

## STATE OF THE CITY ADDRESS, DETROIT LAKES, MINNESOTA, JANUARY 8, 2019

To the City Council, City Staff and to the Citizens of Detroit Lakes Minnesota, it is an honor to deliver this evening, the annual State of the City Address for the year 2018.

Overall 2018 was certainly another very good year in the City of Detroit Lakes. It was a year in which we saw several significant civic projects as well as tremendous development, expansion and growth in our private sector, including new housing units. We continue to be financially strong and stable and are experiencing good steady growth. Good leadership and planning are the hallmarks of this City, providing us all with a good quality of life and a bright future here in Detroit Lakes.

Tonight, I would like to take this opportunity to briefly review and highlight some of the things that have happened this past year and some of the plans for 2019 and beyond.

First, on the civic side:

Phase One of the new \$18 million runway and taxiway project at the Detroit Lakes Becker County Airport was completed in 2018. Phase 2 of the project was also begun this past fall. This jointly owned regional facility will receive 95% of the funding for the project from FAA and the State of Minnesota. Most significantly, the project expands the runway' to 5,200' allowing larger aircraft to utilize the facility and enhancing opportunities for our City and regional businesses. The project is scheduled to be completed in the summer of 2020.

Construction began in 2018 for our new state of the art wastewater treatment facility, the largest single municipal project ever funded in the City of Detroit Lakes. Approaching \$30 million dollars, this new plant will discharge treated wastewater to some of the highest quality standards in Minnesota and will serve our citizens for many generations. About 90% of the process concrete structures have been poured with construction scheduled to be completed in the fall of this year.

The Boys & Girls Club of Detroit Lakes began construction of a new 30,000 square foot facility this past July. This \$6.2 million project is a public/private/non-profit venture as the City owns the land, the Boys & Girls Club of Detroit Lakes operates the facility and the charitable giving of private donors made the project a reality. As of today, the project is about 40% complete and construction is scheduled to wrap up for an August opening. Detroit Lakes and the surrounding area can again be proud of the stewardship, caring involvement and charitable giving that once again has built a significant community facility.

Secondly in the private sector:

Detroit Lakes had a banner year in 2018 both in terms of private development and in housing development. Building permits topped \$53 million this past year, almost \$20 million of which was new single-family homes and new multi-family units. 53 new single-family residential homes were built in Detroit Lakes in 2018.

Multi-family projects completed or currently under construction include a new 55-unit market rate apartment building in the Stonebrook Addition, Apex Townhomes, a 30-unit affordable townhome development, Pelican Landing, a 76 unit assisted living project and a townhome development on South Shore Drive which will create 30 new home units.

Two other significant projects were begun late last year. The Midtown Development project on south Washington Avenue will create 11,000 square feet of new retail space along with 30 housing units. The Norby's Department Store building downtown was purchased and will also become a mixed-use project with retail on the main floor and additional housing units above.

Financially, we can all be proud that Detroit Lakes continues to remain fiscally sound – and has done so in spite of the drastic reductions in Local Government Aid over the past 18 years. In 2018 our LGA funding was \$700,000.00 compared to \$1.6 million that the City received back in 2001. Local Government Aid reductions represent millions of dollars in lost revenue that the City has had to find ways to make up locally. By tightening our belts, doing more with less and being creative, the City has managed to enjoy solid and steady growth and economic prosperity over those same 18 years.

In November, Standard & Poors reaffirmed the City's credit rating at AA/Stable. This is an excellent credit rating for a City our size and it reflects the City's strong financial position and management. Past, present and future savings on City bond issues is and will be significant to our tax payers because of our excellent credit rating.

Our Finance Department again received the Government Finance Officers "Certificate of Achievement for Excellence in Financial Reporting." This is the 20<sup>th</sup> year in a row that the City has received this honor. In addition, we received an unmodified opinion with no findings on the 2017 audit completed by the City's auditing firm.

In December, the City Council approved the final 2019 budget and levy. While the Council did approve a modest increase in the levy, due to the strong expansion of our City's tax base, taxpayers who did not receive an increase in their assessed value, will see their City tax bill remain about the same as the previous year. As an example, a home assessed at \$140,000 would see an annual increase in the City tax of only 31 cents per year. I believe the City Council has done a tremendous job in formulating a budget and levy that is both financially manageable for the citizens while reflecting the growth of the City and its needed capital and fundamental services.

Detroit Lakes continues to enjoy one of the lowest tax rates in the region including cities like Fergus Falls, East Grand Forks, Bemidji, Thief River Falls and others. And statewide, our City tax rate is significantly lower than the average City rate for all greater Minnesota cities with populations between 5,000 and 10,000.

