

## UNAPPROVED

### COON RAPIDS CITY COUNCIL MEETING MINUTES OF APRIL 17, 2012

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#### OPEN MIC/PUBLIC COMMENT

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Alan Williams, 10744 Yellow Pine Street NW, requested Council consider a change to the water restoration procedure. He stated in order to complete work for plumbing, electrical, and other permits operational water is needed. He said during remodeling work water is needed to test plumbing. Mr. Williams said he raised this issue 10 months ago and asked for Council consideration again, or if nothing else reduce City taxes by 1/12 due to the water supply.

Councilmember Schulte noted the City does have a waiver process in place for situations such as this in many cases.

Scott Nellis, 10320 Grouse Street NW, questioned the City's response to his last Open Mic appearance. He said only one of his questions from Open Mic was answered and asked why the City is refusing to respond to the other questions. He said he believed his keeping of snakes should be grandfathered in as an allowed use. Mr. Nellis asked for information on how the current ordinance changed. He said ex post facto law applies to both commercial and residential uses and stated he felt the City was demonstrating malfeasance and discrimination.

#### CALL TO ORDER

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The second regular meeting of the Coon Rapids City Council for the month of April was called to order by Mayor Tim Howe at 7:00 p.m. on Tuesday, April 17, 2012, in the Council Chambers.

#### PLEDGE OF ALLEGIANCE TO THE FLAG

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Mayor Howe led the Council in the Pledge of Allegiance.

#### ROLL CALL

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Members Present: Mayor Tim Howe, Councilmembers Denise Klint, Melissa Larson, Paul Johnson, Jerry Koch, Bruce Sanders and Scott Schulte

Members Absent: None

#### ADOPT AGENDA

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MOTION BY COUNCILMEMBER KOCH, SECONDED BY COUNCILMEMBER SANDERS, TO ADOPT THE AGENDA AS CORRECTED, ADDING APPROVAL OF MINUTES. THE

MOTION PASSED UNANIMOUSLY.

APPROVAL OF MINUTES OF PREVIOUS MEETINGS

APRIL 3, 2012, COUNCIL MEETING

APRIL 10, 2012, LOCAL BOARD OF APPEAL AND EQUALIZATION

Councilmember Schulte requested a change on Page 13, stating his comment should read he expressed concern with the total fleet fuel amounts.

Mayor Howe requested a change to Page 6, stating his comment referred to the assessing process not the street reconstruction process.

Mayor Howe discussed the content of the previous minutes stating several of his comments were brief and should have been further elaborated. City Manager Fulton indicated these concerns would be passed along to the recording secretary.

MOTION BY COUNCILMEMBER SANDERS, SECONDED BY COUNCILMEMBER KOCH, FOR APPROVAL OF THE MINUTES OF THE APRIL 3, 2012, COUNCIL MEETING, AS AMENDED. THE MOTION PASSED UNANIMOUSLY.

MOTION BY COUNCILMEMBER SCHULTE, SECONDED BY COUNCILMEMBER KLINT, FOR APPROVAL OF THE MINUTES OF THE APRIL 10, 2012, LOCAL BOARD OF APPEAL AND EQUALIZATION MEETING. THE MOTION PASSED UNANIMOUSLY.

CONSENT AGENDA/INFORMATIONAL BUSINESS

1. CONSIDER RESOLUTION 12-54 APPROVING AN AMENDMENT TO THE MINNESOTA INVESTMENT FUND GRANT AGREEMENT FOR BIOVEST INTERNATIONAL, INC.
2. APPROVE CLASS A OFF-SALE LIQUOR LICENSE FOR TL COON RAPIDS, INC. D/B/A/ TEEM LIQUOR WINE & SPIRITS, 1921 COON RAPIDS BOULEVARD

Councilmember Schulte expressed concern with the manner in which the resolution was drafted which stated Biovest had not met the job goal of March 31, 2012. He said it was his understanding that Biovest had until March 31, 2013 to complete the job and he questioned how this issue arose. Community Development Director Nevinski explained there was a typographical error in the original documentation and should not have been noted as 2012. He said the proposed resolution references the agreement with Biovest establishing an extension. He said the City understands that Biovest was well on track and moving ahead with their plans.

MOTION BY COUNCILMEMBER SCHULTE, SECONDED BY COUNCILMEMBER SANDERS, FOR APPROVAL OF THE CONSENT AGENDA AS PRESENTED.

Councilmember Sanders said he understood the reference to the typographical error and said he was pleased this resolution would resolve the issue.

Councilmember Johnson questioned if the resolution could be redrafted to more clearly state that a typographical error had been made and that this had no reflection on Biovest.

Community Development Director Nevinski stated while he understood the intent with regard to Biovest the typographical issue was being addressed in this manner in order to meet the State's concerns and the proposed resolution would allow for the date to be corrected.

THE MOTION PASSED UNANIMOUSLY.

#### REPORTS ON PREVIOUS OPEN MIC

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#### 3.      OPEN MIC REPORT – SCOTT NELLIS – 10320 GROUSE STREET NW

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Mayor Howe presented a memorandum from staff to Council stating Mr. Nellis appeared before Council at Open Mic on April 3, 2012 with a list of questions and stated objections regarding the City's non-domestic animal code, Chapter 6-502.

Mr. Nellis has received orders from the City to remove snakes from his property, which he breeds and sells, and which is prohibited for keeping by City Code. Mr. Nellis has also submitted several data practices requests covering many of the same questions he posed at open mic. Staff has provided Mr. Nellis with the requested data. However, because the City is currently pursuing code compliance actions against Mr. Nellis, it would be inappropriate to respond to his questions and objections at this time.

