

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, APRIL 16, 2007
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Council Present: Dick Allendorf, Bob Ellingson, Terry Schneider, Al Thomas, Tony Wagner, and Mayor Jan Callison

Council member Brad Wiersum was excused.

Staff: John Gunyou, GERALYN Barone, Joe Wallin, Bob Eastham, Lee Gustafson, Virg Herrmann, Steve Lillehaug, Merrill King, Darin Nelson, Dave Johnson, Kelly O'Dea, Mike Pavelka, Jim Malone, Perry Vetter, David Maeda

Callison called the meeting to order at 6:30 p.m. She acknowledged that a resident wished to address the council about a drainage issue at Oak Lea and Minnehaha Court, and would allow a brief presentation.

Carolyn Ringhofer of 3050 Minnehaha Court, said in 1970 when the neighborhood was established, a culvert system was set up intended to deal with spring thaws and any potential century storm. With the development of Minnehaha Place in the mid-1970s, there was a vast increase in the runoff flow despite the addition of a holding pond. In the mid-1990s, washouts through the yards were still rare but by 2002 the flow was enough of an issue that the Ringhofers called city staff who said nothing could be done. By the next year the problem worsened and the city was contacted again. The Ringhofers were advised to submit a petition proposing to redirect the water flow, and they subsequently did so after gathering signatures from nine of their neighbors. The area was originally included in 2004 for the 2008 CIP plan.

Ringhofer said that there has been an increase in running and standing water and road resurfacing that included curb cuts in 2005 has led to even more water flow and damage. She said that more and more of the landscaping in the yards has been washed away and that the issue has crossed over from a nuisance to concerns about possible property damage. Ringhofer said there is now significant damage to their yard and that is a detriment to the property values. She said she is concerned hearing now the project may not be a part of the 2008 CIP and there could be flooding of the homes. She said she was present to ask for any help possible.

1. 2008-12 Capital Improvements Program

City Manager John Gunyou gave a basic overview of the 2008-2012 Capital Improvement Program. He said there were no major issues this year, but asked for council direction in a couple of areas. The first concerned burying overhead electrical utilities. The other came out of his discussion with Allendorf and Callison, and related to the city's policy for managing reserves.

The proposed increase in the overhead utility fee is a result of rapidly rising material costs driven primarily by the increase in the price of copper. Gunyou

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said that Xcel Energy doesn't see the rising costs as a short term issue, and strongly recommended the city revise its going forward estimates of what projects are going to cost. He said staff has explored several options. One is to delay projects to remain within the expected resources. Unfortunately, there are few projects that are not high priorities, since it is far more cost effective to bury the overhead lines along major roadways in conjunction with road reconstruction. Another option would be to delay the county road project, which would not be desirable. Still another option would be to forego the underground burial and leave the lines above ground.

Staff concluded that the most responsible approach was a balanced strategy which increased funding, and prioritized projects to live within those resources. The proposal would increase the overhead utility/franchise fee from \$2 a month to \$2.50 for residents and from \$4 a month to either \$4.50 or \$5 for businesses. Gunyou said staff felt the higher rate was justified for businesses because the expenses to relocate around commercial areas are higher. Staff also recommends that projects be classified as high, medium and low priorities, and that they be programmed accordingly.

Wagner asked if the franchise fee had a time limit. Finance Director Merrill King said the fee had to be renewed every 10 years. Gunyou added that the chamber of commerce has been traditionally opposed to general franchise fees but was not opposed to this type of fee that is used for specific projects rather than for the city's general fund.

Thomas asked what the maximum for the fee was. King replied the contractual maximum is two percent of the gross revenues. Thomas asked what was spent to date on burying the lines. Gunyou said that in 2006 the city spent \$640,000 and is scheduled to spend \$1.5 million in 2007. Another \$60,000 was spent in 2005.

Schneider asked what the policy was if a project came forward and there was not enough money in the fund. Gunyou said funds are borrowed from other capital funds, and then reimbursed. Schneider said he thought the increase in the fee was reasonable. He recommended the city do five-year projections, classifying the projects and conducting a broader analysis to determine where there is a real value and long-term benefit to the community. Gunyou agreed there was merit to that approach and is being done to a certain extent at the staff level.

Allendorf said when a fee or tax increase is considered, a comparison with other cities is done. He asked if that was done for this proposal. Gunyou replied there are few cities that use a similar type fee. Those cities that charge franchise fees typically use them for city-wide purposes. City Engineer Lee Gustafson said another option that was looked at was to charge the fee on a per project basis. The disadvantage to that method is there would be huge spikes - one year there

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might be a \$10 fee per month and the next year there might not be any fee. The council previously decided it was better to have an even rate. Gunyou said one of the reasons the city is dealing with this problem is when the city was originally developed the utility lines were not buried by the developers; now there is a need to retroactively go back to address the situation.

Thomas asked about the total annual charges in fees to residents. Gunyou said adding together the storm water, recycling and the proposed franchise fees would come to around \$120 a year. Thomas said he was asking the question because at some point he would like staff to examine whether it makes more sense to collect the money as property taxes rather than fees, and thus give residents the ability to deduct the amount from their income taxes.

