

CITY OF FALCON HEIGHTS
City Council Special Workshop
City Hall
2077 West Larpenteur Avenue

MINUTES

Wednesday, August 14, 2024
7:30 P.M.

- A. CALL TO ORDER: 7:48 PM
- B. ROLL CALL: GUSTAFSON_X__ LEEHY_X__
 MEYER_X__ MIELKE_X__ WASSENBERG__
- STAFF PRESENT: LINEHAN_X__ VAN DER WERFF_X_ OLSON_X_
- C. POLICY ITEMS:
1. 2025 Proposed Budget: Workshop #1
- a. General Fund Budget Priorities

Administrator Linehan provides an overview of the proposed general fund budget and says he is looking for Council feedback so staff can refine the budget. September 30th is the deadline to accept the preliminary levy. He explains this can be lowered before adopting the actual levy at the end of the year, but it cannot be increased according to state statutes. He notes that not all numbers are known yet. In revenue, they are still waiting on valuations and fiscal disparities in Ramsey County, which usually comes at the end of August. There are some unknown costs in expenses as well, such as police costs.

Finance Director Olson provides an overview of how the fiscal disparities are calculated. It is a distribution throughout Minnesota but can make a big difference.

Linehan explains for every \$10k in general fund expense there is a .4% levy increase, which means \$6 per year to median home property tax. That does not take any revenue into account. The final values of properties, determined by the county, also play a big role in revenue. He also notes some commercial properties in Falcon Heights petitioned their appraisal values and got them lowered.

2025 proposed General Fund

Revenue

- \$3,722,388 - 5.95% increase in revenue
 - o Increase of 9.2 % in ad valorem taxes.
 - o Series 2017 debt service will fall off.
 - o Councilmember Leehy wonders about the MPCA grant. Another increase in revenue is the MPCA grant, which will be utilized for the Climate Action Plan.
 - o Linehan notes, that over the past years, the city has budgeted conservatively in permit revenue, but the actual came out a lot higher.
 - o Other small revenues are licenses.

Expenditures

- \$3,722,388 - Increase of 6.23%
 - o Linehan explains this proposed as a balanced budget.
 - o There is a placeholder for police services of \$1.7 million. The final numbers are unknown. New Brighton continues to show interest in a contract with Falcon Heights in 2025, but a multi-year contract is more beneficial to them. Linehan continues to have contract conversations with St. Anthony Village, but not much progress has been made for more concrete numbers and staffing remains an issue. Linehan is hopeful to have more concrete numbers by September.
 - o Other contract increases are a 2.25% increase with the St. Paul Fire Department and a 7% increase with MetroINET, the city's IT vendor.
 - o Cost of Living Adjustment (COLA), proposing a 3% to 4% increase. Linehan points out that many department salaries are drawn from different funds. He shows the different budget impacts for 3% and 4% increases. Current salary surveys show other cities are doing 3% increases. Councilmember Mielke thought it matched state COLA increases. Leehy points out that the salaries in Falcon Heights were very low, and the city is trying to catch up. Linehan adds Falcon Heights is a non-union, so no one is there to negotiate the salaries. Council suggests 3.5%.
 - o Staffing Changes. Linehan explains the accountant is doing activities that justify a job reclassification from part-time to full-time, and has the opportunity to apply for similar jobs in the area with higher pay and this is for succession planning as well.
 - o Special initiatives from staff:
 - Increase of \$22k for boulevard tree planting. The City will have a Green Corps member complete a tree inventory. Staff is also looking out for grant opportunities. Mayor Gustafson wonders about depreciation. Olson says that does not need to be considered for trees. Linehan explains if it is \$25k each year it should be in the general fund expense. If it's a one-time big expense it could be coming from the capital fund. Mielke notes that this is a big topic of discussion for the Environment Commission.
 - Increase of \$20k for website redesign. Linehan points out the current contract is expiring. This allows staff to put out an RFP and create a more accessible website.
 - Increase of \$15k for class & compensation study. Linehan explains this has never been done in Falcon Heights, there are no clear salary ranges or job descriptions. It is needed for the Pay Equity Requirement that is due in 2026.
 - Increase of \$4k for municipal code online. A low-cost option to move to a searchable online city code.

