

**SHOREVIEW CITY COUNCIL WORKSHOP MEETING
MINUTES
April 11, 2011**

Attendees:

City Council: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart

Staff: Terry Schwerm, City Manager
Jeanne Haapala, Finance Director
Fred Espe, Assistant Finance Director
Mark Maloney, Public Works Director
Kathleen Nordine, City Planner

Mayor Martin called the meeting to order at 6:58 p.m.

DISCUSSION REGARDING GUERIN GAS STATION REHABILITATION COST ESTIMATES

City Planner Nordine stated that bid estimates received for restoration of the Guerin gas station is over \$53,000. This is far beyond the budgeted amount of \$30,000. The cost of the project study is \$8,400, which leaves \$21,600 in the budget for this proposal. Staff has revised the cost estimate to bring the estimate down to \$35,648, by using staff time and having some work done by correction crews. There is still over a \$14,000 gap to the budget. These figures do not include any funds raised by the Shoreview Historical Society.

Councilmember Withhart stated that he has no problem using staff time and work by the corrections crew to lower the price of restoration. However, to make the project viable, gas pumps and signage depicting the appropriate era need to be purchased in addition to the restoration.

Councilmember Huffman stated that more bids should be obtained. There is no urgency, if it takes a year to raise the money. He supports continuing to commit the remaining budgeted amount of \$21,600.

Jacci Krebsbach, Shoreview Historical Society, stated that the old gas station was given to the Shoreview Historical Society by the family who owned it. It is tax exempt. The two structures left in Shoreview that could be preserved are the Guerin gas station and a cabin on Snail Lake. The gas station was given 20 years ago, and it was in good shape. Something could have been done a long time ago. The structure is considered an artifact, and she intends on checking into an Archives Grant. If the project proceeds, a letter with photo will be sent out to solicit donations. At Heritage Foundation Day on Sunday, April 17, 2011, the Historical Society plans to solicit

donations for the gas station, if the project moves forward. The Board of the Shoreview Historical Society has agreed to put \$5,000 toward the project immediately, when project fundraising begins. There is also a CD that could be cashed.

Councilmember Quigley stated that the City does not have many historical items. He supports the project at the original commitment level by the City. That is a start toward raising the necessary funds and leaves the door open for the project to proceed.

The Shoreview Historical Society will begin fundraising for the project. It was the consensus of the Council for staff to solicit other bids that may be more favorable.

REVIEW OF 5-YEAR OPERATING PLAN AND 2012 BUDGET STRATEGY

City Manager Schwerm reported that in response to the Council's concern about the planned 2012 levy increase, staff is bringing a review of the 5-Year Operating Plan for an initial discussion on the levy and available options. As scheduled, the 2012 levy is proposed to be a 6.7% increase. There is a fund balance of \$380,000 surplus from the General Fund in 2010, which was generated by building permit revenue, increased administrative and engineering charges, and lower spending than anticipated.

There are a number of major components driving the levy increase in 2012. They include wage and benefit increases, 10% health cost increase, election judge costs, half-time communications specialist--a needed position that was postponed in 2011. These make up approximately 1.8% of the increase. Public safety has been driving the levy for the last several years. The estimated police contract increase is 3.5%. The cost estimate for the consolidated dispatch center has increased. The Fire Department is proposing to use duty crews for more shifts, therefore, 5.5% increase is expected.

Maintenance Center bonds are increasing \$118,000, but there is debt being drawn down to help offset and mitigate that impact.

It has been the City's plan to issue street rehabilitation bonds every five years. This means resurfacing City streets through a full-depth reclamation process. The bond issue of \$2.5 million requires approximately \$200,000 per year to cover the cost of street rehabilitation. This will account for approximately one-third of the proposed 6.7% levy increase.

The last major item impacting the levy is the capital levy increase for street renewal and the Fixed Asset Revolving Fund, which increase the levy by about 1.0. These are necessary to be able to follow through on street projects as identified.

Ms. Haapala stated that when the City revised the fund balance policy in 2009, language was incorporated to address future use of General Fund surpluses. It was not to be used for operating costs. Two options are presented:

The first option would be consistent with policy to buy down debt levies over the next five years. Staff recommends that the entire surplus be transferred to the debt service fund. This action would reduce the debt service levy increase from \$200,000 to \$50,000 and would decrease the overall levy increase to 5.1%.

The second option would be to buy down future debt levies and delay street bonds for one year. This would bring the 2012 levy to 4.1%. Staff is in the process of analyzing the number of MSA streets scheduled for work in the next few years. It may be possible to use MSA funds to cover a portion of street rehabilitation.

Councilmember Quigley stated that the question for him is how the increase will be received by residents. His goal is to keep the levy under 5%.

Councilmember Wickstrom asked if there is a way to smooth out levy increases by decreasing the 2012 levy and increasing the 2013 levy. Mr. Schwerm stated that there are ways to do that, but the levy is driven by increases in certain areas, such as public safety. He noted that Shoreview's incremental increases in the levy over the past several years have maintained the City's position in the lower 20% of comparable cities.

