

The meeting convened at 5:20 p.m.

Councilmembers present: Mayor Jake Spano, Tim Brausen, Steve Hallfin (arrived 6:18 p.m.), Rachel Harris, Thom Miller, and Margaret Rog.

Councilmembers absent: Anne Mavity

Staff present: City Manager (Mr. Harmening), Chief Financial Officer (Mr. Simon), Deputy City Manager/Human Resources Director (Ms. Deno), Finance Manager (Mr. Ebensteiner), City Assessor (Mr. Bultema), Director of Community Development (Ms. Barton), and Recording Secretary (Ms. Pappas).

1. 2020 budget

Mr. Simon stated at the study session on August 12, council discussed a preliminary levy range of 4-6% over last year. He continued given additional funding proposed for advancing its strategic priorities, a majority of the council considered a preliminary levy at the upper end of the range. He presented a 5.61% preliminary tax levy for council consideration and discussion, noting that at the last meeting the figure was 6.23%. Mr. Simon also noted the HRA levy rate proposed is .0185%.

Mr. Simon noted for the median value home in St. Louis Park, the annual dollar change would approximately be \$73.79.

Councilmember Brausen asked if the city was committed to spending what the chart shows for the HRA levy. Mr. Harmening stated the council can allocate spending any way it likes, adding if the council wanted to use the HRA levy for something else in 2021, they can do so, as this is an annual decision.

Councilmember Rog stated she would support the .0185% HRA levy; however, noted 20% of the full \$1.3 million was going to fund housing related salaries. She has concerns with this tool and about the housing trust fund sitting empty this past year, when it is the best tool the city has for creating affordable housing. She stated over the past 3 years, St. Louis Park has created 55 affordable units and 17 more are coming to Elmwood; however, the city is not going as fast as they would like to, and she is not willing to give up this funding to reduce the levy.

Councilmember Rog stated she would like to dedicate all of the HRA levy to the affordable housing trust fund.

Councilmember Miller agreed, adding affordable housing partnerships take years, and he would like to move forward on this now, to get the process started. He stated he would like to see the HRA levy funds go fully to the affordable housing trust fund.

Councilmember Brausen stated the council needs to balance the needs of the community and the question becomes how much affordable housing the community wants to subsidize. He

stated he has not heard from his constituents about creating more affordable housing, adding they are most concerned about raising taxes. He is hesitant to allocate all of the HRA levy to affordable housing and prefers to follow staff recommendations.

Councilmember Harris stated she is in favor the .0185% for the HRA levy, but would like to see how this goes, and make adjustments as needed. She asked Ms. Barton about the financial tools available for affordable housing. Ms. Barton noted the various tools including TIF, TIF pooling, housing and redevelopment funds, and the HRA levy as well, along with affordable housing grants and low-income housing tax credit.

Mayor Spano stated he is interested in putting money into the housing trust fund but will leave it to staff to determine the best way to manage these funds. He asked Ms. Barton about land trust ownership programs to help keep housing affordable. Ms. Barton stated staff is currently looking into these types of programs.

Councilmember Miller added raising taxes on residents and the elderly who are on fixed incomes is not the solution. He added he wants taxes to stay closer to the metro area wage growth indexes.

Councilmember Brausen stated he is frustrated and prefers to keep taxes in the range staff is recommending. He stated the council has committed to the climate action plan and race equity programs, and it is difficult for staff to create the budget without direction from council. Councilmember Brausen added his taxes will go up \$75 per year, plus utility costs, and taxes from the schools as well, and while he would like to do something about home ownership in the city, he is comfortable raising the levy, and is willing to dedicate more to housing as well. He stated the community has certain expectations about services, and he does not see where staff can extract any savings on this budget in light of the goals. He stated he supports this budget.

Councilmember Rog stated this is not a sustainable path when looking at the following items:

- 6.75 new FTE's in 2020 budget
- 45% of general fund is an increase of 6.7% per year for public safety
- 11.7% for increased debt service
- HRA salaries moving from housing rehab fund to HRA levy
- Wage growth at 2.8% on average and social security increases of 1.5% per year

Councilmember Rog stated the city is trending in a problematic direction relative to income growth, and she will not support the 5.61% levy increase.

Councilmember Harris stated she sees her role as giving direction to staff to fund the strategic priorities set by the council. She noted she has done several ride-alongs with both police and fire and learned much about what officers deal with on their beats. She stated the police force is staffed fairly thin, and overtime is used if needed for coverage. Councilmember Harris added she is very much in favor of adding another officer to the staffing and is concerned for the welfare of officers, especially as they deal with more incidents of mental health issues. She asked in response to staffing increases and moving the housing related salaries to the general fund, how comfortable it will be to amend the HRA levy next year, if the decision is made to do so.

Mr. Simon stated salaries are being paid by bond revenue fees primarily in the housing rehab fund, not the general fund, so a stable funding source for housing salaries is being created by using the HRA levy.

Councilmember Harris stated it is important to know what residents want and asked how often the city surveys residents. Mr. Harmening stated residents will be surveyed the 1st quarter of 2020, adding there has been no resident survey conducted since 2011.

Councilmember Harris stated she is curious to learn if residents would accept a lower level of service within the city, so as to reduce the levy for future years. She would like a question about this on the resident survey. She added she wants to balance requests from residents with being fiscally responsible, and to find out from residents if they would take responsibility for various city services in exchange for a lower tax rate. She stated she supports the HRA levy at .0185% and the tax levy of 5.61%.

Councilmember Hallfin also agrees with the HRA levy and tax levy figures, adding he hopes it would go down.

Mayor Spano stated he is fine with the tax levy at 5.61% and will leave management of the money to staff. He added while he has been campaigning, no residents have talked to him about climate change or racial equity. They have asked him about road services, city services, and the like. He added he does not get much push-back from residents on the city's levy rate being too high.

The meeting adjourned at 6:25 p.m.

Melissa Kennedy, city clerk

Jake Spano, mayor