

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

City Council Minutes
Work Session Meeting

November 21, 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
Jim Corbett, Recreation Facilities Manager
Tim Fournier, Director of Police
Curtis Jacobsen, Director of Community Development
Guy Johnson, Director of Public Works
Rich Johnson, Human Resources Manager
Valerie Leone, City Clerk
Eve Lomaistro, Human Resources Coordinator
Susan Rader, Director of Parks & Recreation
Cheryl Skalsky, IT Coordinator
Steve Sondrall, City Attorney
Eric Weiss, Community Development Assistant

Also present: Scott Crandall, West Metro Fire-Rescue District
Steve McDonald, Abdo, Eick & Meyers LLC

**ADVERTISING
AGREEMENT
Item 11.1**

Mayor Hemken introduced for discussion item 11.1, Discussion regarding New Hope Ice Arena Sale of Advertising Agreement with the Armstrong Cooper Youth Hockey Association.

Mayor Hemken announced Item 11.1 would be postponed until arrival of the ACYHA representatives.

**PERSONNEL BOARD
Item 11.2**

Mayor Hemken introduced for discussion item 11.2, Dialogue between City Council and Personnel Board.

Mr. Rich Johnson, human resources manager, acknowledged the presence of two of the three members of the Personnel Board: Jim Hill and Mary Arnold. He stated the Personnel Board's last dialogue with the City Council was in June of 2010. Mr. Johnson reported on the Personnel Board's involvement with the compensation study as well as many recruitments. He thanked the board members for their dedication and service.

Mayor Hemken asked the board members to comment on their experience serving on the Personnel Board.

Mr. Hill and Ms. Arnold noted it allows them to use their professional skills and abilities in a different environment, and it is a way to give back to the community.

Council Member Stauner asked the members whether there are any issues they care to make the Council aware of or anything that may require long-range planning. Mr. Hill initiated discussion regarding the compensation study at which time Item 11.3 was introduced.

**COMPENSATION STUDY
Item 11.3**

Mayor Hemken introduced for discussion item 11.3, Discussion regarding Implementation Plans for the 2010 Classification and Compensation Study.

Mr. Rich Johnson, human resources manager, stated the study was authorized by Council on August 23, 2010, and the findings of the study were presented to Council at the August 15, 2011, work session by Ann Antonsen of Springsted, Inc. He stated that the Council requested staff to develop options to implement the findings of the study.

Mr. Johnson reported that employee meetings have been held to explain the compensation study findings.

Mr. Johnson stated the plan will ensure the city's compensation system is competitive and will position the city to attract and retain qualified, dedicated employees.

Mr. Johnson reviewed three implementation options contained in the final report:

- Option 1 – move employees who are below the proposed range to the first step of the proposed range
- Option 2 – same as Option 1 and place employees on the proposed schedule at the step closest to their current wage, without any employee's wage being decreased.
- Option 3- move employees onto the proposed wage schedule based on their years of service to the city.

Mr. Johnson recommended implementation of a plan resembling Option 2 which is the "mid-range" plan. He stated the cost is \$57,123 for 2012 and an additional \$33,956 in 2013. He stated the cost includes wages as well as benefits (PERA, FICA, workers' compensation insurance, and leave accrual costs) for all non-union employees. He stated the amount does not include adjustments for unionized employees as labor negotiations are underway.

He stated the Personnel Board supports implementation of the compensation plan with the exception of the city manager position. He stated the Personnel Board believes the city manager position should be range based dependent on the marketplace and the city manager's performance rather than a step system.

Council discussed the need to ensure that the city manager's pay remained higher than department heads and that it complies with the statutory cap (set by governor's salary).

Council questioned union negotiation details, and Mr. Johnson explained that he would prefer to share the information in a future closed session.

Mr. Johnson noted recent internal promotions which resulted in moving qualified people into positions. He noted many of the vacancies may not have attracted qualified external applicants due to the city's current pay scale. The high cost to train new employees was acknowledged.

Mayor Hemken polled the Council regarding their position on implementing Option 2. Council Members Lammler and Elder expressed support; Council Member Stauner noted the uncertainties faced by the city due to the possible dissolution of the fire district and recommended implementing Option 1 now and considering Option 2 at a later date; Council Member Hoffe supported Option 1. Mayor Hemken announced her support for Option 2.

