

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 15, 2008**

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 15, 2008, at 7:01 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.

Councilmember Withhart was absent.

APPROVAL OF AGENDA

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the December 15, 2008 agenda as submitted.

ROLL CALL: Ayes - 4 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

Mr. Tom Struve, Operations Manager for Eagan, stated that he has served three two-year terms as part of the Executive Committee of the Minnesota Chapter of the American Public Works Association. This year Gary Dallager of Shoreview was nominated to receive the *Maintenance Worker of the Year* award. Mr. Struby read the nomination for Mr. Dallager, which recognized his work for the City for 34 years with dedication, commitment and his outstanding work ethic. He has particularly demonstrated patience with new inexperienced employees to bridge the generation gap above and beyond what is expected in training and teaching new team members the important aspects of their positions. Mr. Struby then presented a plaque to Mr. Dallager.

Mayor Martin noted that there are many outstanding Shoreview employees. She expressed appreciation to Mr. Dallager for all his work and for his membership in the American Public Works Association of 900 maintenance workers. He has joined a select group in receiving this award.

CITIZEN COMMENTS

Mr. Todd Sharkey, congratulated the City Council and staff for winning the lawsuit he brought. He stated that he learned that Judge Steven Wheeler can only look at the record that was before him at the time of the hearing. He intends to come back and clear up the record. He believes the home at 1000 Oakridge Avenue is illegal due to a setback that is greater than the City code allows and has no variance and he requested the Council to revoke the building and home occupancy permits and require the property owner to go through the appropriate development process to establish nonconforming rights. It is not fair that Mr. Jarnot can continue to live in an illegal house and have unreasonable use of his property.

Mr. Schwerm stated that on advice from the City Attorney he has indicated to Mr. Sharkey on the phone and in letters that the Jarnot home is treated as a legal non-conforming use.

City Attorney Filla stated that he would make a response in writing after determining exactly what was said in court.

COUNCIL COMMENTS**Mayor Martin:**

Thank you to the band for a wonderful concert Saturday night. Everyone enjoyed the performance.

Congratulations to tobacco vendors. The last compliance check was 100% compliance. Thank you to those vendors for preventing easy access to tobacco by underage persons.

The ice rinks will open Tuesday, December 16, 2008. The Sitzer rink will open Friday, December 19, 2008.

Councilmember Quigley:

On New Year's Eve, there will be a family celebration event at the Community Center. Detailed information is available on the City website under Community Center.

Councilmember Wickstrom:

Noted that Mayor Martin read the *Night Before Christmas* at the Northern Lights Variety Band concert.

Congratulations to CTV for being named Friend of the Northern Lights Variety Band this year on a nice promotion piece on the work that goes into broadcasting the concert.

Councilmembers wished everyone a Merry Christmas and Happy New Year.

CONSENT AGENDA

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to adopt the consent agenda of December 15, 2008 approving the necessary motions and resolutions.

1. December 1, 2008 City Council Meeting Minutes
2. Receipt of Committee/Commission Minutes:
 - Snail Lake Improvement District Board, July 10, 2008
 - Lake Regulations Committee, October 2, 2008
 - Economic Development Commission, October 21, 2008
 - Human Rights Commission, October 22, 2008
 - Planning Commission, October 28, 2008
 - Economic Development Authority - November 10, 2008
 - Snail Lake Improvement District Board, November 17, 2008
 - Economic Development Authority - November 24, 2008
3. Monthly Reports:
 - Administration
 - Community Development
 - Finance
 - Public Works
 - Park and Recreation
4. Verified Claims in the Amount of \$1,088,077.09
5. Purchases
6. License Applications
7. Receipt of 2009 Comprehensive Infrastructure Replacement Plan
8. Designation of Official Depositories for 2009 and Providing for an Investment Program for Idle Funds
9. Certification of Delinquent Utility Accounts
10. Certification of Delinquent False Alarm Accounts
11. Certification of Delinquent Tree Removal
12. Reapportionment of Assessments - Highway 49 Reconstruction, CP-00-06
13. Approval of Community Center Rate Adjustment
14. Approval of Joint Powers Agreement with Ramsey County Geographic Information System Users Group
15. Economic Development Authority
 - Approval of Bylaws
 - Reappointment of Councilmembers Ben Withhart and Blake Huffman

ROLL CALL: Ayes - 4 Nays - 0

PUBLIC HEARINGS

There were none.

