

**MOUND CITY COUNCIL MINUTES
OCTOBER 15, 2019**

The City Council of the City of Mound, Hennepin County, Minnesota, met in special session on Tuesday, October 15, 2019, at 6:30 p.m. in the council chambers of the Centennial Building.

Members present: Mayor Ray Salazar; Council Members Phil Velsor, Paula Larson, Sherrie Pugh, Jeff Bergquist

Members absent: None

Others present: City Manager/Public Works Director Eric Hoversten, Director of Finance and Administration Catherine Pausche, City Engineer Brian Simmons, Public Works Superintendent Ray Hanson, Fire Chief Greg Pederson, Elizabeth Hustad

1. Open meeting

Mayor Salazar called the meeting to order at 6:30 p.m.

2. Approve the agenda

Motion by Bergquist, seconded by Pugh to approve the agenda. All voted in favor. Motion carried.

3. Discussion Items

A. Ordinance Changes

a. Council Stipends

Pausche summarized the statutory requirements for implementing an elected official pay increase including an ordinance change and effective date after the next election. Staff was directed to complete the posting requirements in time for the November 12 meeting for action.

b. Electric and Gas Franchise Fee

Pausche gave background on the self-imposed sunset clause that is meant to ensure council's revisit the electric and gas franchise fees from time to time. Pausche requested the sunset expiration be extended to 2025 as capital needs and pressure on tax and utility rates remain. Discussion ensued with Bergquist noting the revenue amount the fees raise, Salazar asking what other cities charge and Larson asking what the current fee is. Hoversten noted the gas and electric utilities do not have to pass on the fees via their customer billing, but they do, and that many cities charge a lot more as part of a funding strategy for street improvements as these fees correspond to use of the City's right of way and the need to work around the infrastructure during projects as well as assistance during weather events. Pausche noted the fee is currently \$2.75/meter/month for both gas and electric. Staff was directed to complete the posting requirements in time for the November 12 meeting for council action.

B. Utility Billing Relief for Extraordinary Events

Pausche walked through the information provided in the packet, including highlights from 2016 council discussions, the reasons for the level of base (fixed) and variable rates, education efforts, procedures for handling high reads and examples of how the city responds to high bills when customers seek relief.

Pugh confirmed the city does not bill quarterly due to cost but said more could be done to educate residents on how to pay monthly in advance as there is a lot of consternation about the amount of Mound utility bills. Pugh suggested University of MN Extension Dept. produces

materials on conservation efforts and City Engineer Brian Simmons said resources are also available from many partners, including Department of Health, Pollution Control Agency and the Met Council. Hoversten touched upon sewer deduct meters and requirements for new homes and major rehabs to install one, but said because the first 10K gallons are included in the base fee, it is an option but not always justifiable for people who don't use a lot of outside water. Staff was directed to maintain the current approach to high reads/bills.

C. Self-Insurance for property in the open, trail bathrooms

Pausche said the League of Minnesota Cities Insurance Trust provides stellar value and customer service, but that there are still opportunities to cut costs if the city is willing to assume some risk, specifically for property in the open (PIO) that is unlikely to be damaged all at once, or at all, and that premium savings can fund reserves for the ultimate replacement that is inevitable when the equipment reaches the end of its useful life. In addition, Pausche noted that the trail bathroom building is considered historical even though the city has said it would not be replaced in its current form. Pausche said most claims are for graffiti or vandalism with repairs within the \$1000 deductible and that liability coverage for injury is separate and still in place if PIO is ended. Staff was directed to remove the items listed from the property schedule with the 2020 renewal.

D. Fee Schedule

Pausche said the fee schedule is a standard agenda topic for the fall workshop and this year Staff suggests reviewing Depot rental fees and dock fees. Hoversten said the Parks & Open Spaces Commission (POSC) has discussed Depot rental fees and will do so again at the November meeting. Staff's recommendation is to increase fees for non-residents/non-local non-profits and local non-profits, and also to create another tier for residents to encourage more use during weekdays all with the objective to free up availability in high demand times for Mound residents.

Discussion ensued with the Council fine on raising fees for non-residents to \$500 and local non-profits to \$100. Staff was directed to have more discussion with POSC on how resident rental fees should be handled, including whether two tiers are necessary and/or in-season/off-season rates. It was agreed that two rentals in the same day was not realistic based on time and human resources.

