

Mayor
John T. Keis

Council Members
Tom Fischer
Michael McGraw
Christian Torkelson
Teresa Miller



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Little Canada, MN
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City Administrator
Chris Heineman

**Regular Meeting of the
Little Canada City Council**
Wednesday, September 8, 2021
6:00 p.m.
City Center Conference Room

AGENDA

1. CALL TO ORDER - Workshop Meeting - 6:00 P.m.
2. Roll Call
3. Workshop Topics
 - A. South Owasso Blvd & Spruce Street Development Proposal

Documents:

[2021 SOUTH OWASSO AND SPRUCE DEVELOPMENT PROPOSAL
9.8.21.PDF](#)

- B. 2022 Preliminary Budget Discussion

Documents:

[2022 BUDGET MEMO FOR COUNCIL WORKSHOP ON 09-08-2021.PDF](#)
[BUDGET PRESENTATION - UPDATED 09-08-2021.PDF](#)

4. Adjourn

This agenda is subject to change by additions and deletions.



STAFF REPORT

TO: Mayor Keis and Members of City Council
FROM: Chris Heineman, City Administrator
DATE: September 8, 2021
RE: South Owasso & Spruce Street Development Proposal

BACKGROUND INFORMATION

Staff will provide preliminary information about a proposed 74,500 square foot industrial facility to be located at the Northwest quadrant of South Owasso and Spruce Street. Staff has been working with the proposed developer for the past 3-4 months on a proposed project at the previously undeveloped site. This item is closely related to the third strategic direction (Maximize the City's Assets to Catalyze Development) in the City of Little Canada's Strategic Plan.

Due to the poor soil conditions on this site, significant subsurface improvements are required for a development of this nature to occur on this site. During the due diligence process, the developer has invested in the following items related to this site.

- 1) Geotechnical Report / American Engineering Testing (AET)
- 2) Legal Survey of existing site
- 3) Preliminary Site Plan for approximately 74,500 SF Warehouse
- 4) Preliminary Building Cost Breakdown / RJ Ryan Construction
- 5) Estimates for Rigid Subsurface Ground Improvement / Subsurface Constructors, Inc.

Each of these items have been submitted and were provided to a municipal financial advisor at Baker Tilly (Mikaela Huot). Mikaela will provide preliminary revenue projections and financial feasibility for the proposed industrial development project at this site at the workshop. It is very likely that this project will require additional funding sources to assist with the subsurface improvements required to construct a building on this site.

The purpose of including this item on the City Council workshop agenda is to determine if the City Council supports development on this site and is willing to offer public assistance. If so, additional financial review and needs analysis will be completed by Baker Tilly. A representative for the developer will also be in attendance to answer any additional questions you may have.



STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Chris Heineman, City Administrator
Brenda Malinowski, Finance Director

DATE: September 08, 2021 City Council Workshop

RE: Discussion on 2022 Levy and Other Funds

DISCUSSION:

The purpose of this workshop discussion is to review the 2022 Property Tax Levy and review other funds.

OPERATING LEVY:

During the workshop on August 25th, the 2022 General Fund Operating Budget and 2022 Property Tax Levy were reviewed. Based on discussion at the workshop, staff has identified possible changes to the General Fund Budget that will lower the 2022 Property Tax Levy. These proposed changes will bring the levy from a 6.19% increase to a 4.62% increase.

Taxes Levied from 08-25-2021 Workshop			
	Certified 2021	Recommended Payable 2022	2021 to 2022 % Change
General Fund	\$3,300,130	\$3,521,880	6.72%
Fire Equipment Fund	160,000	160,000	0.00%
Infrastructure Fund	122,200	122,200	0.00%
Gross Levy	3,582,330	3,804,080	6.19%

	Amount
Proposed Gross Property Tax Levy as of 8-25-2021	\$3,804,080
Move Strategic Plan to General Capital Improvements Fund (400)	(7,000)
Fund Compensation Study in 2021 with Council Contingency	(10,000)
Increase Falcon Heights inspection revenue to max reimbursement amount per contract	(9,530)
Increase Building Permit revenue	(36,300)
Decrease engineering services to amounts spent	(2,000)
Add \$5,000 to Council Contingency for possible salary adjustments identified in Compensation Study	5,000
Miscellaneous changes to insurance and software maintenance contracts	4,970
Proposed Gross Property Tax Levy after changes	\$3,747,810

Taxes Levied with Changes			
	Certified 2021	Recommended Payable 2022	2021 to 2022 % Change
General Fund	\$3,300,130	\$3,465,610	5.01%
Fire Equipment Fund	160,000	160,000	0.00%
Infrastructure Fund	122,200	122,200	0.00%
Gross Levy	3,582,330	3,747,810	4.62%

Per information received from a survey of estimated preliminary tax levy increases of municipalities in Ramsey County, the average increase is 6.16% to 6.76%, or 5.23% to 5.87% when excluding White Bear Township.

