

CITY OF NEW HOPE
4401 XYLON AVENUE NORTH
NEW HOPE, MINNESOTA 55428

City Council Minutes
Work Session Meeting

March 21, 2011
Conference Room

CALL TO ORDER The New Hope City Council met in work session pursuant to due call and notice thereof; Mayor Hemken called the meeting to order at 6:30 p.m.

ROLL CALL Council present: Kathi Hemken, Mayor
John Elder, Council Member
Andy Hoffe, Council Member
Eric Lammle, Council Member
Daniel Stauner, Council Member

Staff present: Kirk McDonald, City Manager
Jim Corbett, Recreation Facilities Manager
Shari French, Director of Parks and Recreation
Guy Johnson, Director of Public Works
Valerie Leone, City Clerk
Steve Sondrall, City Attorney

ICE ARENA PHASE I IMPROVEMENTS Mayor Hemken introduced for discussion item 11.1, Discuss ice arena phase 1 improvements report from Stevens Engineers.

Item 11.1

Ms. Shari French, director of parks and recreation, explained that Council authorized Stevens Engineers to review the 2010 ice arena engineering study and identify high priority items and related costs.

Mr. Scott Ward, Stevens Engineers, reviewed a memorandum dated March 1, 2011. He stated the recommended improvements are focused on achieving demand and energy savings, reducing operational and maintenance expenditures and improving building control and safety. Mr. Ward recommended undertaking Phase 1 improvements that consist of four areas:

<u>Bid Package</u>	<u>Description</u>	<u>Estimated Cost</u>
1	Replace bleacher stairs at north rink and seal up the building soffits to improve control over arena space conditions	\$97,700
2	Replace ice system at north rink with an ammonia refrigeration system	\$1,327,800
3	Mechanical, electrical and plumbing improvements	\$654,000
4	Low emissivity ceiling at south rink	\$60,000

Mr. Kirk McDonald, city manager, pointed out the estimated total cost of Phase 1

is \$2,692,770 including design and engineering services as well as any rebates.

Discussion was held regarding the efficiency of an ammonia refrigeration system. Mr. Jim Corbett, recreation facilities manager, explained that his comfort level has increased after consulting several arena staff regarding operations of an ammonia system.

Mr. Greg Ackerson of McKinstry was introduced. He stated McKinstry is an energy services firm that specializes in working with municipalities to find energy conservation measures. He described the project recently completed at Brooklyn Park's ice arena. He stated based on \$2.5 million of identified work, approximately \$1.75 million could be repaid over a 15-year period through energy savings, and a city contribution of \$750,000 is necessary. He also stated the city could be eligible for qualified energy conservation bonds. Mr. Ackerson also commented that other city facilities could be included in the energy study in addition to the ice arena.

Mr. Steve McDonald, Abdo, Eick, & Meyers, was recognized. He stated the ice arena has a cash flow of approximately \$100,000 to \$150,000. He reviewed financing options such as debt issuance, liquor reserve fund, qualified energy bonds, or other internal debt. He pointed out there could be a financial risk if the energy savings do not meet the expectations.

Council Member Stauner indicated the ice arena fund balance is \$417,000. He recommended using \$300,000 from the ice arena and \$350,000 elsewhere to fund the \$750,000 cost.

Mayor Hemken recommended staff develop a financial plan for Phase 1. Council Member Stauner requested more detail on the projected energy savings be provided by McKinstry.

Mr. Greg Ackerson explained the next step of the project will cost \$40,000 to \$60,000 to obtain a directed engineering study and energy audit and that low interest financing could potentially be obtained through the qualified energy conservation bonds currently available through the state of Minnesota.

Council Member Elder questioned the benefits of bid package 4 (low E ceiling). Mr. Ackerson acknowledged that a low ceiling may not generate the anticipated energy savings due to the efforts already undertaken.

Mayor Hemken inquired of the Council's interest in touring Brooklyn Park's ice arena. Council agreed a tour would be beneficial.

Council Member Stauner expressed support for the city-wide energy study through McKinstry.

Mayor Hemken noted the proposed project schedule with construction occurring in 2012.

Council thanked Mr. Ward and Mr. Ackerson for their presentations.

**CITIZENS
ADVISORY
Item 11.2**

Mayor Hemken introduced for discussion item 11.2, Dialogue between City Council and Citizen Advisory Commission.

