

WEEKLY MEMO

Date: November 19, 2010

To: Mayor Lynn Stauss. Council President Dick Grassel, Vice President Henry Tweten, Council Members Marc Demers, Craig Buckalew, Wayne Gregoire, Greg Leigh, and Mike Pokrzywinski.

From: Scott Huizenga

RE: Weekly Update

UPCOMING MEETINGS:

November 23, 2010 – 12:00 PM EDHA meeting

November 25- 26, 2010 – Thanksgiving – City Hall closed

November 30, 2010 – 7:00 am Library Board

December 2, 2010 – 6:00 am -10:00 am Chamber Eggstravaganza – Blue Moose

December 2, 2010 – 1:00 pm Greenstep Cities – McIntosh Community Center

December 2, 2010 – 5:00 pm Water and Light Commission

WEEKLY UPDATE:

Parking Ordinance

The new parking ordinance takes effect Monday, November 22. The ordinance changes the former calendar parking ordinance; and replaces it with a street maintenance parking ordinance. The new ordinance will be enforced year round, but each neighborhood will only be affected one day per week. The Police Department and the Public Works Department have been spreading the message about the new ordinance through as many outlets as possible. The City has placed articles and advertisements in the *Exponent* and the *Grand Forks Herald*. Local radio and television outlets have also been notified. Residents can also view the ordinance and the corresponding map on the City's web site. The WDAZ television ad can also be viewed on the Public Works page of the city web site. Finally, residents will receive postcards in the mail, inserts in upcoming city utility bills, door hangers, and windshield flyers (downtown area) about the new ordinance. We hope to leave no stone unturned in publicizing the new ordinance.

City Hall Energy Efficiency

As discussed previously, city staff continues to investigate ways to reduce energy consumption in City Hall. Several lighting improvements are in progress. Also, the Building Official and the IT Manager have been meeting along with a contractor to investigate improvements to the city's air handler system. Staff has already discovered new methods to adjust the air handling system especially during non-business hours. Further, the city can save contract costs by continuing to bring monitoring and control of the HVAC system in house. We will not know for several months the full savings of the methods already enacted. Savings of \$10,000 or more annually is not out of the question. More improvements will follow as staff continues to redevelop the control system. Also, next week's work session agenda (below) contains an item for install window shades that could net additional long-term savings of nearly \$2500 per year.

CGMC Fall Conference Wrap-up

City officials, including myself, attended the Coalition of Greater Minnesota Cities Fall conference last week. There were several highlights from the event including a 2010 general election analysis; a training session for media relations and lobbying; and Senator Al Franken's address during the Veterans Day dinner. Several interesting points were raised during the election analysis portion. For example, the majority caucus (Republican Party) in each house has a majority of its members from Greater Minnesota for the first time in many years. This creates an opportunity as well as a challenge. Republicans generally have been less favorable than Democrats to Local Government Aid (LGA) – at least in its current form. However, most of the Republican gains in the election occurred in Greater Minnesota. The Coalition sometimes has a reputation in some circles (unfounded, in my opinion) for being a Democrat-leaning organization. With a new party and new demographics, Greater Minnesota Cities have a chance to reshape that perspective. That is where the lobbying and media training come into play. I have attached handouts from the conference to this memo.

2011 Budget and Levy

This may be the final work session to discuss the 2011 Proposed Budget should the City Council agree on a final package. The final recommendation includes a levy increase of 4.4 percent. This is despite another reduction expenditures from previous years. The culprit, of course, is an anticipated reduction in Local Government Aid (LGA). We will fight hard along with organizations such as the Coalition and the League of Minnesota Cities to retain LGA funding. However, I prefer to budget conservatively and to show legislators that such an increase would not be necessary had LGA levels been maintained at their previously-certified levels. The City has already been cut over \$1 million in the last two years. Another cut in 2011 identical to the 2010 cut would result in an additional \$615,425. And, there is an outside chance that the City could see another unallotment next month. The state forecast to be released on December 2 may give us a better picture of what is in store for the remainder of the current biennium.

I spoke with Robert Wagner, Polk County Assessor, earlier this week. He found that most residences will see bills that are nearly identical to 2010 in East Grand Forks. Very few residences or commercial properties will see more than 2 percent overall increases on their truth in taxation statements unless the properties experience significant valuation changes. A large factor in this equilibrium is a continued escalation of agricultural property values throughout the county.

Finally, the Water and Light General Manager submitted his final budget recommendation to the Water and Light Commission Thursday evening. He recommended a water rate increase of \$.10 per 1000 gallons. For the average household, this translates to an increase of about \$.44 per month. Further, the General Manager recommended that electric rates remain unchanged for 2011. I applaud the General Manager and the Commission for working to freeze rates as the more economically-sensitive operations both in the government and the private sector continue to rebound.

Overall, most city services are remain less expensive than they were five years ago, with or without adjusting for inflation. The entire staff and the Council deserve credit for their constant vigilance of public resources.

State Aid Task Force

The State Aid Task Force met again on Wednesday. The task force heard a proposal from the City Engineer that would use a trip-generation calculation to determine a potential street

maintenance fee. This option is somewhat related to the storm water model that the committee discussed at the previous meeting. However, this model uses property type (single family, multi-family, low volume commercial, industrial, medical, etc.) to determine the fee rather than lot size. The model borrows from trip-generation models developed by the International Institute of Traffic Engineers. The model is not fully developed at this time. However, I believe the task force's persistence has led to the most refined model yet. The task force will next meet on December 13.

Next week

Next week is the Thanksgiving holiday. City Hall will be closed on Thursday and Friday. Also, the following Tuesday is the 5th Tuesday of the month on which there is typically no City Council meeting. Therefore, there will be no weekly memo next week (I can already feel the incredible sense of loss from my adoring readers).

AGENDA ITEMS:

1. The City Engineer will discuss the options for possible expansion of the Civic Center to include dedicated girls locker rooms and related improvements.
2. The City Engineer will discuss options for improving 14th Ave SE. Council Member DeMers met with residents after the previous work session that discussed the project. The residents at that time preferred that improvements be made to the road via Special Assessment – even if the improvements are a half-street only. The City Council will discuss whether to improve a half street, the full street with city contribution, or no proceed at this time without improvements.
3. The federal Economic Development Administration (EDA) required the City to procure for Engineering Services for Project 11AJ02 – Industrial Park Road. The City received one proposal from FS Engineering.
4. The Water and Light Customer Service and Energy Manager recently procured quotes for adding window shades to City Hall. Water and Light will contribute over half of the cost from its city energy conservation fund. The city's building maintenance fund would finance the remainder of the project. The project would lead to energy savings in the building and a much-improved, more productive aesthetic for city office staff.
5. I will present the final recommendation for the 2011 Budget as discussed above and in the packet. The City Council is scheduled to vote on the 2011 Budget on Tuesday, December 7. That meeting will start at 7pm as mandated by state law.

LGA: It keeps your cities affordable, vibrant & competitive

The purpose of LGA is to reduce property tax and service disparities between rural, metro and suburban cities.

- LGA promotes property tax fairness by distributing funding to cities based on their needs and tax bases.
- 65% of LGA goes to greater Minnesota because only 24% of the taxable market value can be found in greater Minnesota.
- The current LGA formula was proposed by Governor Pawlenty and meets the purpose of LGA, which is to reduce property tax disparities.
- Some suggested changes, such as distributing LGA based only on police, fire protection and other “essential” services, would weaken the program’s ability to alleviate property tax disparities.

Additional LGA cuts will hit greater Minnesota businesses and residents harder, making our communities even less competitive with the metro area.

- LGA has been cut over \$1 billion and city property taxes are up 59% since 2003.
- In addition to increasing property taxes, cities have cut personnel, reduced services for youth and seniors, decreased police and fire protection and emptied their reserves.
- LGA has been cut at levels disproportionate to its share of the state budget, leading to disproportionate property tax increases in greater Minnesota.

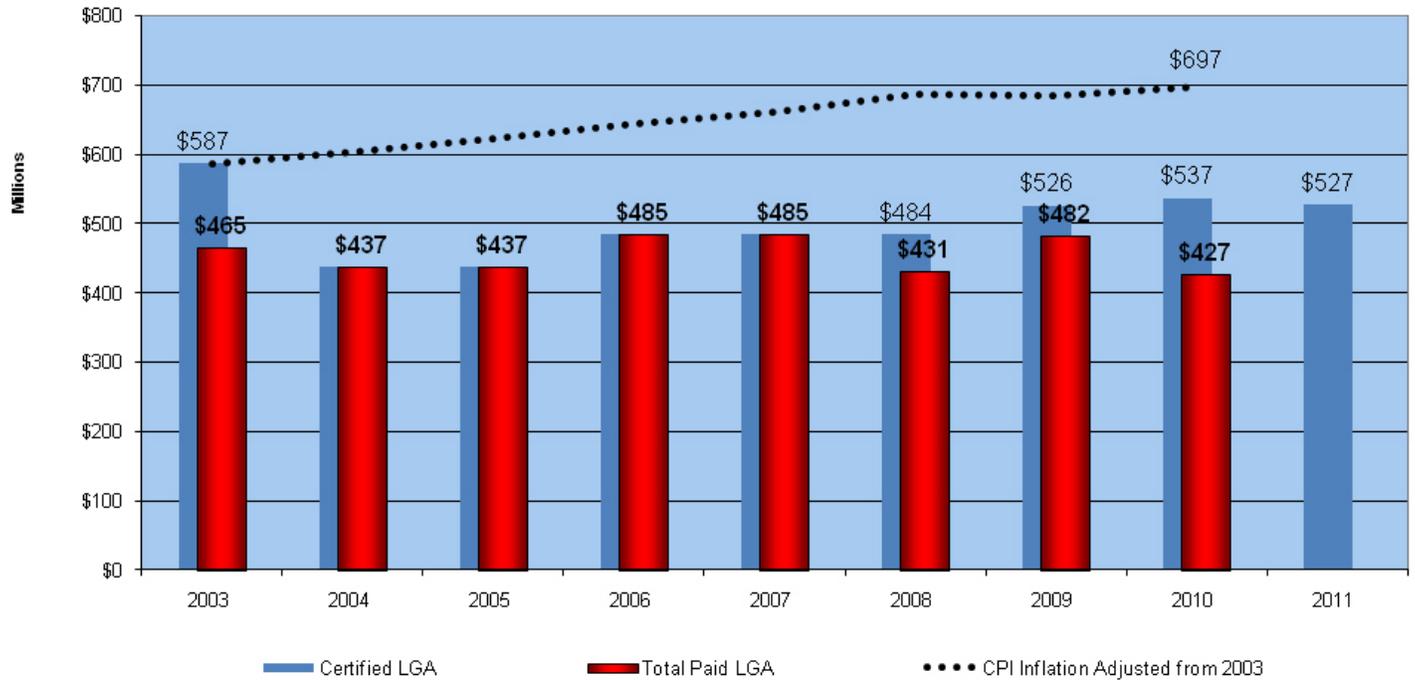
LGA must remain at \$527 million.

