

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 21, 2009**

CALL TO ORDER

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on December 21, 2009, at 7:00 p.m.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the flag.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart.

APPROVAL OF AGENDA

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to approve the December 21, 2009 agenda as submitted.

ROLL CALL: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

Mayor Martin welcomed the Boy Scout visitors who are working on badges.

CITIZEN COMMENTS

There were none.

COUNCIL COMMENTS

Mayor Martin:

The skating rinks are open.

Free fitness classes are being offered for people to try from December 21, 2009 to January 3, 2010. Schedules are listed on the City's website.

There will be a family New Year's Eve party from 6:00 to 9:00 p.m. on December 31, 2009. It is a wonderful event and everyone is encouraged to sign up to attend.

Councilmember Wickstrom:

Commended the University students who made presentations at City Hall last Thursday on various aspects of environmental issues in the City. A number of recommendations were made for the City to consider. The City is already doing some of them and she would like the Council to discuss the other recommendations once staff has had a chance to review them.

Mayor Martin added that there were approximately 45 University students who participated in this study. They work with a different city every year and reported that working in Shoreview has been one of their best experiences because of the commitment and interest of staff. She thanked all staff for all their hard work on the project.

Councilmember Wickstrom thanked the Northern Lights Variety Band for an excellent Christmas concert.

Councilmember Huffman:

Northwest Youth and Family Services is currently holding a fundraising drive to complete their campus. He thanked Councilmember Quigley for his work in contacting Deluxe Corporation that has donated \$75,000.

Councilmembers wished everyone holiday greetings, a Merry Christmas and Happy New Year.

CONSENT AGENDA

Item Nos. 7, 10, and 13 were pulled for separate discussion.

Certification of Delinquent Utility Accounts

Councilmember Huffman asked if there was an increase in delinquent accounts this year. City Manager Schwerm stated that there is a slight increase because of the economy but not so as to cause concern.

2010 Comprehensive Infrastructure Replacement Plan and Award of Quote - HVAC Controls

Councilmember Wickstrom stated that the University students noted in their study that the boiler of this building is 20 years old and is inefficient. She asked if this is something that can be considered for replacement to save energy costs. Mr. Schwerm stated that the boiler has had major rehab work. He will look into when it is scheduled for replacement.

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to adopt the consent agenda of December 21, 2009 approving the necessary motions and resolutions:

1. December 7, 2009 City Council Meeting Minutes
2. Receipt of Committee/Commission Minutes
 - Economic Development Authority, November 16, 2009
3. Monthly Reports
 - Administration
 - Community Development
 - Finance
 - Public Works
 - Park and Recreation
4. Verified Claims in the Amount of \$1,314,520.37
5. Purchases
6. License Applications
7. Receipt of 2010 Comprehensive Infrastructure Replacement Plan
8. Receipt of 2010 to 2014 Five-Year Operating Plan
9. Designation of Official Depositories for 2010
10. Certification of Delinquent Utility Accounts
11. Certification of Delinquent False Alarm Accounts
12. Certification of Delinquent Tree Removal
13. Award of Quote - HVAC Controls
14. Adopt Fund Balance Policy
15. Adopt Debt Policy

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

PUBLIC HEARING

ASSESSMENT HEARINGS - WEED ABATEMENTS

**303 LILAC LANE
3251 VICTORIA**

Presentation by City Planner Kathleen Nordine

The abatement costs have been paid for the property at 3251 Victoria that was also scheduled for a public hearing at this meeting. Therefore, the motion has been revised to only address the assessment for 303 Lilac Lane.

The property is on the northwest corner of Hodgson Road. It has been vacant for approximately 18 months and is in foreclosure. Originally, an abatement hearing was held for this property in

development of a five-year budget Operating Plan. This Operating Plan projects fund balances for every fund managed by the City for the next five years. The CIP is a planning document to establish projects for the next five years. No project is authorized under this plan. Separate Council approval is required for capital cost projects of more than \$25,000. Approximately 80% of capital projects are replacements. The wage adjustment proposed would be 1% for Step 6 in the pay classification system and an increased health insurance contribution.