Citizen Advisory Commissioners introduced themselves: Jonathan London (chair), Al Sarvi, Mike Terres, Bill Wills, Rick Riley, Dick Sievert, and Karen Nolte.

Dialogue exchanged with the Citizen Advisory Commission included: off leash dog park trial period for Liberty Park, city hall landscaping/beautification projects, and waste collection/recycling.

Council noted its recent tabling of the commission's recommendation of the dog park due to the prior concerns expressed by the Liberty Park neighborhood when the park was considered for an off leash dog park. At the Council's urging the Commission agreed to conduct another public meeting. The Commission spoke of the success of off-leash dog parks at Civic Center Park and Lions Park and these experiences can be shared with the Liberty Park neighborhood. Discussion was held regarding a means to collect user data from the two existing dog parks. A suggestion was made to publicize the existence of the off-leash dog parks in future "In the Pipeline" publications and through dog license materials.

Commissioner Rick Riley updated the Council on the landscaping design competition held with North Hennepin Technical College students. He stated four designs will be presented to the CAC on April 12 along with associated material costs. He noted this fall the plantings would be placed by the students at no cost to the city for their labor. Mayor Hemken encouraged attendance by the students at a future council meeting for formal recognition.

Council Member Stauner commented that the project has been a good partnership between the city and the college.

Mr. Jonathan London reported on the presentation made by Dan Ruiz of the Hennepin Recycling Group (HRG). He stated his intention to share the CAC's comments regarding organized waste collection at a future city council meeting. He noted the difficulty the city would likely face to change from an open system to an organized system. Members Riley and Nolte commented on the need to educate residents that an organized system could result in cost savings as well as reductions in street wear and tear, noise, and air pollution.

A brief discussion ensued regarding ways to make New Hope more aesthetically pleasing through beautification projects. Mayor Hemken encouraged commissioners to continue to report any code violations to the inspections department (such as long grass and garbage can storage issues).

Mayor Hemken informed the commission that the community bike walk event originally planned for summer of 2011 has been postponed.

Communication was discussed. Council was asked to promptly relay citizen comments/feedback regarding topics being studied by the CAC. Mayor Hemken

noted such communication could be relayed through the city manager's Friday memo.

Mayor Hemken invited the commissioners to attend a Citizenship Ceremony at 4 pm on March 22 at Cooper Auditorium.

Council thanked the Citizen Advisory Commission for their volunteerism.

**BASS LAKE ROAD
TIF
Item 11.3**

Mayor Hemken introduced for discussion item 11.3, Update by the city TIF consultants and discussion of Bass Lake Road TIF plan.

Mr. Kirk McDonald, city manager, introduced Mr. Jim Casserly of Monroe, Moxness, Berg Law Firm, and Greg Johnson of Sevenich, Butler, Gerlach & Brazil, Ltd. He stated community development staff and Steve McDonald of AEM recently met with the TIF consultants to discuss the city's TIF districts.

Mr. Casserly explained the goal to review three main items: available funds, projects requiring funding, and recovering invested funds. It was noted the city must have a plan in place by 2012 for use of TIF funds or risk returning the funds to the county.

Mr. Greg Johnson illustrated TIF fund balances. He noted four TIF districts have been de-certified. He stated of the seven remaining TIF districts there are four that will decertify on December 31, 2012. He stated as of December 31, 2010, the city has approximately \$5 million available for development activities, and it is estimated that amount will increase to \$6.7 million by the end of 2012.

The Council discussed the allowed use of TIF funds for housing activity, acquisition of land or property, and infrastructure improvements. Mr. Casserly noted funds cannot be utilized for community centers, ice arenas, or city halls as such projects would not generate new taxes.

Mr. Casserly commented on the following districts:

- TIF District 08-1: He noted this district was created to assist with the redevelopment of the school district administration building and bus garage. He stated development has not yet commenced but the legislature recently enacted changes that would provide additional time for spending or obligating tax increment revenues for districts certified after 2003.
- Future TIF District for the Bass Lake Road Apartments project. He noted the TIF District process needs to be commenced this month (March, 2011). Failure to do so will jeopardize the city's ability to recover its acquisition and demolition costs from tax increment. Council authorized submitting the appropriate notices to Hennepin County immediately and agreed to place the resolution calling for the May 9 public hearing on the March 28 Council agenda. There was discussion regarding the number of units and density included in the plan, and it was noted that the plan is flexible and can be altered in the future.
- TIF Districts 85-1, 02-1, 03-1, and 04-2: These districts have administrative fees greater than 10% as of December 31, 2009, and reduced

administrative fees should be allocated to these for future years to ensure they are within the statutory requirements when the districts end.

