

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

City Council Minutes
Work Session Meeting

May 16, 2011
Parks and Recreation 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
Shari French, Director of Parks & Recreation
Guy Johnson, Director of Public Works
Valerie Leone, City Clerk
Jason Quisberg, City Engineer
Susan Rader, Recreation Supervisor
Steve Sondrall, City Attorney

2010 AUDIT Mayor Hemken introduced for discussion item 11.1, Review of 2010 Audit with
Item 11.1 AEM.

Mr. Kirk McDonald, city manager, introduced Steve McDonald and Kristi Brutlag of Abdo, Eick & Meyers, LLC (AEM). He explained that Steve McDonald will review the highlights of the audit results and answer questions from Council. He stated Bill Lauer of Malloy, Montague, Karnowski, Radosevich & Co., P.A (MMKR) will be in attendance at the May 23 Council Meeting at which time Council will be asked to formally accept the 2010 audit.

Mr. Steve McDonald explained that Kristi Brutlag worked with the auditors for preparation of the 2010 audit. He reviewed the audit opinion and findings within the management report and stated MMKR has issued an unqualified opinion of the city's financial statements.

Mr. Steve McDonald reported on three recommendations for internal controls over financial reporting: 1) journal entry approval by management (city manager will approve future journal entries); 2) segregation of duties for utility receipts (public works director will approve utility credit memos); and 3) documentation of procedures for year-end closing of general ledger (AEM will draft a policy). He stated the items mentioned are constructive feedback, and collectively it was a smooth audit process.

Next Mr. Steve McDonald reviewed the Comprehensive Annual Financial Report (CAFR). He reviewed the balance sheet for governmental funds for a total fund

balance of \$26,535,931 as of December 31, 2010. He noted the General Fund balance was \$4.5 million or 46% of expenditures which is above the 41% targeted reserve level.

Mr. Steve McDonald reviewed the statements of cash flows and noted all funds are healthy with the exception of the water utility fund. He stated during 2010 the city split the operation of the water utility and sewer utility funds. He commented regarding capital improvements and the shortfall in the water utility fund.

Council Member Stauner asked whether depreciation is included for the ice arena and golf course funds. Mr. Steve McDonald reported the cash balance is net operations without depreciation.

Regarding "real estate held for sale", Mr. Steve McDonald stated the figure represents the actual acquisition cost (for the Bass Lake Road apartment property).

Mr. Kirk McDonald asked AEM to report on the new accounting standards.

Mr. Steve McDonald explained that GASB 54 is a new accounting standard that will require the city to adjust special revenue funds. He stated any which do not meet the GASB 54 definition will be consolidated with the general fund. He stated the nonmajor special revenue funds include the firemen's relief fund, community development fund, safety camp fund, storm sewer fund, Lions Club fund, solid waste management fund, liquor reserve fund, and ice arena endowment fund. It was noted that fund balances would continue to be tracked. He stated AEM will prepare a resolution for adoption by the Council. Discussion ensued regarding the creation and purpose of the Lions Club fund and the liquor reserve fund.

Council thanked Mr. McDonald and Ms. Brutlag for the information.

**FIVE-YEAR PLAN
Item 11.2**

Mayor Hemken introduced for discussion item 11.2, Review of draft five-year financial plan with AEM.

Mr. Kirk McDonald, city manager, stated one of the city manager's goals for 2011 is to coordinate with AEM on the development of a five year financial plan and projections for city revenues and expenses. He stated after Council provides feedback on various assumptions, the plan will be finalized. He commented the endeavor will provide a long range planning tool.

Mr. Steve McDonald, AEM, explained the draft document includes projected operations and capital and debt based on assumptions. He noted some assumptions are fluid and fund balances could change based on the current CIP. He reviewed the assumptions:

- Normal operating expenses will increase by a 3 percent inflation rate.
- There will be minimal housing growth over the next 5 years.
- New projects have been identified in the capital plan and are to be expended in the street or park infrastructure. The capital plan identifies the source of funds, either bonding or reserves.
- The general fund tax levy increase is limited to 2.5 percent.
- The only planned debt is for a portion of the ice arena improvements in 2012.