- This is 5% less than the amount certified in 2002.
- 2011 city budgets are being created right now based on the amount of aid certified by the Department of Revenue in July 2010.
- To be fiscally responsible, the state must honor the appropriation promised to cities; they have relied on that amount in setting their 2011 budgets.
- If LGA is cut in 2011, it would come in the middle of the city budget year, forcing cities to further reduce services, dry up cash flow accounts or engage in short-term borrowing.



LGA History

Since 2003, LGA has been reduced several times, including a cumulative \$317 million from its certified amount since 2008.



Revenue Generated Per Person with a One-Percentage Point Increase in the City Tax Rate

Cities with lower property wealth do not have the same revenue-raising capabilities as wealthier cities do.



Fundamentals of LGA

Calculating City Property Taxes

Basic Formula:

$$\text{Gross City Taxes} = \text{Class Rate (based of type of property)} \times \text{Taxable Market Value} \times \text{Property Tax Rate}$$

For a \$150,000 Valued Residential Home:

$$\text{Gross City Taxes} = .01 \times \$150,000 \times \text{Property Tax Rate}$$

Property Tax Rate:

$$\text{City Property Tax Rate} = \frac{\text{Levy}}{\text{(City Total Tax Capacity)}}$$

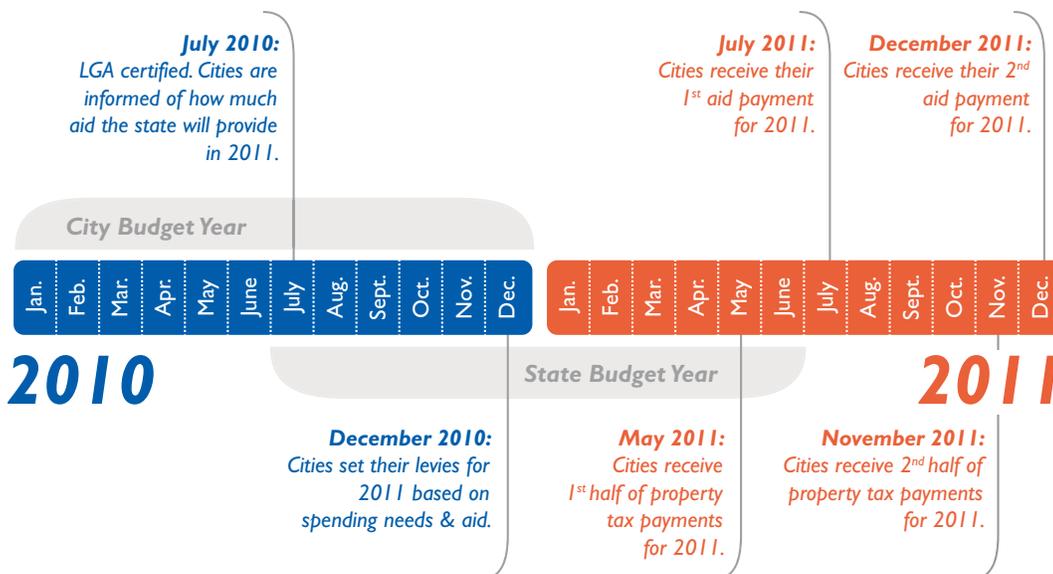
$$\text{City Total Tax Capacity} = \text{Sum of all properties within a City (Class Rate} \times \text{Taxable Market Value)}$$

Property taxes in three Minnesota cities:

Mendota Heights	Owatonna	Plainview
A suburban city that has a revenue base (levy + aid) of \$523 per person.	A regional center that has a revenue base of \$524 per person.	A small city that has a revenue base of \$524 per person.
Tax Rate = $\frac{6,139,380}{23,252,174} = 26\%$	Tax Rate = $\frac{9,443,426}{22,572,832} = 42\%$	Tax Rate = $\frac{1,181,743}{2,011,065} = 59\%$
City Property tax on a \$150,000 home		
$.01 \times \$150,000 \times .26 = \390	$.01 \times \$150,000 \times .42 = \630	$.01 \times \$150,000 \times .59 = \885
Local Government Aid		
LGA = \$0	LGA = \$3,806,322	LGA = \$605,671
LGA per Capita = \$0	LGA per Capita = \$150	LGA per Capita = \$178
Without LGA		
The city's spending and property tax rate would be the same.	The city's spending would have to be cut \$150 per capita or the tax rate would have to increase to 59%	The city's spending would have to be cut \$178 per capita or the tax rate would have to increase to 89%

City property taxes are added to county, school district and other levies to complete a property's total gross property taxes. At that point, other credits might lower an overall tax bill.

Property Tax Timeline





Election Recap 2010

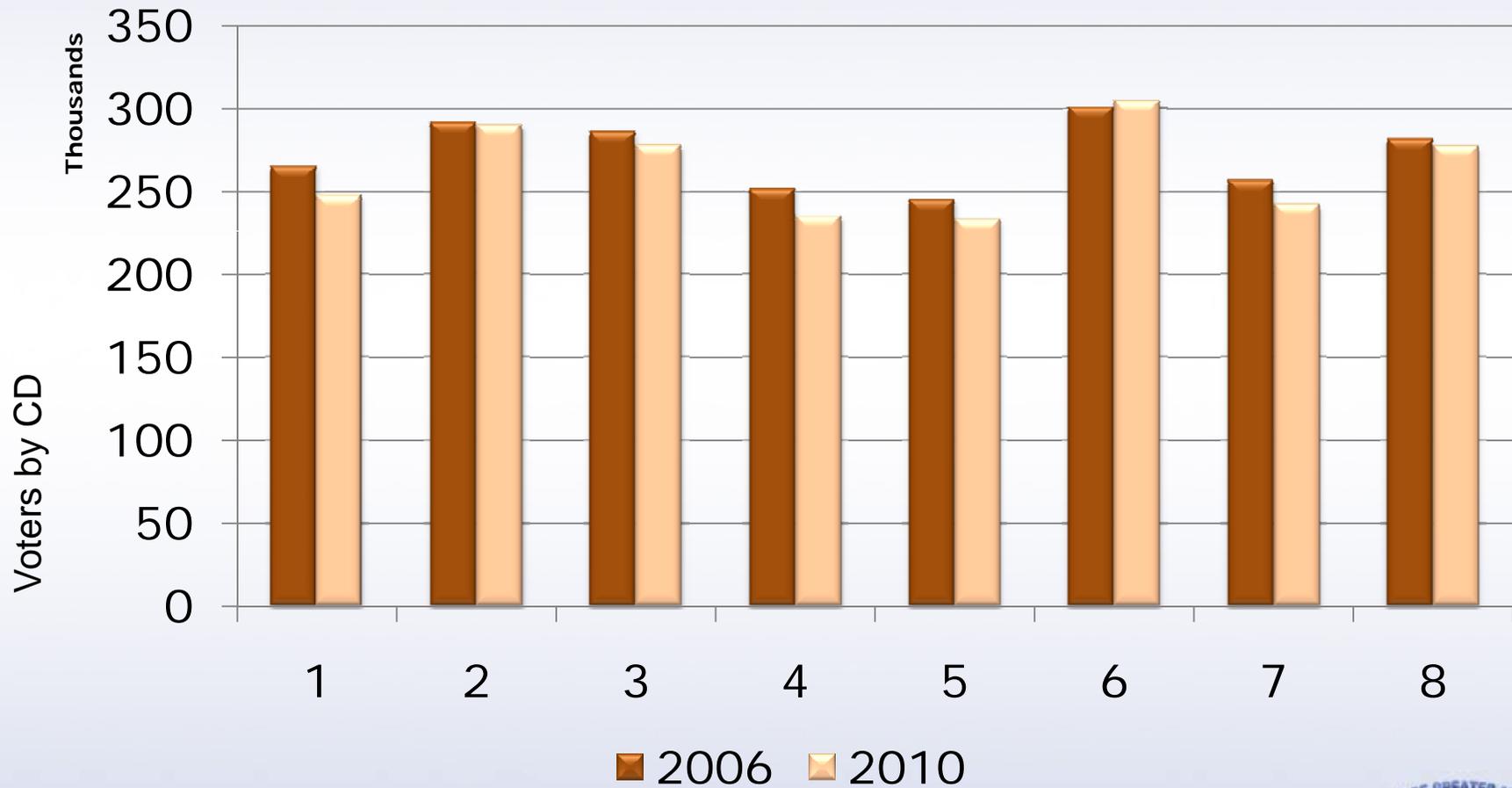
MN Governor

Candidate	Party	Total Vote	% of Vote
Dayton	DFL	919,231	43.63%
Emmer	GOP	910,480	43.21%
Horner	IP	251,489	11.94%