Callison said the fee should be increased to the level that was necessary to raise enough money to cover the costs of the high priority projects.

Gunyou pointed to a park board study of athletic field needs and described a major effort to increase the number of fields in the city by leveraging city funds in partnerships with other organizations. This has been done with school districts and private groups. In recent years the city has contributed around \$300,000, resulting in \$4.7 million in field construction.

Staff recommends that two projects be funded with the anticipated restoration of state funding for their Market Value Homestead program. The money is expected to be received this year, and since it is a one-time funding increase, staff recommends the funds be used to purchase an air respirator truck for the fire department and to replace the city's phone system.

Thomas asked if the inspectors used for the I and I program were paid hourly or by the number of properties inspected. Utilities Manager Jim Malone confirmed the inspectors were paid by unit, not by hour.

Gunyou distributed a draft of proposed changes to the city's policy of managing fund reserves. Funding priorities are simplified into three general categories – high, medium and low. The new policy also changes how the city tracks balances in the various funds. Gunyou said the previous approach of setting minimum and ideal balances was more applicable when the city used to increase each individual fund by three percent every year rather than manage the funds collectively. The change stems from a concern Allendorf raised last year about why the term "minimum" was used if it really was not considered the minimum. The proposed change is to establish a guideline for every fund that takes into account a number of things, including the nature of the fund, next year's budget needs, cash flow requirements, and whether replacement reserves are needed.

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Allendorf said the proposed changes address his concerns. He felt uncomfortable going through the CIP book, seeing the words "minimum balance" and approving expenditures knowing the balance was less than the minimum. Schneider said he also supports the changes and he sees the guidelines being useful as a barometer on overall trends. He said another advantage over other cities is the ability to tap into other funds to keep moving forward on high priority items.

Gunyou reviewed the different funds. Callison asked why there was no adjustment to the MSA fund to account for passage of the MVST constitutional amendment last year. Gustafson estimated the city would receive around \$200,000 when the dedication is fully phased in, but as more cities become eligible, those funds will be less so it is most prudent to wait until there is an established pattern. Gunyou said that if a gasoline tax is eventually passed by the state, the issue could be revisited then.

Callison noted the cable fund has been subject to federal rulings. She asked if the fund would decline over the course of the next ten years or go away entirely. King replied that is unknown, given the competition cable television will face from satellite and other technologies. Because of this uncertainty, fund revenues were kept constant for future years. Gunyou said the city has been pessimistic about the fund for the last several years, but it has remained about the same.

Gunyou then reviewed city building projects. In the area of energy conservation, Callison asked if solar power has been looked at. Gunyou said passive solar designs are being incorporated. An example is the glass used when the public works building was constructed. Callison said as the city is looking for ways to save money and energy, a broader look might be warranted. Gunyou said Assistant City Manager Geralyn Barone has convened a group from every department to look into conservation ideas.

Gunyou said in 2003 the city considered the future of the Williston Center, and concluded that it should be maintained for the next five years without any major new investments in the facility. In 2011-2012, major decisions will need to be made about such issues as replacement of the pool. He suggested that future options for Williston be considered as part of the comprehensive plan discussion. Funding has been incorporated into the proposed CIP to refurbish the existing center in 2011-2012, while maintaining future options.

Allendorf asked how expansion of the locker rooms would increase revenues and membership. Recreation Services Director Dave Johnson replied when the initial renovation of the facility was done, the city was told it would accommodate around 1,500 memberships. Currently there are over 1,900 members. The biggest complaint for members is the condition and size of the locker rooms. The only restrooms in the entire facility are in the locker rooms. Johnson said the

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current condition doesn't inspire new memberships. Allendorf asked if the city wants more than 1,900 members. Johnson said yes, if the facility could handle them.

Gunyou said another issue at Williston is a contract the city has with Pat Allar to provide tennis operations. The contract is an annually renewable agreement that is up for renewal next month. Williston staff has done an analysis that shows if the city takes over the operation it will make an additional \$130,000 a year and would have more flexibility in programming the space. As a result, staff does not intend to renew the expiring contract. The same services would be offered but managed by the city. Ellingson asked if Allar had other clients other than the city. Johnson said Allar's only services are to the city. Schneider said he supported the decision. Johnson said existing city staff could handle the additional administrative responsibilities. Gunyou noted that the planned new arrangement is similar to what is already in place at the ice arena.

Gunyou said 2007 funding had been set aside for park improvements adjacent to Burwell Park, but with the comprehensive plan process it made sense to delay and coordinate that project with the Minnetonka Mills and 494 gateway projects. He said staff had an encouraging discussion with the creek watershed district, which is very interested in natural restoration of the gateway area and may be willing to contribute funding.

Wagner asked about the status of the homes between Plymouth Road and 494. Parks and Trails Manager Perry Vetter said the owner of the furthest house on the east has vacated the property. The leases on the other homes are due in May and July. Vetter said public works hopes to take the homes down sooner than later, but hopefully by the end of this year.