Hoversten said the City needs to move to more active management instead of having a first come first serve approach to the allocation of Boat Storage Units (BSUs) in the dock program. Bergquist suggested the 17 shared docks be grandfathered and once the share is gone, that it not be renewed in order to manage demand for BSUs and congestion. Bergquist also suggested the visitor's permit should be 10 days for \$50 with up to two permits per season. Larson said multiple slips should cover the cost of the in/out service in addition to the standard cost for a BSU. Hoversten said more discussion around the allocation of BSUs and incremental costs for additional BSUs is needed and this topic will be brought back for further discussion at a regular meeting.

4. Long-Term Financial Plan (LTFP)/Capital Improvement Plan (CIP)

Pausche provided background on the format of the LTFP as presented in the packet and said two scenarios showing a 3.5% levy increase (with a net deficit of \$7.7M) and a 5.0% levy increase (with a net deficit of \$2.7M) in years 2021 – 2029 were presented to show the net impact on the bottom line and ability to cover the utility fund deficits and create reserves to offset the need for special assessments in future street projects. Hoversten emphasized

consistency is important to avoid rapid swings in the levy increase. Pausche noted inflation is not reflected as well as additional capital needs will continue to be identified as there are multiple 'placeholders' in the current CIP, so she recommends the 5% scenario to be realistic.

Bergquist asked if most cities assess for street projects. Simmons said they used to, but there have been more court challenges. Simmons said because Mound has been consistent with the application of their assessment policy and capped assessments at \$6,600, a court challenge is less of an issue. Simmons said they actually have to monitor that they are reaching the minimum assessment amount with some projects. Hoversten said more cities are moving to a Minnetonka model that includes franchise fees and increased property taxes to create reserve funds for street projects. Simmons noted Mound has now an established level of service with all the reconstructed streets that will be maintained with a combination of seal coating every 5 – 7 years and mill and overlay every 20 years that should result in a 35 to 40-year life before the need for another total reconstruct. Simmons said the regular maintenance prevents water intrusions and other hazards that cause rapid deterioration. Pausche noted the plan has some street projects starting in 2024 of streets on Three Points that were not totally reconstructed and those would probably need to be pushed out at 3.5%. Pausche also noted the plan is subject to change and the utility funds may be able to manage increases later in the decade but for now, the levy seems better able to absorb increases while maintaining a tax rate in the 40's.

Pugh said she supports the 5% levy increase scenario because Mound is ahead of the game compared to what she sees happening in other cities and in the nation as a whole and she feels we should keep on top of maintenance. Bergquist questioned the \$200K for Surfside Parking lot and questioned why the DNR won't contribute. Discussion ensued about the cost of the Swenson Park tennis courts, the cooperative agreement with Chapman Place and unfunded mandates, like with street signs. Velsor asked if there will be tire stops at Swenson and Hoversten said yes but that the acrylic surface on the court won't happen until next year due to weather.

Salazar asked for an informal poll and Velsor said he is OK with 5%, Larson 3.5% because she feels there are some areas of the budget that need conservation, Pugh 5%, Bergquist 5% and the Mayor said he would have to think more about it. Discussion ensued about the need to increase the levy in order to contain utility rate increases. Larson said future councils will decide the levy increases and Pausche said it is not binding but it is important to forecast needs and offer a plan to maintain transparency, particularly when we are allowing the utility funds to go negative. Hoversten noted many of the 2019 projects were delayed to allow time to repackage them so there is a spike in capital expense in 2020, for which a memo was included.

Discussion ensued on the Westedge street project assessment and it was agreed that Larson, Salazar, Hoversten and Simmons would meet to discuss the project financing as it was complicated by cooperative agreements for individual easements. Hoversten said they can show how the city and residents benefited by doing a joint project and why the Met Council should/could not be required to pay for it all.

5. Council direction to Staff on how to proceed with preparing the final budget, including the levy and utility rates, for consideration at the December 10th final meeting of the year

Pausche said the workshop is just an opportunity to give any additional feedback on the 2020 preliminary proposed budget that was presented on September 10th. Hoversten noted the proposed levy increase was 3% and the sewer increase was 3% and that is not expected to

change before the final proposed budget is presented at the December 10th meeting. No additional feedback was given.

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6. Adjourn

MOTION by Larson, seconded by Pugh, to adjourn at 9:40 p.m. All voted in favor. Motion carried.

Mayor Raymond J. Salazar

Attest: Catherine Pausche, Clerk