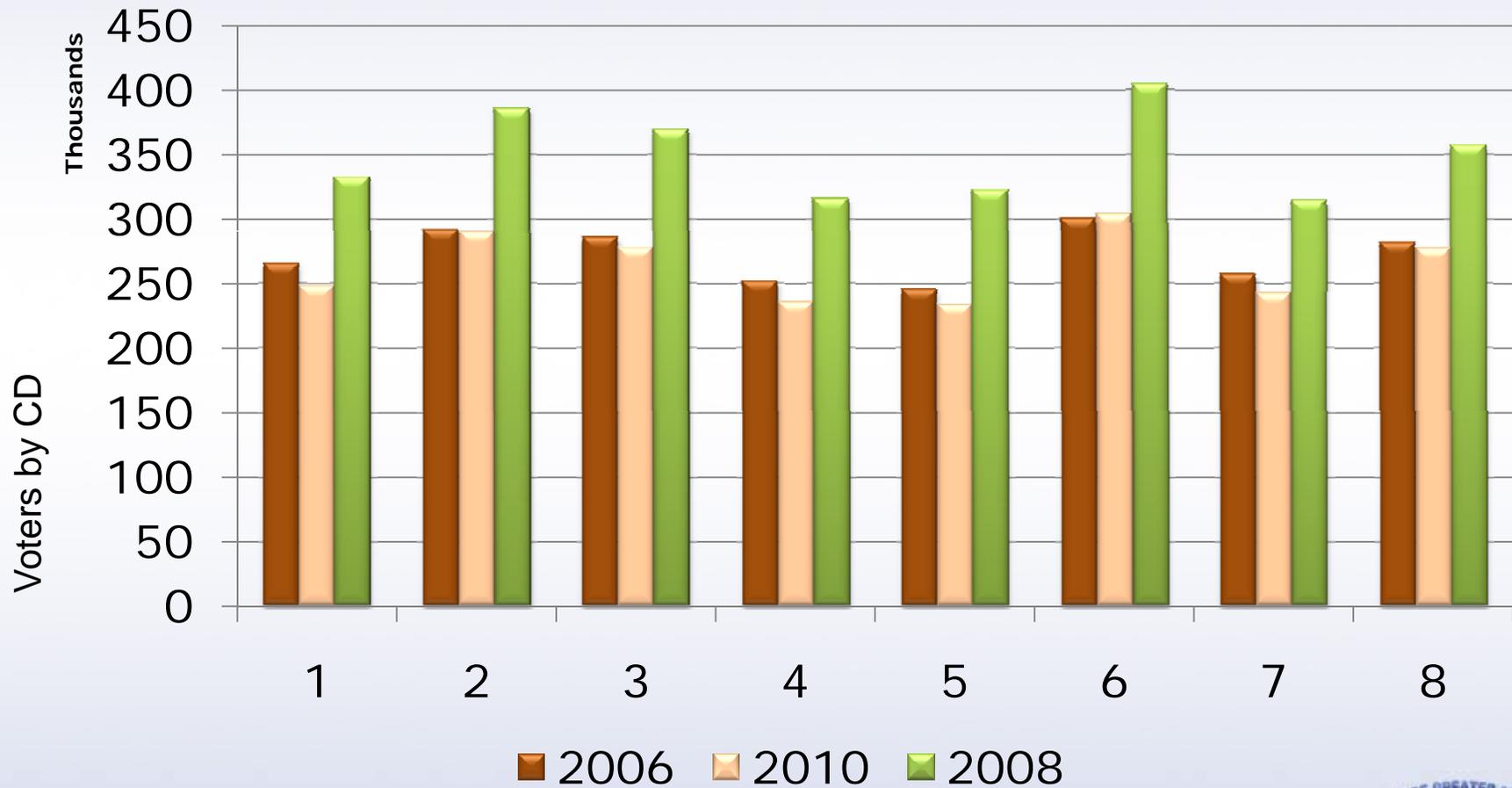
Candidate	Party	Total Vote	% of Vote
Pawlenty	GOP	1,028,568	46.69%
Hatch	DFL	1,007,460	45.73%
Hutchinson	IP	141,735	6.43%



