

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

City Council Minutes
Work Session Meeting

September 7, 2010
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 and Recreation
Curtis Jacobsen, Director of Community Development
Guy Johnson, Director of Public Works
Rich Johnson, Human Resources Manager
Valerie Leone, City Clerk
Gary Link, Director of Police

Also Present: Steve McDonald, Abdo, Eick & Meyers
Bruce Kimmel, Ehlers & Associates

**DUAL PURPOSE
BOND
Item 11.1**

Mayor Hemken introduced for discussion item 11.1, Discuss dual purpose bond issue with representatives from Ehlers & Associates and Abdo, Eick, & Meyers (AEM).

Mr. Kirk McDonald, city manager, stated Bruce Kimmel from Ehlers & Associates, is present to discuss a proposed dual purpose bond issue. He noted the city took advantage of several refunding/refinancing opportunities earlier this year that resulted in substantial savings for the city.

Mr. Kirk McDonald stated Steve McDonald from AEM has been coordinating with Ehlers & Associates on the city's upcoming bond issue needs for New Hope's portion of the fire engines at West Metro Fire Rescue District this fall. He explained the first half payment was made mid-year and was temporarily financed with an internal loan from the public safety building bond fund. He noted the second half payment is due by the end of this year, and the equipment certificates would fund the engines purchase and reimburse the internal loan.

Mr. Kirk McDonald also reported that during further review of the city's outstanding debt, Ehlers found another lower interest rate refunding/refinancing opportunity for the 2002A general obligation storm sewer revenue bonds which are callable on 2/1/2011. He reported a refunding would save a projected \$6,500 per year to the storm water fund for 11 years for a total savings of approximately

\$72,000.

He summarized the \$1.9 million General Obligation Refunding Bonds would include equipment certificates in the amount of \$1,250,000 to purchase fire engines and refunding of \$850,000 GO storm sewer revenue bonds, series 2002A in the amount of \$615,000.

Mr. Bruce Kimmel, Ehlers & Associates, explained the purpose of the dual purpose bond issue is to save costs rather than issuing two separate issues. He noted the \$1.9 million issue will attract a larger bidding pool.

Mr. Kimmel stated the storm sewer revenue bonds would be paid in 11.25 years, and the equipment certificates for the fire engines include a nine-year repayment schedule of approximately \$160,000 per year.

Next, Mr. Kimmel explained the city carries a Standard & Poor's AA credit rating on its outstanding bonds, and another rating request is required for the upcoming bond issue. He noted items that will be used to review the credit rating includes the city's 2009 audit, the city's current financial status, and the 2011 proposed budget figure.

Mr. Kimmel reviewed the proposed time line with the City Council considering awarding the sale of bonds on October 25, 2010.

Council Member Hoffe pointed out 1.75% of the proposed tax levy increase relates to the bond issue for New Hope's portion of the fire engines.

The City Council directed the city manager to place the resolution on the September 13 Council Meeting agenda for adoption.

**2011 PRELIMINARY
BUDGET
Item 11.2**

Mayor Hemken introduced for discussion item 11.2, Continue discussion on 2011 preliminary general fund budget and tax levy with AEM, City Manager, and Department Heads.

Mr. Kirk McDonald, city manager, thanked the department heads for their attendance. He requested the Council discuss the 2011 preliminary General Fund budget and tax levy as the preliminary maximum tax levy must be adopted at the September 13 Council Meeting. He noted the budget will continue to be refined during the next several weeks prior to adoption of the final budget in December.

Mr. McDonald stated the utility and enterprise fund budgets will be discussed at the October 18 and November 15 council work sessions. He recommended setting November 29 as the budget public input meeting and December 13 for adoption of the final budget and tax levy. Council agreed to the November 29 budget hearing date.

Mr. Steve McDonald, AEM, stated the tax levy is \$9,353,422 compared to \$9,092,711 for 2010. He commented on market value changes and tax effects on certain value of homes. He noted the tax capacity is -6.79%. The tax rate is projected to increase from 41.062 to 45.716 or 4.654%. He noted the most significant

reason for the increase is the decline in property values.

Mr. Steve McDonald spoke of Local Government Aid (LGA) and its uncertainty. Mr. McDonald recommended setting the proposed tax levy increase at 2.87%.

Mayor Hemken inquired of the reasoning for including the LGA in the proposed budget. Mr. Kirk McDonald, city manager, stated the city was notified the 2011 LGA is \$640,000. He stated a plan would be implemented if the full LGA is not provided by the state.