GENERAL BUSINESS**ITEMS RELATING TO THE 2009 BUDGET AND TAX LEVY**

- A. AMEND 2009 DEBT LEVIES**
- B. ADOPT 2009 TAX LEVY**
- C. ADOPT 2009 BUDGET**
- D. ADOPT CAPITAL IMPROVEMENT PROGRAM FOR 2009 THROUGH 2013**
- E. EMPLOYEE WAGE AND BENEFIT ADJUSTMENT**

Presentation by Finance Director Jeanne Haapala

The first resolution amends the debt levy. Annual debt levy are established when debt is issued by the City, and recorded at Ramsey County. Changes must be made by Council approval. This year the recommended debt levy is \$553,000, which is \$140,165 less than the scheduled levies. One of the reasons the City is able to reduce the debt levy is a result of prepayments made on special assessments or funds that have accumulated for debt repayment.

The second resolution sets the 2009 tax levy at \$8,643,625. This is \$68,553 less than the preliminary levy adopted in September. The tax levy represents a 3.86% increase in the gross levy, and a 3% increase in the net levy (the portion to be collected from property owners). It is anticipated that the City's tax rate will be 25.124.

For a median valued home, with a 3% decrease in taxable value, the total tax bill will increase about \$69 for the year. The City portion increases \$22.00, the County share increases \$27 the school district increases \$24 and a decrease of \$4 for the all others combined. In the Roseville School District, the total tax bill increases \$92.00, and a \$21.00 increase in the City share.

After the budget hearing, staff contacted the Ramsey County Assessor regarding the properties brought to the City's attention at the hearing on December 1, 2008. The properties tended to fall into two categories. The first category is a condominium building converted from a cooperative to condominiums in the recent past, causing the units to increase in value. Then, recent sales of some of the condos have driven the value up for all units (because of sales ratio requirements in state law). The second category is properties that are in the phase out period of limited market value. There was a provision by the legislature to create two market values on property to limit how fast value could increase for tax purposes. In 2002, legislation was passed to phase out the gap between the two values and to begin taxing property at its full value. The phase out is scheduled to be complete in 2010. Almost every property brought to the Council's attention at the public hearing is being impacted by the phase out of limited market value. Unfortunately, information about limited market value no longer appears on the estimated tax statement, as it did in the past. The format of the tax statement is dictated by the state, and the County does not have the authority to list the information on the tax statement. Therefore, property owners cannot see the impact of limited market value on their property.

The third resolution adopts the operating budget per State statutes, which define the City's operating budget as the General Fund and Special Revenue Funds. Therefore the resolution

adopting the budget includes budget amounts for those funds only. Regardless, the budget document establishes budgets for all operating funds.

The fourth resolution adopts a Capital Improvement Program (CIP), as a planning document only. The document establishes general project plans over the next five years, and does not authorize any projects. Separate Council action is required for any project greater than \$25,000.

The fifth resolution is to authorize the wage and benefit adjustments for City employees.

By state law, the City is required to certify its budget and tax levy to Ramsey County and the State of Minnesota by December 28, 2008.

City Manager Schwerm further explained the limited market value phase out could increase property values by 15%. That is why there is such a large jump for those properties caught in the limited market value phase out. In all but a few cases, the assessor had decreased the value of the properties mentioned at the hearing, but because of the phase out of limited market value, taxes went up from 15% to 20%. Most properties in the City will be phased out of limited market value after this year. Ms. Haapala added that for many homes caught in the phase-out, even though the market value is going down, the value for tax purposes is still going up.

Mayor Martin thanked staff for the research done to explain this issue to residents and to the Council. She asked Ms. Haapala to explain the unallotment of market value homestead credit for 2008 that the City will be facing.

