

MINUTES OF THE TRUTH IN TAXATION MEETING
OF THE BRAHAM CITY COUNCIL
TUESDAY, DECEMBER 5, 2017
FOLLOWING THE PUBLIC IMPROVEMENT HEARING

The meeting was called to order with the following present: Mayor Patricia Carlson; Council Members Lowell Jaques, Shawn Sullivan, Jeremy Kunshier, and Traci Leaf; and City Administrator Sally Hoy.

Delwayne Hahn and Scott McKinney were present from the press.

Present in the audience were: Darlene Hintz; County Commissioner Terry Turnquist; Police Chief Robert Knowles, and Interim Chief Eric Baumgart.

Administrator Hoy noted that the proposed 2018 Final Levy had not changed from the Preliminary Levy adopted in September. She said the total levy was \$606,930; an increase of \$31,548, which was a 5.48% increase over last year. She reminded the council that 4.6% of this levy increase was for the second step levy increase for the 2016 Street Improvement bond. She said this left an increase of .88% for operation costs. Hoy said they were able to hold the operations increase to less than 1% due to a \$16,000 LGA increase, increase in police fines, the change in pay for the Police Chief position, and decertification of TIF District 2-9 and High Point Estates Tax Abatement.

She said for comparison, the levy increase for 2017 was 3.8%, and the levy increase for 2016 was 3.0%. She said the City's average levy increase over the last 10 years was 4.1%. From a recent LMC bulletin, according to the MN Dept of Revenue, the average proposed levy increase for all Minnesota cities in 2018 was 6.8%.

Hoy explained that since the Preliminary Budget was adopted in September, they had received the actual 2018 costs for health insurance, proposed costs for work comp and property insurance, and determined the starting pay for the Police Chief position which affected the motor fuel budget. She said Health insurance had minimal increase, but work comp had a substantial increase due to work comp claims in the past few years, and property insurance had a substantial increase due to the LMCIT doing an actual appraisal of all City property in 2017. She said the savings in the health insurance was transferred over to work comp, property insurance, and a cushion in police salaries as 2018 is a trial year for the Police Department restructuring. She said these were only line item adjustments, and the total budget and total levy had not changed from the Preliminary.

Hoy walked the council through the highlights of the 2018 Final Budget and Salary Schedule as follows:

- As noted in September, the 2018 Salary Schedule (last page of the budget) is based on a 2017 Salary Survey that included the cities of Mora, Pine City, Rush City, Milaca, Foley, and the LMC Survey of centrally located cities under 2,000 population. Step 8 on the 2018 Salary Schedule is the average top step from the survey because most of the Braham employees sit on Step 8. The schedule is then backed off 3% each step down to

Step 1. Hoy said that because the Braham's salary schedule was based off the 2017 survey salaries, it was projected that Braham will still sit below the average by a 2-3% COL, as other cities will be getting increases for 2018. She said that as noted at the September meeting, she was waiving part of her salary increase and would take just the 2% COL increase.

- With the salaries for police officers increasing to the average, along with all the other city positions, the \$1.80/hr. differential pay will be eliminated.
- With Braham salaries being in the range of the area average, employees will be expected to contribute more towards their health insurance, as employees in other cities do. The budget reflects the employee's portion for their spouse coverage to increase from \$160/mo. to \$200/mo.
- Hoy reported that at this time, Body-Worn Cameras were not in the 2018 budget. This project has been put on hold until the State Auditor's Office and League of MN Cities determine what will qualify for the annual audit requirement without adding an exorbitant expense to the project. She said if the City moves forward with the cameras in 2018, there is money in the Police Equipment Reserves for the purchases, or a good purchase from the Liquor Store profits, once again showing how shopping locally helps the overall community in both police services and safety, and property taxes.
- Hoy noted Street Supt Dan Eklund has reported they have outgrown the City shop, and was getting quotes for making improvements to the cold storage building so it can be heated and used for an additional shop building. She said the work was anticipated for 2018 with first bond payment in 2019 or 2020.
- The second levy increase on the 2016 Street Improvement debt is in the 2018 levy, and it is a 4.6% levy increase. Hoy noted that the City does the levy increases on these big projects over a 2-year span because of the substantial increase they have on the levy.
- High Point Estates Tax Abatement and TIF 2-9 (Grocery Store & Beauty Shop) decertify 12/31/17.
- Potential water/sewer rate increases for 2018.
 - Hoy explained the City is seeing more breaks with the aging infrastructure. She said water main breaks/hydrant repairs so far in 2017 had reached \$30,000. She reminded the council that the budgets have included a transfer from the Water Reserves for operations over the past few years, knowing that if revenues did not pick up, a rate increase was imminent. She noted summers continue to be cool and wet, and the City is slow to recover from the economic downturn in 2006-2010. She did not recommend the City continue to operate out of reserves.
 - Hoy noted too that the Sewer Fund struggles every year as well. With the sewer credits for irrigation meters, the Sewer Fund loses approx. \$10,000 in revenue each year.