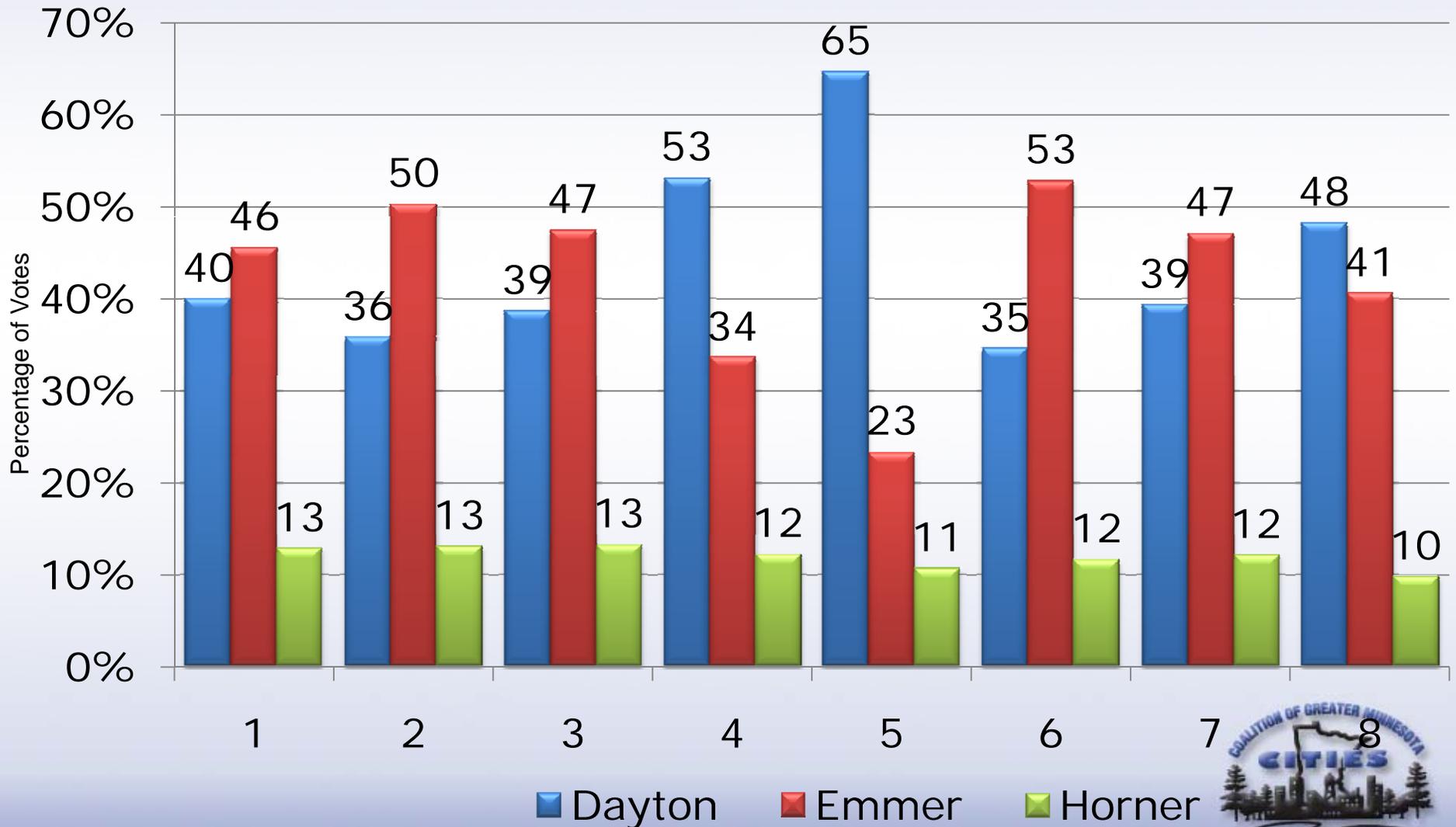
Turnout Down, Except 6th



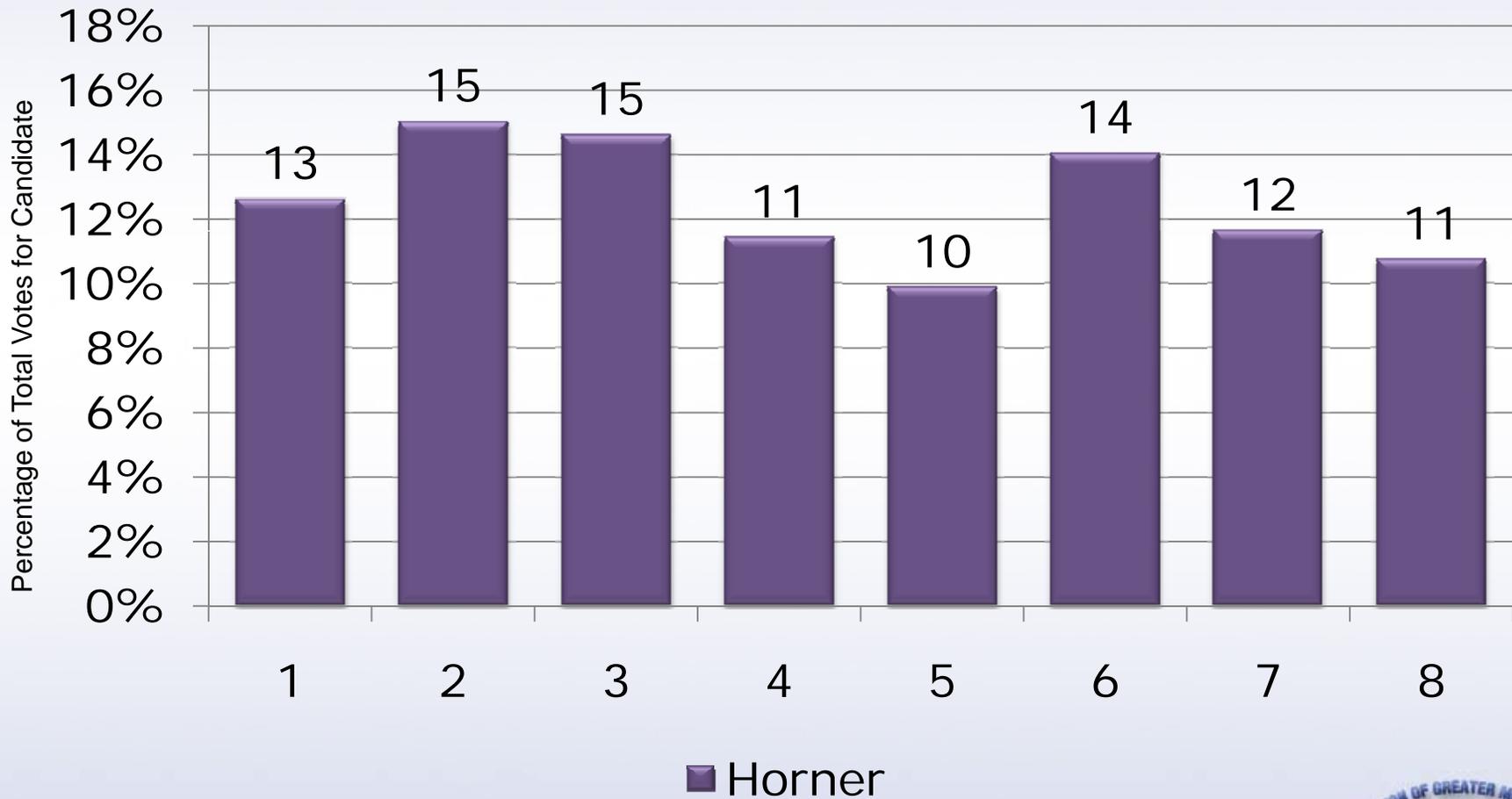
Turnout way down from 2008



MN Gov by CD



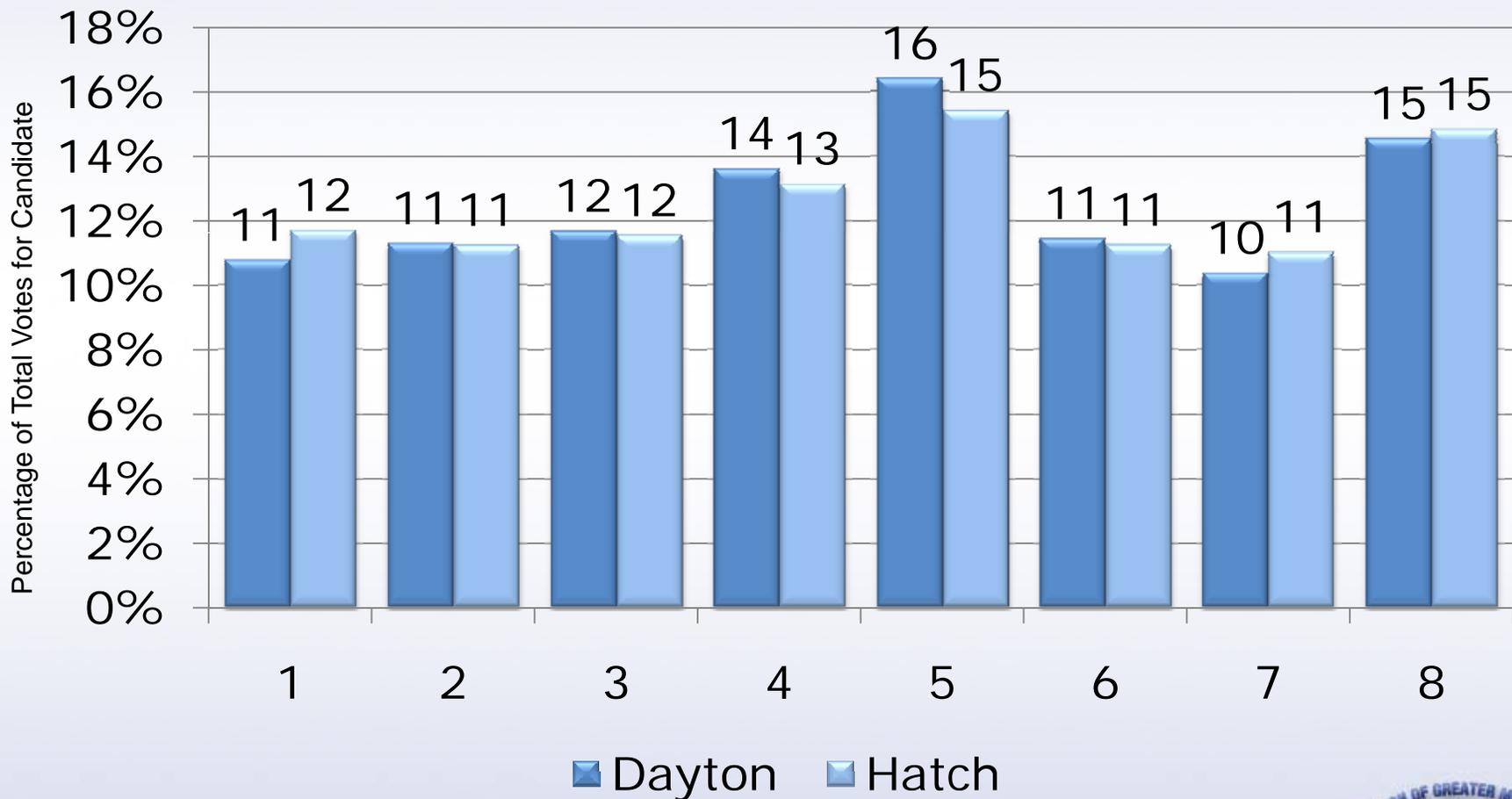
Horner Support by CD



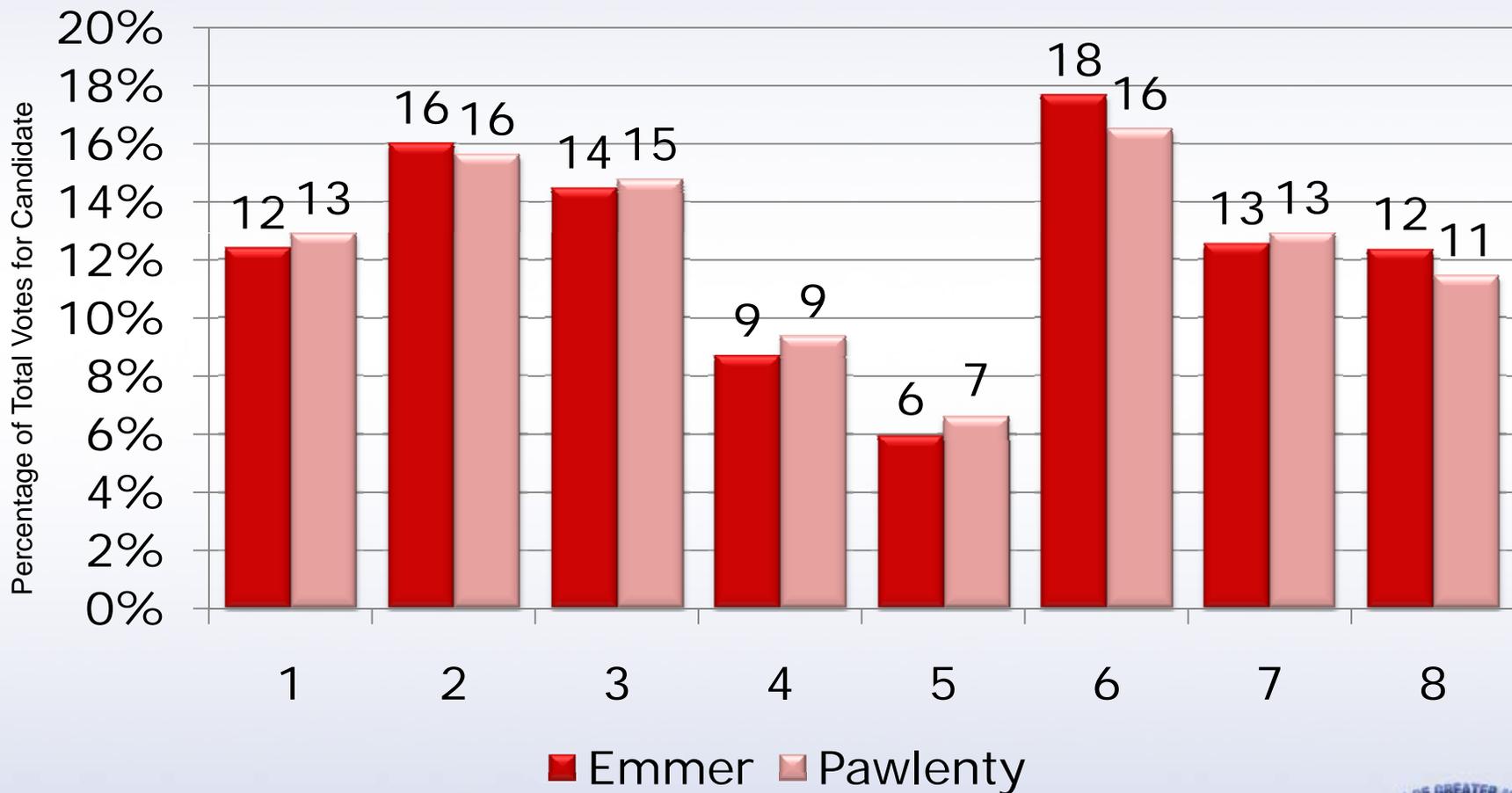
