

**STAFF SUMMARY
CITY OF MINNETONKA
STUDY SESSION
MONDAY, NOVEMBER 4, 2002
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Council Present: Jan Callison, Al Thomas, Terry Schneider, Dick Allendorf, Linda Koblick, Ken Tauer, and Mayor Anderson

Staff Present: John Gunyou, Geralyn Barone, Lee Gustafson, Desyl Peterson, Brian Wagstrom

Others: Jim Norton and Doug Klamerus, consultant engineers, SEH, Inc. Eleanor Berscheit

Mayor Anderson called the study session to order in the Council Chambers at 6:30 p.m.

1. Reports from City Manager and Council.

City Manager John Gunyou noted that the next city council meeting will be on Tuesday, November 12, as city hall will be closed on Monday, November 11, for the Veteran's Day holiday. He also noted the November 18 study session to discuss the budget.

Mayor Anderson reiterated that city hall would be closed Monday, November 11, in observance of Veteran's Day.

2. Items Pertaining to Burying Overhead Utility Lines.

Gunyou introduced and gave an overview of the item, noting the three main issues to discuss with regard to burying overhead utility lines: 1) a process to prioritize projects; 2) funding mechanisms; and 3) public input. He reviewed previous council discussion about the topic and discussed the components of the recommended rating system to screen projects: 1) traffic volume; 2) visual impact; and 3) cost.

Gunyou said that staff would use the rating system as a screening tool and that those projects with a minimum number of points would be included as part of the CIP (Capital Improvement Program) process. He noted that staff recommends a project receive a minimum of 10 points out of a possible 15 to be considered.

Gunyou also indicated that staff recommends a meter fee as the most appropriate funding mechanism, since it is more flexible than a surcharge.

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To obtain public input, Gunyou suggested that questions regarding these projects and possible costs be included in the next community survey.

Gunyou indicated that one neighborhood, the Lake Windsor area, has petitioned the council to have its utility lines buried. He suggested that this request should be addressed once the council established a priority rating process. He noted that, based on current staff recommendations, this project wouldn't be eligible for consideration in the CIP.

Council Member Allendorf questioned the description of the meter fee and franchise fee on page four of the report. Gunyou answered that the report should not say franchise fee; the amount indicated was a "surcharge." City Attorney Desyl Peterson added that the franchise fee does not require that the city stipulate a dollar amount; the city can establish any charge as long as it does not exceed two percent of Xcel's gross revenues. Gunyou noted that the maximum monthly charge would be between \$2 and \$3 in today's dollars.

Allendorf asked what Xcel would do if that amount were not enough. City Attorney Desyl Peterson answered that Xcel would seek approval from the PUC for a surcharge on our ratepayers.

Council Member Callison asked what ratings would be assigned to a project such as Gray's Bay Blvd. City Engineer Lee Gustafson answered that the ADT is under 1000, which is a 1, visual impact is in category 3, and cost would be a 1, since very few poles need relocating, for a total of 5 points. Callison noted the judgment involved in making these determinations.

Gustafson used Traymore Road as an additional example, noting that ratings of 2 and 4 are not used, only 1, 3 and 5 as low, medium and high, respectively.

Callison said the rating system would preclude any undergrounding on local streets. Gustafson affirmed that, in most cases, it would. Callison asked if any of the projects already completed would have failed to qualify had the recommended rating system been in place at the time they were done. Gustafson said no, they would have qualified.

Council Member Tauer pointed out that the visual clutter of each pole can be significant, particularly when the poles damage tree appearance, and that tree appearance is a visual impact that should be considered in the rating system. Gustafson said that cases where trees have an impact would be brought to the

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council, and noted that streets with many trees typically would have a lower rating.

Anderson asked how the formula would be applied when a number of streets were being reconstructed in a neighborhood. Gustafson answered that an average of the streets would be taken.

Callison asked if a minimum qualifying score of 9 points would make more sense -- 3 points on each of the 3 criteria. Gustafson said this was considered and it was thought that at least one category should have 5 points. He added that a minimum of 9 would bring many more projects under consideration.

Anderson asked when undergrounding was required in neighborhoods. Gustafson answered that the requirement began in the early 1970s. Anderson expressed a concern about a system that excludes all neighborhood streets, since those residents whose lines were buried have all of the advantages of underground service (i.e., less damage, fewer disruptions in service, better visual environment). She noted that neighborhoods in cities developed after Minnetonka had this advantage, and asked about ways Minnetonka could offer this to residents. She also asked about other cities' (specifically Edina's) policy on undergrounding.