Providing property tax relief, flexibility in funding growth and providing enhancements to our quality of life, Detroit Lakes has prosperous enterprise revenues.

Our Municipal Liquor Store had gross receipts topping \$7 million in 2018, making our operation the 8<sup>th</sup> highest grossing municipal liquor store in Minnesota. A record number of customers – over 17,000 more than 2017, patronized the store this past year. Since opening in 2012, liquor store sales have increased by over \$2 million. With healthy net profits from operations, transfer to the General Fund from the Liquor Store was \$560,000.00.

Our Finance Department also projects final receipts from the City's Food & Beverage tax will be nearly \$450,000.00 for 2018, another new high since the inception of the tax. While not a direct transfer, the tax provides an ongoing resource for stewardship to our area lakes, for parking and trail improvements and for continued re-development of our business corridor sectors.

Finally, transfer to the General Fund from the City Electric Utility was \$585,000.00 in 2018.

To put these funds into perspective, assuming these revenue streams did not exist in the City this past year, Detroit Lakes would have had to increase property taxes by approximately 30% to maintain and fund the status quo.

The City's Departments, the Public Utility, the various advisory Boards & Commissions and the City Council committees continued to work with the City Council this past year to enhance the public good and the quality of life here in Detroit Lakes.

I urge the Council to review the various year-end reports from our City departments. Citizens wishing to receive copies of those reports can contact City Hall.

Here are just a few of the highlights from our various departments this past year:

The Planning Commission, the Development Authority and the Community Development Committee had a busy 2018 dealing with numerous activities.

The Planning Commission and the Community Development Committee reviewed 3 re-zoning requests, 4 conditional use permits, 16 variances, 10 subdivisions and 4 annexations. In addition, work continues on the new Shoreland Ordinance with a final draft anticipated for Council approval early this year. As a result of much work completed in 2017 updating the Land Use section of the City's Comprehensive Plan, the City Council approved the update in May of last year.

The Detroit Lakes Development Authority also had numerous activities in 2018 and continues to help Detroit Lakes make strong gains in economic development and in housing growth. Tax Increment Financing totaled over \$1.7 million last year with most of that funding approved for the multi-family mixed-use projects that I mentioned.

In 2017 the Development Authority initiated an update to the 2007 Business Corridors Redevelopment Plan with a focus on the West Lake Drive Lakefront Business Corridor. This study was completed, reviewed by the Planning Commission and approved by the City Council in May of 2018. This exciting plan will serve as a guide to establish priorities and concepts for the development of the Lakefront Business District much in the same way as the original plan did for the redevelopment of the Downtown District.

The City Council continues to emphasize housing as a key element in the growth and economic expansion of the City. The Development Authority and the Detroit Lakes Housing & Redevelopment Authority commissioned an update to the City's Housing Study which was approved by the City Council last February. Here are some interesting highlights from that Study:

**\*\*The City has been averaging annual growth of approximately 115 people and 62 households each year during the current decade.**

**\*\*Despite adding more than 150 new rental units since 2013, the estimated market rate rental vacancy is still below 2%.**

**\*\*With a projected growth of 65 to 70 households per year, the Study projects the need for approximately 42 to 50 new owner-occupied units per year and 175 to 200 more rental housing units for the next 5 year period.**

Our City's entirely volunteer Fire Department continues to provide professional fire protection services to the City of Detroit Lakes and to the surrounding townships of Detroit, Lakeview and Erie. Our department currently stands at 28 firefighters and looks to establish a full roster of 30 firefighters this coming year. In 2018, the Fire Department responded to 244 calls for service along with engaging in 2,750 hours of training and other activities

The City Police Department also saw another busy year in 2018 responding to 12,137 calls for service. Early in 2018 the City Council made the decision to increase the department by adding one full time sworn officer who came on board in October. In spite of this tremendous workload, our officers continue to do a great job in providing public safety and service to the community.

Annexation, expansion of our park system and facilities and increased infrastructure continues to put demands on our Public Works Department and the Detroit Lakes Public Utility. The volume of infrastructure managed by these departments is significant.

One area in which we can all be proud of is the fact that Detroit Lakes has 320 acres of park land and each year, we continue to add and expand our multi-use trail system. Six new pickleball courts were constructed in People's Park last year and were funded by over \$200,000 in private donations. A new state of the art 18-hole Frisbee Golf Course was built in Washington Park, with the old course equipment relocated to create a 9-hole course in Long Lake Park. A new park is planned for this year in Quadrant #4 which is the South Shore Drive area of the City. The new park will include bathrooms, trails, parking and other park amenities to be developed by the Park Board.