Staff was directed to remove the city manager from the plan and to place the matter on the November 28 agenda.

The City Council thanked the Personnel Board for their attendance.

**TELEPHONE SYSTEM
Item 11.4**

Mayor Hemken introduced for discussion item 11.4, Update regarding telephone system replacement for city facilities.

Mr. Kirk McDonald, city manager, introduced IT Coordinator Cheryl Skalsky. He stated she is leading the project but Rich Johnson and Valerie Leone are also present and both served on the committee.

Mr. McDonald provided history of the city's current phone system which is a PBX-based NEC system that was purchased in 2002. He stated the 10-year old system will not be supported after 2012 and staff has been exploring IP telephony system options (voice over Internet protocol). He stated new telephone systems use fiber optic network to transport voice. Mr. McDonald indicated the city's current phone system provider is Matrix Communications. He stated the city researched options offered by Matrix as well as LOGIS, and both vendors offer systems through the state purchasing program. He stated staff is recommending proceeding with the system offered by LOGIS even though the upfront cost is slightly more expensive. He stated LOGIS offers 24/7 support and disaster recovery.

Ms. Cheryl Skalsky, IT Coordinator, explained that the city's current telephones have unique cabling. She stated the same cable used for computers would support the phones with an IP solution. She briefly reviewed the differences between the systems offered by Matrix and LOGIS. She stated the speed offered through LOGIS is in line with today's networking standards. She commented on the redundancy gained by

utilizing LOGIS.

Council concurred with the long-term benefits of proceeding with the Cisco system offered through LOGIS.

Staff was directed to place the item on the November 28 Council Meeting agenda.

ACTIVITIES AND PROGRAMS

Item 11.5

Mayor Hemken introduced for discussion item 11.5, update to the council on current development activities and programs.

Mr. Curtis Jacobsen, director of community development; and Eric Weiss, community development assistant, were recognized.

Mr. Curtis Jacobsen updated Council regarding the property at 6113 West Broadway. He stated the county has adjusted the purchase price to \$10,238. He stated staff has obtained information from Moss and Barnett regarding the risk assessment on the acquisition of the property. He stated in addition to the purchase price, there would be costs for demolition, removal of the canopy and island. He pointed out if contamination is discovered when the gasoline tanks are removed, it would be considered a new spill and be eligible for 90% petro fund reimbursement for cleanup costs. He commented on the probability that the only way the site will be redeveloped is if the city purchases it and takes the lead. Council discussed the next step and directed the city attorney to develop a purchase agreement for review.

Mr. Jacobsen reported on the status of the Kmart property at 4300 Xylon Avenue North. He spoke regarding Kmart's right to exercise their option by December 31. Council Member Stauner noted the property is worth pursuing regardless of Kmart's lease status.

Discussion ensued regarding negotiating lease terms with Kmart. Council expressed its continued interest in the property. Mr. Kirk McDonald, city manager, reported that Council previously directed staff to prepare a purchase agreement.

Mr. Jacobsen commented regarding the property at 4200 Xylon Avenue North. He stated he has not been able to connect with the listing agent, TaTonka Agency. Council Member Elder volunteered to stop by the office in person.

Next Mr. Jacobsen spoke regarding 7940 55th Avenue. He stated he had a productive conversation with Paul Donovan from NorthMarq Real Estate Advisors. He stated they may be willing to accept an option to be exercised after the building is vacated. He stated the entire 16-acre site is worth approximately \$1.6 million.

Mayor Hemken recommended making an option to buy as it would tie up the property. Mr. Jacobsen stated the school is planning to use the facility through late August 2012 or longer.

Council Member Stauner agreed that an option to purchase is a means to gain control and the right to purchase without using funds.

The city attorney was directed to draft an option agreement.

Mr. Jacobsen stated there have been no new discussions regarding 5551 Louisiana.

Regarding the 8400 Bass Lake Road property, Mr. Jacobsen advised that staff is proposing to present RFPs to the December 12 Council Meeting. He noted the RFP/RFQ would be similar to the previous version.