Since Mr. Nellis appealed the order to Council to remove his snakes from his premises, staff has met with Mr. Nellis at his home and offered a proposal to achieve code compliance in a mutually agreed upon time frame. Mr. Nellis has refused the proposal. Staff therefore will pursue code compliance through the processes prescribed in City Code.

Councilmember Koch asked how Mr. Nellis was to bring his property into compliance and how the City found it inappropriate to respond to his questions while pursuing code compliance issues. Interim City Attorney Brodie explained Mr. Nellis does have an outstanding administrative citation and the City has responded to some of his questions. He said this is an ongoing issue and the City has been very open with Mr. Nellis regarding the process, however, the City has been unable to reach a mutually agreeable solution with Mr. Nellis regarding the prohibited snakes in his home. Mr. Brodie explained the administrative process would have to be held to address this issue. He indicated the City was not trying to be uncooperative with Mr. Nellis but was simply following the administrative process.

Councilmember Koch questioned why the City passed further snake regulations, City Code 6-5012,

regarding boa constrictors. Interim City Attorney Brodie indicated the City's previous code was not specific. He said the City chose to prohibit more dangerous snakes and was completed in response to the City becoming a more urban setting.

Councilmember Klint discussed the exceptions referred to by Mr. Nellis. She explained that a number of people from the public made statements regarding the City Code amendment and were granted exceptions. However, Mr. Nellis did not come before the City with this request.

4.      **OPEN MIC REPORT – JOSEPH MICHNOWSKI – 11514 EIDELWEISS STREET NW –  
RE: CONDITION OF STREETS**

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Mayor Howe presented a memorandum from staff to Council stating Mr. Michnowski spoke at Open Mic on April 3rd regarding the condition of streets in his neighborhood and the need for reconstruction. He felt that streets in his neighborhood are in need of reconstruction. Some streets were completed last year and he felt that the City would continue with his area in 2012.

Streets west of Crooked Lake Boulevard and south of the railroad tracks were evaluated by the City Engineering Division in the fall of 2010. Some areas were chosen for reconstruction in 2011 based on the condition of the street surface and some were determined to be in "reasonable" condition for possibly a few years. Streets in Pheasant Ridge and to the east were completed in 2011. Edelweiss Street and other streets north of 115th Avenue were not included. The street condition in front of one home can be poor and not as bad in front of another home on the same block. A rating decision has to be made on the overall condition of the streets in an area.

The City Engineering Division will be rating all older streets within the City again this summer and will update the 5-year street reconstruction plan. This Edelweiss Street neighborhood will be compared to others and a decision made on what streets will be proposed for reconstruction in 2013 and beyond.

Mayor Howe questioned why Mr. Michnowski's roadway was not completed with last years' street improvement project. City Engineer Vierzba explained that in his judgment there were several quadrants in this neighborhood that had several years of life left in their pavement and that this was one of those areas.

**BID OPENINGS AND CONTRACT AWARDS**

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5.      **CONSIDER ACCEPTING BID AND AWARDING CONTRACT FOR STREET REPAIRS,  
LARGE BITUMINOUS PATCHING AND MILL/OVERLAY, PROJECT 12-13**

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City Engineer Vierzba presented a memorandum to the Council stating each year the City contracts for repair of streets throughout the City, primarily in the seal coat areas and watermain break areas.

Bids for 2012 were received on March 30, 2012. Council is scheduled to consider a contract award on April 17th.

Council approved plans for this contract on March 6, 2012. Large patching repairs include patching needed, primarily due to watermain breaks. This year’s contract is proposed to include milling and overlay of the street surface on Coon Rapids Boulevard Extension, located off Coon Rapids Boulevard and near 99th Avenue. This street was built as a rural section over poor soils (without concrete curb in most portions of the road) and has a concrete surface under the bituminous surfacing. It is not practical to rebuild the street with concrete curb and gutter. Therefore, this road has been overlaid with bituminous surfacing in the past and is due for another mill/overlay. Bids received on March 30th are as follows—

Rum River Contracting	\$214,500.00
Omman Bros.	\$222,949.40
Northwest Asphalt, Inc.	\$237,030.00
North Metro Asphalt	\$238,422.00
North Valley, Inc.	\$240,405.00
Bituminous Roadways	\$247,778.00
Aslaksons Blacktopping Service	\$250,997.00
TA Schifsky & Sons	\$288,190.00
Engineer's Estimate	\$243,340.00

The low bidder, Rum River Contracting, has done a very good job on contracts with the City in the past. They had this contract with the City last year. Work would be expected to begin by early May.

**MOTION BY COUNCILMEMBER SCHULTE, SECONDED BY COUNCILMEMBER JOHNSON, TO ADOPT RESOLUTION NO. 12-13(9) AWARDED A CONTRACT TO RUM RIVER CONTRACTING IN THE AMOUNT OF \$214,500.00.**

Mayor Howe said he was pleased the contract price came in lower than the engineer’s estimate.

**THE MOTION PASSED UNANIMOUSLY.**

6.      **CONSIDER RESOLUTION ACCEPTING BID AND AWARDED CONTRACT FOR CONSTRUCTION OF VEHICLE STORAGE FACILITY AT CITY HALL, PROJECT 11-28**

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Public Services Director Gatlin presented a memorandum to Council stating bids were received for the new vehicle storage building at City Hall on April 5, 2012. Consideration by the City Council for

award of bids is appropriate at this time.

