

Agenda
City Council Work Session
City of Edina, Minnesota
Community Room, City Hall
Call 800-374-0221, enter Conference ID 9148708 to listen to meeting

Wednesday, July 21, 2021
5:30 PM

- I. Call To Order
- II. Roll Call
- III. 2022-2023 Budget & Budget Work Plan Process
- IV. Adjournment

The City of Edina wants all residents to be comfortable being part of the public process. If you need assistance in the way of hearing amplification, an interpreter, large-print documents or something else, please call 952-927-8861 72 hours in advance of the meeting.



CITY OF EDINA

4801 West 50th Street

Edina, MN 55424

www.edinamn.gov

Date: July 21, 2021

Agenda Item #: III.

To: Mayor and City Council

Item Type:

Reports / Recommendation

From: Scott H. Neal, City Manager

Item Activity:

Subject: 2022-2023 Budget & Budget Work Plan Process

Discussion

ACTION REQUESTED:

None. Discussion only.

INTRODUCTION:

Staff will be presenting a recap of the City Council Retreat and 2022-2023 preliminary budget.

ATTACHMENTS:

2021 City Council Retreat Summary

Staff Presentation

City of Edina – Council Planning Summary

March 4 & 13, 2021 (Virtual)

PARTICIPANTS

City Council	Staff & Facilitator		
James Hovland, Mayor Ron Anderson Carolyn Jackson James Pierce Kevin Staunton	Scott Neal, City Manager Lisa Schaefer, Assistant City Manager Risi Karim, City Management Fellow Don Uram, Finance Sara A. Peterson, Management Consultant	<u>March 4 only</u> Jennifer Bennerotte, Communications Grace Hancock, Sustainability MJ Lamon, Community Engagement Heidi Lee, Race & Equity	<u>March 13 only</u> Chad Milner, Engineering Tracy Petersen and Perry Vetter, Parks & Recreation

AGENDA

Part I: March 4, 2021 (am)

5:00	Introduction
5:20	Setting the Stage Staff will present an overview re: <ul style="list-style-type: none">– Budget/Work Plan Process– Past Highlights and Future Trends– 2022-23 Staff Recommendations (Council to discuss 3/13) Council Discussion to re-affirm or revise: <ul style="list-style-type: none">– Four Budget Goals & Objectives– Values Statements & Code of Conduct (as time allows)
7:00	Edina's Communication Strategies Staff will present an overview re: <ul style="list-style-type: none">– How We communicate Priorities & Activities– Communication Vehicles & Channels in Use– Their Reach & Limitations– New Ideas Being Explored– How the Council Can Engage Council Discussion
9:00	Adjourn

Part II: March 13, 2021 (pm)

8:00	Introduction
8:15	Financing City Streets Staff introduction and presentation Council Discussion: <ul style="list-style-type: none">– Remaining needed to make decisions– Action on specific recommendations
10:00	Future of the Arts Center Staff introduction and presentation Council Discussion: <ul style="list-style-type: none">– Current use, financial situation, and facility– Future: what trying to do and for whom– Near term action steps
11:00	2022-2023 Budget Process Council Discussion: <ul style="list-style-type: none">– Work Plan Objectives– Expectations in a Post-Pandemic City
12:00	Adjourn

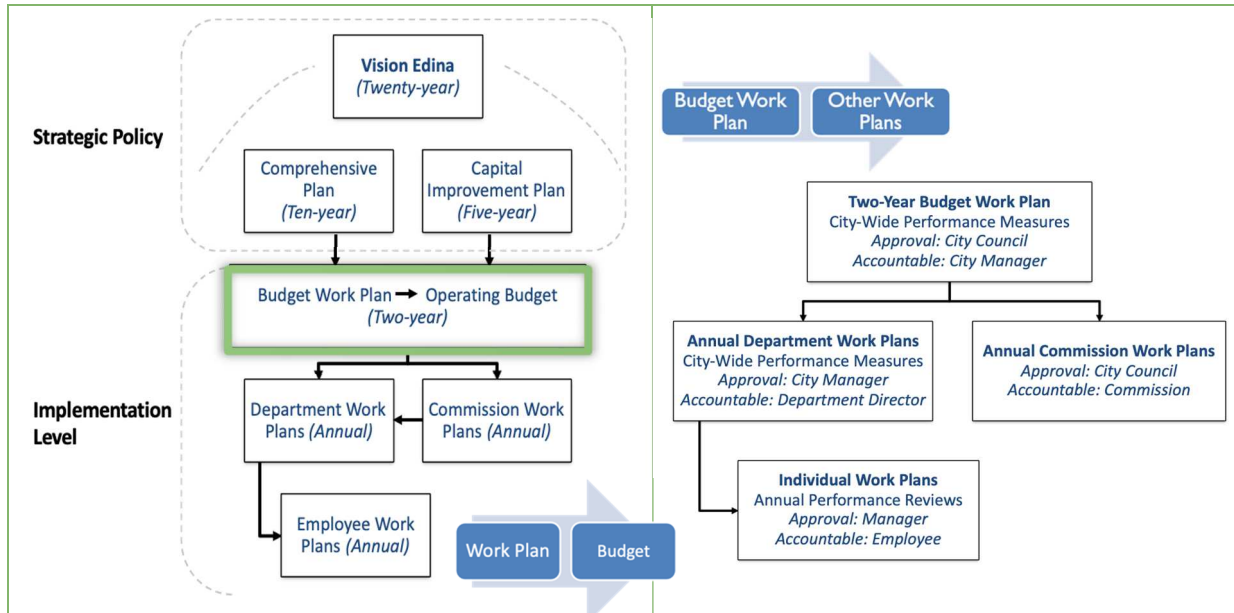
effective strategy, governance and management
for nonprofits, foundations, government, & community groups