Ms. Haapala stated that the City will lose \$139,000 to the General Fund this month due to the unallotment of the market value homestead credit aid by the State. The Council established a cash reserve policy that designates fund balance within the General Fund equal to 50% of taxes and state aid in the General Fund. The first half was set aside according to that policy at the end of 2007, and the Council authorized reserving an additional \$120,000. For 2008, those reserves are dedicated to cover this loss. In 2009, there will likely be a loss of \$300,000, and staff is already working on changes to the budget to offset the loss.

Mayor Martin stated for the past four to five months the Council and staff have been working to reduce the levy as much as possible. Street renewal was reduced by \$50,000. The City continues to repair streets without assessments. The Capital Improvement Fund was reduced by \$30,000 and then another \$20,000; when the City learned about levy limits totaling \$50,000. The General Fund was cut by \$20,500 because of levy limits. In answer to the question of how an indoor playground could be considered, it will generate revenue for the Community Center and reduce the amount transferred to the Community Center Fund. Planning studies for Town Center and demographics that were cut yielded another \$8,000 in savings. The money for the EDA is money that was transferred from the levy from last year for start-up costs. The \$50,000 for the EDA was not levied this year but transferred from last year. A total of \$186,000 was cut from the proposed levy before it was presented at the hearing. Shoreview receives no Local Government Aid (LGA). The city will now lose the market value homestead credit. This is a tax credit that the state provides to people who live in homes valued at under \$400,000. It is a credit that was reimbursed to cities by the state, but now it is the City who gives that credit out of

everyone's taxpayer dollars. It is expected that the second payment expected this week from the state will not be received, which is \$139,000, because of the state budget deficit. Some cities will lose as much as \$500,000. Over the years, the Council has looked for savings in every single area. One of the ways costs have been saved is with a new high deductible health insurance plan. This decision has maintained stable health insurance rates when rates in other communities are going up 10% and 12%. This will be the first year in four years that insurance rates have increased. Mayor Martin stated that she wants residents to be aware of the prudent and cautious decisions made. Every option is evaluated and opportunities sought to save money for taxpayers. There are important services the City has to provide that affect the life and values of the City, and the Council seeks to provide services at the best level possible. Costs go up and it is expected that it will cost more to do the same jobs in 2009 as in 2008.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to adopt Resolution 8-100 reducing debt levies for the fiscal year 2009 per Minnesota statutes.

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

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to adopt Resolution 08-101 directing the County Auditor to levy taxes upon the taxable property in the City of Shoreview for fiscal year 2009 in the amount of \$8,643,625.

Discussion:

Councilmember Huffman thanked staff for the excellent work on the budget. He also thanked residents at the truth in taxation hearing. The nation is facing challenging times with the federal government spending billions of taxpayer dollars to bail out industries. The state deficit is \$5 billion which will impact the City. Unemployment is up from 6% to 8%. One out of 10 homeowners is at least one month behind on their mortgage. Properties are experiencing significant devaluation, but property taxes at every level are increasing. There are residents who cannot afford to sell and cannot afford the taxes to stay in their homes. At least 105 homes in Shoreview have been foreclosed since 2007. He is proud that Shoreview in comparison to its 29 peer cities is the fourth lowest in City taxes. Because of the economic situation of the nation and the state, he still believes that the City budget is too high. He is not advocating cuts in essential areas of police and fire protection and would not support a reduction to the wage adjustments. This is the year to focus on basics and rethink service models. He would support delaying nonessential budget items that could be put off a year or longer. Examples are \$40,000 for banquet chairs, \$85,000 to replace furniture, remodeling the front desk area of City Hall, or replacing City Council chambers cameras. These items are needed but not this year. Staff does a great job, but from his perspective in this economic environment he does not support the 2009 capital or operating budget.