While the primary purpose of this workshop will be to focus on the Operating Levy, it is also helpful to understand how other funds that will be utilized for proposed improvements over the next few years. These funds are as follows:

General Capital Improvements Fund (400): This fund has been funded in the recent past with Local Government Aid (LGA) and periodic transfers from the General Fund. Park improvement projects, public works equipment, small fire equipment, computers, and building improvements are funded from this fund. In addition, Emerald Ash Borer tree removal and replacement is proposed to be funded in this fund.

Due to the current LGA funding formula, the City was to receive a reduction of LGA funding of \$105,800 for 2022. Fortunately, special legislation was passed to hold LGA at the 2021 levels for 2022. Other funding sources for this fund will need to be identified if the LGA funding formula does not change in the near future.

In 2022, \$203,000 has been included in this fund for some of the items identified in the Facility Assessment that was presented in workshop in August. This Assessment included \$658,300 in facility improvements for 2022 and an additional \$2,813,377 for years 2023-2031. During the CIP discussion this fall, projects can be moved or removed within the CIP per Council direction.

Pioneer Park Improvements have been included in the fund at the amounts presented in the 2021-2026 CIP that was approved last fall in the amount of \$325,000. Additional improvements have been identified in the Pioneer Park Master Plan. These improvements will need to be incorporated in the CIP discussion this fall.

Infrastructure Capital Improvements Fund (450): This fund is funded with a portion of the property tax levy, franchise fees for electric and gas, and special assessments from street projects. Expenditures in this fund are street projects, storm water improvements, and trail improvements. As identified in the 10-Year Pavement Management Plan that was reviewed at the last meeting, the current property tax levy is sufficient to fund the projects identified for the next ten years.

Fire Equipment Fund (457): An annual property tax levy also funds this fund. In addition, donations from the LCFD are added to this fund. Fire equipment vehicles are funded through this fund. There will be approximately \$1,361,613 in this fund as of 12/31/2021. This is enough to fund the aerial truck that will be purchased in 2022 and is budgeted at \$1,352,000.

Cell Tower Sale: The closing on the two cell towers occurred in 2020. As part of the sale, the City received a lump sum payment of \$324,873 and will receive \$72,774 per year for the next nine years. All transactions related to the sale of these cell towers have been recorded in the Owasso/Woodlyn Redevelopment Fund (474). The current cash balance in Fund 474 is \$672,618. A transfer from the EDA Fund (105) in the amount of \$350,000 occurred in 2013 when Fund 474 was created. It is proposed to return these funds plus interest to the EDA Fund in the amount of \$443,370. The remaining funds of \$322,618 can be left in Fund 474 or the funds can be transferred to another fund.

Storm Water Utility: Over the past few years, the City Council has been considering establishing a Stormwater Utility due to the increasing costs of maintaining the City's stormwater system. If the utility is established, property owners will pay for stormwater fee based on their impact to the stormwater system. The fee will be added to the quarterly utility bill. In addition, approximately \$16,490 in General Fund operating expenditures will shifted to the new utility fund and there will be a corresponding reduction in the property tax levy. It is proposed to include \$24,600 in the Infrastructure Capital Projects Fund (450) to move the establishment of the storm water fund forward.

PRESENTATION:

Staff will present the attached PowerPoint on the 2022 Budget and Operating Levy at the workshop.

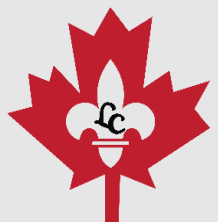
2022 Property Tax Levy and Other Funds

Council Workshop 09-08-2021



Personnel Costs

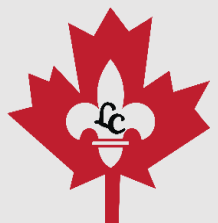
- 3.3% Market Rate Adjustment
 - 75% weight of COLA's(2.83%) in survey of Cities with populations between 5,000 and 15,000
 - 25% weighting of CPI increase(4.6%) from May 2020 to May 2021
- Public Works Reallocation of Wages
 - Due to the reorganization of the PW Department
- Code Enforcement/Rental Housing Coordinator
 - Now in budget at 12 months. Had been 8 months in 2021
- Accountant
 - Hours increased from 26 hours to 32 hours
- Recreation Coordinator
 - Hours increased from 34 hours to 40 hours. Additional hours will be funded with Recreation Program Revenue. If this is not a sustainable revenue source, it will be addressed in the 2023 budget.