PART I

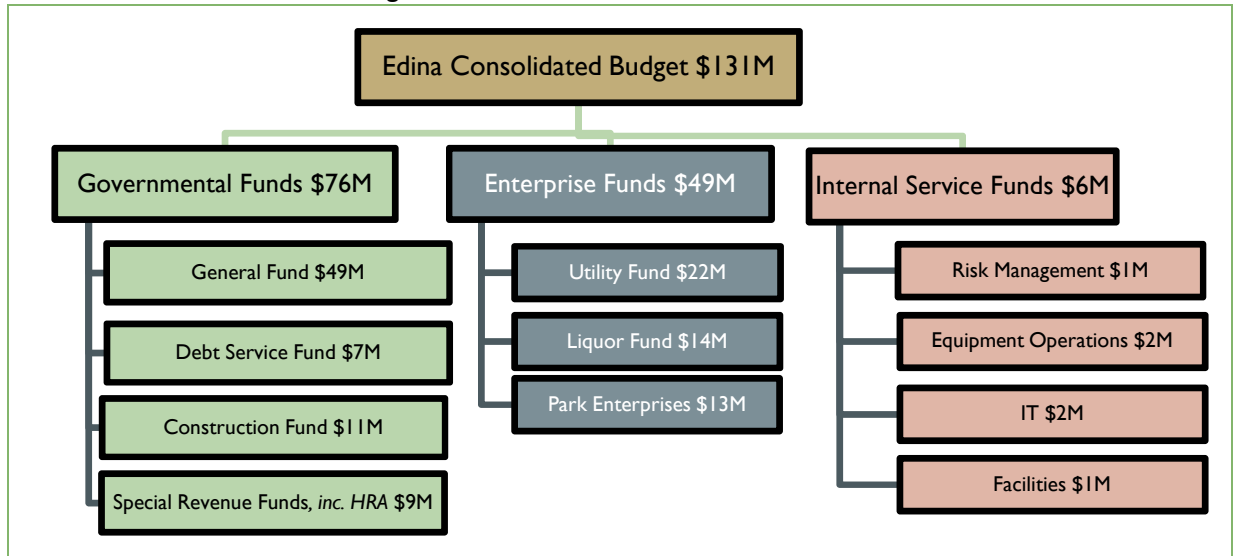
Setting the Stage

The retreat began with an overview of Edina's planning and budgeting process, a quick grounding in its financial position, and a presentation of senior staff perspectives related to the past year, including:

1. Overview of Process



2. Overview of the Consolidated Budget and Measures Over Time



3. Budget Challenges





- Deferred Building Maintenance
- COVID Impacts – Enterprise Funds; Possible Decline in Tax Base
- Matching staffing and resources to service-level expectations

4. And a Look Back at 2019-2020

- Significant Events: 9/19 OIS, 3/2020 COVID Stay at Home Order, 5/20 Death of George Floyd, fall elections
- Changes to Internal Operations and to City Services
- Community Resources Launched, Projects Completed and other Work Plan Projects

5. **Q&A:** The Council asked questions of staff following the presentation, with particular emphasis on understanding what the City learned about itself and its needs during an extraordinary year so that it might emerge stronger.

Given recent changes to City Council composition, the retreat agenda included time for discussion of the City’s goals as well as its values statements. The purpose was to re-affirm or revise both with the benefit of time and fresh eyes. Overall, the reaction was one supporting the four goals and the way they are presented “a crisp way to communicate and socialize” the City’s goals. Council members also pointed out the apparent connections between City goals and Vision Edina. Discussing each goal in turn, Council members homed in on the message or connotations of specific language while ensuring that the language was sufficiently forward thinking. As a result, they explored the following:

<p>CITY GOAL 1</p>  <p>Strong Foundation</p>	<p>Maintain Physical Assets & Infrastructure</p> <p>The core message of “keeping the bones of the house strong” is good. But how does it align with questions of sustainability or possible interpretations of “maintaining” as a minimum standard? The latter question was reinforced by a discussion of “deferred maintenance” as a budget consideration.</p> <p>The Council asked for a way to measure asset stewardship – to be able to predict/project for longer view, not just maintaining but forward thinking to identify hot spots for action. And going further still, how can it drive policy that anticipates infrastructure needs 50 years from now?</p>
<p>CITY GOAL 2</p>  <p>Reliable Service</p>	<p>Maintain Service Levels that Best Meet the Needs of the Community</p> <p>Again, the Council appreciated the core message of “reliable” service but asked the next question: what is the standard beyond maintaining? Service needs, wants, and standards continue to change. This is especially true for “after” covid times in which we may be missing items, providing too much or little.</p> <p>The community expects the City to be forward thinking and preparing for future needs. How can Edina best communicate that element of the goal while acknowledging that any given service need not be the best available to meet community needs?</p>
<p>CITY GOAL 3</p>  <p>Livable City</p>	<p>Plan for Connected & Sustainable Development</p> <p>The struggle identified here is that of balancing the long-term macro answer for the community against the micro questions asking why something about the City is changing when new development occurs. How to communicate the bigger picture and bring the community to an understanding of the future.</p>
<p>CITY GOAL 4</p>  <p>Better Together</p>	<p>Foster Inclusive & Engaged Community</p> <p>Finally, discussion of Goal 4 asked who was missing from the text. For example, are apartment-dwellers clearly included? Then the conversation shifted to questions of how Edina can welcome everyone into the fabric of the community so that that they are proud to be Edinans.</p>

When the Council moved to the values statements, they made similar observations.