Councilmember Wickstrom noted that the items mentioned by Councilmember Huffman are not coming out of tax dollars but out of other funds. As these projects come up during the year, the

Council will have another opportunity to approve or not approve them. The City is already faced with \$139,000 reduction from market value homestead credit. It is likely that further capital cuts will have to be made during the year. If the levy is further reduced now, there will be less flexibility later. While sympathizing with the problems that were brought by residents to the Council at the tax hearing, those issues are a result of tax law. To make any impact on those property taxes, the budget would have to be slashed, and she would not support that. This budget is very responsible. Some capital projects bring revenue to the City. If they are not done, the City does not receive the added revenue. Councilmember Wickstrom stated that she supports the budget as presented knowing that further cuts will probably have to be made during the year. She noted that bids will be competitive this year, which may realize savings to the City for the projects planned.

Mayor Martin stated she appreciates that the items mentioned could be considered nonessential, but they are all from replacement funds and future maintenance. The City has a 50-year planning document that describes what items and when they need to be replaced, where funding will be found and proposed costs with inflation added. This has helped the City to maintain its tax levy at reasonable levels. The items mentioned are not essential this year, but they may have to be replaced in a year when the City has more extraordinary expenses. That is the reason for the plan that lays out these replacements when there are not other major capital replacements. She does not want the City to get into the problem school districts experienced when they did not take care of rehab and repair projects. They then had to ask for an \$80 million referendum to pay for the repairs that were ignored. She does not want to leave that legacy to Shoreview. If something is pulled from the budget, it won't make much of a difference and will not save taxpayer money.

Councilmember Huffman agreed that the Council is being responsible and that infrastructure replacement is critical to the City's future bond rating. However, in his perspective, the Council needs to be more connected with the reality of what citizens are facing.

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

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to adopt resolution number 08-102 approving the 2009 budget as detailed on the attached pages.

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

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to adopt resolution number 08-103 approving the Capital Improvement Program for the years 2009 through 2013 as detailed on the attached pages.

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

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to approve a 3.0% wage adjustment for all regular employees, to increase the City contribution for employee health insurance to \$545 per month, to maintain the VEBA contribution amount at its current level, and to adopt the attached Job Classification System and Pay Plan effective December 27, 2008.

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

ADOPT ORDINANCE ESTABLISHING 2009 UTILITY RATES

Presentation by Finance Director Jeanne Haapala

The City's utility rates are set with a number of objectives in mind, including to: use a long-term emphasis, maintain sufficient cash balances, support operating costs, provide for repair and replacements, minimize debt issuance, use a base year approach for estimating gallons of water sold, and encourage conservation.

Some of the outside influences and trends include: fluctuations in water consumption due to rainfall and declining household use. Conservation is encouraged by the City's tiered rates, which is now mandated by state law. The 2009/2010 base gallons have been adjusted 5% to account for the increase with the new water meters. However, we expect a net loss for 2009 in the Water fund. Cost increases that impact the water fund include: 1) meter replacement; 2) electric costs; 3) water tower painting; 4) equipment charges; 5) debt service payments; 6) repairs and replacements; and 7) depreciation expenses. The proposed water rate for 2009 is \$0.63 more per quarter for the water availability charge.

Tiered rates increase (per 1000 gallons):

Lowest tier:	4.1 cents
Middle tier:	8.2 cents
Highest tier:	13 cents

Although sewage flow is declining, sewage treatment costs continue to climb. Costs impacting the sewage fund are sewage treatment, sewer repairs and relining, televising, manhole replacement, and lift station maintenance. The sewer availability charge is proposed to increase by \$2.79 per quarter.

Tiered rates increase:

Tier 1:	\$1.18 per quarter
Tier 2:	\$2.03 per quarter
Tier 3:	\$3.11 per quarter
Tier 4:	\$4.23 per quarter
Tier 5:	\$5.50 per quarter

This is the third year of a five-year plan to close the gap between expenses and revenues. This is a good time for the water meter replacement project, since any gains in gallons sold through

more accurate readings will make up some of the difference, and will reduce the impact on future rate increases.

Surface water rates will increase \$1.20 per quarter. Cost increases that impact this fund are pond dredging, elimination of direct discharges to City lakes, lake weed eradication, equipment, Sucker Lake intake screening.

The street lighting fund shows consistent losses due to energy and repair costs. In 2007, \$60,000 was contributed to this fund from the General Fund to offset losses. Projections for 2009 indicate a net profit. Lighting rates will increase 61 cents per quarter.