Thomas asked if council will have the opportunity to discuss what will be done with the Glen Lake fountain area. Vetter said the infrastructure design to repair the fountain has been completed. Thomas asked if there was a plan B if it was decided not to build a fountain. Vetter said the fountain would not be repaired until it is decided if there will be a fountain, but the infrastructure plan has been developed. A lot of the underground infrastructure is in good condition but the concrete circles above ground have deteriorated. Vetter said the infrastructure would not be fixed if it is decided not to have a fountain but the plan has been developed in case the fountain will be replaced, repaired or redesigned. Schneider said the original fountain was impractical with the spray from wind and kids playing in it and suggested building a water feature similar to what Target did. Thomas said he'd like to see something that would look attractive 12 months a year. Gunyou said staff would bring options to the council.

Callison suggested adding neighborhood name signs and looking at broadening the historical sign program.

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Callison also said she received a letter from a resident who walks on Baker Road on the way to West Junior High. She suggested the city consider providing access to schools with trails and sidewalks. Wagner said another area that might be looked at is near the Hennepin County Library where people are walking in the grass and on the side of the street near Best Buy and Target. Gunyou said in the latter case there might be a possibility of private funding. He suggested approaching businesses to see if they would be willing to provide funding for trails or sidewalks. Vetter said staff is trying to identify all the missing links in the trail system.

Callison called a recess at 8:12 p.m.

Callison called the meeting back to order at 8:23 p.m.

Gustafson gave an overview of the local street improvement projects.

Schneider asked if there are roads where it is infeasible to bury utility lines and where there are wires crossing from one side of the street to the other, if there was any way to underground some of the moorings to reduce costs and improve visibility. Gustafson said that has been done and each situation is looked at individually to see what makes the most sense.

Gustafson said that for the county road projects, county funding assistance will be sought. Callison clarified that the numbers on the projects assume no county funding, so the actual costs may come down. Gustafson confirmed that was the case.

Thomas raised a question concerning the Glen Oak overlay scheduled in 2008. He asked why the turnaround is not going to be done at the same time. Engineering Project Manager Virg Herrmann said that additional right-of-way is needed. Gustafson said the \$50,000 doesn't include costs for purchasing the necessary right-of-way. The city is waiting for the lot subdivision to acquire dedication of the right-of-way, so the timing of the project could be delayed.

Gustafson reviewed an unfunded item dealing with a retaining wall along Woodland Road. He said the temporary wall is not in good condition and a consultant has been hired to look at options. One option is a realignment of the intersection because there is a large skew on the north side of Highway 7 - the north side doesn't align well with the south side. It's likely the city will look at constructing a retaining wall that meets the future needs of the intersection. Schneider asked if there is any chance of buying the lot involved to lower costs. Gustafson said that was looked at years ago, but there were issues with the academy and the church property to the west. He said the city will look into all

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options and there are many issues beyond just the retaining wall. The item will come back to the council.

Allendorf asked how realistic a 2010 timeframe is for the Shady Oak Road project. Gustafson said that's the timeframe Hennepin County has shown for the transportation component of the project. Callison said the county board was conducting a study session Thursday, April 19 on the matter that she will attend. Gunyou indicated the meeting is a first step toward getting the project back on track. There will be a recommendation made at the study session by county staff to slot the project back into the funding cycle. The amount being discussed has been decreased.

Allendorf said for the County Road 101 project, he read in the news the plan calls for the city to remove the curve. He said previously residents in the area indicated they wanted the curve to remain to slow down traffic. Gustafson said the plan is to remove the curve. There are three options being looked at. One is to make a mirror image of the curve that was already upgraded, which would cut considerably into the property. He said city staff has met with the owners of the property, one of whom is the daughter of a long-time owner. The current owners have indicated they are willing to work with the city realizing there will be a good share of the property leftover and they do want to develop it at some point. Staff has met with everybody directly affected to discuss potential impacts. Schneider said that years ago the discovery of Indian artifacts was an issue. Gustafson confirmed that was reviewed when the bridge and curve to the south were installed. When the city wanted to bury the power lines further to the west it had to stop short because of issues with the artifacts. The historical issues are being addressed up front with the contractor.

For the 2011 storm sewer project on Oak Lea Drive, Schneider said the cost is for the entire project from Oak Lea down to the wetlands and asked if less expensive options have been examined to provide partial relief. Gustafson replied there really isn't any alternative that would work. The ditch area that runs through the residences could be regarded, but little benefit would be gained. The only way to get rid of the water is to construct a pipe. That could be done in segments, but because of the overflowing pond, not all of the water would be captured. Callison noted Ringhofer mentioned curb cuts and asked if closing up the curb and channeling the water would help. Gustafson indicated that when water is pushed elsewhere, the problem usually becomes worse. The sediment and silt that has washed off the street can be cleaned up by the city's crews. He said the real solution is to construct the entire pipe to solve the problem, and that there is no effective partial solution. Schneider asked if it was possible to dig a ditch further down to channel the water to provide some relief so the residents would not need to wait until 2011 to have the issue addressed. Gustafson said that staff could look into the suggestion.

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2. Adjournment

The study session adjourned at 8:55 p.m.

Respectfully submitted,

David E. Maeda
City Clerk