In terms of water quality stewardship, this past year, our Public Works Department completed 6,700 miles of street sweeping removing 3,714 yards of debris and pollutants. Supplementing the sweeping, the Department maintains over 100 storm water treatment ponds in the City and together prevents harmful pollutants from potentially entering our lakes and waterways.

As previously mentioned, the big news in our City's Public Utility is the beginning of construction of the new Wastewater Treatment Facility. But in addition to this major project, the Utility had a busy and productive year in 2018. New water and sewer infrastructure were installed in the north Long Lake annexation area, to 839 South Shore Drive and in an expansion of the Lake Forest Addition. Two new lift stations for Long Lake were also constructed and put into service. A water rate study was completed in 2018 and new rates were approved by the City Council. The result of the new rates is that the average residential customer will only see about a \$1 dollar increase per month.

The Utility was busy also on the electrical side with relocation of infrastructure to facilitate expansion of the airport and to install new facilities for new service area annexed in 2012. New electrical facilities were installed into growing subdivision such as Lake Forest and 839 South Shore Drive. Overall the Utility added nearly 100 new customers along with 17 new commercial customers.

As I conclude this evening, here are some things that we can look forward to in 2019 and beyond:

Improvements and upgrades to Randolph Road will begin this summer, leading into improvements to Kris Street and Highway 10/County Road 54. The Kris Street and Highway 10 intersection is scheduled to be re-configured in 2020 into a ¾ intersection. This means no eastbound access onto Highway 10 from Kris Street and eliminating some of the frustrating delays in this intersection. In conjunction with this project, the intersection at Highway 10 and County 54/East Shore Drive will get traffic signals, enhancing safety and traffic flow at this busy intersection.

Reconstruction of West Avenue is scheduled for this summer with underground utilities and street improvements made to a much need segment. In an unrelated but similar part of the City, the City Council last year accepted a proposal and allocated funds for a study to establish a quiet zone in the City for the intersections involving the Canadian Pacific Railroad. Detroit Lakes already has a quiet zone for BNSF trains at City intersections and this would be a welcome addition.

Willow Street from Washington Avenue to Jackson Avenue will also be reconstructed this coming year.

West Lake Drive from Legion Road to County Road 6 is scheduled for reconstruction in 2020 to include a new urban street section, multi-use trail and storm water improvements to improve stewardship to Detroit Lake.

This past November, Detroit Lakes residents passed a ½% local option sales tax for the purpose of constructing a new police department facility. This new state of the art facility is proposed to be constructed on a site east of the Detroit Lakes Community & Cultural Center on land currently owned by the City. Legislative approval is pending but expected and construction will hopefully begin in the spring

of 2020. Interest savings by using the sales tax rather than property taxes for fund this project is estimated at over \$2 million.

The City Council has been budgeting for several years to construct a very much needed new Public Works facility to be located on North Tower Road. Architects were hired last May to begin design, size and layout and construction is expected to begin later this year or early in 2020.

In a joint application with Becker County, Washington Avenue from Willow Street to North Shore Drive received a \$1 million grant from MNDOT's Local Road Improvement Program. This project will mirror the improvements to Washington Avenue to the north as part of the Business Corridors Redevelopment Plan and currently slated for construction in 2020.  
2018 infrastructure projects.

Although no construction has begun, the Heartland Trail segment between Frazee and Detroit Lakes is becoming closer to reality. Optimistically, construction of the Detroit Lakes and Acorn Lake segments will take place this summer. In addition, and as part of the \$1.25 million Legacy Grant received by the Detroit Mountain Recreation Area, trail design is nearing completion with construction scheduled for this summer. This grant also provided funding for land acquisition and parking lot improvements, also expected to be completed this year.

2018 was another exciting and productive year in Detroit Lakes and I want to thank our citizens, businesses and industries for making Detroit Lakes a great City to live work and visit.

Thank you to our advisory boards & commissions working behind the scenes and helping the City Council to make vital decisions for the City's future.

To all Detroit Lakes City employees, thank you for all your good work this past year. You are the professionals that keep our City functioning efficiently, and who not only serve our citizens but equally important, make our City appealing to our visitors.

And finally, to the City Council and Vice Mayor Zeman. Thank you from all the citizens of Detroit Lakes for your service, leadership and accomplishments in 2018.

It's an honor to work with you and for you. I look forward to a great 2019 as we make Detroit Lakes a better place to live, to work and to visit.