Mr. Jacobsen reported that the Center for Energy and Environment (CEE) has been notified of the city's decision and staff will be working with them on possible additional programs for use specifically in New Hope. He noted the Housing Resource Center has been notified of the city's decision regarding its change in programs.

Mr. Jacobsen stated the city was notified that the application with Golden Valley for the Open for Business Program has been funded. He stated the first planning meeting is scheduled for December 5.

**ADVERTISING
AGREEMENT
Item 11.1**

Representatives of ACYHA arrived. Mayor Hemken introduced for discussion item 11.1, Discussion regarding New Hope Ice Arena Sale of Advertising Agreement with the Armstrong Cooper Youth Hockey Association.

Mayor Hemken stated the advertising agreement was tabled at the November 14 Council Meeting at which time Council requested reassurance of ad sales.

Ms. Susan Rader, director of parks and recreation was recognized. She introduced ACYHA members: Kevin Conway, Dave Parenteau and Jill Byrnes.

Ms. Rader shared financial information regarding arena advertising revenue:

- \$8,853 – city contracts
- \$4,993 – hockey agreement
- \$900 – sports display
- \$3,850 - Carlson Sports Marketing

Ms. Rader explained that the strong board of directors has a renewed interest in fundraising.

Ms. Jill Byrnes presented a draft marketing brochure. She noted the need to regenerate interest in the ice arena and focus on the arena's capital improvements. She explained that marketing requires persistence.

Discussion ensued regarding Carlson Sports Marketing and whether there is

an interest in renewing the agreement. Mr. Jim Corbett, recreation facilities manager, commented on the lack of communication with CSM and the city. It was recommended that a contract not be renewed with CSM.

Ms. Rader explained the terms of the agreement including a 50/50 revenue split, the term is through December 31, 2014, and the association would be required to work closely with arena staff regarding ad placement.

Council expressed support for the proposed brochure and that it will reach a large audience.

Mr. Dave Parenteau commented on the need for a strategic plan for the association that assists subsequent boards to continue positive efforts. Council Member Stauner expressed support for a strategic plan and encouraged the city to remain a strategic plan partner with ACYHA.

Mayor Hemken encouraged ACYHA and city staff to publicize through the Sun Post when the association donates equipment to the arena (ie new televisions, smart board, etc). Ms. Jill Byrnes indicated contributions can be reported at monthly meetings.

Council thanked the members of the ACYHA for their attendance.

**LIQUOR RESERVE FUND
Item 11.6**

Mayor Hemken introduced for discussion item 11.6, Discussion regarding transferring proceeds of Liquor Reserve Fund to comply with GASB 54.

Mr. Kirk McDonald, city manager, reported on the Liquor Reserve Fund that was last discussed at the October 3 work session.

Mr. Steve McDonald, AEM, stated to comply with GASB 54 it is necessary to transfer the proceeds of the Liquor Reserve Fund prior to year-end. He stated the past identified fund was pool and ice arena. He noted Council has discretion to change the commitment at any time.

Council Member Stauner noted he had previous concerns regarding the sewer and water fund deficits, but the funds have since been addressed. He recommended the liquor reserve fund be considered to sustain golf course operations. Council Member Stauner pointed out the recent events regarding possible dissolution of the fire district and the need to consider establishing a fund for transition costs.

Council directed staff to prepare a resolution for consideration at the November 28 Council Meeting to transfer \$325,000 from the Liquor Reserve Fund to the Ice Arena and transfer the balance of \$338,720 to a newly established "Fire Capital Fund" designated for potential future fire department capital needs with the understanding the funds may be redesignated in the future for golf course and/or swimming pool capital needs.

**FIVE-YEAR PLAN
Item 11.7**

Mayor Hemken introduced for discussion item 11.7, Review updated draft five-year financial plan with AEM.

Prior to considering the five-year plan, Mr. Kirk McDonald, city manager, reported on a recent finding by Ehlers regarding additional refunding opportunities with bonds that could save a total of \$140,000 in interest with refunding GO TIF bonds series 2004 and taxable G.O. TIF bonds series 2005A.

Mr. Steve McDonald expressed support for pursuing the refunding opportunities. The City Council concurred and directed staff to place a resolution on the November 28 Council Meeting agenda.