Mr. Steve McDonald, AEM, explained that if LGA is unallotted, the city will have the opportunity to levy it back in the 2012 budget cycle.

Council Member Hoffe pointed out a number of cities are not adding the LGA into the budget at all due to the state's financial forecast. He commented he believes it is unrealistic to include it as a projected revenue source.

Steve McDonald agreed it is unlikely the city will receive the full LGA but it could be considered a two-year window with the city having the opportunity to bridge a gap for another year.

Council Member Stauner concurred with Council Member Hoffe and commented he cannot vote for a budget that contains false figures.

Mayor Hemken assured the Council the city manager will assemble options to address the \$640,000 if there is a shortfall of LGA.

Council Member Stauner recommended addressing the budget shortfall now rather than dealing with it a year from now. City Manager McDonald briefly reviewed possible options (budget cuts, central garage budget adjustment, and/or use of reserves). Council Member Stauner suggested exploring such options during the course of the budget finalization.

Council Member Lammle recommended planning for the worst case scenario.

Mr. Kirk McDonald reiterated that a budget plan will be developed this fall to cover an anticipated LGA shortfall. He pointed out the preliminary tax levy of 2.87% is lower than last year's 3.69% final levy. He asked department heads to share highlights of the respective department's proposed budget. The following reports were provided by Gary Link, director of police; Guy Johnson, director of public works; Shari French, director of parks and recreation; and Curtis Jacobsen, director of community development.

Police department

- Estimated revenues decreased nearly \$80,000 due primarily to cancelled SRO services at Hosterman for ISD 287 and realistic fines revenue.
- Personnel costs increased for one additional officer, replacement of a sergeant with a captain, and step increases for staff eligible for step movements.
- Contracted services has increased for county services and IT costs
- Training costs have increased by \$4,000.

- Mobile radios must be replaced to meet 700 MHz requirements at a cost of \$72,000.
- Slight increase for CSO coverage for animal control services (retained at 2009 level).

Comments/Questions: The city manager noted the city may be able to allocate part of the animal control officer's time to the CERTS program. Council Member Lammle pointed out an additional officer will allow a three-officer minimum 24/7. Council Member Stauner questioned whether it is necessary to increase central garage costs if there are reserves. Mr. Guy Johnson responded that operations are actual numbers and last year \$200,000 of central garage reserves were used to address budget shortfalls. He stated only 25% of equipment replacement charges are being collected in the 2011 budget. He also pointed out many equipment purchases have been postponed. Council Member Elder inquired of "second life" vehicles. Mr. Johnson indicated information will be brought forward as soon as the next state contracts become available.

Public Works

- No changes for engineering services.
- An increase of approximately \$70,000 for street operating budget including \$44,000 increase in central garage due to equipment replacement charges.
- \$13,500 increase in contractual repair for street markings and storm damaged tree removal. Noted street signs/traffic control signs need to be replaced with high reflective material by 2015 and 2018.
- A 5.5% increase in New Hope's assessment for Bassett Creek watershed, and a 16% increase for the Shingle Creek watershed due to the third generation plan.
- A street infrastructure project for 2011 includes the south part of city for \$2.7 million for street portion of project (street infrastructure funds).
- Central Garage includes a 3% increase in personnel charges (includes additional employee hours due to elimination of labor pool last year and the change in water and sewer administration budget).
- Proposed 10% increase to central garage for building repair and miscellaneous contractual repair necessitated by age of facility and equipment.

Parks and Recreation

- Recreation budget increased by \$17,000 due to new charge from the school district for vent cleaning if the city holds gymnastics programs in school buildings. It was noted that staff is seeking an affordable location for the gymnastics program formerly held at Hosterman. Training has increased by \$1,000 to reinstate 2010 reduction from \$2,500 to \$1,500. Must train and prepare for succession planning as two upcoming retirements. Increase of \$6,000 in IT charges.
- Park budget increased by \$19,000 and includes replacement of safety pads covering the light poles at Lighted Field; landscape materials including ag-lime for ballfields; invasive species removal in parks including buckthorn; Emerald Ash Borer in park properties (\$11,000); park projects include parking lots at Northwood Park and renovation project at Lions Park (seeking a grant).
- Swimming pool budget decreased \$4,000. In 2010 the city successfully shared a pool manager with Crystal. Pool season was nine weeks due to budget constraints (prior to 2009 had a ten week season); will hold a state meet in July

and continue pool rental to private clubs (realized \$14,000 revenue in 2010 by rentals).