In accordance with plans recently approved by City Council, bids were received for the new City Hall vehicle storage garage on April 5, 2012. The project included construction of a 20,000 SF new detached heated storage garage for City vehicles currently parked outdoors. The bid also included two alternates - one for an additional parking area and the second for an upgrade to a Co Ray Vac heating system. The bid proposal also contained a unit price for additional asphalt pavement removal and replacement to allow possible repair of portions of the existing parking lot.

The three low bidders are listed as follows:

Bidder	Base Bid	Alt. #1	Alt. #2	Total Bid
Ebert Construction	\$1,448,200	\$13,500	\$9,078	\$1,470,972
Jorgenson Construction	\$1,498,000	\$26,000	\$4,300	\$1,528,300
Rochon Corporation	\$1,507,000	\$22,500	\$4,500	\$1,534,000

The architect's estimate for the project is \$2,023,310 including the two alternates.

As required by State Statute, after the bids were opened, staff and the architect investigated the three low bidders. The investigation included review of required submittals and other information to help evaluate each of the bidders.

The specifications required that each bidder submit a list of similar projects completed within the last three years. The low bidder, Ebert Construction, did not comply with this requirement as outlined in Addendum #3 of the project specifications. Following the opening of bids, the architect contacted Ebert Construction and advised them of their noncompliance. They then submitted a list of references but none were for projects completed within the last three years. The project list submitted did not comply with the specification requirement for projects that were completed within the last three years.

In reviewing the bids with the City Attorney's Office, we have determined that the bid received from Ebert Construction is non-responsive to the bid documents in that their bid did not comply with the specification requirement of provision of project references. The lack of this list does not allow us to review recently completed projects to determine the bidder's ability to complete our project adequately. For this reason the staff recommends that the bid from Ebert Construction be rejected and the contract awarded to the second low bidder, Jorgenson Construction.

A letter from the project architect, Kodet Architects, was submitted to the City. In the letter the architect notes they have contacted Jorgenson Construction and validated their bid and also completed reference checks on Jorgenson Construction. Jorgenson complied with all requirements of the specifications. It is recommended by the architect that the contract be awarded to Jorgenson Construction.

Staff concurs with the recommendation of the architect in awarding the contract to Jorgenson. We recommend that the base bid and the two alternates be awarded in the total amount of \$1,528,300. The base bid, plus alternates, is \$495,000 or approximately 25% below the estimate prepared by the architect.

**MOTION BY COUNCILMEMBER LARSON, SECONDED BY COUNCILMEMBER SANDERS, TO ADOPT RESOLUTION NO. 11-28(9) AWARDED A CONTRACT FOR CONSTRUCTION OF A NEW HEATED VEHICLE STORAGE FACILITY AT CITY HALL TO JORGENSON CONSTRUCTION IN THE BASE BID AMOUNT OF \$1,498,000, ALTERNATE #1 IN THE AMOUNT OF \$26, 000, AND ALTERNATE #2 IN THE AMOUNT OF \$4,300 FOR A TOTAL AWARDED CONTRACT AMOUNT OF \$1,528,300.**

Councilmember Schulte asked if there was a bid alternate for concrete block construction versus tip up panels. Public Services Director Gatlin stated this was an option to provide the comparison between masonry construction to tip up panels. After discussions with the architect, the masonry construction became more expensive due to the fact the roof height was 18 feet. In addition, the high ground water table was another concern with the masonry block.

Mayor Howe requested further information on how the low bids were chosen for the base bid, alternate #1 and alternate #2. Public Services Director Gatlin indicated the City received 17 competitive bids on April 5<sup>th</sup>. All bids were well below the architects estimate. The three low bidders were reviewed for compliance with the specification requirements. He stated after further review, Ebert Construction had not submitted a list of references with their bid documents. For that reason, Jorgenson Construction was selected for the contract as their bid met all specification requirements.

Brad Averill, Ebert Construction, addressed the Council stating he missed a line on Addendum #3 and failed to submit a list of references. Mr. Averill stated after receiving notification from the architect, an office secretary submitted a list of references not understanding these needed to be from the past three years. This error has been corrected and a more comprehensive list was submitted to the City.

Mr. Averill commented Ebert Construction was \$57,000 below the architects estimate. He understood the original submission did not meet the proper specifications but questioned if this could be deemed a bid irregularity. He explained his company had completed 108 successful projects in the metro area in the past three years. He felt the references were a minor issue when considering the overall bid documents.

Mr. Averill requested the Council consider this a minor bid irregularity and award the contract to Ebert Construction.

Councilmember Johnson expressed concern with how the reference request was still not properly handled after the verbal request was made by the City's architect.

Mr. Averill stated there was a miscommunication between the Ebert Construction project manager and the secretary as he did not clarify the three-year time period for the references.

Councilmember Johnson said he was not willing to delay the construction project given the fact the City made an attempt to request the proper information from Ebert Construction.

Councilmember Sanders said he was comfortable with moving forward with the project as recommended by staff. He said he did not want to see the Council set precedence by making exceptions at this time.

Mayor Howe said he understood that Ebert Construction has completed great work in the community. He stated two major errors were made on Ebert's behalf and the City would be moving forward with staff's recommendation.

THE MOTION PASSED UNANIMOUSLY.