Mr. Steve McDonald, AEM, stated AEM has prepared a long-term plan for the city which is intended to give a big picture view of the current status as well as five years out. He stated the following assumptions were used:

- 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 general fund tax levy increase is limited to 3 percent.
- The only planned debt is for a portion of the arena improvements in 2012.
- Other projects are assumed to be paid with current resources or interfund borrowing.
- The TIF districts are assumed to end as scheduled in the TIF plans.

Mr. Steve McDonald offered the following highlights:

- The General Fund maintains an adequate reserve throughout the life of the projects. Even though the ending balance is adequate, the overall balance is decreasing each year in the projection.
- The street infrastructure 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 water fund is showing a deficit due to financing future projects on a pay-as-you-go basis.
- The city's long term debt is low compared with the 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 or more than half. The \$2.8 million is still substantial but the average decrease each year is approximately \$580,000.

Mr. McDonald stated the exercise supports the assertion that the overall financial health of the city is strong.

Mr. McDonald reviewed cash balance funds from 2008-2016 to illustrate trends. He noted the HRA Construction fund decreased from \$4.8 million (2011) to \$347,431 (2012). He also pointed out changes within Central Garage and the Water Fund.

Council Member Stauner questioned the impact with potential creation of new TIF Districts.

Mr. Steve McDonald noted there are a few TIF Districts expiring in the next couple of years and the city will gain tax. He noted there are adequate reserves to cover any planned costs.

AUDIT PROPOSALS
Item 11.8

Mayor Hemken introduced for discussion item 11.8, Discussion regarding audit proposals.

Mr. Steve McDonald, AEM, reported the city received four responses as a result of the recent RFP for professional auditing services: HLB Tautges Redpath, Ltd; Kern, Dewenter, Viere, Ltd; Larson Allen LLP; and Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR). He stated the bids were very competitive across the board. He stated although Larson Allen was the lowest proposal for the three year period, he recommended continuing with the city's current auditor, MMKR. He stated the cost difference is negligible and changing audit firms would result in increased staff time.

Council discussed the fees. Council expressed support for continuing with MMKR and directed Mr. Steve McDonald to inquire whether MMKR would reduce their bid for audit services.

PAYMENT FOR EDA
MEETINGS
Item 11.9

Mayor Hemken introduced for discussion item 11.9, Discussion regarding compensation for attendance of Economic Development Authority meetings.

Council discussed whether to continue receiving an additional \$25 in pay for EDA meetings. Council reviewed salaries of other metro cities and payment for special meetings.

City Manager McDonald noted an ordinance change would be necessary if Council desires to amend city code 2-50. City Clerk Leone commented that the EDA pay during the past few years has been relatively small.

Council agreed to leave the ordinance as is.

GOOD CITIZENSHIP
Item 11.10

Mayor Hemken introduced for discussion item 11.10, Consideration of Good Citizenship nomination.

Mayor Hemken acknowledged receipt of nominations for Charlotte Randolph, Paj Lor, and Joel Vodis. A question arose regarding residency requirements and Council agreed that anyone performing "good citizenship" within the city of New Hope is eligible for the award.

Council agreed to present awards to all three individuals. Staff was directed to invited them to the November 28 Council Meeting.

WMFR

Mayor Hemken introduced for discussion item 11.11, Discussion regarding

Item 11.11

West Metro Fire-Rescue District.

Mr. Kirk McDonald, city manager, initiated discussion regarding a letter dated November 15, 2011, regarding Crystal's intent to withdraw from West Metro effective December 31, 2012.

Mr. McDonald stated a strategic planning session was scheduled between the two councils for November 30. He stated Chad Weinstein, Ethical Leaders in Action, LLC, was scheduled to lead the strategic planning session and has since been asked to facilitate the meeting to discuss the future of West Metro Fire-Rescue District. He distributed a draft agenda, and noted the proposed cost of \$2,000.

Council agreed upon the importance of meeting with Crystal to discuss the future of the joint fire service.

ADJOURNMENT

The meeting was adjourned at 9:10 p.m. as there was no further business to come before the Council at its work session.

Respectfully submitted,



Valerie Leone
City Clerk