- Other projects are assumed to be paid with current resources or interfund borrowing. The city may want to consider bonding options for the water projects due to limitations on current cash flow.

Mr. Steve McDonald also reviewed key highlights of the draft five-year plan:

- The General Fund maintains an adequate reserve throughout the life of the projections with the assumptions of a 2.5 percent tax increase and 3 percent increase for all other line items. Even though the ending balance is adequate, the overall balance is decreasing each year in the projection.
- The Street infrastructure fund is able to finance all planned projects with existing reserves or planned levy.
- The Park infrastructure fund has adequate reserves with the assumption that bonds are issued to finance the arena improvements. The bonds are assumed to be at 2 percent and that rate would be dependent on obtaining the planned Energy bonds.
- The Water fund is showing a deficit due to financing future projects on a pay as you go basis. It appears possible to internally finance most of the water costs.
- The city's long term debt is low compared to its peer cities.
- The past practice of reducing the capital component of the central garage is highlighted in the decrease in cash balance over the life of the projection. In 2008, the balance was \$7.5 million, and at the end of 2016 it is projected to be \$2.8 million. The \$2.8 million is still substantial but the average decrease each year is approximately \$580 thousand.

Council Member Stauner suggested including a zero percent increase projection as well. Council Member Stauner noted the future need of an alternate water source and the financial impact to the cities. Mr. Kirk McDonald noted the Joint Water Commission (JWC) has recognized and included projections in its CIP. Financing of the ice arena improvements was briefly discussed including whether to use liquor reserve dollars, internal loan, or a fund transfer.

Mr. Steve McDonald further reviewed the document including charts showing outstanding debt, per capita and tax rate comparisons with peer cities, and General fund balance compared to expenditures and 40% reserve target.

Mr. Steve McDonald recommended Council review the draft report and provide feedback. He stated the report will be updated and used during the 2012 budget planning process.

**WMFR UPDATE
Item 11.3**

Mayor Hemken introduced for discussion item 11.3, West Metro Fire-Rescue District update.

Mr. Kirk McDonald, city manager, acknowledged the presence of Scott Crandall, Fire Chief, and Brian Hubbard, president of West Metro Fire-Rescue District Board. He also noted that he and Council Member Stauner serve on the fire board.

Mr. Brian Hubbard updated the Council regarding board activities. He stated the fire district is in process of a five-year strategic planning process and the facilitator will be soliciting input from council and the community at large. He stated the

2012 budget document, which includes a zero percent increase, will be presented in June for approval. Mr. Hubbard reported of on-going discussions regarding the district's general fund balance policy and the possibility of a policy change. He stated the policy has been changed over the years and reduced from 25% to 14%. He explained the current policy specifies a distribution of 70% to the vehicle replacement fund and 30% to the capital equipment fund. He stated as of December 31, 2010, the fund balance was 20% or 8% higher (\$136,000) than the 14% specified amount.

Council Member Stauner expressed support for a fund balance. He noted part of the discussion centered on the amount that would be reasonable for general operating purposes. He stated excess fund balances could reduce the assessments to Crystal and New Hope.

Costs of a major fire were discussed and Chief Crandall reported on fluctuating payroll costs. Chief Crandall also reported that two large equipment purchases are projected for 2015.

Mr. Hubbard asked the Council to provide feedback regarding the fund balance policy to his attention.

Next, Mr. Hubbard reported Chief Crandall and Deputy Chief Larson are preparing a presentation regarding fire personnel models to address questions regarding mutual and auto aid and scheduling of firefighters. He stated West Metro operates with paid-on-call firefighters.

Chief Crandall reported on the new state mandate for fulltime firefighter licensure requirements which is a non-budgeted expense of \$75 per person. He stated to avoid any division between licensed and non-licensed personnel, the district has paid for 68 licenses to grandfather West Metro firefighters by the June 30, 2011, deadline. It was noted the license is valid for three years.