Gustafson said a request was sent out to all city engineers, and the general responses he received indicated that cities were only beginning to consider undergrounding. He noted that their discussions were limited to major roadways -- no cities were considering neighborhood streets.

Allendorf noted that Shady Oak Road is mostly in the City of Hopkins and that efforts have been made to beautify it. He asked how Minnetonka would work with Hopkins if it were determined that the utility lines on Shady Oak should be buried. Gustafson answered that he believes Hopkins would cooperate. He noted that Hopkins has an interest in burying the lines and has done so on Excelsior Blvd.

Allendorf noted that, in the past, he has leaned toward a surcharge for this work. He said a meter fee is an ongoing tax that will build up a big fund and expressed a concern that it would be used on less desirable projects. He asked how funding sources would match up. Gunyou said that funds would not likely build up over time, since projects would be carefully phased over a five-year period, as is currently done with CIP road reconstruction. Only the amounts needed to fund

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the five-year plan would be collected. With that explanation, Allendorf said he would be more inclined to support meter fees.

Anderson referred to the map on page 25 and said she would like some general information. She noted that the fee wouldn't be that much higher if a policy were in place that allowed undergrounding on local streets. She asked how many miles of local streets with overhead lines are scheduled for reconstruction.

Gunyou pointed out that council previously directed that only those streets with lines in front yards should be considered, and said that eliminates about one-half of all local streets. He answered that Minnetonka reconstructs about one percent of those streets eligible for reconstruction each year. This means that only about one-half of one percent of neighborhood streets would be undergrounded each year.

Council Member Schneider asked how much the city wants its citizens to pay annually. He said he leans toward the lower side and said that, once the survey is in and the city knows what residents want, the rating system could be adjusted accordingly. He is not comfortable with doing everything right away.

Allendorf suggested that the survey not ask how much residents are willing to pay, but instead, if they are willing to pay to bury overhead lines on local streets.

Anderson referred to the first discussion question and asked if the council concurred with the rating system, including a minimum qualifying score of 10.

Callison noted her disappointment in a system that excludes local streets, and added that she would not support a fee that's overly high. While she favors an objective system, she noted the difficulty in assigning ratings.

Tauer likes the overall system and said 10 is a good number, noting that it could be adjusted in a few years if necessary. He again expressed a concern about visual impact and the importance of trees. In response to Anderson's earlier comment, he noted that developers had paid for the undergrounding since the 1970s, and that they had passed the costs onto their homebuyers. Those residents had already paid for undergrounding in their own neighborhoods.

Schneider liked both the approach and the system. He noted that he also puts a high value on trees and the visual impact of chopping them up and would give more weight to that factor. He also did not like the 1-3-5 scoring and would like

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to include 2 and 4. He reiterated his support of the approach and suggested initial caution that could change as public support grows.

Council Member Thomas agreed that there is a need for some type of rating system and criteria to sort through the projects. One of his big concerns is cost, and people's feeling that they are getting "nickel and dimed." He noted that the rating system would help set priorities. He also suggested that the survey try to determine what people are willing to pay.

Anderson said she does not support the rating system, saying that it is not objective. She noted that the Council puts different values on the shape and look of trees. She questioned using ADTs as a criteria, saying that it is a good, constant number, but ADT should not be a determining factor on the number of residents who benefit. She noted that many of our main streets with high ADTs include commuters who don't live in Minnetonka. She said that the benefit is greater to Minnetonka residents for undergrounding on local streets, and supports a system that would allow local streets.

Allendorf disagreed and said the system provides an objective way to tell a neighborhood they didn't make it.

Anderson said she feels the system is flawed. Tauer said he would find it easier to explain why a local street didn't qualify with an objective system.

Callison noted that part of the purpose of the survey is to get more input to decide if local streets should be included. She also said that more public input than just a survey should be gathered.

Anderson said it's a given that main streets would be done.

Schneider concurred and said that there has to be a starting point. He noted that many neighborhood streets would not be reconstructed for years, and therefore, would not be eligible for consideration.

Anderson said that she heard a consensus among the Council for the system, although she reiterated that the system could not be called objective.

Gunyou added that he believed there was a consensus to underground major streets. He added that the community survey could ask questions regarding

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various levels of costs to determine whether residents might support undergrounding on neighborhood streets.