Horner Support by CD



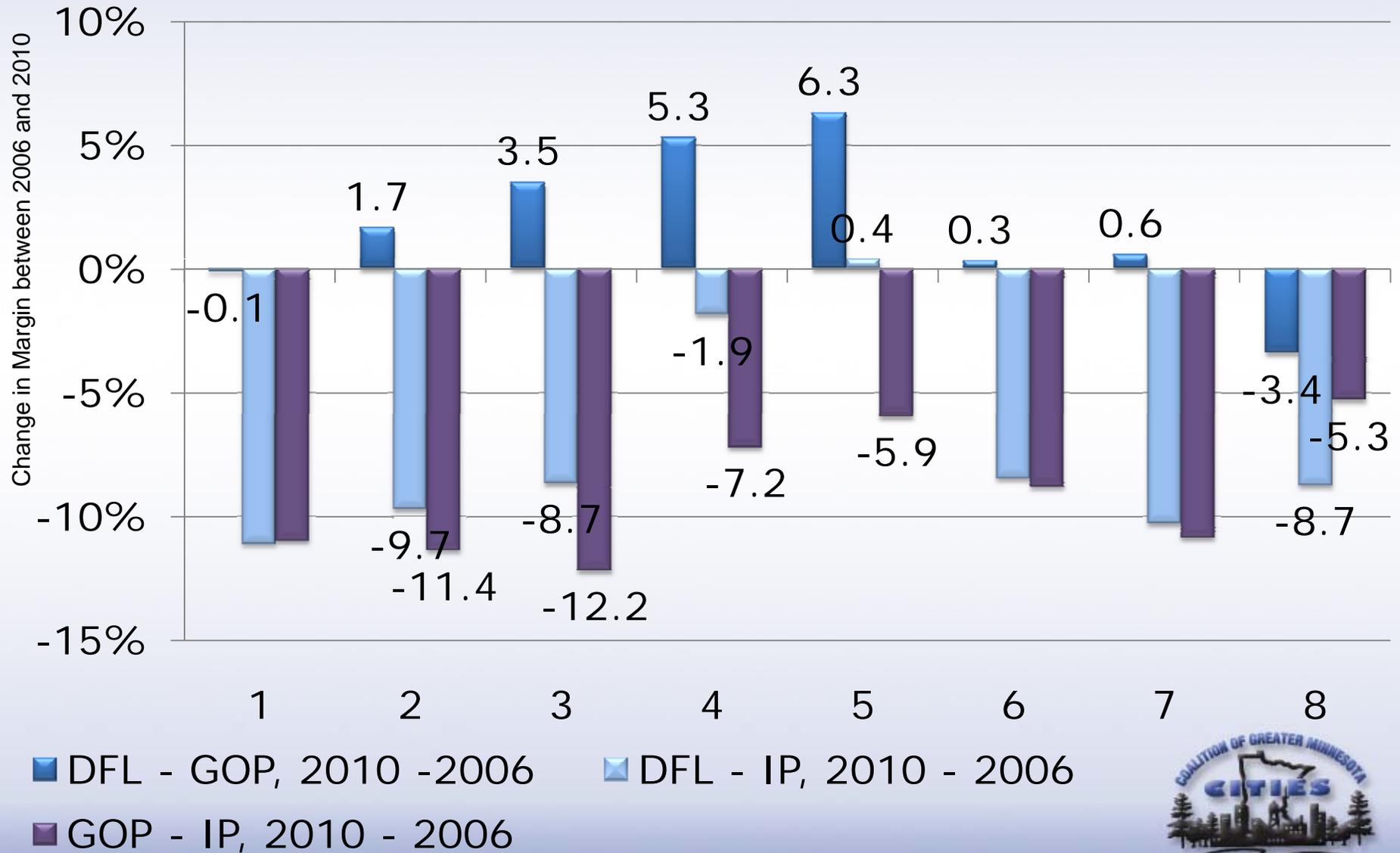
Dayton Support by CD



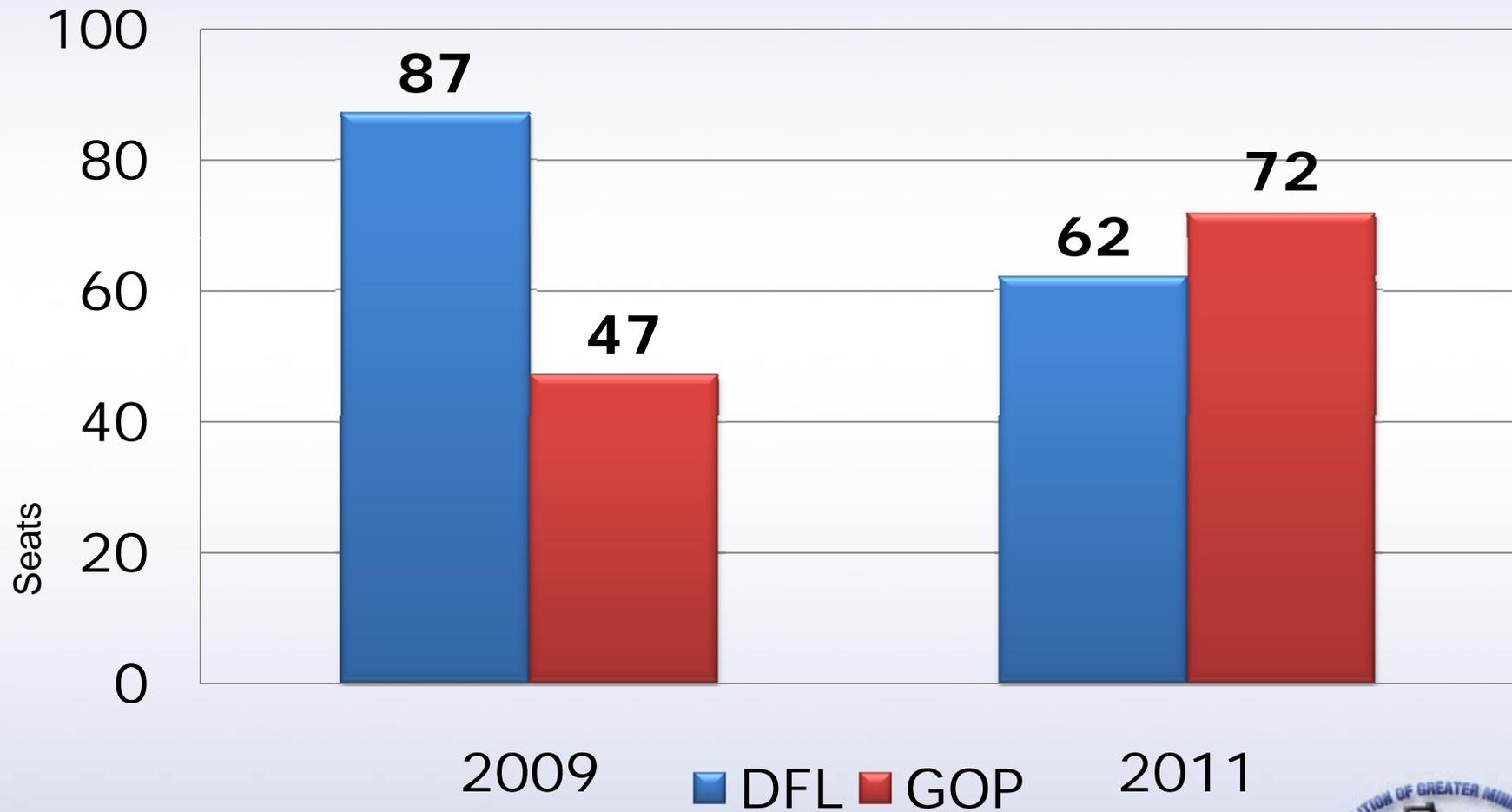
Emmer Support by CD



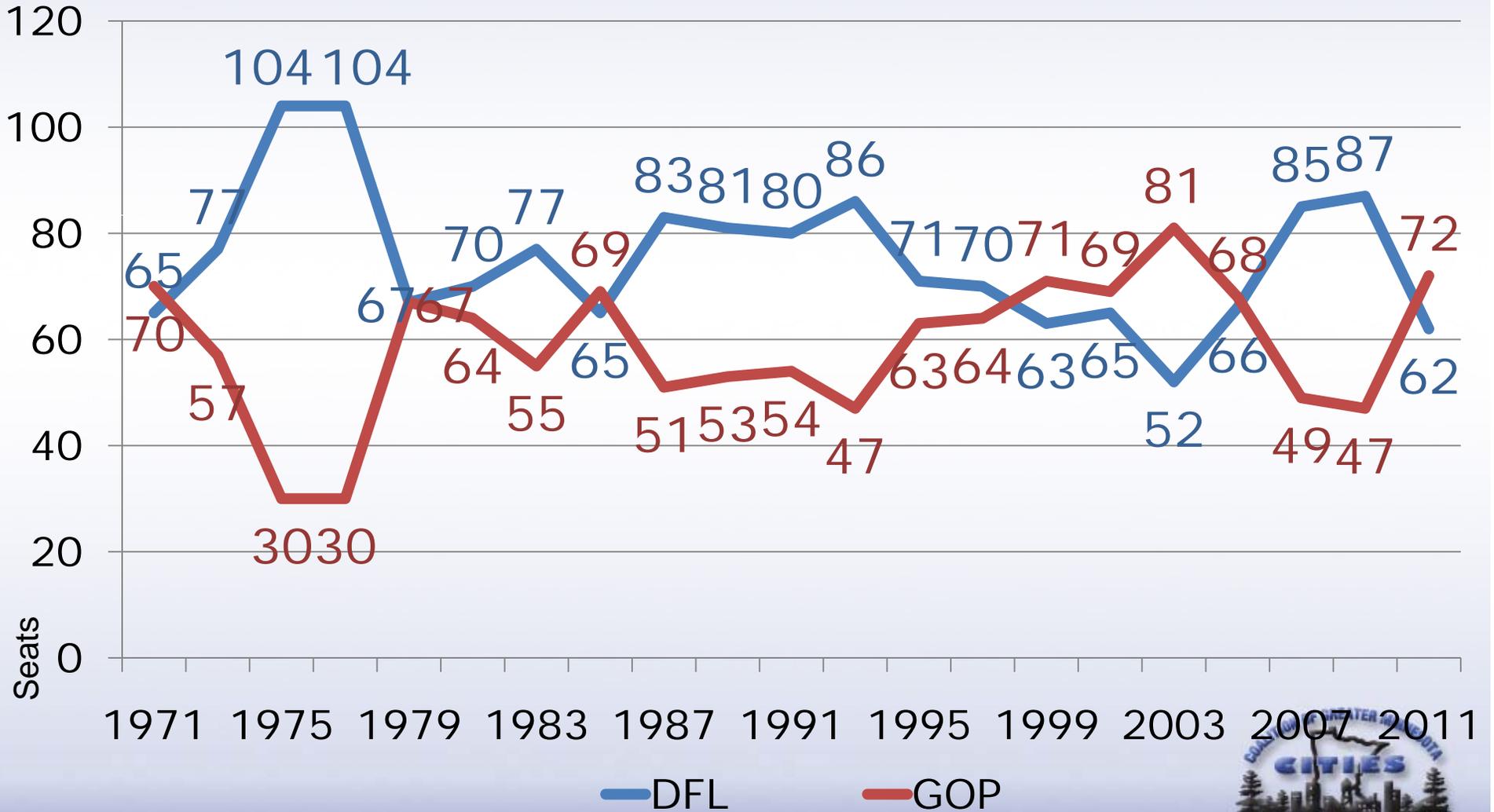
Change in Support from 2006 by CD



Change in MN House

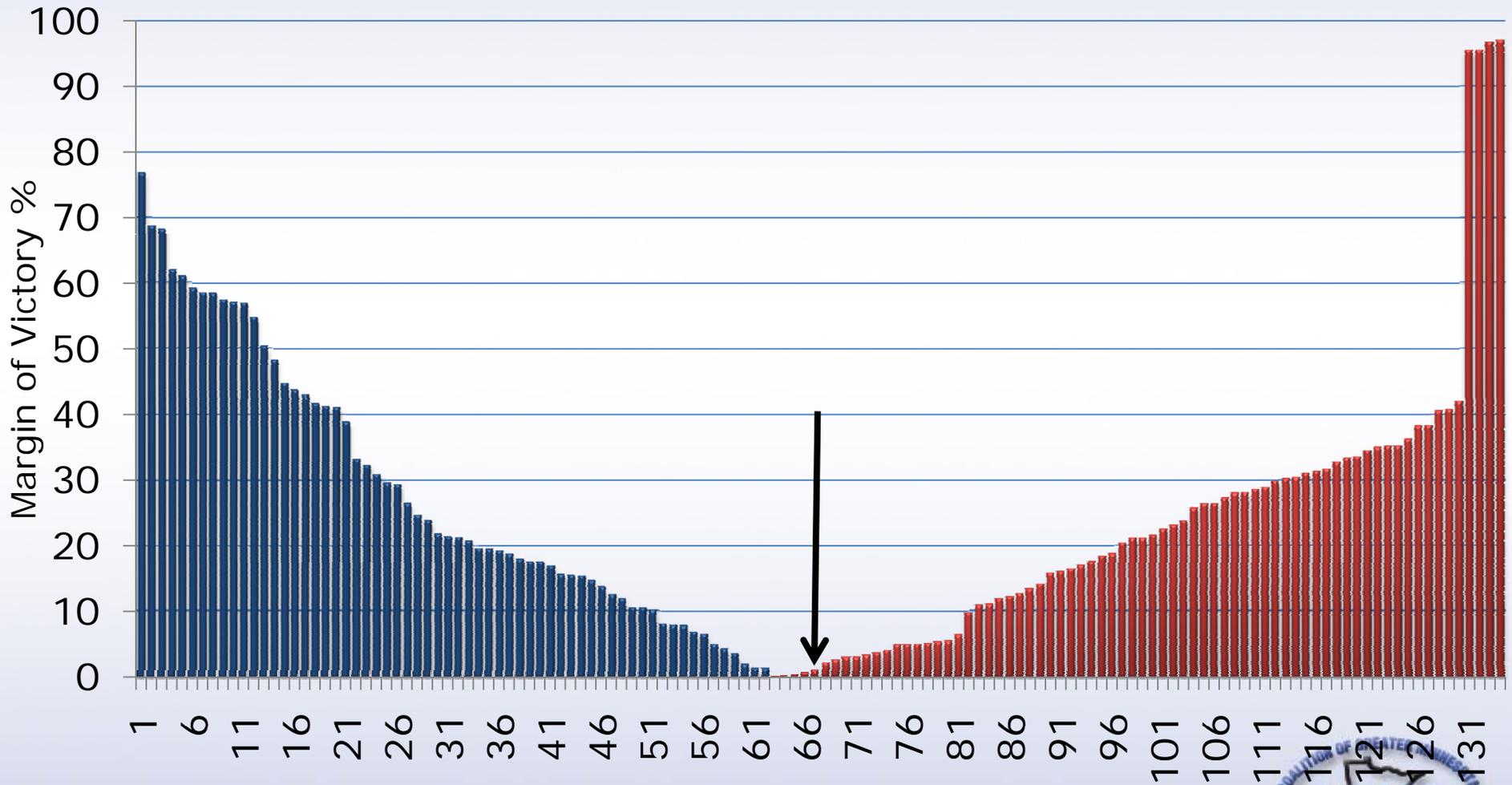