<p>Community Engagement</p> <p>If we want to see everyone in Edina engaged, who is missing from the text?</p> <p>In addition, trust in government in 2021 is very different from what it was a few short years ago. Do we in fact have a foundation of trust given the larger context of the Twin Cities?</p>	<p>As the Edina City Council, we are dedicated to fostering an engaged community built on a foundation of trust. We will do this by intentionally focusing on equity, diversity and inclusion and creating a dialogue of perspectives. We will build trust by demonstrating our engagement principles of Relationships, Equity, Inclusivity, and Accountability.</p> <p>Relationships: make relationships foundational; strengthen relationships and build new ones; develop a trust between the City and residents</p> <p>Equity: engage with residents where they are; remove barriers for participation; provide multiple options for participation</p> <p>Inclusivity: strive to provide meaningful engagement opportunities; invite underrepresented groups to participate; make all feel welcomed and valued</p> <p>Accountability: make a plan; do what we say we are going to do; don't change the rules; make a decision; communicate how participation influenced decision</p>
<p>Equity</p> <p>Council expressed appreciation for the ways in which staff and this statement have broadened their understanding of equity. Even traffic and the ability to design roadways that allow everyone to share the road safely includes questions of equity. Finding ways to deepen this sense in the community goes hand in hand with engagement.</p> <p>Regarding the language of the statements, one pointed out how "equitable opportunities to participate" might be misconstrued when there are, practically, limited seats on boards and commissions.</p>	<p>As the Edina City Council, we are dedicated to creating an environment in our community where residents have equitable opportunities to participate in their city government and access the City's institutions, facilities and services.</p> <p>Our commitment to diversity, equity and inclusion will be a continuous process of learning and adapting to the multiple needs of all in the community, while consistently applying an equity lens in all decisions and interactions. Our vision of a welcoming Edina includes removing systemic and institutional barriers to create opportunities for all in the community to thrive.</p>
<p>Sustainability</p> <p><i>Time did not allow for extended discussion of this statement during the retreat.</i></p>	<p>As the Edina City Council, we are dedicated to building a sustainable environment where current and future generations benefit from clean air and water, climate and community resiliency, and access to nature.</p> <p>We recognize that the City's natural environment, and the health and quality of life of its residents are just as, or even more, important, than the financial factors. We will ensure that our policies, decisions and future plans have a positive impact on people and the planet, in addition to profit.</p>

Communications Strategies

The second half of Part I focused on the scope, scale, and vehicles through which the City communicates with stakeholders; followed by a discussion of ways both City and Council can respond to misinformation in the community. What follows is an overview of that discussion.

<p>City Communications & Communicating Priorities</p> <p>Similar to the goals and values discussion, Council asked questions related to equity in engagement:</p> <ul style="list-style-type: none"> • Can we consider choice of language for mailings? 	<p>Do we understand what do / don't do and when?</p> <p>Are our strategies robust? Effective? Equitable?</p>
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<ul style="list-style-type: none"> • If social media is reaching under 55 and the city is largely over 55, how do we ensure equitable access to information? • Are there ways in which we can measure access across modes of communication for more targeted success winning hearts and minds? 	<p>Do you have any feedback on the City's mass communications or how City Council priorities and activities are communicated?</p>
<p>Misinformation</p> <p>This discussion began with an understanding that NextDoor constrains the City, as an agency account – the City actually cannot see conversations or respond in the way many believe it can. This underscores the importance of other communication vehicles.</p> <p>More to the point, the question of “misinformation” can be divided into two categories: inaccuracies that require immediate response and those based in a broad misunderstanding of process.</p> <p>In the former instance, the City needs to have a way to identify/triage potential items for response at the staff level.</p> <p>In the latter, the focus is better placed on trusted community relationships, networks of trusted connectors/communicators (e.g., Rotary, Edina Indivisible, neighborhood groups), and capitalizing on the strengths of individual Council members (e.g., Mayor's Minute, Anderson blog).[*] Success requires equipping partners with policy messages that they can use, and engaging Council in shaping and promoting those messages.</p>	<p>When to respond; defining the problem; know the difference?</p> <p>What makes a PRODUCTIVE response? Who, how, where?</p> <p>Different roles for different people; tools for different needs</p> <p>Do you have any feedback on the City's social media or how we might make it easier for you to engage with the community online?</p>

^{*} The fields of community organizing and health communication have deep, evidence-based, experience to learn from in these regards.

PART II

Financing Edina Streets

During the 2019 retreat, staff presented a review of Edina's street assessment approach. The Council then discussed the pros and cons of the various financing options presented. At the time, Council Members agreed that if they were starting from scratch, they would not choose the current system. The overarching concern for all in considering any potential change is how to manage transition in an equitable way, simultaneously ramping down the current approach and ramping up any replacement without overly burdening the implementation system. Staff committed to investigate options in greater detail and return to the Council for further discussion during the coming two years. Since then, a task force was convened and completed its work, returning recommendations to Council. Now in 2021, all are looking for a long-term resolution to the issue. Discussion began with an overview from staff as well as its own next step recommendations.