Once approved, the budget and tax levy must be certified to the County and State by December 28, 2009.

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adopt proposed resolution number 09-111 reducing debt levies for fiscal year 2010 per Minnesota Statutes.

ROLL CALL: Ayes: Wickstrom, Withhart, Huffman, Quigley, Martin
Nays: None

Councilmember Huffman noted that the tax levy increased approximately the same amount that was cut by the State.

MOTION: by Councilmember Withhart, seconded by Councilmember Wickstrom to adopt proposed resolution number 09-112 directing the County Auditor to levy taxes upon the taxable property in the City of Shoreview for fiscal year 2010 in the amount of \$9,005,000.

ROLL CALL: Ayes: Withhart, Huffman, Quigley, Wickstrom, Martin
Nays: None

Mayor Martin stated that this is a budget that maintains services and staff in the City. The Council has been frugal in cutting a lot because of the lack of market value homestead credit.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Withhart to adopt resolution number 09-113 approving the 2010 budget as detailed on the attached pages.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

Councilmember Huffman stated that he believes this is the best year that the Council has connected the budget to strategies and goals of the City. The CIP for 2010 is \$10.1 million, which is mostly for replacements. However, one project included is the renovation of the Maintenance Center, which he does not support. The City received three proposals for the Maintenance Center to address safety and building issues at various levels: 1) at approximately

\$1.5 million; 2) at approximately \$5.5 million; and 3) at approximately \$10+ million. The CIP includes the second version, which he believes goes beyond addressing safety codes to address employee morale and efficiency. He does not believe that morale and efficiency should be an expense of \$5.5 million. There is no loss of staff and increased efficiency cannot be measured. Unemployment is at 10% and homeowners are in distress, and this project delivers very little in quality of life to most residents. He supported the projects for the Fire Department, Sitzer Park and streets because they add value to life in Shoreview, but he does not see that value in the Maintenance Center project.

Mayor Martin stated that the CIP is a planning document and does not authorize the Maintenance Center project in any amount. The vote on the CIP at this meeting is not a vote on the project itself.

Councilmember Withhart added that the CIP is a planning program for the next five years of which the public works building is one part. Voting for the CIP also includes collector and residential street improvements, traffic signals, community development projects, such as park and trail improvements; upgrades to municipal buildings, utility repairs, and major equipment purchases. Staff has worked diligently on this plan to budget for replacements so there is no big surprise in the future. He expressed his appreciation for this kind of planning which keeps tax increases at a manageable level and keeps a continued quality of service for Shoreview.

Councilmember Wickstrom stated that the Maintenance Center project is not an issue of morale. Clearly, the City has outgrown the space of this facility, and there are definite safety concerns. All of the employees cannot fit in the lunchroom, and a lunch area is set up in the garage. That is a safety concern. Current office space has employees packed in like sardines. Conduit wiring is bare on the walls. When the building was built, there were no computers. The proposed project creates a safe work environment for employees and allows the space needed to do their jobs. She does not want residents to believe this is a project about employee morale. The project is needed for effective operation of the maintenance division.

MOTION: by Councilmember Withhart, seconded by Councilmember Wickstrom to adopt resolution number 09-114 approving the capital improvement program for the years 2010 through 2014 as detailed on the attached pages.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Martin
Nays: Huffman

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to approve a 1.0% wage adjustment to Step 6 and the merit range on the Job Classification System to increase the City contribution for employee health insurance to \$610 per month, to maintain the VEBA contribution amount at its current level, to adopt the attached Job Classification System and Pay Plan effective January 9, 2010, and to authorize the City Manager to submit all necessary reports to the State Department of Employee Relations as required by law.

ROLL CALL: Ayes: Wickstrom, Withhart, Huffman, Quigley, Martin
Nays: None

ADOPT 2010 HRA LEVY

Presentation by Asst. City Manager/Community Development Director Tom Simonson

This is a new item to the levy process. Staff is recommending adoption for 2010 an HRA tax levy. The Economic Development Authority (EDA) was established a year ago. The EDA is a separate legal entity to implement housing and economic development goals. The City Council retains financial and budgetary authority, including any special tax levy. The EDA is recommending HRA tax levy for 2010.