#### NEW BUSINESS

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7. STREET RECONSTRUCTION, COLLECTOR STREETS, PROJECT 12-2:
    - A. CONSIDER RESOLUTION APPROVING PLANS AND ORDERING ADVERTISEMENT FOR BIDS
    - B. CONSIDER RESOLUTION 12-55 RELATING TO PARKING RESTRICTIONS ON 124<sup>TH</sup> AVENUE NW
    - C. CONSIDER RESOLUTION 12-56 RELATING TO PARKING RESTRICTIONS ON NORTHDALÉ BOULEVARD
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City Engineer Vierzba presented a memorandum to Council stating the City is proposing street reconstruction on three collector streets in 2012 under this project. Council ordered the project on April 3rd. Council is requested to approve plans and order advertisement for bids. Council is also requested to adopt two resolutions restricting parking on two of the streets as required by MnDOT.

There are 2.2 miles of streets proposed for reconstruction under this project as follows:

1. 119th Avenue --Blackfoot Street to Jonquil Street
2. Northdale Boulevard --west of Crooked Lake Boulevard to 124th Avenue
3. 124th Avenue --west of Northdale Boulevard, a 600-foot length

Council held the public hearing/assessment hearing on March 20th. No one spoke at the public hearing. Plans have been prepared and have been approved by MnDOT as required for State Aid funding. MnDOT's approval requires that Council adopt resolutions restricting parking on Northdale Boulevard and on 124th Avenue. Parking has never been allowed on these two streets so this will not affect anyone. Bids would be received on May 11th and Council would award a contract on May 15th. Construction would be expected to begin by late-May and be completed in September.

MOTION BY COUNCILMEMBER SCHULTE, SECONDED BY COUNCILMEMBER JOHNSON, TO ADOPT RESOLUTION NO. 12-2(8) APPROVING PLANS AND ORDERING AD FOR BIDS; ADOPT RESOLUTION 12-55 RESTRICTING PARKING ON BOTH SIDES OF 124TH AVENUE NW; AND ADOPT RESOLUTION 12-56 RESTRICTING PARKING ON BOTH SIDES OF NORTHDALÉ BOULEVARD. THE MOTION PASSED UNANIMOUSLY.

8. STREET RECONSTRUCTION, COLLECTOR STREETS, PROJECT 12-3:
    - A. CONSIDER RESOLUTION APPROVING PLANS AND ORDERING ADVERTISEMENT FOR BIDS
    - B. CONSIDER RESOLUTION 12-57 RELATING TO PARKING RESTRICTIONS ON 99<sup>TH</sup> AVENUE NW
    - C. CONSIDER RESOLUTION 12-58 RELATING TO PARKING RESTRICTIONS ON HANSON BOULEVARD
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City Engineer Vierzba presented a memorandum to Council stating the City is proposing street reconstruction on five collector streets in 2012 under this project. Council ordered the project on April 3rd. Council is requested to approve plans and order advertisement for bids. Council is also requested to adopt two resolutions restricting parking on two of the streets as required by MnDOT.

There are 2.0 miles of streets proposed for reconstruction under this project as follows:

1. Hanson Boulevard –south of Mississippi Boulevard to 99th Avenue
2. 99th Avenue --east of Hanson Boulevard to Egret Boulevard
3. Egret Boulevard –north of 99th Avenue to frontage road
4. 99th Avenue --west of Foley Boulevard to Coon Rapids Boulevard Extension
5. Springbrook Drive –south of Holly Street, (a length of 0.21 mile)

Council held the public hearing/assessment hearing on March 20, 2012. One person spoke at the hearing regarding traffic/parking on Egret Boulevard. No one objected to the project. John VonDeLinde, Anoka County Parks, was contacted regarding the proposed work on Egret Boulevard, the main entrance road to the CR Dam Regional Park. Mr. VonDeLinde was glad to see that this project is proceeding this year and had no problems with timetable as long as the road was open to traffic. It should be noted that no road work will be allowed on weekends or holidays when the Park is heavily used.

Plans have been prepared and have been approved by MnDOT as required for State Aid funding. MnDOT's approval requires that Council adopt resolutions restricting parking on one side of 99th Avenue, east of Hanson Boulevard, and on one side of Hanson Boulevard south of Mississippi Boulevard. Therefore, it is proposed to restrict parking on the north side of 99th Avenue, which is already signed for no parking, except the most westerly block. It is proposed to restrict parking on the east side of Hanson Boulevard, which will be a new restriction. Vehicles are seldom parked on this street so this should not be a problem for residents.

Bids would be received on May 11th and Council would award a contract on May 15th. Construction

would be expected to begin in late-May and be completed in September.

**MOTION BY COUNCILMEMBER SANDERS, SECONDED BY COUNCILMEMBER LARSON, TO ADOPT RESOLUTION NO. 12-3(8) APPROVING PLANS AND ORDERING AD FOR BIDS; ADOPT RESOLUTION 12-57 RESTRICTING PARKING ON THE NORTH SIDE OF 99<sup>TH</sup> AVENUE; AND ADOPT RESOLUTION 12-58 RESTRICTING PARKING ON THE EAST SIDE OF HANSON BOULEVARD.**

Councilmember Koch requested if a public hearing had to be held to limit parking along 99<sup>th</sup> Avenue. City Engineer Vierzba stated the north side of 99<sup>th</sup> Avenue already had restricted parking. He said he did not anticipate any concerns with the neighbors as there were rarely cars parking on this roadway.

Councilmember Sanders clarified that the parking restrictions were required for State Aid streets.

THE MOTION PASSED UNANIMOUSLY.

**9.      CONSIDER RESOLUTION 12-60 ESTABLISHING WATER RATES**

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Finance Director Legg presented a memorandum to Council stating staff is recommending that water rates be increased.

