to treat and contain trees effected by Emerald Ash Borer as a diminishment of services.

Commissioner Walch asked if Mr. Foster and others could provide more insight on how property taxes are assessed, collected by the county, and then distributed to the city. Mr. Foster said the levy restriction does not deal directly with home values or a percentage of that home value, but rather the dollar amount associated with last year's budget. Commissioner Walch confirmed what Mr. Foster stated that the City is unable to capture any increase in home values. Further discussion took place between Commissioner Walch, Mr. Wysopal, and Mr. Foster regarding how the City's levy is derived and provided from the county.

Mayor Lund gave an example on how the City has to adapt to circumstances. He cited the big wind storm and citizen's expectation that the City would collect and dispose of their tree damage. Because the storm was city-wide, the City agreed to collect and dispose of trees and limbs at a cost to the City over \$500,000 dollars. He said if that happened again, The City Council would have a very difficult time finding the funding for a similar incident.

Mr. Foster provided the next example related to the City's recycling program. He said the average cost increase each year for the recycling program is about 4%. Because the levy is often restricted to a value much smaller than that and the City cannot raise the recycling rates, a reduction in recycling services is inevitable. Mr. Wysopal further described how the levy restriction has impacted the City's ability to provide adequate recycling services.

Mr. Foster reviewed how the levy restriction has led to the City's inability to react or adapt to unanticipated circumstances or mandates, such as a potential mandate requiring all police officers to wear "body-cams", would be very difficult to fund.

Commissioner Reiland asked why the annual cost of the program was over half of the upfront cost. Commissioner Soule said required a full time staff person to analyze and organize any new data recorded on the cameras.

The next example provided by Mr. Foster was how the City has a lessened ability to respond to market-driven salary increases for employees. He further described how Fridley is often behind and below their labor competitors (largely neighboring cities) in their compensation.

Mr. Wysopal added this is was also compounded as personnel costs make up the largest part of the City's budget. He reiterated personnel costs are not tied to the CPI or any inflationary measure, but set by the market.

Vice Chairperson Ostwald asked if the City had any issues with the retention of employees. Ms. Skogen responded they did not. Mr. Foster said the City had a lot of long-term employees who have been with the City for 20+ years and they are less likely to leave than newer employees.

Mr. Foster detailed the unanticipated increase in worker's compensation insurance for 2017, a required service. Mr. Wysopal added that an increase of \$80,000 was made known to the City in December at the time of renewal, despite the 2017 budget already being approved.

Mr. Foster said the early retirement of a K-9 unit as another unanticipated cost for the City. There are significant costs with the training of the canine and the handler.

Mr. Foster added that in 2018 the City can expect an additional 1% contribution to the Police and Fire pensions (PERA) as mandated by the State. This equates to roughly another \$35,000 expense for which the City cannot levy.

Mr. Foster addressed the impact of tax court petitions. If a tax petition is awarded to a commercial property against the City, that amount is subtracted from the annual tax levy. The City does not have the ability to levy for the difference in their total tax levy. Mr. Wysopal

further clarified the tax petition process for Commissioners, its impact on the City, and how it is further exacerbated by the language in Chapter 7.

Mr. Foster then described and summarized the aggregated challenges presented by the levy restriction during the budgetary approval processes, including some specific dollar values associated with some costs. In summation, Mr. Foster described a case study using the City's water utilities outlining the various touch-points that are impacted by the levy restriction in the City Charter.

Mr. Wysopal provided the Commissioners with an overall summary of their research which was in response to the request of the Charter Commission members from the previous meeting. He thanked the Commissioners again for their time, patience, and openness for discussion.

Commissioner Findell said he was skeptical of the metrics or indexes available for the use of the Commission, and the various variables that can influence them. He also added he trusts the City and would like more pushback on cities having to fund certain mandates. Commissioner Findell said he would like to see metrics or indexes that might be a better fit for the City's levy purposes, or other tactics or processes that could be used to protect the tax payers.

The Commissioners discussed the various metrics and their strengths and downfalls.

Mr. Wysopal directed the Commissioners to the initial questions for their discussion around Chapter 7; those being: What is this measure (levy restriction) seeking to achieve, and is it effective?

Commissioner Walch said it is likely it is too restrictive, but there still should be a balance in how the Council works through their budgetary process to ensure the best interest of the tax payers is preserved.

The Commissioners expressed their willingness to further discuss updating Chapter 7, especially regarding the levy and fee restrictions within that chapter.

Commissioner Reiland MOVED and Commissioner Walch seconded a motion requesting options or alternatives for language that could replace the language in Section 7.02 relating to the levy and fee restrictions.

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

Vice Chairperson Ostwald asked for staff to could help create a plan for putting the City back in strong financial footing in the future. Mr. Wysopal added that reworking the language in Section 7.02 is only part of ensuring the City's strong financial future. He added the City would not be seeking to drastically increase the levy, and it would put more pressure on the Council to make effective decisions during the budgetary process.

Commissioner Findell said the original levy restriction in the charter required a vote of 4 out of 5 members of the City Council to increase the levy beyond the mill rate restriction. He suggested that something similar might be implemented within the City's recommendations or proposed alternatives.

NEW BUSINESS

A. None

FUTURE TOPCIS

Administrative Matters

- Election of Officers
- Update of Chapter 2 Amendment
- Update of Vacancies

Old Business

- Discussion of Chapter 7.02 language alternatives presented by City staff

ADJOURNMENT:

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

UPON A VOICE VOTE, ALL VOTING AYE, VICE CHAIRPERSON OSTWALD DECLARED THE MOTION CARRIED AND THE MEETING WAS ADJOURNED AT 8:45 P.M.

Respectfully submitted,

Debra A. Skogen, MMC
City Clerk/Staff Liaison

Commissioner Donald Findell
Secretary