Property Tax Levy as presented 08-25-2021

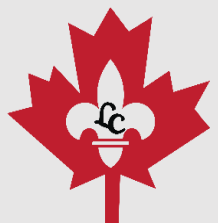
Fund	2021 Certified Levy	Recommended 2022 Levy	\$ Increase/ (Decrease)	% Increase/(Decrease)
General Fund	\$3,300,130	\$3,521,880	\$221,750	6.72%
Fire Equipment	160,000	160,000	0	0%
Infrastructure Fund	122,200	122,200	0	0%
Total	\$3,582,330	\$3,804,080	\$221,750	6.19%

Note-97.5% of General Fund levy is \$3,433,830 for 2022



Changes to Property Tax Levy

Description	Amount
Strategic Plan to General Capital Improvements Fund	\$(7,000)
Fund Compensation Study in 2021	(10,000)
Increase FH inspection revenue	(9,530)
Increase building permit revenue	(36,300)
Decrease engineering services	(2,000)
Add \$5,000 to Council Contingency	5,000
Miscellaneous changes to insurance and software maintenance	4,970
97.5% General Fund collection due to above changes	(1,410)
Total	\$(56,270)



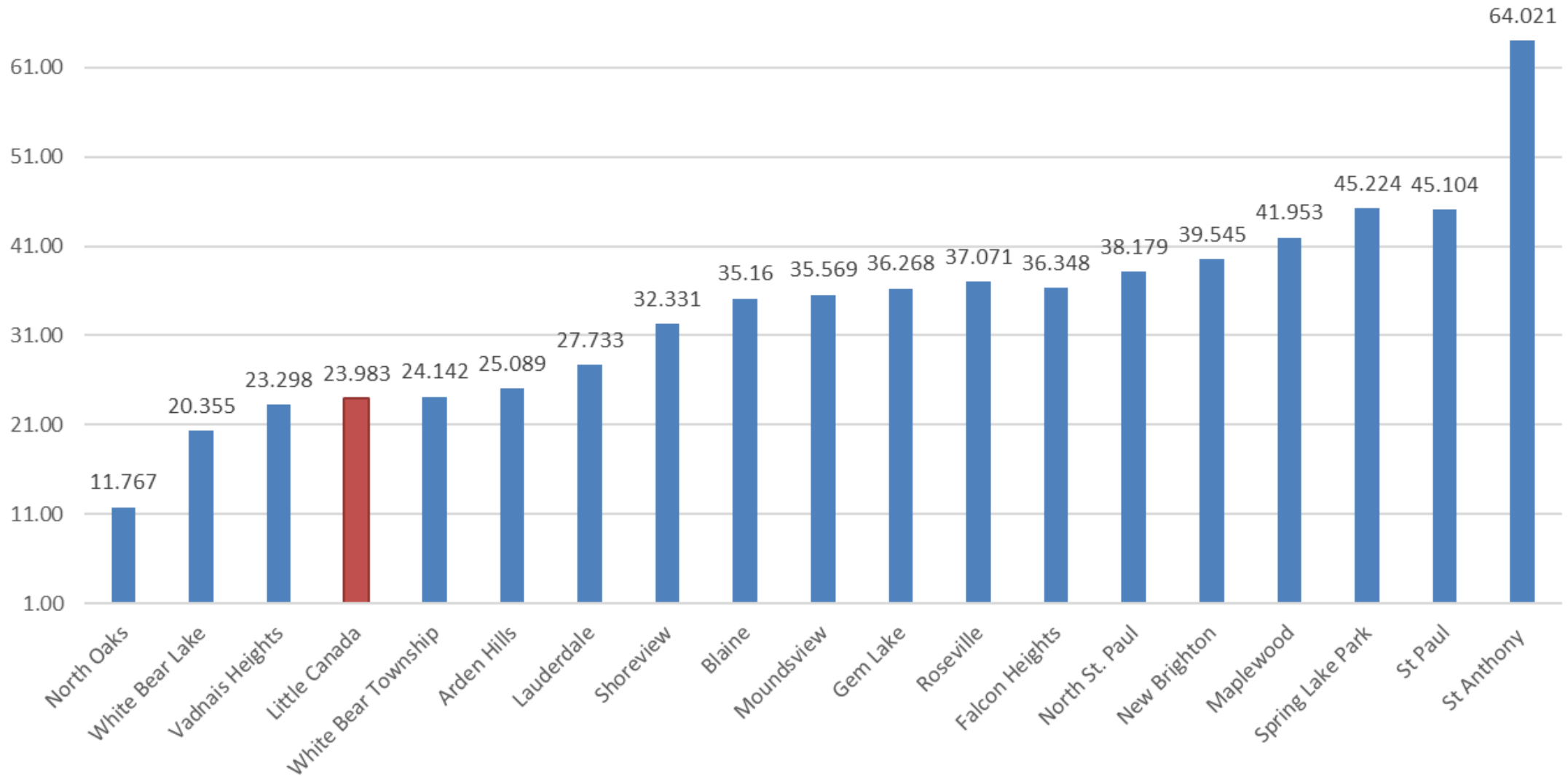
Property Tax Levy with Changes

Fund	2021 Certified Levy	Recommended 2022 Levy	\$ Increase/ (Decrease)	% Increase/(Decrease)
General Fund	\$3,300,130	\$3,465,610	\$165,480	5.01%
Fire Equipment	160,000	160,000	0	0%
Infrastructure Fund	122,200	122,200	0	0%
Total	\$3,582,330	\$3,747,810	\$165,480	4.62%

Note-97.5% of General Fund levy is \$3,378,970 for 2022



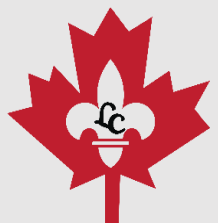
2021 Municipal Tax Rates



Local Government Aid (LGA)

Fund	2021 Amount	2022 Amount
General Fund	\$86,982	\$86,982
General Capital Improvement Fund (400)	347,927	347,927
Total	\$434,909	\$434,909