Mr. Hubbard reported the final inspection of the new fire trucks is scheduled next week. Chief Crandall spoke of the need to properly train and certify staff on the new vehicles.

Chief Crandall stated the district provides on-going emergency management training to both Crystal and New Hope. He stated Deputy Chief Sarah Larson has sessions scheduled for September and December.

Chief Crandall reported on recent recruitment efforts and the employment of six new persons who are currently undergoing training.

Lastly, Chief Crandall provided fire department year-to-date statistics and noted the requests for service is currently at 476 which is an increase of 14% over last year.

Council thanked Chief Crandall and President Hubbard for their work with the fire district. Council also conveyed their appreciation to Mr. Hubbard for his volunteerism and noted he has their full support.

IMP. PROJECT 877
Item 11.4

Mayor Hemken introduced for discussion item 11.4, Discussion of a proposed change order for the 2011 street and infrastructure improvement project (improvement project no. 877).

Mr. Kirk McDonald, city manager, stated the city engineer and public works director were asked to provide cost estimates for infrastructure improvements for Zealand Avenue, between 27th Place and 28th Avenue. Council was informed the 515-foot section was scheduled for a mill and overlay while adjacent streets were scheduled for a full reconstruction with water main replacement.

Mr. Guy Johnson, director of public works, explained that the original project scope was identified with recommendations set forth in the city's pavement management plan prepared by Goodpointe Technologies. He stated due to the favorable bids Council may want to consider a change order for this portion of Zealand Avenue for new water main and street reconstruction rather than a mill and overlay. He stated the estimated cost is \$120,000.

Mr. Jason Quisberg, city engineer, concurred that it would be prudent to change the proposed improvements within the 2011 infrastructure project. He explained \$72,000 of the \$120,000 estimated cost would be borne by the water utility fund. He stated the contractor indicated he is willing to honor the bid prices and the additional work would be on a quantity basis.

Staff was directed to present a change order at a future council meeting.

Mr. Johnson commented the overall pavement condition index (PCI) of streets was 80 in 2001 but has decreased since 2001. He recommended meeting with Goodpointe Technology, the city's street management consultant, to discuss the backlog of street work. He stated although the street infrastructure fund has adequate funding, oftentimes street projects are scaled back due to lack of resources for costly water main improvements. Mr. Johnson reported the city may want to consider changing its philosophy as there is inadequate funding for replacement of 100% cast iron water main during street projects.

Council Member Hoffe commented regarding the deteriorated condition of 42nd Avenue. Mr. Johnson noted the county is also facing budget issues.

BUSINESS LICENSE
FEES
Item 11.5

Mayor Hemken introduced for discussion item 11.5, Continued discussion regarding section 8-2(d) requiring double business license fees for untimely renewals.

Mr. Kirk McDonald, city manager, reported this item was discussed at the April 18 work session. He stated the city clerk has prepared options for fees and a waiver form has been created to formalize the process for objections to the late fee. He indicated the city clerk and city attorney are available for questions.

Ms. Valerie Leone, city clerk, concurred with the Council's previous assessment that the double-fee penalty is excessive. Ms. Leone acknowledged the need to handle late renewals uniformly. She explained that most businesses renew their

licenses by the December 1 deadline and avoid penalties. She presented two options for lesser penalties: one with a grace period between the deadline and imposing the penalty and one with no grace period. Both options presented included 25% up to 50% penalty as late fees.

Council inquired regarding the number of businesses that fail to renew licenses. Ms. Leone explained any problems are typically resolved after January 1 when the police department is asked to visit non-responsive businesses.

Mayor Hemken inquired regarding staff's preference between options 1 and 2. Ms. Leone indicated the 10 day grace period would be preferred as it would allow the necessary time to mail a second notice and receive payment prior to imposing the penalty. She noted the city issues a limited number of business licenses, and the majority submit renewals in a timely fashion.

Council directed staff to prepare a code amendment to adopt the new penalty schedule.