MN House History



MN House Seats

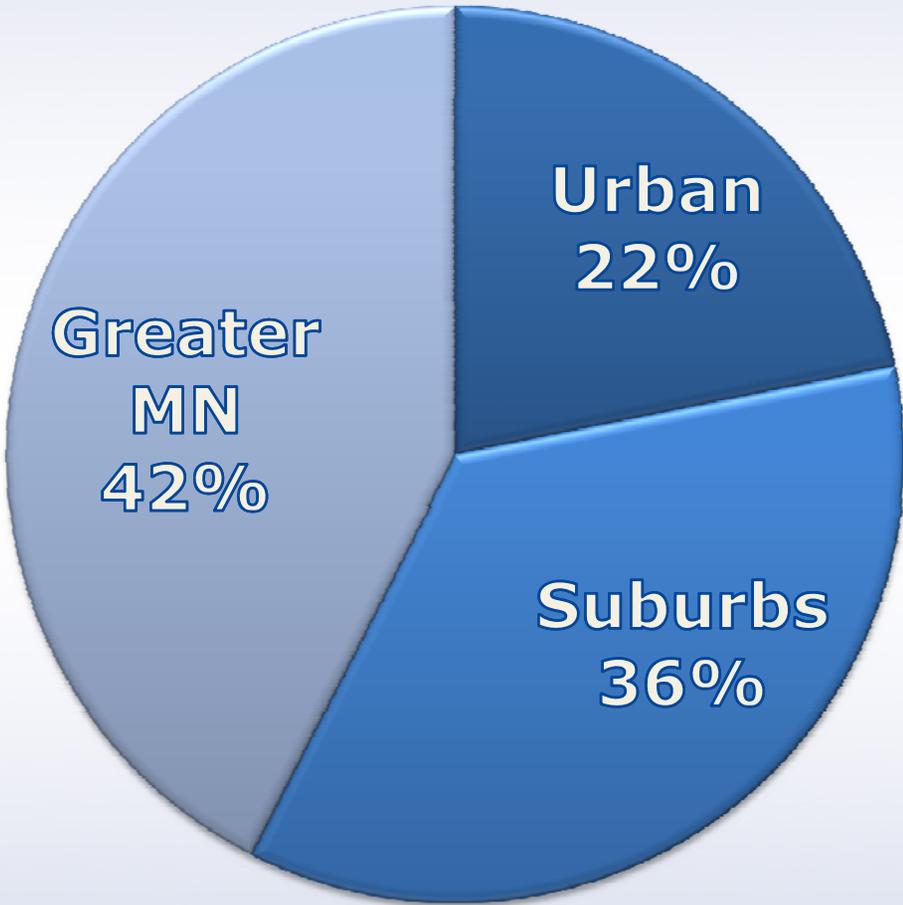
Total margin of victory in the five closest races that determined the majority party was 672 votes



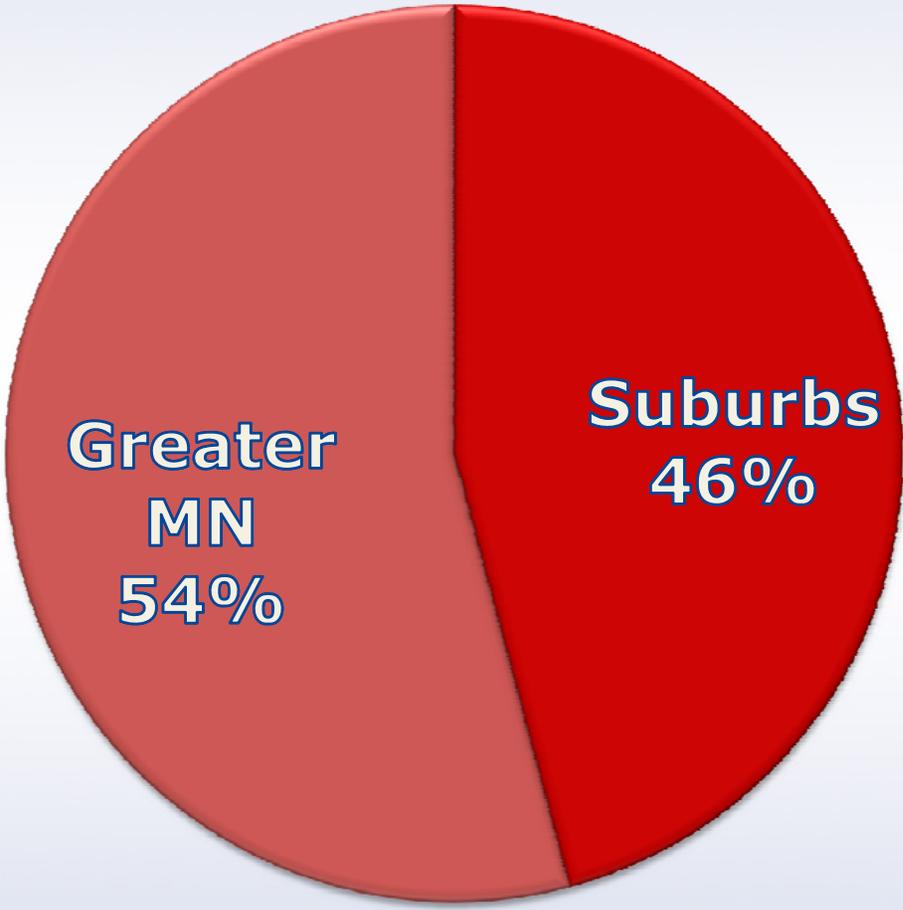
House Seats, DFL wins in blue, GOP in red