The Council expressed a similar desire to resolve the issue, agreeing that it should:

- Place removing subcuts and retaining walls on the April 6 agenda
- Revisit final street funding decision with 2022/2023 Budget
- Engage in a process that allows Council to approve a final funding methodology in/by August

Council framed the questions to be answered and then decisions to be made as follow:

- **Better understand the experience of other communities** to plumb all the options:
 - What methodology do they use (e.g., Minnetonka at 100% franchise fees, Bloomington at 75/25)?
 - Why was it chosen (e.g., staff time in assessments, resident fairness and “skin in the game”)?
 - How was it implemented? (16 years seems too long. Does 5-10 years make more sense?)
 - How was it communicated/transitioned?
 - What has been the result?

- **Develop additional information:**
 - Develop side-by-side models showing impact of methodologies between the extremes
 - Map projects/assessments that have been done and those that need to be completed
 - Outline equity principles for city and apply to tax structure
 - Outline messages (e.g., tax transparency, city/city comparisons, efficient subsidizing less efficient, legal risks, resident mobility, non-deductibility of assessments, decision process)
- **Define the destination** (i.e., where between 50-100% levy) **and timeline** (i.e., how fast from assessment to new?)
- **Develop the change management plan**
 - Set a methodology to mitigate impact of transition (steps for a “soft landing” and fairness)
 - Plan communication and engagement to educate and bring the community along before a final decision

Arts Center

While the City has wrestled with the future of the Edina Art Center for some time, the covid-crisis has brought the question into more stark relief. Closed for more than a year (but programming out of other locations), the Center is in need of significant facility improvements (approximately \$1.6 million). Those improvements encompass aspects in five areas; 1) Code compliance, safety, and mandates; 2) Projects that protect people, property, and infrastructure; 3) ADA Improvements; 4) Betterment of operations, new services, support programming (FFE); and 5) Replacement of infrastructure past due, aging or inefficient (near failure or could fail).

Our mission is to build a vibrant community by fostering common bonds , nurturing talent and creating venues for expressing and appreciating art and culture in Edina.	The Edina Art Center provides the community with a place to <ol style="list-style-type: none"> 1) view exciting exhibitions, 2) enjoy artistic and cultural events and 3) a place to learn how to express their creativity through artmaking.
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Staff and Council discussed the Center’s offerings, financial position, and use; ultimately agreeing that a \$1.6 million investment in the current facility did not make sense. However, in the course of discussion they were excited by the possibilities of a re-envisioned Center for Edina. For example:

- Bringing a Race & Equity lens to the conversation could expand its reach and impact
- With a focus on visual arts (especially pottery) it could be relocated to the industrial park
- Maximizing benefit/cost could lead to consideration of a park location that connects generations (e.g., Braemer)
- It could maximize its pottery assets (wheels and kilns) for a more visible destination drawing across the metro
- It could expand its scope beyond visual arts to explore STEAM (arts + STEM, technology, and gaming) for kids

By the close of the discussion, the Council directed staff to take the question of the Center’s future back to the Edina Arts Commission for next step planning.

2022-2023 Objectives & Post-Pandemic

At the close of the retreat, staff and Council discussed expectations in a Post-Pandemic City – understanding that they must differentiate among those changes they can control versus those they can influence, or ones they must simply adapt to before agreeing on specific action. Items that arose in discussion included the following:

Business	Residents
The crisis accelerated retail changes including small retail decline and hollowing of regional shopping. It is changing the commercial real estate market as 25% of work force may not return to the office. It has changed the structure of medical facility needs. It has changed technology choices and we decouple work/home. Restaurants will resurge, but business travel may not.	All of this affects, and places greater burdens on, residential areas

In response, cities will need to think about competition differently in order to attract and maintain businesses and residents – to make livability more competitive. This will affect city services, how they are delivered, and how the built environment must adjust. For example:

- Thinking about public assets:
 - Work from home increases walks during the day
 - Transportation infrastructure will adjust to changes in local traffic
 - Alternative modes for exercise or getting around becomes more intense need
 - Stress on greenspaces increases
- Thinking about key commercial areas:
 - Will market take care of 50th/France?
 - Will Minneapolis offices shift toward us?
 - Impact on property values (same for suburbs and core?)

Overall, the timing of some of these questions depends on letting the economics evolve more; but this is the time to be shaping the question. And, citizen engagement will be important. The discussion will be picked up at a later date for integration into the budget process.



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2022-23 Budget and Preliminary Levy