She stated the last increase was in flat fees in 2013, and the actual water and sewer rates had not increased since 2010.

Hoy said they were waiting for the estimate on demolishing the old lab/motor control building at the WWTF before the Rate Committee meets.

- She noted Liquor Store Manager Jacque Nordby projected liquor sales to increase with Sunday sales. She said Sales and Cost of Sales (Inventory) rise and fall together, so if the sales don't reach the budget, the costs will be less than what's budgeted as well. She noted the line item expenditures in the budget reflect staffing and scheduling changes that have dropped expenditures considerably.

Hoy informed the council that the City was notified by the Kanabec County Assessor that the Industrial Park lots still owned by the City became taxable property in 2017 for pay 2018. She said in accordance with State Statute 272.02, Sub. 39, Economic development; public purpose, where a property held by a municipality for sale for economic development becomes taxable after 15 years. She noted she'd confirmed this with Dave Drown, the City's financial advisor, and there is no way around this statute. She said the taxes due in 2018 total \$9,414 and noted it lessens the pinch a little to know the City will receive its 40% back in tax settlements, so basically the tax expense will be around \$6,000/year. She said Drown told her sometimes counties will make a donation to the City for its share of taxes, and that she had contacted Heidi Steinmetz, Kanabec County EDA Director, to see if this was a possibility.

Hoy said if not, there is \$30,000 in reserves from Ind. Park lot sales, and recommended the taxes be paid from this reserve, letting the land proceeds from the Ind. Park pay for the park's tax expense rather than putting the expense on the taxpayers through a levy. She advised that when the City's 40% comes back in tax settlements, it should be put back into this Ind. Park reserve, extending the life of the reserve to cash flow the taxes until, hopefully one day, all the lots were sold.

Council Member Sullivan asked if its normal to purchase the skid loader and not pay for it for 2 years. Hoy said if its purchased in 2018, the City would pay capitalized interest in 2019, the City has a chance to work it into the budget without impacting the taxpayers so hard.

Mayor Carlson opened the meeting for public questions and comments.

Darlene Hintz addressed the council about her valuation and frustration with the Isanti County Assessor. She noted that she'd come to the Braham Truth in Taxation Meeting last year because her 2017 proposed tax statement increased her estimated market value by \$35,200 and increase of almost 23%. She said the statement increased her taxes \$690 an increase of 26.8%. She said prior to attending the meeting last year, she compared her home with four neighboring ones, within a 2-block area of her house. She said in 2016, the difference in the EMV of these 5 homes had a range of \$2,300 and the range of taxes was \$72. She said her home was the second highest in both EMV and taxes. She said in 2017, her EMV increased \$18,000 over the EMV of the #1 home in 2016. She said her taxes increased \$384.

Hintz said that after the last meeting, she talked to Michelle Moen about the discrepancies between her home value and the other four properties. She said Moen suggested to set up a time in March or April that she could come walk through her home and explain the numbers. Hintz said she asked Moen if she would then walk through the other 4 homes, and was told no. Hintz said she does not see how Moen can justify the large increase in value and taxes on her home

without seeing the other four. She said furthermore, seeing her home now does not justify the numbers that were decided on more than 1½ years ago. Hintz said she filed for tax court on March 2, 2017 and paid \$160. She said she went to tax court in 2000 and 2001 and there was no cost to go at that time. She said the only people in the courtroom was the assessor, the judge, and herself. She said on March 21, 2017, she got a letter from the Isanti County Attorney's Office that the Attorney's Office now represents the County in all tax court matters. She said she found the letter to be threatening and intimidating. She said the letter indicated that the Assessor's Office would be in contact with her. She said April-Oct passed, and on Nov. 1, 2017 Moen called her, but she was not home. She returned the call to the Assessor's Office later than afternoon and told the that when Moen calls again, to introduce herself because Hintz won't answer the phone when the caller ID shows unknown name and no phone number. She said Moen has not called her back. Hintz said on Nov. 22, 2017 she received another letter from the Isanti County Attorney's Office suggesting she contact Moen. She said her question was what was going on.

Council Member Sullivan told Hintz that for her EMV, they don't look at her neighbors, they find matching houses throughout the City. She asked why in 2017 her EMV went up more than the #1 house in 2016. He suggested talking to a realtor to possible get answers.

Mayor Carlson said it goes back to the Assessor's Office because the City does not assess the value of her house.

Hintz noted that her \$160 for going to tax court was cashed, and she hadn't been to tax court.

County Commissioner Turnquist addressed the council. He said that this was already addressed at the County meeting, where he'd told Hintz that he'd be happy to sit down with her and Moen, and go through all of this.

Mayor Carlson asked for any other comments or questions. Hearing none, Jaques moved, and Kunshier seconded to adjourn. Motion carried 5-0.

Respectfully Submitted,

Sally A. Hoy
City Administrator