- TIF District 04-2: Due to several factors this district has a negative fund balance of \$340,000. He recommended transferring \$300,000 in 2011.

Council reviewed staff's list of possible projects and gave favorable consideration to:

- Pedestrian lighting schemes:
 - a) Winnetka Avenue intersection and Bass Lake Road
 - b) Winnetka and 42nd Avenue (based on future redevelopment opportunities and county road improvements)
 - c) Winnetka and Medicine Lake Road
- Bury electrical wires along Bass Lake Road

Council also expressed an interest in considering the following properties for TIF expenditure/acquisition, in conjunction with a redevelopment plan:

- Wells Fargo drive-thru site
- 7700 42nd Avenue (Universal Color)
- 7820 42nd Avenue (Gas and Splash)
- 8001 Bass Lake Road (former Lyndale Garden site)
- Winnetka Learning Center
- Soccer fields (near former Hosterman site)
- 6113 West Broadway (currently pursuing through tax forfeiture)
- 7601 and 7801 62nd and Lincoln estates
- Properties near city center (7231 42nd, 7181 42nd, 7141 42nd)

Related issues discussed during Item 11.4

- Watermain replacement costs that were included in the Winnetka Avenue North project 845 (\$400,000 PFA loan)
- Future sanitary sewer collection system and lift station improvements at 58th and Yukon in conjunction with redevelopment of the Bass Lake Road Apartments site
- Potential reimbursement for remaining cost of Bass Lake Road watermain improvement project 861 (\$250,000 paid by TOD grant)

RECESS

The Council recessed at 8:40 p.m. and reconvened at 8:45 p.m.

**CIP FOR PARKS/REC
& PUBLIC WORKS
Item 11.4**

Mayor Hemken introduced for discussion item 11.4, Discussion regarding the city's capital improvement program (CIP) for parks and recreation and public works departments for 2011-2016.

Mr. Kirk McDonald, city manager, explained the five-year CIP includes proposed improvements and equipment purchases. He stated each item is presented to City Council for approval based upon actual need. Mr. McDonald stated the CIP format was standardized last year. He recommended Council focus on the 2011 items.

Mr. Steve McDonald, Abdo, Eick, & Meyers, LLC, stated the five-year plan also incorporates funding sources.

Council Member Lammler commented regarding the need to discuss funding for the fire rescue vehicles for 2015. Mr. Kirk McDonald stated a temporary financing fund could be established (to be discussed during item 11.5). He also commented that Steve McDonald is developing a five-year plan for New Hope for financial planning purposes.

It was noted that due to the loss of local government aid, the city did not fund 100% of equipment replacement costs (central garage).

Mr. Guy Johnson, director of public works, and Steve McDonald, AEM, reported the Central Garage cash fund balance is \$6.5 million (down \$730,000 from last year).

Ms. Shari French, director of parks and recreation, reported the Park Infrastructure unaudited balance is \$1.5 million as of December 31, 2010.

Mr. Johnson asked Council to consider funding additional items with TIF funds:

- Potential reimbursement of the \$400,000 PFA loan for watermain replacement costs (project 845).
- Future sanitary sewer collection system and lift station improvement costs at 58th and Yukon in conjunction with redevelopment of the Bass Lake Road Apartments site.
- Potential reimbursement for remaining cost of Bass Lake Road watermain upgrade (project 861). He stated this project was undertaken after demolition of the Bass Lake Road Apartments to prepare the area for future redevelopment. He stated a TOD grant covered \$250,000 of the cost, and the balance was to be funded with the utility fund. He recommended use of TIF dollars instead of the utility fund.

Council expressed support for considering the use of TIF funds for the fore-mentioned items and directed staff to add them to the list discussed under Item 11.3.

**2011 WATER
INFRASTRUCTURE
Item 11.5**

Mayor Hemken introduced for discussion item 11.5, Discussion with AEM regarding financing options for 2011 water infrastructure improvements.

Mr. Kirk McDonald, city manager, asked Mr. Steve McDonald of AEM to report on financing options.