July 21, 2021

Agenda

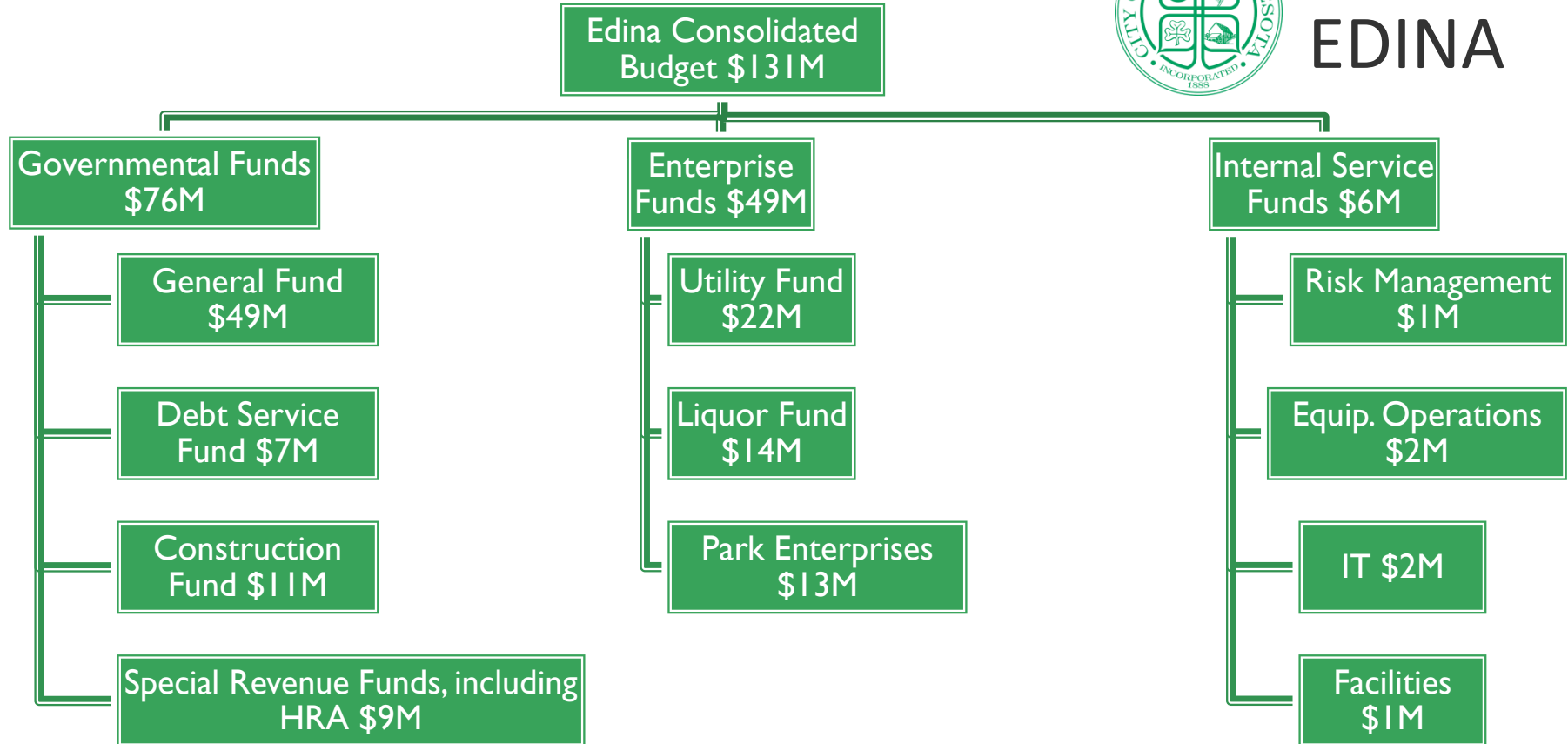


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- Budget
- Process and Timeline
- 2022-2023 Preliminary Budget and Levies
- Tax Comparisons
- Discussion



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Estimated Market Value (B)



Budget Timeline



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Date	Topic	Presenter(s)
March	City Council Retreat	Staff
June 1	Department Heads submit Budget Requests	
July 7	ELT Reviews 2022-2023 Budget Draft	ELT Discussion
July 21	2022-2023 Draft Budget Work Plan & Scenarios	CC Work Session
Aug. 17	2022-2023 City Manager proposed budget	CC Work Session
Sept. 9	CC consent to two-year HRA levy	CC Meeting
Sept. 10	Preliminary HRA Levy Adoption	HRA Meeting
Sept. 21	Preliminary CC Levy Adoption	CC Meeting
Oct. 19	2022-2023 Budget Discussion/Update	CC Work Session
Nov. 16	Open (Another 30 mins with CC?)	CC Work Session
Dec. 7	TNT Budget Presentation	CC Work Session
Dec. 7	TNT Budget Hearing (CC and HRA)	CC/HRA Meeting
Dec. 21	Last Day to Adopt Budget	CC/HRA Meeting



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Biennial Budget Process

2021 (Odd Year)

Second year of 2020–
2021 Budget

Approve 2022–2023
budget, including CIP
levy

2020 (Even Year)

First year of 2020–
2021 Budget

Review/approve of
2021–2026 CIP

Strategic Policy

Vision Edina
(Twenty-year)

**Comprehensive
Plan**
(Ten-year)

**Capital
Improvement Plan**
(Five-year)

Budget Work Plan → Operating Budget
(Two-year)