The total utility bill will increase \$9.53 per quarter for the average resident, or \$38.12 per year.

Councilmember Quigley expressed concern about the continued deficit in utility funds and asked if staff is satisfied that the five-year plan is on track. Mr. Schwerm responded that he is satisfied with the progress. In 2007, the water fund broke even, which is encouraging. The real test will be the impact from water meter replacements.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Quigley to adopt the attached ordinance number 839 establishing a utility fee schedule effective January 1, 2009.

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

AWARD OF BID – WATER METER REPLACEMENT, CP 09-02

Presentation by Public Works Director Mark Maloney

The water meter replacement project will consist of two bids. One is to purchase new water meters; the second is for a professional service agreement to install them. The service agreement bid will be presented at the next Council meeting. The reason to replace water meters is to obtain more accurate readings of customer water use. The industry standard age for replacement for water meters is 20 to 25 years. The oldest water meters in the City are over 40 years old. A second purpose is to accomplish one standardized water meter technology for reading throughout the City. The base bid is for the purchase of one brand of meter and reading technology. An alternate bid was included that would allow conversion to another acceptable meter/AMR combination.

Three bids were received. The low bid from DSG Metering Technology is over \$1.5 million. The other two bids ranged from over \$1.7 million to over \$1.8 million. DSG is the area distributor for Badger Water Meters and has an established relationship with the City. Staff is recommending acceptance of that bid. The bid contract includes non-residential customers also. It is anticipated that the project will be substantially complete by the end of 2009.

Mayor Martin asked if every water meter in the City has to be replaced. Mr. Maloney answered that of the 8,500 in the City, approximately 700 to 800 are already Badger water meters. Of the meters that have been replaced, there has been a significant difference in the readings. At the same time as water meters are replaced, the City will conduct the I & I inspection. This is the inspection to make sure there is no interior sump pump drainage system.

Councilmember Quigley requested that adequate notice be given to residents when having to enter private homes. It is important for residents to know what is happening. Mr. Maloney responded that the contract for installation will have a public education component. He is confident that the significant source of I&I issues are non-residential and are coming from institutional or commercial buildings.

Councilmember Wickstrom noted that the Metropolitan Council has a grant program for homeowners to access some funding to address I&I problems.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to adopt Resolution No. 08-106 which accepts the bid of DSG Metering Technology for Water Meter Replacement, City Project 09-02, and authorizes the Mayor and City Manager to execute a contract in the amount of \$1,597,604.75.

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

APPROVAL OF NOTICE OF INTENT TO TERMINATE AGREEMENT WITH VISIT MINNEAPOLIS NORTH CONVENTION AND VISITORS BUREAU

Presentation by City Manager Terry Schwerm

The City recently received a letter from the Hampton Inn requesting that the City invoke the one-year termination provision with Minneapolis North Convention and Visitors Bureau because benefits are not being provided to area lodging properties as hoped for when the City joined. The Council heard testimony from hotel property owners at a recent workshop. Hampton Inn and Hilton Garden Inn support the one-year termination notice with Minneapolis North. Country Inn & Suites has concerns. A new proposal has been advocated by the National Sports Center to create a new association. Taking this action does not officially remove the City from membership but does give the one-year notice. This one-year notice would give Minneapolis North an opportunity to address concerns. A final decision would be made by mid-year 2009.

Councilmember Wickstrom stated that at the workshop meeting there were mixed feelings from hotel owners about this action. However, giving notice does allow the most options to be considered. The Sports Center will only be concentrating on sports events. Hampton Inn is looking for other types of business also, and Minneapolis North might do a better job.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to formally notify the Visit Minneapolis North Convention and Visitors Bureau of the intent by the City of Shoreview to terminate our membership agreement as of

December 31, 2009. The City Council strongly encourages all parties to continue discussions to address current concerns and that a final determination of future membership in Visit Minneapolis North will be made by June 1, 2009.

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

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adjourn the meeting at 8:25 p.m.

ROLL CALL: Ayes - 4 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 5th DAY OF JANUARY 2009.

Terry C. Schwerm
City Manager