House Majority Caucus



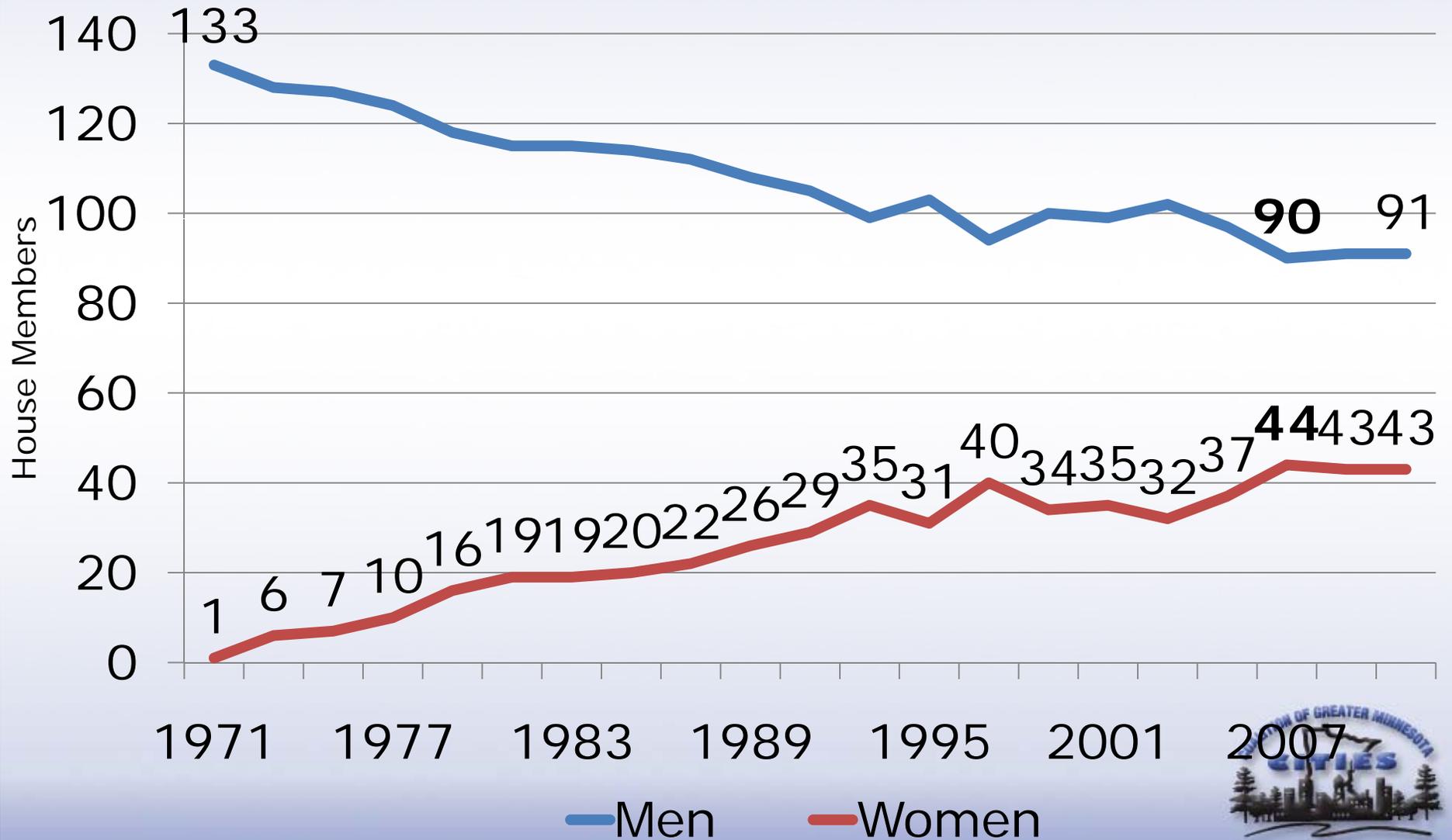
DFL 2009



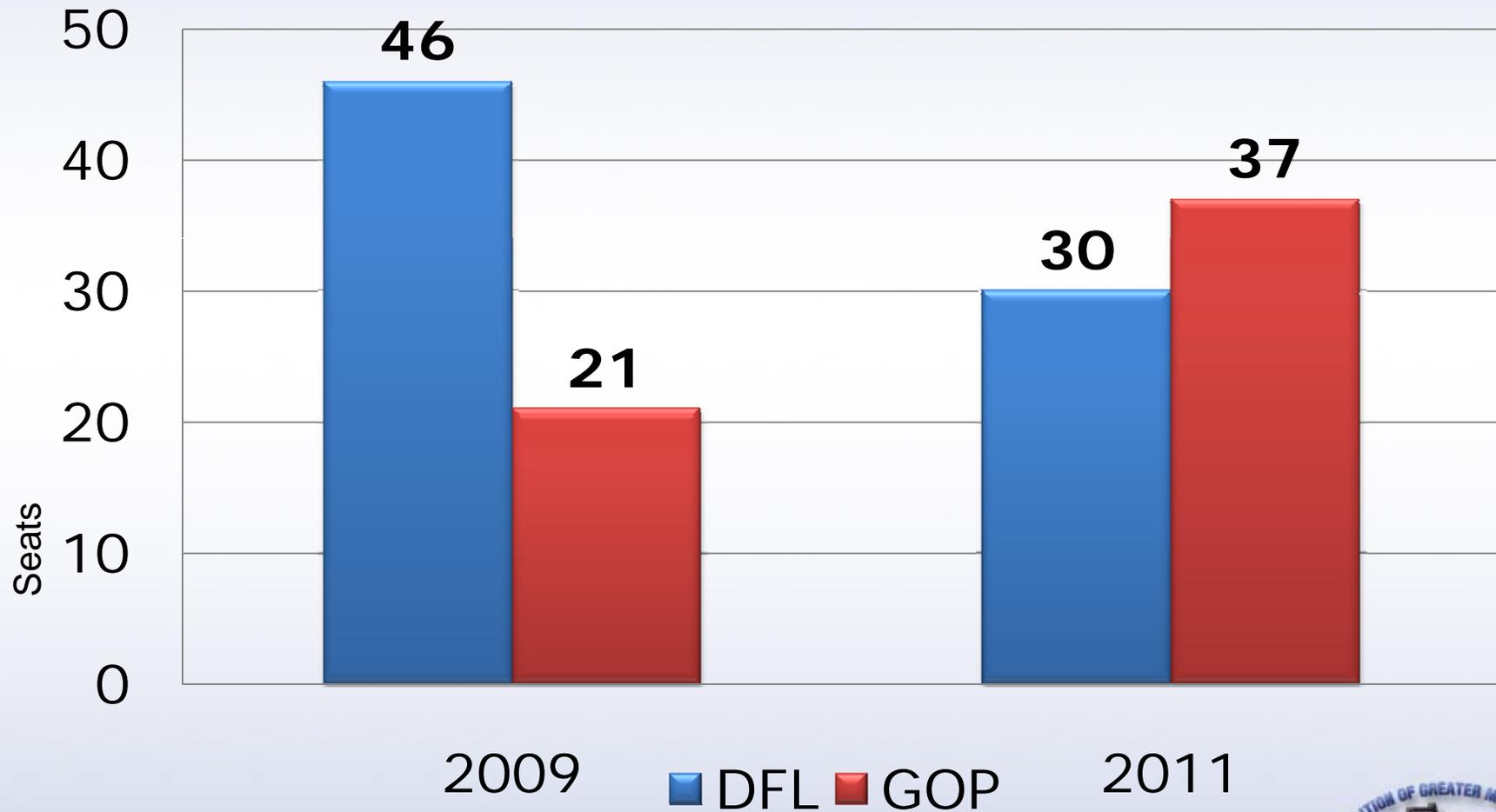
GOP 2011



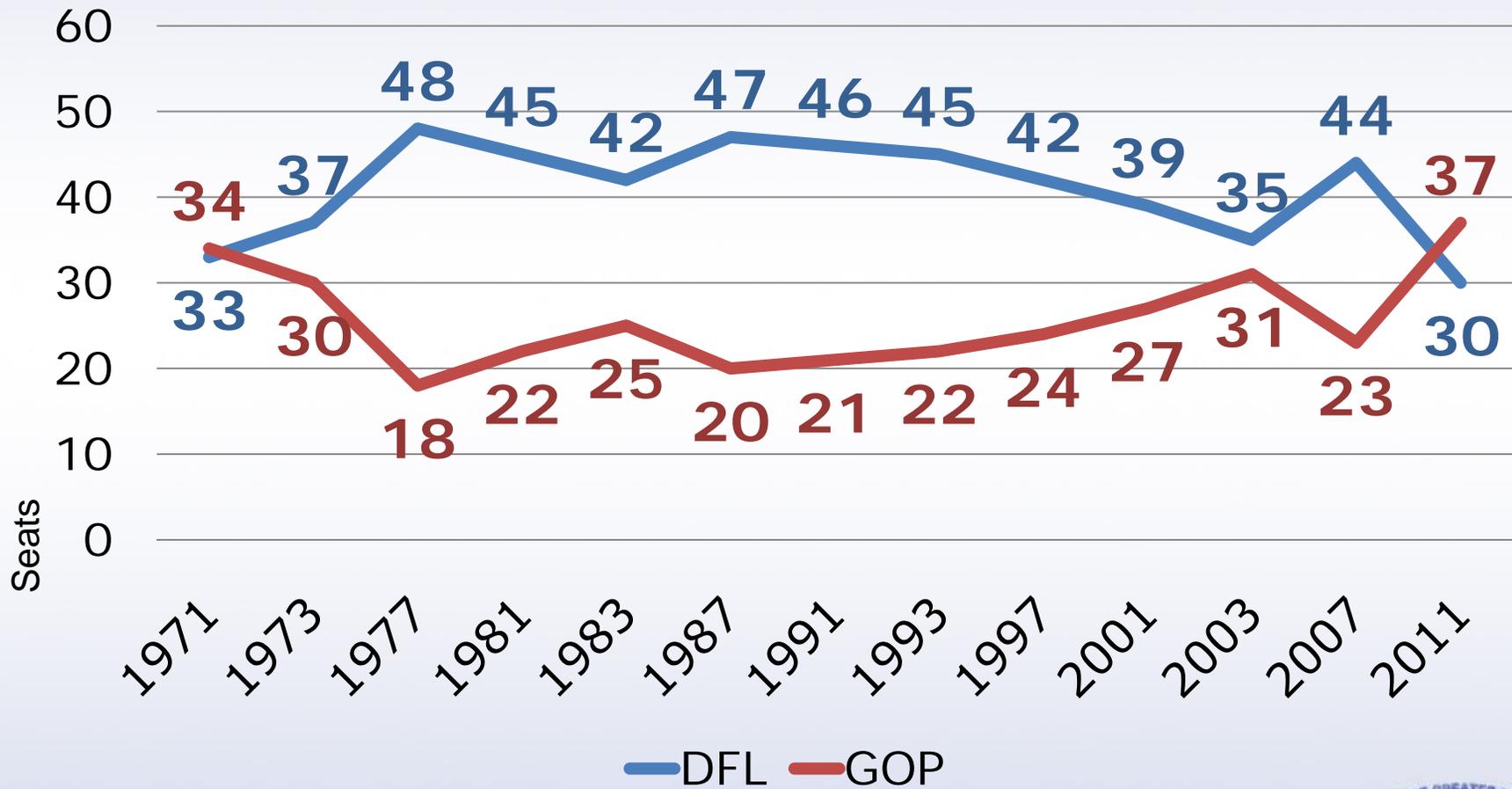
Women in the MN House



Change in MN Senate

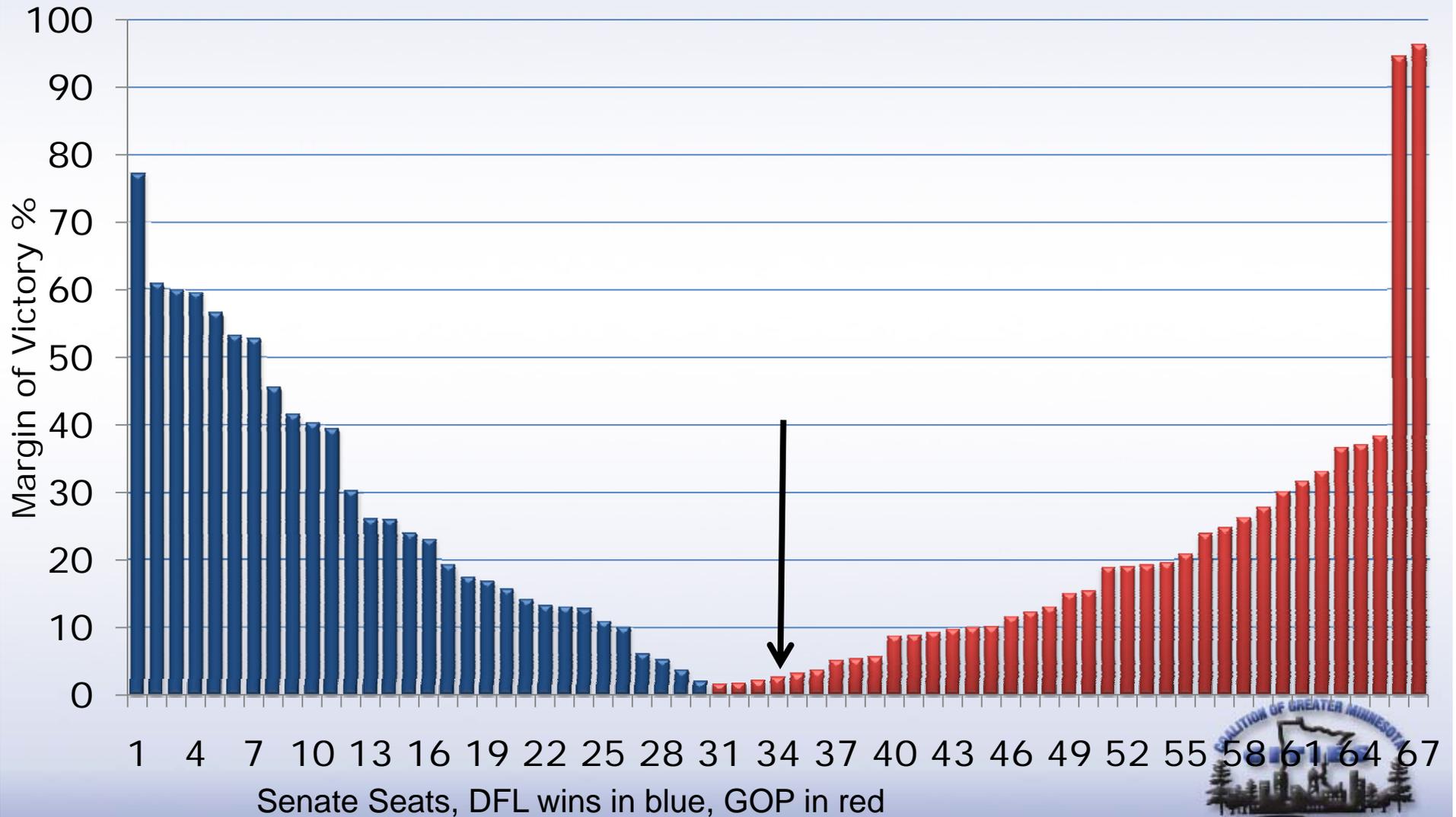


MN Senate History

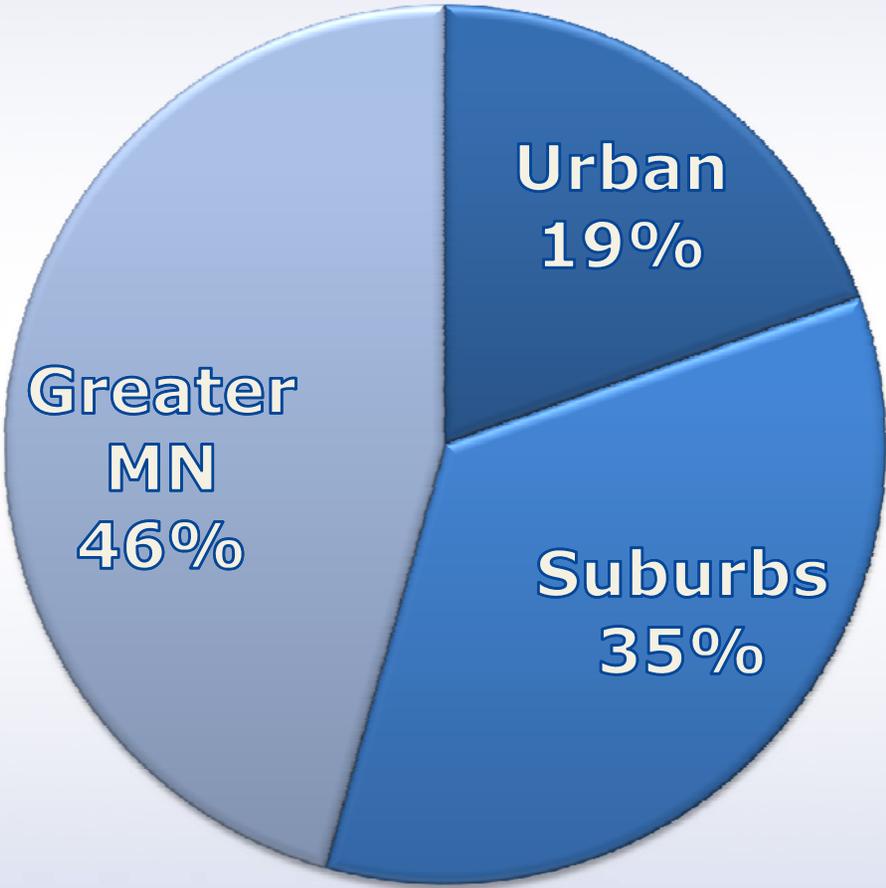


MN Senate Seats