The Water Fund is a self-supporting fund whereas water revenues pay for water related expenses and no taxes are levied for the operation. The Fund had fairly significant losses in the past few years. The Revenue and Expense Statement shows, the Fund lost nearly 1 million dollars in 2010 and another \$500,000 in 2011. This is largely due to the decreased amount of usage.

The following shows how much water has been pumped over the past few years. And, the first quarter of 2012 shows another reduction of 13 percent less than the first quarter of 2011.

	<b>Pumping</b>	<b>%</b>	<b>Water Sales</b>	<b>%</b>
2006	3,347 million gallons		\$4,950,619	
2007	3,268 million gallons	(2.4)	\$4,820,631	(2.6)
2008	2,969 million gallons	(9.1)	\$4,612,562	(4.3)
2009	3,059 million gallons	3.0	\$4,978,702	7.9
2010	2,878 million gallons	(5.9)	\$4,649,373	(6.6)
2011	2,761 million gallons	(4.1)	\$4,877,657	4.9

Although operating expenses did go down from 2010 to 2011 by about \$200,000, many of the costs are fixed. Building towers and adding capacity was driven by demand, but now that the infrastructure has been built, the annual cost is fixed. About 42 percent of the 2012 budget is for water system capital improvements including depreciation and interest on debt issued to finance issued to expand the west treatment plant, adding wells 24 and 25, refurbishing four wells, purchasing remotely read

water meters and building the north tower. The City spent roughly \$275,000 to repair main breaks in 2011, less than was spent in 2010. Utilities and chemicals were less than budgeted in 2011 and \$45,000 less than was spent in 2010. Additionally, water mains and defective valves are being replaced in street reconstruction areas. The Water Fund pays for that portion of the cost.

The City has been turning off water at the curb to protect vacant homes. In many cases, it has been found that the curb stop is inoperable and needs to be dug up and repaired. The City took over this responsibility in 2009 and spent about \$60,000 in 2010 and again in 2011. The other large expense the City is incurring is to repair rusting valves in water mains. The City spent over \$185,000 to replace valves and hydrants in 2011.

City Council may recall that the City engaged Progressive Consulting Engineers to analyze ways to reduce operating costs. At this time, additional pumping and metering data is required to complete the study. However, obvious savings are not significant.

As you know, the City now uses a tiered system for water rates. Staff is recommending the following rates to become effective with the May 1 billing:

	Current rate	Proposed rate
Residential		
Tier 1 per 1,000 gallons (first 20,000 gallons)	\$ 1.60	\$ 1.70
Tier 2 per 1,000 gallons (20,001 to 80,000 gallons)	2.00	2.10
Tier 3 per 1,000 gallons (80,001 gallons and above)	2.20	2.30
Commercial/industrial users, per 1,000 gallons	1.60	1.70
Sprinkling meters, per 1,000 gallons	2.20	2.30
Service charge per account	8.00	10.00

If this rate increase is approved, assuming similar usage as in 2011, revenues should increase by about \$400,000. Obviously, if we have another year with many water breaks and curb stop repairs coupled with low water sales, this fund is going to again lose money. Staff is reviewing all of the expenditures to reduce them or achieve saving through more competitive bidding, but the age of the system is causing much higher maintenance expenditures.

Water rates were increased in 2007, 2009, 2010 and 2011. If this rate increase is adopted, it would take affect with the May 1 billing.

Mayor Howe questioned what the interest in fiscal charges line item represented. Finance Director Legg explained this represented interest being paid on bonds.

Councilmember Schulte stated his concern was not with the 10¢ increase but more so with the increase to the service charge per account. He said he was in favor of the user fee concept and felt the increase in the service charge went against user based fees.

Mayor Howe indicated the residents are responsible for and benefit from the City's infrastructure and

a percentage of the water fees did have to cover these expenses.

Councilmember Sanders understood there were fixed fees that had to be covered and agreed with the marginal cost increase based on use.

Councilmember Klint commented the proposed \$2.00 increase per household for the service charge seemed extensive. She requested clarification on what these additional fees would cover. She felt that the City was saving money in other areas and perhaps these funds could be transferred over to the water fund to assist with the shortfall.

**MOTION BY COUNCILMEMBER JOHNSON, SECONDED BY COUNCILMEMBER SANDERS, TO ADOPT RESOLUTION NO. 12-60 ESTABLISHING WATER RATES.**

Councilmember Johnson did not object to the proposed increases in the water rates or service charges. He suggested the Council further review the enterprise, sewer and storm sewer funds to discuss the hard fixed costs.

Mayor Howe indicated he would not support the proposed water rate increases. He questioned when the water study would be available for the Council to review. Public Services Director Gatlin explained the study addressed the amount of power used by the City to pump water. He stated the City has been moving towards more efficient pumps and he did not foresee a great deal of savings in this area. The issue of fixed costs was covering the depreciation of assets already owned by the City. He indicated the infrastructure asset management could be reviewed by the City to see how the assets should be properly depreciated. By adjusting the depreciation numbers, the fixed costs could be reduced. He stated major infrastructure improvements, such as a new water tower and well pumps have been completed in the recent future. These expenses greatly affect the fixed costs within the water rates.

Mayor Howe commented that the City has reduced its water usage over the past three years however the residents were not seeing any savings. He said he felt it was unfortunate the residents have not been rewarded for reducing their use. In addition, if the City was trying to attract new families to the community, their water usage would be higher.

Finance Director Legg reviewed a graph of current water rates for Coon Rapids and several neighboring communities. She clarified that the fixed costs established within the rate structure were in place to assist with the expense of new wells and water towers. The proposed increase would assist with covering the recent fixed costs expenditures.