Linehan shows preliminary data for levy comparison and points out that the levy impact is not accurate compared to other cities from 2024 as current numbers are not known. Proposing an increase of \$116 per household per year. He then moves on to city tax rate history. In 2008 and 2009 the city received good pricing on policing, which explains the lower rates. Lately, it increased primarily due to the increased cost of policing.

Olson notes the city was spending money out of reserves and almost went bankrupt to lower taxes for a couple of years. Linehan notes that the trend was reversed later and all funds have reserves built up now, but tax rates now are higher than they were prior to 2018.

Councilmember Meyer wonders if this takes increased valuation into account. Olson explains the calculation of the tax capacity as there is relief from the legislatures. The homestead credit has increased. He provides the calculation for the homestead credit. It helped the city some, but as property values increase you lose out on some of the homestead credit.

Mielke wonders about annexing and at what point can the city not be a stand-alone city anymore. Olson explains the city never went through with annexing, but it has been discussed before. He has observed Falcon Heights as a gracious, caring city, and a great place to work. He stated the staff and council always looking out for the city's welfare.

Linehan looks back at levy comparison with other cities. Falcon Heights remains in line with other cities. He likes to look at the dollar amount and how it impacts the bottom line for households.

Mielke wonders about staff development. Linehan notes that this is increased across the board.

Linehan received a lobbyist proposal, with a flat fee of \$40k. It would not be for next year's budget but could be a future potential. The League of Minnesota Cities (LMC) lobbies, but does not represent individual cities at the state legislature. Mielke points out a lobbyist mentioned to her that he had previously engaged the city regarding single-hauler waste collection. The council agrees it's beneficial because Falcon Heights does not receive taxes from 2/3rds of the city.

Linehan allows the council to provide initiatives.

Mielke wonders about the budget for the Council to attend LMC annual conference. She points out rewriting ordinances to allow for individual rental unit inspections; this requires increased staffing and city license fees. Linehan answers it can be increased when the Council discusses the City Fee Schedule. He is not expecting a big increase in revenue but it would offset the fire marshal cost.

Mielke suggests paying commissioners a stipend, which would allow more people to be able to be a commissioner and create more diversity. It would roughly cost \$18k - \$20k. She also suggests adding a youth commissioner as an add-on and not making them part of the full commission number to allow them to work with their schedule. Leehy likes this idea and notes it's great to add a youth commissioner. Linehan wonders for budget purposes to add \$20k. Leehy also proposes an annual acknowledgment of the commissions. The council believes that would benefit the city.

Linehan polls the group for a levy increase direction. The Council discusses future assessments and PMPs. Meyer points out for revenue purposes, Roseville has an aggressive sales tax on THC products. Linehan notes the Planning Commission will

have a specialized attorney attend to explain more about the cannabis regulations. Falcon Heights has been following state guidelines.

Linehan explains the future schedule for the budget workshops.

Leehy wonders about discussions for the budget for the park. Linehan notes council will discuss capital at a future workshop that'll include park renovations.

D. ADJOURNMENT: 9:10 PM

Councilmember Mielke motions to adjourn;
Approved 4-0

DISCLAIMER: City Council Workshops are held monthly as an opportunity for Council Members to discuss policy topics in greater detail prior to a formal meeting where a public hearing may be held and/or action may be taken. Members of the public that would like to make a comment or ask questions about an item on the agenda for an upcoming workshop should send them to mail@falconheights.org prior to the meeting. Alternatively, time is regularly allotted for public comment during Regular City Council Meetings (typically 2nd and 4th Wednesdays) during the Community Forum.



Randall C. Gustafson, Mayor

Dated this 11th day of September, 2024



Jack Linehan, City Administrator