- City hall facility's budget increased by \$9,000 for new carpeting in the conference room and front entrance landscaping (noted labor will be provided by STS).

Comments/Questions:

Council Member Hoffe inquired of the savings realized by sharing a pool manager. Director French indicated she would provide the financial information to Council later this week. Staff was also asked to report on the projected cost to lengthen the pool season. It was noted the 2010 budget projected a \$65,000 loss based on a nine-week season. Council Member Elder questioned whether a spray type water feature in lieu of the pool would reduce staffing needs. Ms. French indicated New Hope is one of the few communities that offers a 50-meter pool which is a great community amenity. The city manager reported the city can fund the loss with park infrastructure funds. Council Member Stauner inquired of the park infrastructure fund balance and was advised it is \$1,006,000.

Community Development

- Legal costs are projected at \$20,000 (have been incurring \$25,000 in expenditures and only budgeting for \$15,000 in past years).
- Overall decrease of \$14,500 to the planning budget. One support person's time is split with finance and consultant fees (engineering, legal, planning) were each decreased by \$5,000 due to fewer planning cases.
- IT charges increased largely due to the administrative citation program and building inspections software.
- Building inspection revenue of \$125,000 is expected in 2011 due to ISD 287's \$23 million construction project

Comments/Questions: Council inquired of the necessity of periodically conducting a RFP for legal services. Council Member Stauner noted the burden faced by the inspections staff when the rental housing inspection program was implemented. Director Jacobsen stated house remodeling has slowed which has allowed a shift in staff time. He also noted the rental properties require less time since the owners/managers are now familiar with the program.

Mr. Kirk McDonald, city manager, offered to review the budgets under his direct responsibility (city manager, council, communications, elections, human resources) and was advised it was not necessary.

The Council thanked the department heads for their reports. Council Member Stauner inquired of major budgetary items expected for the next few years (besides the Emerald Ash Borer program and Ice Arena ice sheet replacement).

Mr. Guy Johnson, director of public works, stated with the central garage capital improvement program (CIP) includes replacement of the public works facility roof (\$120,000) and interior painting of the shop. He also stated street projects are proposed according to the street management plan, but there will likely be a budget shortage for necessary water main replacements.

Mr. Rich Johnson, human resources manager, expressed concern of the expected

turnover of senior staff and emphasized the need for succession planning. He stated staff has done well with cross training, but an emphasis needs to be placed on training for the city to have internal candidates willing and able to take the next step.

Mr. Gary Link, director of police, noted the portable radios are ten years old and will require replacement at a cost of \$2,500 each (\$100,000 total).

Mr. Kirk McDonald, city manager, stated the city hall telephone system must be replaced in 2012.

Next, Mr. Kirk McDonald stated a listing of salaries and organization chart was included in the preliminary budget. He stated in response to Council's request for further clarification, AEM has prepared a revised salary listing which shows total salaries for positions.

Mr. Kirk McDonald explained that while no across the board wage increase or insurance contribution increase is included in any of the departmental budgets, there is a contingency in the budget should the Council want to consider a minimal increase in these areas. He pointed out that the cities of Crystal and Golden Valley are proposing a 1.5% COLA increases. Mr. McDonald recommended Council consider a minimal salary increase and an increase in the insurance contribution.

Mr. Rich Johnson, human resources manager, illustrated medical insurance rates for 2011 and corresponding premiums (approximate eight percent increase). He stated in addition to single and family coverage, a 1+1 plan will be offered. He stated the \$3,000 high deductible health plan will be replaced with a \$4,000 high deductible plan in an effort to offer lower premium costs. He stated the proposed increase is \$25 per month for each plan type.

Mayor Hemken inquired of the number of employees that waive the city's insurance. Mr. Johnson reported there were 17 employees last year that had coverage elsewhere and waived coverage. He stated previously those who waived insurance received a cash equivalent of 90% of the city's contribution amount, but it has since changed. He stated in 2010 the 90% calculation exceeded Health Partners' underwriting guidelines, and the cash benefit was reduced to \$490.87. He reported new employees hired after November 1, 2009, are not eligible for a waived benefit.

Council Member Hoffe expressed reservation voting for any increases until the city's LGA for 2011 is received.

Mr. Rich Johnson commented that a 30-day open enrollment period is required for health insurance. He stated the city's health insurance contribution is less than other cities, and there is a \$100,000 contingency in the preliminary 2011 budget that would cover the \$25/month health insurance increase and a 1.25% salary increase. Mr. Johnson noted the savings realized by the city due to recent staffing changes/reductions from 2008-2010 have resulted in \$767,000 savings.