Note-Per the Current LGA Funding Formula, Little Canada was to receive \$105,800 less in LGA for 2022. Tax Bill HF 9 that was signed into law, included supplemental aid for cities where LGA certified for payable 2022 was calculated to be less than the amount certified in 2021, the amount of supplemental aid is equal to the reduction in LGA between 2021 and 2022.



General Capital Improvement Fund (400)

	2020	2021	2021	2022	2022
	Actual	Budget	Estimated	Budget	Budget
				per 2021-2026 CIP	with changes from 2021-2026
Revenues:					
PILOT Payment (Painter's Union)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
PILOT Payment (AFSA)	13,981	13,300	13,300	13,300	13,300
TIF excess increment	24,931	10,000	10,000	10,000	10,000
Cell tower lease	-	-	72,700		72,000
DNR Grant for Gervais Mill Park					97,000
DNR Grant for EAB					50,093
Donations	101,660	-	-	65,000	-
Sale of equipment	40,750	40,000	40,000	-	40,000
Local Government Aid	347,503	347,503	347,503	347,503	347,927
LCFD Reimbursement	93,739	-	-	-	-
Transfer in	23,300	10,000	10,000	334,900	334,900
Investment interest	42,468	14,700	14,700	8,200	8,200
Total Revenue	\$ 698,332	\$ 445,503	\$ 518,203	\$ 788,903	\$ 983,420
Expenditures:					
Audit fees	\$ 500	\$ 520	\$ 520	\$ 530	\$ 530
Emerald Ash Borer	-	-	-	-	66,790
Buildings	35,651	147,800	38,000	53,000	206,220
Administration	8,970	61,700	60,696	10,100	22,350
Fire	29,721	234,650	229,650	17,450	74,000
Parks & Recreation	222,700	635,150	356,632	652,400	773,700
Public Works	104,563	197,050	299,582	164,200	208,700
Total Expenditures	\$ 402,105	\$ 1,276,870	\$ 985,080	\$ 897,680	\$ 1,352,290
Net Increase (Decrease)	296,227	(831,367)	(466,877)	(108,777)	(368,871)
Beginning Fund Balance	\$ 1,663,637		\$ 1,959,864	\$ 1,492,987	\$ 1,492,987
Ending Fund Balance	\$ 1,959,864		\$ 1,492,987	\$ 1,384,210	\$ 1,124,117



Fire Equipment Fund (457)