Mr. Steve McDonald, Abdo, Eick, & Meyers, LLC, reported the 2011 infrastructure project contains approximately \$1.3 million for watermain improvements. He reviewed on financing options:

- Water Fund – not recommended due to low operating cash currently available.
- Bonding – viable option with annual debt service of \$145,000 for new bond. Would require 5% rate increase.
- Internal financing – recommended option through the Improvement Bond Redemption fund. By authorizing prepayment of the remaining \$775,000 of the 1999 GO Special Assessment Bonds, the city will have \$3 million of available funds.

Mr. Steve McDonald explained the city could finance the \$1.3 million as an internal loan or a one-time transfer.

It was noted the water fund will eventually have a positive cash flow but it will require rate increases and resolving maintenance issues. Mr. Guy Johnson, director of public works, noted infrastructure improvements are undertaken every two years, and the Water Fund must pay the watermain portion of the improvements.

It was the consensus of the Council to pursue payment of the \$1.3 expenditure through internal financing mechanisms.

Mr. Kirk McDonald stated he would confer with AEM and Ehlers & Associates and present a resolution to the Council in the future authorizing prepayment of the remaining \$775,000 of the 1999 G.O. special assessment bonds on the call date. He indicated he would then present a resolution to transfer the remaining funds from that account to the temporary financing fund as well as a resolution authorizing an internal transfer/loan from the temporary financing fund to the Water Fund to finance the 2011 watermain improvements.

**JOINT POWERS
AGREEMENT
Item 11.6**

Mayor Hemken introduced for discussion item 11.6, Discussion regarding West Metro Fire District Joint Powers Agreement.

Council Member Stauner explained the joint powers review committee was assigned the task of reviewing the WMFR joint powers agreement specifically the budget process and a mechanism to resolve disagreements between cities, communication between the District and member cities, and duties and responsibilities of directors appointed by member cities and the accountability of directors to their appointing city. He stated the Board recommended the proposed revised agreement be forwarded to the respective city councils and city attorneys for their review.

City Attorney Sondrall pointed out there was a clarification in the funding formula regarding the dates for the five-year average calls for service.

Fire Chief Scott Crandall commented regarding the board's composition and emphasized the need for citizen input. He also noted it does not seem a viable option to exclude the District during dispute resolution.

Council Member Stauner stated currently there is no way to resolve a dispute if one city vetoes the budget. He acknowledged it would behoove members of the committee to seek input from the fire chief but it is also a matter of discretion. He noted he would be reluctant to surrender total control to the Fire Board.

City Attorney Sondrall concurred with Council Member Stauner stating the existence of the Fire District is dependent upon both cities. He stated he and Crystal's city attorney support the proposed dispute resolution language.

Council Member Stauner clarified the decision regarding a citizen representative

is designed to give the cities flexibility on the appointment rather than mandating a citizen representative.

The City Council agreed to the proposed changes. Mr. McDonald indicated he would present the item at a regular council meeting after the city of Crystal takes formal action.

**PRIORITIES MATRIX
Item 11.7**

Mayor Hemken introduced for discussion item 11.7, Priorities matrix - city manager/finance departments.

Mr. Kirk McDonald, city manager, reported the priorities matrix was completed in 2010 and staff has added budget information. He explained the programs presented at this time include those under the city manager and finance departments. He stated the percentages are compared to the general fund 2011 budget of \$10,331,727. He asked for Council's feedback and noted the police department programs will be presented at the April work session and parks and recreation presented at the May work session prior to staff retirements:

<u>Area</u>	<u>Budget</u>	<u>Percentage of budget</u>
City Council	\$77,362	.75%
City Manager	\$314,806	3.05%
Communications	\$133,221	1.29%
Information Technology	\$597,513	(Internal Service Fund)
Elections	\$4,450	.04%
Fire	\$999,267	9.67%
Human Resources	\$209,803	2.03%
Finance	\$256,455	2.48%

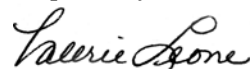
Mr. McDonald commented regarding the city's use of a financial consulting firm (AEM) which has resulted in an approximate annual savings of \$60,000. He noted the contract with AEM will expire December 31, 2011, and a decision will need to be made in the near future regarding staffing of the finance department. Mr. McDonald indicated the management staff is generally pleased with the services provided with AEM. The Council thanked AEM for their service and acknowledged the firm's ability to provide accurate detailed financial information.

Council acknowledged the usefulness of the information provided in the priorities matrix.

ADJOURNMENT

The meeting was adjourned at 9:35 p.m. as there was no further business to come before the Council at its work session.

Respectfully submitted,



Valerie Leone
City Clerk