Finance Director Legg explained the Water Fund lost \$500,000 in 2011 and could not continue in this manner. Staff was not happy that a rate increase was needed, but the proposed rate increases would assist in covering the cost to pump water while also covering the fixed costs.

Councilmember Klint asked if the City's water usage was being reduced, if the overall operating expenses would then be reduced. Public Services Director Gatlin indicated overtime the chemical

costs and fuel expenses would be reduced. However, hydrant and valve replacements were still necessary on a yearly basis. The City's permit costs to pump water would remain at \$100,000 each year.

Councilmember Klint requested staff provide the Council with further detailed information on the fixed costs associated with the City's water operating expenses.

Councilmember Sanders stated the water enterprise fund was supposed to be self-sufficient and at this point was losing money. He said he did not feel the City had the right to take money from the general fund to cover the loss.

Councilmember Klint indicated she was simply requesting further information on the fixed costs. This information would provide her with additional information to make an informed decision.

Councilmember Schulte explained the infrastructure had to be supported by all residents. However, with usage down and fixed costs rising, the fund was not balanced. He did not see why monies from the general fund could not be transferred over to cover the shortfall. He questioned if the rates should be increased even higher at this time, instead of small increases each year.

Finance Director Legg indicated all cities treat the water fund as an enterprise fund. She cautioned the Council from subsidizing the enterprise fund with the general fund as the fees were meant to cover the expenses. She noted the City has received minimal calls in the past from the residents regarding rate increases.

Councilmember Klint asked if another water rate increase would be needed in 2013. Finance Director Legg projected an increase would be needed, but was uncertain as to the extent. This would depend greatly on the number of water main breaks and other infrastructure needs for the City.

Councilmember Johnson recalled that fire insurance rates were calculated based on water availability. The City's infrastructure and available volume assisted with keeping these rates low for residents.

Mayor Howe explained he had changed his mind on this issue and would now support the resolution.

Councilmember Schulte stated he supported the water rate increase but not the \$2.00 service charge increase. As it stands he would not be voting in favor of the proposed water rate increase.

Councilmember Koch clarified that the \$10.00 service fee was charged quarterly to residents. Finance Director Legg stated this was the case.

Councilmember Koch asked if the City had other alternatives for the tiering system to assist with meeting the needs of larger families. Finance Director Legg indicated the tiered system was established and 20,000 gallons was the average use during the winter months. She commented the Council could review the structure and make changes.

Mayor Howe did not object to the current tiered system.

THE MOTION PASSED 5-2, COUNCILMEMBERS KLINT AND SCHULTE OPPOSED.

10.    CONSIDER RESOLUTION 12-59 ESTABLISHING SEWER RATES

Finance Director Legg presented a memorandum to Council stating staff recommends that sewer rates be modified.

As the City Council is aware, staff has been recommending changes to the sewer rates over the past few years to move away from billing a flat amount per customer to a rate that includes a consumption component. In 2011, the City Council held a work session to discuss a billing system that based the sewer charge partially on consumption in addition to a flat fee. The flat fee would cover fixed costs of maintaining the sewer system...the lines and lift stations. As explained, lines must be cleaned, roots cut, lift stations checked and pumps routinely maintained. All of these tasks must be performed no matter how much flow is going through the lines. And, the more pipe a city has, the more there is to maintain.

A portion of the cost of sewer is based on flow treated by the Metropolitan Council. The more flow, the higher the bill. So, smaller users should pay less than larger users for the volume portion of the cost.

About two thirds of the 2012 Sewer Fund Budget is based on flow...the other third is fixed. Obviously, the fixed charges can fluctuate some due to backups, maintenance, efficiencies, power costs, etc. But, this is a pretty good rule of thumb.

As the City moves toward a combination consumption/base billing rate, the winter quarter is typically used to determine normal sewer usage for residential properties. Again, this is usage that goes into the system, rather than water used to sprinkle yards and wash cars. Therefore, the winter quarter sets the usage for the year, unless, of course, less is used. In that case, the lesser amount is billed for. Many residential property types in the City already have separate sprinkling meters. In those cases, consumption is actual consumption for that quarter. There is no need to revert to the winter quarter. This is also the case for other property types.

Again this year, staff is recommending a change in rates to move further toward considering consumption. The proposed rate chart shows the number of accounts by type, the average consumption and the proposed base fee. The proposed base fee corresponds somewhat to the density of the property type. According to the City's Comprehensive Plan, approximately 84 percent of the City is residential, which includes single family, townhomes, apartments, detached townhomes and mobile homes. And, although not a perfect correlation, that would mean that roughly 84 percent of the sewer pipes and lift stations relate to residential development. Breaking it down even further, about 75 percent of the City is single family residential, which includes doubles and detached housing.

The chart also shows recommended base fees per property class to eventually phase into. These would need to be adjusted for inflation and cost changes over time. But, the structure could remain similar.

At this time, however, staff is recommending that only a number of the classifications are implemented for a couple of reasons. First of all, this is a big change. Every quarter, the City bills approximately 6 to 8 thousand residential customers not including apartments. The change will impact some customers significantly. Obviously, low users will be happy but larger users will call. By implementing this in phases, staff can address issues that may have been overlooked before impacting the entire City. Therefore, staff is recommending that townhomes, detached townhomes and quads have the rate system implemented. This will impact about 3,900 accounts. Additionally, an increase to the base fee of \$10 be added to the commercial, restaurant, industrial and institutional properties to compensate for the fixed costs of maintaining the system.