	2020 Estimated	2021	2022	2023	2024	2025
REVENUE SUMMARY:						
General property tax levy	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000
Donations (1)	\$ 49,785					
Sale of equipment			\$ 50,000			
Interest	11,000	12,500	13,600	2,300	3,100	4,800
TOTAL REVENUE	\$ 220,785	\$ 172,500	\$ 223,600	\$ 162,300	\$ 163,100	\$ 164,800
EXPENDITURE SUMMARY:						
Aerial Truck (2022)	\$ -	\$ -	\$ 1,352,000	\$ -	\$ -	\$ -
Equip. on pumper truck						
Grass rig/pickup (2023)			-	80,560	-	-
Rescue/Utility (2025)			-	-	-	623,805
3 Command vehicles (2026-2028)	63,700	63,700	-	-	-	-
Pumper (2028)			-	-	-	-
Pumper (2040)			-	-	-	-
TOTAL EXPENDITURES	\$ 63,700	\$ 63,700	\$ 1,352,000	\$ 80,560	\$ -	\$ 623,805
NET INCREASE (DECREASE)	\$ 157,085	\$ 108,800	\$ (1,128,400)	\$ 81,740	\$ 163,100	\$ (459,005)
BEGINNING FUND BALANCE	\$1,095,728	\$1,252,813	\$ 1,361,613	\$ 233,213	\$ 314,953	\$ 478,053
ENDING FUND BALANCE	\$1,252,813	\$1,361,613	\$ 233,213	\$ 314,953	\$ 478,053	\$ 19,048



Owasso/Woodlyn Fund (474)

OWASSO/WOODLYN REDEVELOPMENT (Fund 474)				
	2020	2021	2021	2022
	<u>Actual</u>	<u>Budget</u>	<u>Proposed</u>	<u>Budget</u>
Revenues:				
Cell tower leases	\$ 28,379	\$ -	\$ 1,449	\$ -
Investment interest	21,489	-	-	-
Sale of City property	318,000	-	-	-
Total Revenue	\$ 367,868	\$ -	\$ 1,449	\$ -
Expenditures:				
Auditors	\$ 200	\$ 200	\$ 250	\$ -
Sale of property	-	-	-	-
Transfer to EDA Fund (105)	-	-	443,370	-
Transfer to Another Fund	-	-	230,447	-
Engineer/Consultant/Attorney	1,724	2,000	-	-
Total Expenditures	\$ 1,924	\$ 2,200	\$ 674,067	\$ -
Net Increase (Decrease)	\$ 365,944	\$ (2,200)	\$ (672,618)	\$ -
Beginning Fund Balance	306,674	672,618	672,618	-
Ending Fund Balance	\$ 672,618	\$ 670,418	\$ -	\$ -



Special Revenue Funds

Description	Revenues	Expenditures	Net Increase(Decrease)
EDA Fund	\$0	\$35,000	(\$35,000)
Parks & Recreation	49,380	53,990	(4,610)
Cable TV	114,080	110,070	4,010
Recycling & Disposal	505,560	523,700	(18,140)

- EDA Fund (Trade Analysis, Housing Study & RCP Program)
➤ **\$35,000**
- Parks & Recreation (Additional hours for Recreation Coordinator)
➤ **10,000**



Debt Service

Description	2022 Debt Service & Expenses	Funding Source	Final Payment Date
2014A Bonds (PW Facility)	\$225,445	Water/Sewer Replacement Fund	2034
2015A Refunding Bonds	149,495	TIF 5-1(Abbott) Tax Increment Revenue	2026
Notes-Canabury Square	8,335	Canabury Square Special Assessments	2025
Interfund Loan Interest-Canabury Square	14,400	Canabury Square-Special Assessments	Estimated 2024
Notes-Canabury Condos	580	Final assessments will be received in 2024	Paid in Full 2021
Notes-Fleur Royal	7,000	This is a transfer to General Fund	Paid in Full 2020

- 2014A Bonds are callable on 2/1/2023



Enterprise Funds

Description	Revenues	Expenditures	Net Increase(Decrease)
Water Fund	\$1,738,280	\$1,773,327	(\$35,047)
Sewer Fund	1,558,000	1,590,125	(32,125)
Capital Fund	487,300	829,060	(341,760)

- Initial rate increase is 3% for Water and 3%-4% for Sewer
 - **SPRWS is proposing a 6.04% increase for the winter rate and 5.85% for the summer rate**
 - **MCES charge for 2022 is decrease 1.05% for 2022**
- \$225,000 transfer from Water Fund and \$150,000 transfer from Sewer Fund
- Badger Meter and meter reads



Internal Revenue Fund (Insurance)

Description	2020 Actual	2021 Budget	2021 Estimated	2022 Recommended Budget
Revenues:				
Charges from other funds	\$257,260	\$280,450	\$280,150	\$293,015
Interest	309			
Expenditures:				
Employee Benefits	135,355	163,800	142,408	176,650
Worker's Comp	27,100	40,080	33,922	38,500
Property Insurance	69,058	76,570	70,810	77,900
Claims & Contractual Srvs	2,644	4,500	2,500	4,500
Total Expenditures	\$234,157	\$284,950	\$247,140	\$297,500
Cash Balance	\$16,731		\$49,741	