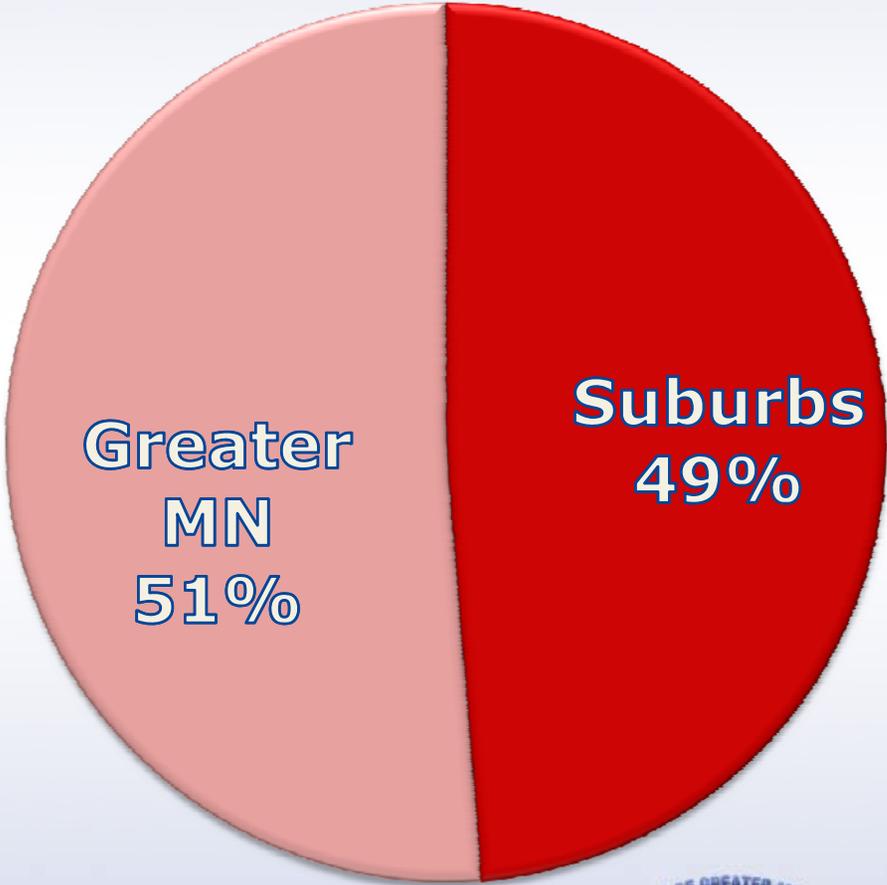
Total margin of victory in the four closest races that determined the majority party was 2,392 votes



Senate Majority Caucus



DFL 2009



GOP 2011



Scorecard

	DFL	GOP
Governor	1	0
Statewide Offices	3	0
U.S. Senate	2	0
U.S. Representatives	4	4
MN Senates	30	37
MN House	62	72
Total	101	113