Implementation Level

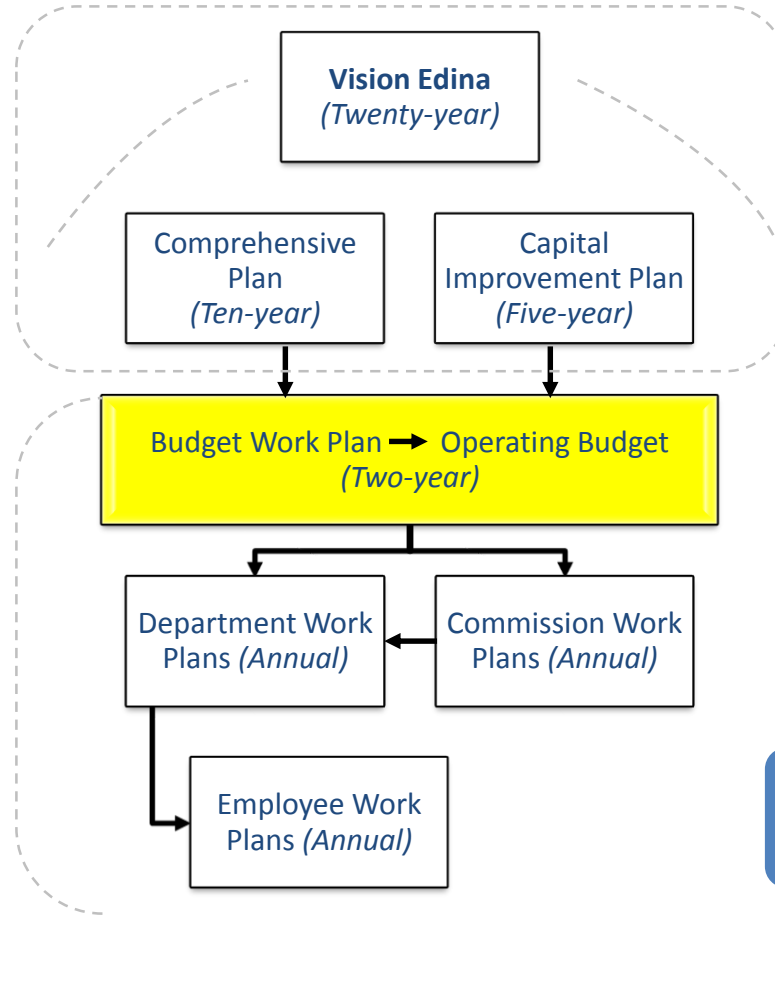
**Department Work
Plans** *(Annual)*

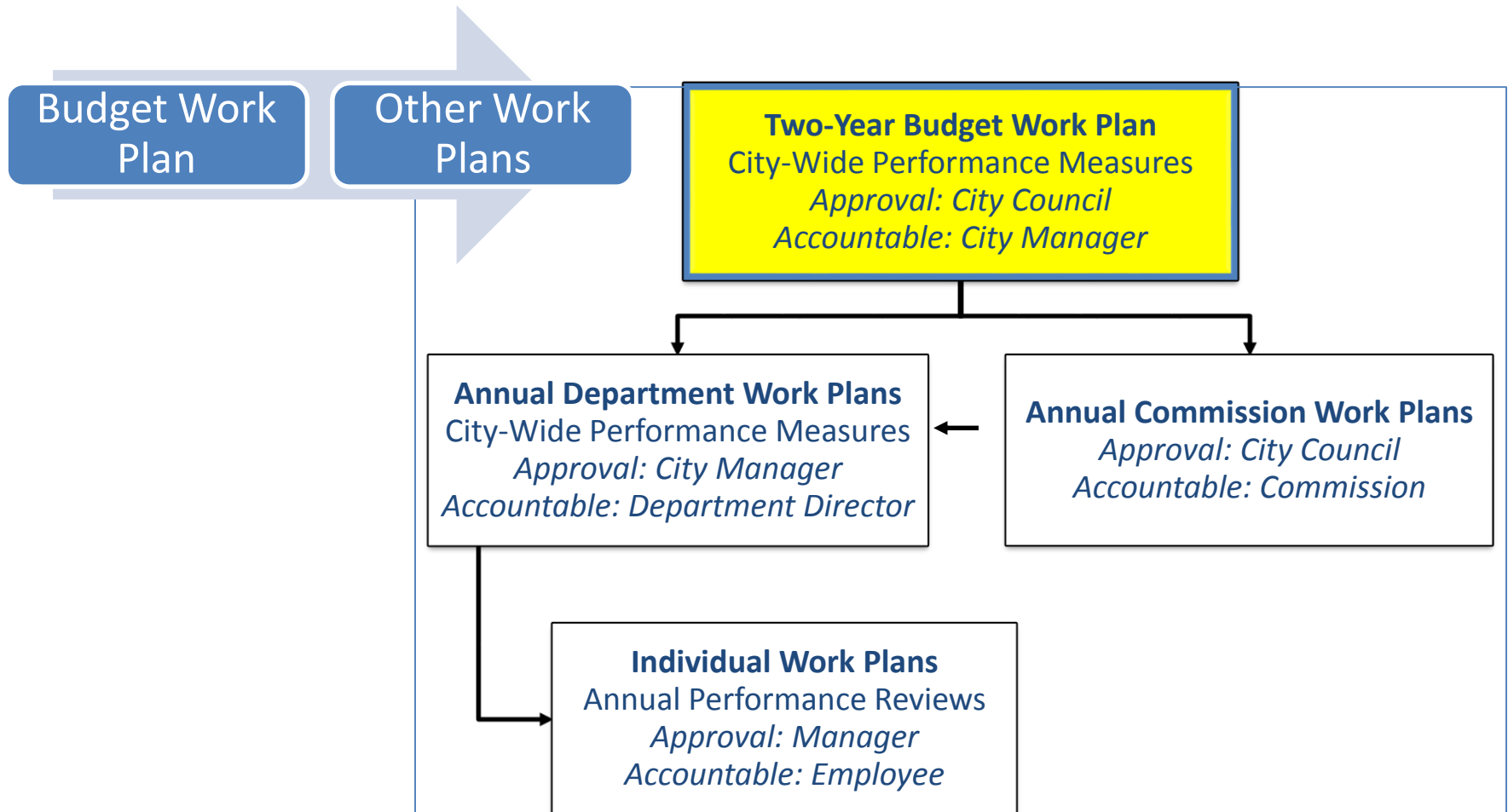
**Commission Work
Plans** *(Annual)*

**Employee Work
Plans** *(Annual)*

**Work
Plan**

Budget





2022-2023 Budget & Work Plan

GOALS



OBJECTIVES



STRATEGIES

Broad Outcomes
(Evergreen)