In 2011, the Sewer Fund had an operating income of approximately \$217,000. Therefore, rate increases are not needed other than to continue modifying rates toward a more fair system.

Mayor Howe expressed concern with establishing the flow rates during the winter months when some of the City's residents were snowbirds. Finance Director Legg indicated the Council could opt to set a minimum charge. She commented the proposed rate change would make the sewer fees align better with use than is currently being done. She then reviewed a graph for sewer rates with the new proposed rate for Coon Rapids related to a number of neighboring communities.

Mayor Howe felt the current fees did not need an adjustment. He was concerned about changing both the water and sewer fees too drastically at the same time. Finance Director Legg explained that the proposed rate changes would be more closely based on use.

Councilmember Klint supported the new sewer rates as the proposed rates matched the consumption of water use.

Mayor Howe still objected to the lower sewer fees that would be charged annually to snowbirds based on their minimal use in the winter months.

Councilmember Sanders questioned when residents would have their sewer rate established. Finance Director Legg explained this would be established in the winter quarter. She stated if the Council would like to create a minimum sewer charge for those residents that head south for the winter, this could be done.

Councilmember Schulte recommended the sewer rate be established by the water flow from the months of September, October and November. He then asked if commercial sewer rates were base fees or based on use. Finance Director Legg stated this was a base rate.

Mayor Howe questioned how the Council should proceed. Finance Director Legg requested the sewer rates be approved and that Staff be allowed to return with information on the proposed

minimum rate for snowbirds. This would allow staff time to begin making the manual adjustments needed for the sewer rates for each resident.

**MOTION BY COUNCILMEMBER JOHNSON, SECONDED BY COUNCILMEMBER LARSON, TO ADOPT RESOLUTION NO. 12-59A ESTABLISHING SEWER RATES.**

Councilmember Schulte was pleased that the sewer rates would be based on flow. However, he would not be supporting the motion due to the fact staff was proposing flat rate increases.

Councilmember Koch questioned how the implementation of the sewer rates would be completed. While he supported the City's infrastructure, he would not support the proposed sewer rates.

**THE MOTION PASSED 4-3, MAYOR HOWE, COUNCILMEMBERS KOCH AND SCHULTE OPPOSED.**

#### 11.      CONSIDER RESOLUTION 12-53 AUTHORIZING TRANSFER OF FUNDS

Finance Director Legg presented a memorandum to Council stating the 2011 and 2012 budget documents include a number of transfers of funds that affect 2011. Resolution 12-53 requesting these transfers follows this memo.

The transfers which affect 2011 are as follows:

***General Fund to the Law Enforcement Programs Fund -- \$34,850.*** The WebCAP website development was accounted for in the Law Enforcement Programs Fund. Funding for this project was planned to come from the General Fund as a result of savings due to staff changes in 2011. This transfer will cover the payments made to date for WebCAP development.

***General Fund to the Retirement Insurance Reserve Fund--\$363,276.*** This includes a \$325,000 budgeted transfer for the future payment of health insurance benefits for qualified retired police and firefighters. Also included is \$38,276 which is the unused balance of the \$125,000 budgeted transfer to Compensated Absences Fund. The total transfer of \$363,276, combined with other revenues and fund balance in the Retirement Insurance Reserve Fund, will fund the actuarial requirement for 2011.

***General Fund to the Facilities Construction Fund -- \$1,228,000.*** City policy is to maintain an unassigned fund balance in the General Fund of at least 45% of the following year expenditures and transfers. Based on 2011 financial results and 2012 budgeted amounts, sufficient funds are available for this transfer while adhering to the fund balance policy.

***General Fund to the HRA Capital Projects Fund -- \$7,092.*** The portion of the fourth of July fireworks display that was not covered by donations was paid from the five percent gambling proceeds that the City retains in the General Fund. This transfer will move these funds to the Development Account in the HRA Capital Projects Fund where the fireworks display was paid.

***Coon Rapids MAF Program Fund to the Housing Program Fund -- \$250,000.*** This is a transfer of the funding previously approved by the City Council for the Home Improvement Incentive Program (\$150,000) and the Home Rehabilitation Assistance Program (\$100,000).

***Senior Activity Fund to the General Fund -- \$15,380.*** This transfer funds \$12,000 of the Senior Citizen Activity Center costs and covers staff time in the amount of \$3,380 for the Chores and More program.

***Equipment Certificate Debt Service Fund to the Equipment Certificate Capital Projects Fund -- \$229,250.*** Available funds in the Debt Service Fund will cover a portion of the cost of Fire Engine Number 2 in the Capital Projects Fund instead of issuing equipment certificates.

***Springbrook Drainage Bonds Fund to the Storm Water Drainage Fund -- \$31,844.*** The Springbrook Drainage Bonds were paid off in 2011. A bond refunding in 2002 resulted in lower debt service costs than would have occurred under the original bond issue. Combined with investment income, these savings resulted in a remaining fund balance. It is recommended that the balance in this fund be transferred to the Storm Water Drainage Fund to pay for future storm water drainage projects.

***Revolving Construction Fund to the Street Reconstruction Fund--\$193,248.*** Investment income in the Revolving Construction Fund contributes to the sealcoating program costs.

***Facilities Construction Fund to the Curbside Recycling Fund -- \$20,000.*** This is a transfer of the funding previously approved by the City Council for a portion of the Recycling Center building construction costs.

***Facilities Construction Fund to the Golf Fund -- \$5,300,000.*** This is a transfer of the funding previously approved by the City Council for a portion of the Golf Course clubhouse construction costs.