Allendorf pointed out that how the questions are worded will be very important, particularly so that the survey does not leave the impression that all streets will be done.

Anderson stressed providing residents with a fair picture of what this would mean. She noted a consensus that the meter fee is appropriate.

Callison reiterated that she would like to go beyond one survey for community feedback. She suggested using a web survey and holding a public meeting, emphasizing the need to reach out and ask people to participate.

Peterson suggested tapping into block watch groups.

Tauer added that this session was televised in an effort to get information out to residents and stressed that the public needs to tell the city what it wants.

Schneider added that this is an important enough issue to warrant an extraordinary effort to obtain meaningful feedback from residents.

Allendorf said he liked the idea of using block captains and noted that there is an overall get-together of block captains around March or April. He suggested asking them to survey their neighborhoods and bring the information back to the larger group.

Anderson asked staff if they had received enough direction and information to move forward on this issue. Gunyou answered that staff would proceed with establishing a meter fee for undergrounding the main roads. Depending on feedback from the community survey and other forms of public input, a later expansion of the program could be considered.

Anderson asked that staff keep Council informed of progress and Gunyou noted that actions by Council would be required for these future steps.

3. Tiered Water Rates.

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Gunyou reviewed current water conservation efforts, and noted that the city has previously considered instituting a rate structure to encourage conservation. An increasing block water rate structure is being proposed.

Gunyou noted that average residential users would see very little change in their water bills. If they are minor users, they would see a significant drop, and if they are heavy users, they would see a significant increase. He added that the recommended rate structure would eliminate the minimum usage charge, so ratepayers would only pay for the water they actually use, plus a \$1.00 account maintenance fee to cover billing costs.

Gunyou then discussed commercial rates, noting that a different approach would be used to encourage water conservation during the summer period. A surcharge would be added only in the summer months. There would be a much higher surcharge for sprinkling only accounts. Commercial accounts would also be charged a \$1.00 account fee and meter maintenance fee, depending on the size of the meter.

Gunyou stated that the rate changes would begin before the 2003 summer peak period. A Minnetonka Memo article and water bill inserts would explain the new rate structure. Staff would also work with the TwinWest Chamber of Commerce to reach commercial users. Individual meetings would be scheduled with large commercial users.

Gunyou said that if the Council agreed with the concept, an ordinance would be prepared for their consideration. He added that any major issues that arise during meetings with commercial users would be brought to the Council's attention for discussion at that time.

Tauer asked for an explanation of the rate structure for sewer fees. Gunyou answered that since the focus is on water conservation, changes in sewer rates were not recommended at this time – only water rates.

Allendorf praised staff for coming up with a recommended tiered structure. He expressed a concern about the conservation rate structure working so well that the city loses money. He suggested the possibility of raising the administrative fee if a majority of payers see a decrease.

Gunyou noted the Council's earlier direction that a conservation rate structure should not lose money, and said that staff had built in a conservation loss factor

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to guard against such a possibility. He suggested beginning the rate structure as recommended, and revisiting it in a year or so after new usage patterns had been established to determine if any changes were needed. He added that staff was considering instituting a new billing system within the next few years, and would like to pay for those system improvements through the account fee.

Callison asked what options exist if revenue declines. Gunyou answered that collections would be closely monitored, and also noted that there is a substantial utility fund reserve.

Schneider expressed the need for a larger reserve and suggested that it would be better to start with a \$2.00 fee to avoid a big increase later. Gunyou suggested that it might be better to raise the per gallon rates incrementally instead of the account fee, in order to stay consistent with the principle of customers only paying for what water is used.

Tauer said staff has done a thorough analysis and that he does not want to be accused of bringing in a large amount of money that isn't needed. He said he is comfortable with things as they are.

Callison agreed, saying she is willing to leave the system as staff has recommended it with the condition that staff will monitor how it is working.

Anderson agreed, saying that the system really rewards conservation and she supports it as it is proposed.

Allendorf agreed with the system as proposed, noting that he had discounted the original emphasis on conservation.

Tauer noted that Minnetonka's water is still a bargain.

Anderson summarized that the system will reward conservation. She asked about timing, and Gunyou said the plan would be in place sometime after the first of the year. She asked about advance notice to users and Gunyou said public education would begin soon.

4. Adjournment.

The study session adjourned at 8:15 p.m.