Measurable Results
(This Budget)

Specific Actions
(This Budget)

Goals



2022-2023 Budget Work Plan



Maintain physical
assets and
infrastructure

- Fire Stations 2 and 3
- Begin implementation of Street Financing
- Implement Morningside flood infrastructure
- Design & construct Lift Station #6
- Roof replacement plan for City facilities.
- Expand GIS capabilities
- Technology Security

2022-2023 Budget Work Plan



Maintain service
levels that best meet
community needs

- Evaluate post-pandemic remote work and service delivery.
- Re-assess City Hall Space Needs Study for post-pandemic service delivery.
- Increase resources for mental health calls for service.
- Art Center – long-term plan for building & programs
- Implement new elections agreement with EPS

2022-2023 Budget Work Plan



Plan for connected
and sustainable
development

- Implement Green Building Policy
- Implement Climate Action Plan
- Affordable Housing
- Blake Road Construction
- Consider PARC recommendation for alternate funding.

2022-2023 Budget Work Plan



Foster an inclusive
and engaged
community

- Continue Racial Equity Implementation Plan
- Assess post-pandemic community engagement strategies (evaluate what to keep, stop, expand)
- Implement Board & Commission diversity strategy.
- Administer 2023 Quality of Life Survey

Proposed 2022-23 Budget



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	2021	Proposed 2022	Proposed 2023
General Fund	\$ 34,036,471	\$ 37,130,486	\$ 39,038,281
	6.29%	9.25%	5.14%
Arts/Culture	\$ 20,000	\$ -	\$ -
	0%	-100%	0%
Debt Service	\$ 3,651,400	\$ 3,657,000	\$ 3,653,000
	-20.56%	0.15%	-0.11%
Construction	\$ 4,080,000	\$ 5,190,000	\$ 5,560,400
	44.17%	25.67%	7.14%
HRA	\$ 230,400	\$ 237,300	\$ 244,400
	20.00%	2.99%	2.99%
Total Tax Levy	\$ 42,018,271	\$ 46,214,786	\$ 48,496,081
% Increase	5.95%	9.99%	4.94%

2022 – 23 Budget Proposal



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- New for 2022
 - Street reconstruction (\$950,000)
 - Service level increases (\$500,000)
- Item to consider:
 - Move Centennial Lakes Park to General Fund



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Preliminary Tax Levy for 2022

Change	Reason
4.06%	Wages & benefits cost increases
3.39%	Internal service fund charges, service level changes & all other changes
2.26%	Street Reconstruction levy (\$950,000)
0.26%	Increased Equipment levy (\$100,000)
<u>0.02%</u>	Increased HRA levy (\$6,900)
9.99%	Total 2022 City + HRA levy increase

2022 Estimated Levy Impacts



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- In 2021 the median home pays about \$136 per month in property taxes to fund all City provided services.
- Total EMV is increasing by about 3.7% for taxes payable in 2022. The median value single family home is now \$571,800.
- With an 9.99% property tax levy increase, the effect on the 2022 median valued home would be about a:
 - 6.5% increase in City property taxes.
 - \$105 increase per year, or about \$8.75 per month.
 - \$144 payment per month in 2022 City property taxes.



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Southdale 2 Tax Impact

- \$6.8 million added back to tax base
- Tax impact (incl SD II TIF) - \$105
- Tax impact (w/o SD II TIF) – \$189

2022 HRA Levy



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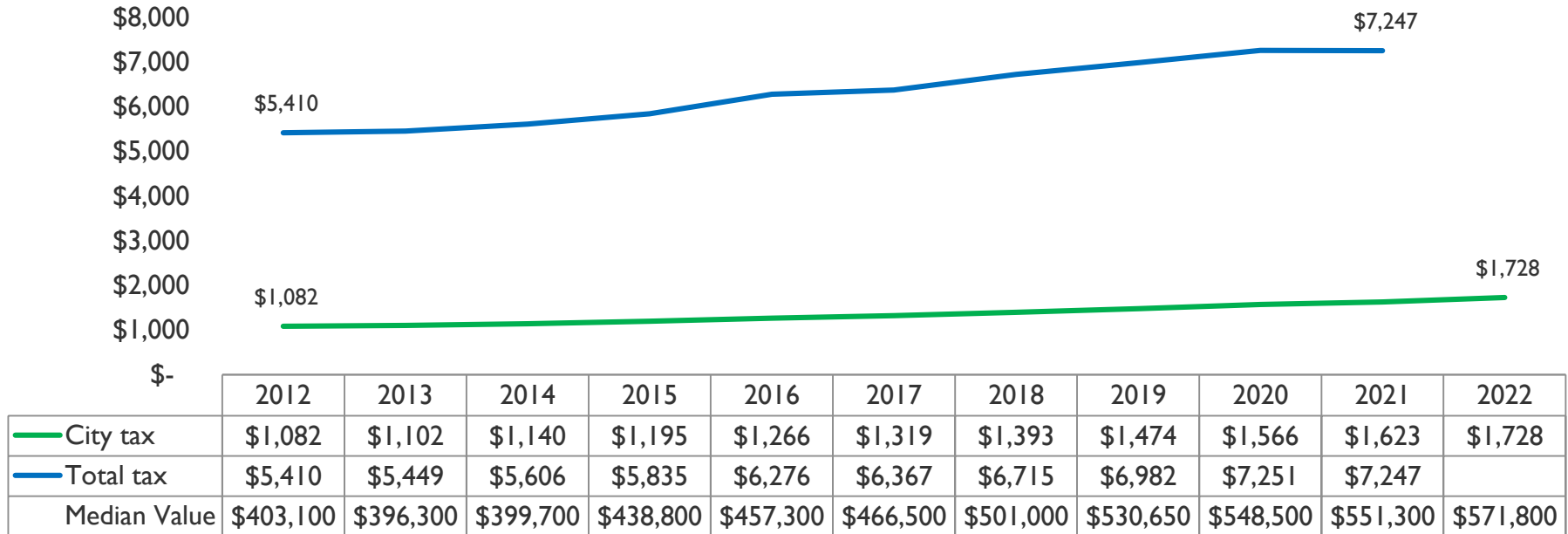
- State law allows an HRA to levy up to 0.0185% the previous year's taxable market value of all property in the City. This limit would produce tax revenue of about \$2.5M in Edina.
- An HRA raises its own levy separate from the City.
- HRA levies must be used only for purposes listed in the HRA Act.
- A \$237,300 HRA levy in Edina would be \$9.00/year for a median single-family home (\$571,800)