The EDA provides additional tools and resources to the City to maintain quality neighborhoods, preserve housing stock, providing a variety of housing choices, retaining businesses and promoting economic development. Currently, the EDA is working on a home improvement loan program to be supported through available tax improvement funds. The levy is not intended to fund the loans.

State law allows the City to establish an EDA or HRA levy. The maximum the levy can be is 0.1441% of total market value in the City, which is estimated to be \$400,000 a year. The EDA proposes a modest HRA levy of \$50,000. This funding level would support basic operations and administration. This is consistent with the \$50,000 allocated by the City a year ago from the General Fund to establish the EDA. The impact to a median valued home would be under \$4.00 per year. This levy removes any impact to the General Fund. This levy must be certified to the County by December 28, 2009.

Councilmember Huffman stated that the \$50,000 levy is necessary for staff. He noted that foreclosures for any period of time cost neighboring properties thousands of dollars of property value. The EDA will be discussing a loan program with the Council in January or February 2010.

Councilmember Withhart also spoke in favor of the resolution. In today's housing market, it is critical for the City to provide incentives to address foreclosed homes and offer ways for citizens who own older homes to be able to improve them to current energy standards and other code issues.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to approve Resolution No. 09-117, adopting the Final 2010 HRA Tax Levy at the recommended amount of \$50,000.00, to support the operation and administration of the Shoreview Economic Development Authority for the year 2010.

ROLL CALL: Ayes: Withhart, Huffman, Quigley, Wickstrom, Martin
Nays: None

ADOPT ORDINANCE ESTABLISHING 2010 UTILITY RATES

Presentation by Finance Director Jeanne Haapala

Rates are currently set on a long-term basis with gradual adjustments as needed to: 1) maintain sufficient cash balances within the utility funds; 2) support operation costs; 3) provide for repairs and replacements; and 4) use a base-year approach so that rates do not fluctuate with seasonal changes as water consumption cannot be predicted.

A new state law requires that all rates must be conservation-based for all customers. This means that the City is now required to bill apartments, condominiums, and town homes the same rates as single-family residences. Utility rates will be restructured with three tiers for residential and three tiers for commercial properties to give customers an incentive to conserve. Minimum charges will be eliminated because they are not conservation-based. This law is a result of the fact that groundwater is the primary source of water for most private and public water systems in Minnesota. Groundwater is being depleted faster than it can be recharged in many parts of the state, including the Twin Cities.

In Shoreview, water consumption has been decreasing. Because the water meter system in the City was outdated, all water meters in the City were replaced to assure accuracy of readings and to make collection of the meter readings more efficient. Regardless of level of consumption or readings, City operating costs continue to increase. Three tiers are proposed for commercial and residential properties plus a water availability charge of \$10.00 per unit for residential and commercial properties. Factors that impact the water fund include electric costs, water tower painting, equipment charges, debt service payments, repairs and replacements and depreciation expenses. The rates proposed are expected to show a small net loss, unless there is little rainfall and increased water consumption.

Residential water rates for 2010 are proposed at:

Tier 1	\$0.92 per 1,000 gallons up to 10,000 gallons
Tier 2	\$1.86 per 1,000 gallons up to 20,000 gallons
Tier 3	\$2.95 per 1,000 gallons usage over 20,000 gallons

Commercial water rates for 2010 are proposed at:

Tier 1	\$1.40 per 1,000 gallons up to 50,000 gallons
Tier 2	\$1.86 per 1,000 gallons up to 1,150,000 gallons
Tier 3	\$2.95 per 1,000 gallons for usage over 1,150,000 gallons

More gallons are allowed in each tier for commercial properties because this law is not intended to punish industries that use large volumes of water.

Sewer Fund

Since 2003, the City’s sewage flowage has been consistently declining, but treatment costs have been rising rapidly. Capital costs that impact the sewer fund include sewage treatment costs, repairs and relining, sewer televising, manhole replacement and lift station maintenance and replacements. Also, heavy rainfall can cause infiltration into the sewer line that increases sewage treatment costs. If the flow were not decreasing, sewer bills would be even higher. The utility bill is 60% sewage treatment costs. These costs are difficult to impact.