***HRA Capital Projects Fund to the General Fund--\$124.*** This transfer covers the difference between revenue received and expenditures incurred for the Section 8 Housing Program in the General Fund.

***HRA Capital Projects Fund to the HRA Debt Service Fund -- \$1,530,748.*** This transfers tax increment to pay debt service on tax increment bonds.

***Insurance Reserve Fund to the Retirement Insurance Reserve Fund--\$86,190.*** Investment income in the Insurance Reserve Fund contributes toward the funding of the actuarial liability of other post employment benefits.

***Various transfers as follows are needed so the funding or expenditures from certain construction projects or other items are in the proper fund:***

2006 Improvement Bonds Fund to the 2006 Bonded Projects Fund--\$127,354

2009 Improvement Bonds Fund to the 2009 Bonded Projects Fund--\$133,167  
2011 Improvement Bonds Fund to the Revolving Construction Fund--\$61,325  
2011 Improvement Bonds Fund to the Sewer Fund--\$82,276  
Revolving Construction Fund to the 2011 Improvement Bonds Fund--\$36,063  
2009 Bonded Projects Fund to the 2011 Bonded Projects Fund--\$324,807

***Various funds to the Compensated Absences Fund--\$89,358.*** Compensated absences (unused sick/vacation balances) for the non-enterprise funds are accounted for in the Compensated Absences Fund. To fully fund the liability of \$2,340,126 in this fund as of December 31, 2011, the following transfers are needed to cover the 2011 change in each fund's liability: \$86,725 from the General Fund, \$262 from the Public Communications Fund, and \$2,371 from the HRA Capital Projects Fund.

MOTION BY COUNCILMEMBER LARSON, SECONDED BY COUNCILMEMBER SCHULTE, TO ADOPT RESOLUTION NO. 12-53 AUTHORIZING THE TRANSFER OF FUNDS. THE MOTION PASSED UNANIMOUSLY.

12.      CONSIDER RESOLUTION 12-52 REALLOCATING THE 2011 GENERAL FUND BUDGET AND AMENDING THE 2011 AND 2012 BUDGETS

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Finance Director Legg presented a memorandum to Council stating final 2011 General Fund budget re-appropriations and carry-forwards from 2011 to 2012 are recommended.

Reallocation of appropriations in the 2011 General Fund budget

After all transactions are completed each year, the General Fund budget is compared to year-to-date expenditures to ensure that each activity does not exceed budgeted amounts. Net adjustments equal to zero are being recommended. Budget reappropriations require a simple majority vote (4 members).

Carryforward of items from the 2011 to 2012 budget

The following carry-forwards were budgeted in 2011 but were not received as of December 31, 2011. Also, Resolution 11-136 carried forward \$25,000 for the WebCAP development. This work was completed by the end of 2011, so it is now being moved back into 2011.

General Fund

Activity 121 – Maint of Official Records: \$1,000 – chairs  
Activity 122 – Information: \$500 – chairs  
Activity 123 – Management: \$500 – chairs  
Activity 142 – Finance & Accounting: \$2,500 – chairs  
Activity 148 – Purchasing: \$500 – chairs  
Activity 149 – Payroll: \$1,000 – chairs  
Activity 223 – Fire Suppression: \$15,500 - turn-out gear  
Activity 224 – Rescue and First Aid: \$4,215 – treadmill

Activity 324 – Senior Citizens Activity Ctr: \$2,000 – chairs  
Activity 201 – Court Case Prep/Appearance: (\$25,000) - WebCAP website development

Other Funds

Activity 716 – Public Communications Fund: \$1,710 - Apple edit suite software upgrade  
Activity 620 – Sewer Fund: \$37,023 - 3/4 ton 4x4 pickup with plow

MOTION BY COUNCILMEMBER SCHULTE, SECONDED BY COUNCILMEMBER KOCH, TO ADOPT RESOLUTION NO. 12-52 REALLOCATING THE 2011 GENERAL FUND BUDGET AND AMENDING THE 2011 AND 2012 BUDGETS. THE MOTION PASSED UNANIMOUSLY.

OTHER BUSINESS

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Councilmember Schulte stated he has received several phone calls and emails regarding concerns with too many semi-trucks and trailers parking at Wal-Mart and Cub Foods. He said this concern was addressed with staff and he felt citations should be issued.

Mayor Howe stated the City does have a policy in place to address this concern as it was a growing issue throughout the metro area.

Councilmember Klint indicated this was also on her list of concerns. She encouraged staff to enforce the ordinance.

Councilmember Klint explained she received a call regarding the property at Northdale Boulevard across from the Nissan Dealership. She said the resident was concerned with the maintenance of this property.

Councilmember Koch asked if the railroad crossing on Hanson Boulevard would be worked on this summer. Mayor Howe indicated this was the responsibility of the railroad and not the City.

Mayor Howe questioned if the Coon Rapids Boulevard extension railroad bridge was safe. He said he has heard several residents' voice their concerns regarding this bridge.

Councilmember Klint encouraged community service officers and public works staff to remove these temporary signs as they are posted throughout the City.

Councilmember Schulte thanked the Sustainability Committee for their work on the Green Expo. He stated he attended this past Saturday and learned a great deal.

Mayor Howe stated he too attended and felt the event was well done. He encouraged the public to attend next year.

ADJOURN

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MOTION BY COUNCILMEMBER SANDERS, SECONDED BY COUNCILMEMBER SCHULTE, TO ADJOURN THE MEETING AT 8:55 P.M. THE MOTION PASSED UNANIMOUSLY.

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Tim Howe, Mayor

ATTEST:

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Cathy Sorensen, City Clerk