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Property Tax History

"Median" Value Home





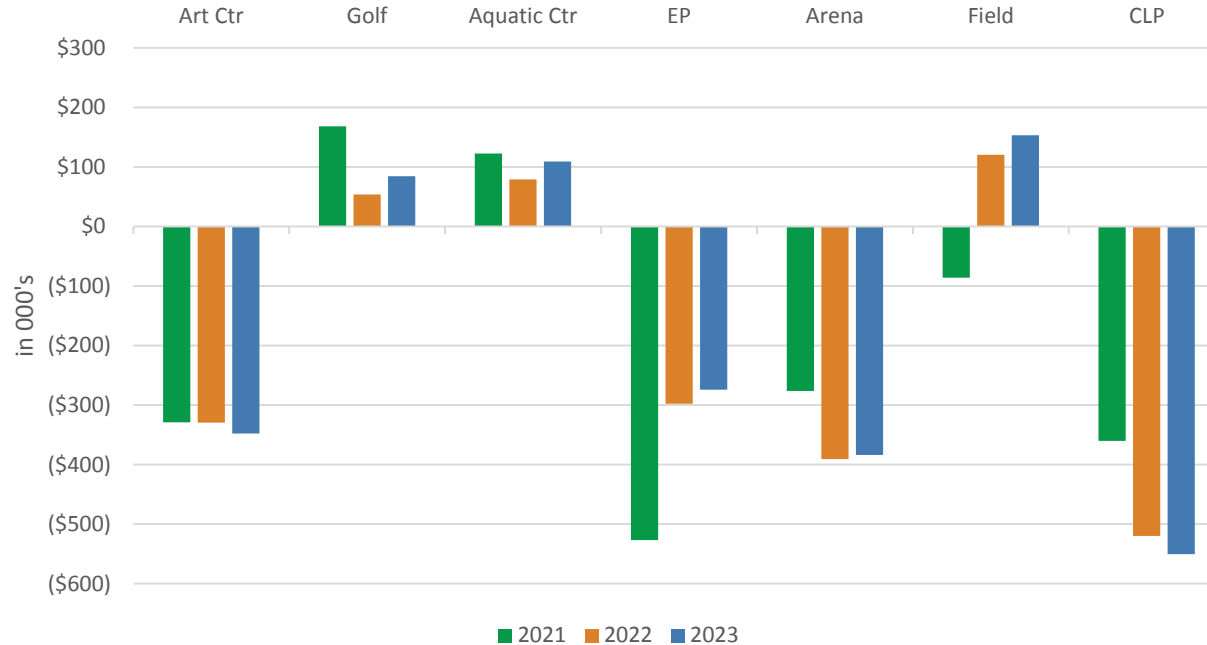
Centennial Lakes Park

- Accounting definition of an enterprise fund is one that may be used to report activity for which a fee is charged to external users for goods or services.
 - An enterprise fund is required when fees are designed to recover costs
- While Centennial Lakes Park does charge for paddle boats, miniature golf, ice skating and park maintenance fees, these user fees only cover 59% of total park expenses

Annual budgeted cash flow



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Liquor subsidies

- Liquor subsidy of P&R enterprises has historically been about \$650k with another \$150k going to the construction fund
- Liquor profits range from \$650k (2015) to \$1.4M (2018)
- Projected cash deficit for P&R enterprises is \$1.3M and \$1.2M for 2022/23 budgets
- Relying solely upon liquor subsidy to maintain positive cash balances in the P&R enterprises is risky and not sustainable
- Recommend phasing Centennial Lakes into the General Fund



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Next Steps

- Based on Council Input, continue to refine 2022-2023 Budget
- City Manager proposed budget on Aug. 17
- Consent to HRA Tax Levy on Sept. 9
- Certify Preliminary Tax Levy on Sept. 21
- Budget Discussion/Update to Council at Work Session on Oct. 19
- Public Hearing for 2021 Budget on Dec. 7
- Final Date to Take Action on 2021 Budget is Dec. 21

Questions/Discussion



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