Council Member Stauner thanked staff for addressing the matter and formalizing the penalty objection process.

**PARKS &
RECREATION
MATRIX
Item 11.6**

Mayor Hemken introduced for discussion item 11.6, Priorities matrix – parks and recreation department.

Mr. Kirk McDonald, city manager, stated Shari French retires this Friday, and he has asked her to present the priorities matrix for the parks and recreation department before her departure. He stated Susan Rader, recreation supervisor, is also in attendance.

Mr. McDonald indicated the Council has already reviewed matrixes for the following departments: finance, city manager, and police.

Council reviewed the matrix and inquired of seasonal park maintenance staff.

Ms. Shari French, director of parks and recreation, explained that seasonal staff handle routine maintenance items such as park trash pickup and ballfield maintenance, and full time staff is able to focus on larger more important services. She stated the budget for seasonal maintenance staff is only .003% of the general fund.

Council discussed the handling of weed and long grass complaints and noted unkempt properties detract from neighborhoods. Mr. Guy Johnson, director of public works, stated the inspections department tracks foreclosed properties and maintenance issues. He stated the contract manager/forester responds to weed complaints and oversees the contractual mowing service. Council Member Stauner questioned whether the weed complaints should be handled by the inspections department.

Mayor Hemken asked staff to elaborate on the special events. Ms. Susan Rader, recreation supervisor, stated the city co-sponsors events such as bike rodeo, kids

garage sale, wet and wild day, and the vehicle fair. She noted all events draw a large number of participants for a nominal city cost.

Council Member Stauner commented that Crystal and Robbinsdale have discussed sharing park and recreation services. He asked whether New Hope staff has explored such options to avoid duplication of services and to reduce budget costs.

Ms. French advised that several years ago New Hope and Crystal considered a joint venture at which time it appeared to be more beneficial for Crystal than New Hope. She explained that duplication of services only occurs for popular classes such as swim classes when there is a greater demand than could be provided by one entity.

Ms. Susan Rader, recreation supervisor, reported that cooperative programming (with other cities and/or community education) enables the city to offer a greater variety of classes. She cited programs such as science and nature camps, archery programs, and craft programs.

Director French commented that the city also works with the school district's community education department to provide recreational opportunities after school and on non-school days and to try to avoid duplication of programs.

Mayor Hemken inquired of Director French's views regarding the possibility of combining parks and recreation and the public works department.

Director French explained that the option was recently discussed with the city manager. She stated it was determined there would not be significant cost savings as a second person would be necessary to oversee park and recreation programming, facilities, and projects. She also noted the workload of managing two departments would be excessive for one department head. Ms. French reported that park and recreation buys services from public works. She shared the benefits of the current arrangement and attributed much of its success to Guy Johnson, public works director.

Director Johnson commented that the passion demonstrated by parks and recreation staff strengthens the department and would be difficult to achieve through public works staff.

Council Member Stauner inquired whether park maintenance should be the responsibility of public works rather than parks and recreation. Director French shared past experiences of such an arrangement and difficulties faced by staff with ever-changing priorities. She stated functions are better balanced when the department has direct budgetary responsibility.

Director Johnson also pointed out that capital improvement projects for parks are initiated by parks and recreation department. He stated there are periods when there are over a dozen public works related projects in process. He stated public works staff would not have the knowledge or time to manage park projects.

Council thanked both directors for their candid responses.

On behalf of the Council, Mayor Hemken thanked Director French for her 35+ years of service to the city. Mayor Hemken also expressed the Council's support to Susan Rader as Shari French's successor.

OTHER BUSINESS

Council Member Elder pointed out that the city of Plymouth charges the soccer association for use of Armstrong soccer fields. He inquired whether the city of New Hope collects any revenue for usage of turf fields at the Cooper Stadium.

Ms. French replied that the city does not collect revenue for the use of the turf fields.

ADJOURNMENT

The meeting was adjourned at 8:35 p.m. as there was no further business to come before the Council at its work session.

Respectfully submitted,



Valerie Leone
City Clerk