Discussion ensued regarding the need to be competitive with similar sized cities to

retain employees and to reach union contract settlements.

Council Member Stauner expressed support for the \$25 increase in insurance contribution. The city manager was directed to place the item on the September 13 Council Meeting agenda.

City Manager McDonald summarized the direction to proceed with a preliminary tax levy of 2.87%, create a plan for a potential \$640,000 LGA budget gap, and proceed with a \$25/month insurance increase.

Members of the management team and Mr. Steve McDonald were thanked for their attendance.

PRIORITIES MATRIX

Council acknowledged receipt of the priorities matrix distributed by the city manager.

It was agreed to extend the matrix to commissioners for their input.

RECESS

A recess was held at 9:05 p.m., and the meeting resumed at 9:10 p.m.

**POLICE SUCCESSION
PLANNING
Item 11.3**

Mayor Hemken introduced for discussion item 11.3, Discussion regarding police command staff succession planning.

Mr. Kirk McDonald, city manager, stated he along with the director of police and human resources manager would like to discuss the organization structure and succession planning for the police department as this was a topic noted during the Council's strategic planning discussions.

Mr. Gary Link, director of police, reported that he and Captain Rudolph will be retiring in the near future and he is striving for a smooth transition. He spoke of the need to develop the leadership role (ie, leadership, accountability, management) within the department. He stated since 2006 the department has operated with a command structure of one chief and one captain. He stated the department would be best served with two in command positions. He recommended promoting from within and utilizing an assessment center to evaluate the sergeants as candidates.

Mr. Link described the operation of the Northwest Metro Drug Task Force which includes the cities of New Hope, Crystal, Robbinsdale, Golden Valley, St. Louis Park, Hopkins, Plymouth and the Hennepin County Sherriff's Office. He stated it is New Hope's turn to assume the commander role of the DTF but with current staffing New Hope is unable to do so. He stated a second captain would be assigned this responsibility and it would be an excellent learning and experience assignment.

Mr. Link noted the department has been operating adequately over the last four years but a second captain would allow the department to move to a higher level of quality work. He stated greater time should be spent on updating policies, planning, programming, and staying abreast of new issues. He noted since 2003, more time is administered to budget preparation alone. He spoke of the hands on

duties he is handling that could be handled by a second captain.

Council Member Lammle noted the Council supports replacing the fifth sergeant position with a command level position.

Discussion ensued regarding the structure (lieutenant position versus second captain). Council Member Stauner stated a lieutenant would offer a career track for progression. Mayor Hemken emphasized the importance of succession planning and commented that two captains may offer greater flexibility for workloads.

Council requested additional information regarding the assessment center (types of assessments, expectations, and associated costs). Council also questioned the budgetary impact and was advised the financial cost for promoting a sergeant to captain is minimal: salary differential is \$1,366 between a sergeant at top pay and a starting captain for first year; after one year the difference is \$4,757 annually; after two years \$6,504; and there is no scheduled increase for the next eight years. Director Link expressed concern regarding the department's current salary compression. He stated sergeants earn overtime pay.

Mr. Rich Johnson stated the difference between the top scale sergeant wage (non-exempt position) and the top scale captain (exempt position) is 154 hours at the top scale sergeant overtime wage.

Council Member Lammle pointed out that even with two captains New Hope's structure would have less supervisory command staff than Crystal and Golden Valley. Director Link emphasized a major role of the captain is leadership and accountability managing through the sergeants.

Mr. Rich Johnson, human resources manager, expressed support for a second captain. He spoke of the value of promoting from within if possible as history and knowledge has great merit.

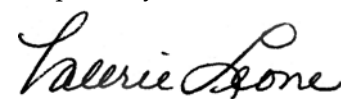
Council Member Lammle suggested moving forward with a second command position after settling next year's union contracts.

Council continued discussion regarding roles of the command positions and the necessity to define specific duties in order to determine the position title. Staff was also directed to determine the costs of the assessment center. Director Link advised that the assessment would likely be based on a combination of resources (ie, assessment center, video testing, law enforcement interviews). It was the general consensus that additional information would be prepared, and the topic would be discussed again at a future work session.

ADJOURNMENT

The meeting was adjourned at 10:05 p.m. as there was no further business to come before the Council at its work session.

Respectfully submitted,



Valerie Leone, City Clerk