Mayor Martin stated that she is comfortable using the surplus to buy down debt. Although she is not comfortable setting a target amount for the levy, she is also not comfortable with 6.7%. She would not consider reducing fund capital for planned projects.

Councilmember Withhart stated that the City enjoys good management and productivity from a lean and small staff. He would prefer to see a levy in the 4.1% range but would not see wages and benefits as an area to decrease.

Councilmember Quigley stated that when everything is tight, it burdens staff. A lean staff has to work smarter, and that cannot be done with a demoralized staff.

Councilmember Huffman agreed with using the surplus for debt. He stated that he struggles with the fact that income is up 2%, which is less than the 3.5% levy increase in 2011. He is not comfortable with 6.7%, 5.1%, or 4.1%. Even 4.1% seems like a big number in relation to the current environment. He would prefer to see an increase of between 3% and 4%. Mr. Schwerm stated that the biggest challenge will be to assess the condition of streets to determine whether they can wait another year.

Councilmember Wickstrom stated that she does not want to see streets deteriorate into a condition that needs total reconstruction. She does not want to see a situation where more money has to be spent in the future because money was not spent this year to take care of the streets.

Mayor Martin stated that she would prefer not to delay streets, but that is a potential if it is needed. The decision should be made when more information is available.

**REVIEW OF MUNICIPAL STATE AID STREET RECONSTRUCTION
REHABILITATION NEEDS**

City Manager Schwerm stated that a question of which streets are priority to address this year arose when staff looked at the condition of the collector street system that deteriorated over this past winter.

Public Works Director Mark Maloney stated that the question is whether to go forward with the Hamline Avenue reconstruction scheduled or address other roadways now in category yellow that will soon need total reconstruction, which makes repairs a larger cost. He would recommend a full depth reclamation to Victoria. A full depth reclamation is laying six inches of gravel with 3.5 inches of blacktop.

Mayor Martin stated that if Hamline is not done, it would be Victoria and Tanglewood. A delay on Hamline would give residents time to plant trees for screening.

Councilmember Wickstrom stated that the neighborhood has already been disturbed. She would not want residents to have to go through this process again.

Councilmember Withhart stated that Hamline Avenue will be good for a couple more years because of the mill and overlay done by the County. There could be a question about why the Council is rebuilding a street that is still in fairly good condition.

Mayor Martin asked about Buffalo Lane that is scheduled this year to bring certain properties into compliance by connecting them to City water. Mr. Schwerm stated that Buffalo Lane would be done, but the price may be higher because it will be a smaller project. The City does not want to install sewer and water without reconstructing the street. A neighborhood meeting will be held this week. If the City does not do Buffalo Lane this year and residents fix failing septic systems on their own, they will need to invest a large dollar amount into their septic systems at this time. Then when the City does the street project, residents will pay again to provide City water and sewer to the area.

Mr. Maloney added that residents understand the efficiency of doing the street with utility work. They do not want the street widened. Buffalo Lane can be done without the Hamline project.

Councilmember Withhart stated that he sees Buffalo Lane as a sanitary sewer issue. Septic systems should not be allowed in urban areas. If Hamline Avenue is delayed for a few years, the County may be more receptive to straightening the intersection at County Road I.

Mayor Martin noted that if Hamline is delayed five years, there may be a different Council and the trail might be lost in that project. That is her worry.

Mr. Schwerm stated that Hamline Avenue is on the Council meeting agenda for April 18th because notice was published. Another letter could be sent this week informing residents that the project is being delayed four to six years.

Councilmember Huffman requested that the street data from this winter be used at the public hearing to justify the change in plans.

Councilmember Quigley stated that he supports Buffalo Lane going forward to address the septic systems. He would defer to staff expertise regarding the delay of Hamline.

Councilmember Withhart asked if money will be lost from the work that has been done on Hamline up to this time. Mr. Schwerm stated that the engineering work can be charged to the appropriate funds. In anticipation of resident concerns about the increased street width for Buffalo Lane, a minimum street width has been proposed. There are large properties that could be subdivided on Buffalo Lane. Normally the City would levy an assessment per buildable lot. Residents will get a break in that collection will only be for one single-family unit. If land is further subdivided, additional utility assessments will be collected at that time.

DISCUSSION REGARDING COUNCIL GOALS

It was the consensus of the Council to postpone this discussion to a short workshop after an upcoming Council meeting.

OTHER ISSUES

Community Garden

Councilmember Wickstrom asked if there is follow-up information regarding the proposed community garden at the Larson/Lepak House. She would like to know anticipated costs and how it is being organized. Mr. Schwerm stated that the garden committee members were told to contact him so that the Park and Recreation Department could work with them on a location and goals/rules for a community garden area. It will not be done this year.

Councilmember Withhart suggested that they look at County land in Rice Creek or Snail Lake or the tall tower property where there are places that are underused.

The meeting adjourned at 9:03 p.m.