Councilmember Withhart noted that sewage treatment costs are determined by the Metropolitan Council and billed to the City. While the City is having less sewage treated, the Metropolitan Council is charging more. The City cannot control the rate.

Tiered rates will be used for all residences, including multi-family units. The minimum gallons will be removed from commercial properties, and all commercial sewer usage will be billed the same rate. An availability charge of \$32.51 will be charged to all units, residential and commercial. Recommended residential tiered rates show a 6% increase and are based on winter usage:

Tier 1 up to 5,000 winter gallons	\$13.74 per unit
Tier 2 up to 10,000 winter gallons	\$23.65 per unit
Tier 3 up to 20,000 winter gallons	\$36.27 per unit
Tier 4 up to 30,000 winter gallons	\$49.33 per unit
Tier 5 usage over 30,000 winter gallons	\$64.09 per unit

Commercial properties will be charged \$3.47 per 1,000 gallons.

Surface Water Management

Cost increases impacting the Surface Water Management Fund include pond dredging, eliminating direct discharges to City lakes, lake weed eradication, equipment charges, and Sucker Lake intake screening. Recommended rates in 2010 will increase \$1.32 per unit for single-family homes and \$1.40 per unit for multi-family units and town homes. Condominiums, apartments and commercial properties are billed commercial rates on a per acre basis. The increase per quarter for condominiums is \$30.41 and \$11.04 for commercial and apartment properties.

Street Lighting

The proposed residential rate for 2010 is \$6.94 per quarter, a 4% increase. For condominiums and apartments, the rate will increase from \$5.00 to \$5.20 per quarter.

These utility rates are in the budget adopted by the Council. The utility funds have consistently been operating at a net loss, and the proposed rate increases continue to slowly close the gap between revenues and expenses.

Regarding water usage, Mayor Martin stated that a decrease in usage is happening nationwide, not only in Shoreview. However, the cost to maintain infrastructure to deliver water continues to increase.

Councilmember Withhart noted that Shoreview was one of the first cities in Minnesota to reward customers for less usage. That same reward is now being applied to all residential units and commercial properties.

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adopt the attached ordinance number 861 establishing a utility fee schedule effective January 1, 2010.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

AUTHORIZATION TO PARTICIPATE IN GMHC FIRST LOOK PROGRAM

Presentation by City Planner Kathleen Nordine

The Greater Metropolitan Housing Corporation (GMHC) has been partnering with the National Community Stabilization Trust First Look Program in Minneapolis and St. Paul. The program allows non-profit organizations, government agencies and housing groups an opportunity to buy

these properties at a discount before being put back on the market and sold to developers or renovated for resale. They are also sold as affordable homes to qualified owner-occupants who will be responsible for needed rehab work.

Staff is requesting authorization to participate in this program. There is no financial obligation or liability to the City. GMHC will notify staff when properties become available. The Economic Development Authority (EDA) has reviewed the program and supports the City's participation. This program will help the city achieve its goal of proactively addressing foreclosed and vacant properties.

Councilmember Huffman reported that the EDA reviewed this program at its last meeting. This program can potentially accelerate sales of vacant and foreclosed homes within a few days rather than the typical 90 days, which will greatly speed up the process for these homes to become owner-occupied again.

Councilmember Withhart stated that the City would much prefer vacant and foreclosed homes to be resold and be owner-occupied than sold to an investor for rental property. This program will achieve that goal.

MOTION: by Councilmember Withhart, seconded by Councilmember Huffman to authorize participation in Greater Minneapolis Housing Corporation GMHC First Look Program for the acquisition of foreclosed homes in the City of Shoreview.

ROLL CALL: Ayes: Quigley, Wickstrom, Withhart, Huffman, Martin
Nays: None

ADJOURNMENT

MOTION: by Councilmember Huffman , seconded by Councilmember Withhart to adjourn the meeting at 8:05 p.m.

ROLL CALL: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 4th DAY OF JANUARY 2010.

Terry C. Schwerm
City Manager