



**City of Newport
City Council Minutes
November 6, 2014**

1. CALL TO ORDER

Mayor Geraghty called the meeting to order at 5:30 P.M.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL -

Council Present – Tim Geraghty; Tom Ingemann; Bill Sumner; Tracy Rahm; Steven Gallagher

Council Absent –

Staff Present – Deb Hill, City Administrator; Curt Montgomery, Police Chief; Renee Eisenbeisz, Executive Analyst; Fritz Knaak, City Attorney; Jon Herdegen, City Engineer;

Staff Absent – Bruce Hanson, Supt. of Public Works; Mark Mailand, Fire Chief;

4. ADOPT AGENDA

Motion by Ingemann seconded by Rahm, to adopt the Agenda as presented. With 5 Ayes, 0 Nays, the motion carried.

5. ADOPT CONSENT AGENDA

Councilman Gallagher - I'd like to pull the October 23, 2014 Minutes.

Motion by Sumner, seconded by Ingemann, to approve the Consent Agenda as amended which includes the following items:

- A. Minutes of the October 16, 2014 Regular City Council Meeting
- B. Minutes of the October 16, 2014 City Council Workshop Meeting
- D. List of Bills in the Amount of \$401,449.34
- E. Gambling Permits for Cottage Grove Ducks Unlimited
- F. Farm Animal Permit for 1675 Kolff Street

With 5 Ayes, 0 Nays, the motion carried.

C. Minutes of the October 23, 2014 Special City Council Meeting

Councilman Gallagher - Could we amend the following sentence "The Council determined that further discipline may be warranted in all three instances and referred the matter for further action by the City Administrator and staff" to " The Council determined that further discipline may be warranted in all three instances and action was taken to refer the matter for further action by the City Administrator and staff ."

Councilman Rahm - You're saying to switch that around?

Councilman Gallagher - To say that action was taken.

Mayor Geraghty - Isn't that implied with "determined?"

Attorney Knaak - "Refer" says that something was done. I think he wants to actually say that some decision or action was taken at the Council meeting.

Councilman Gallagher - That's correct.

Attorney Knaak - That's fine and appropriate.

Councilman Gallagher - We could say "voted on" if you would like.

Attorney Knaak - My problem with that is voting is not inappropriate. My concern is getting to specific as to what occurred in a closed meeting.

Councilman Gallagher - How about "formal action was taken?"

Attorney Knaak - You could say that although it does beg the question.

Councilman Gallagher - We took a vote and closed our meeting, that should be noted in the minutes.

Mayor Geraghty - I'm fine with how they are.

Attorney Knaak - I'm trying to be sensitive to Councilman Gallagher's concerns. I want to state that it is not inappropriate to take a vote in a closed meeting.

Councilman Gallagher - So let's add that.

Councilman Rahm - If it's not inappropriate let's add that.

Attorney Knaak - It's not inappropriate but by adding that a specific action was taken we're talking about what happened at a closed meeting and that's what I was trying to avoid.

Councilman Rahm - Councilman Gallagher wants it amended because he doesn't think it's clear and has recommended some things and we need to say whether or not we agree with that. What will the phraseology be?

Mayor Geraghty - This is a true statement as to what happened.

Councilman Rahm - He's just asking for some clarification.

Motion by Geraghty, seconded by Ingemann, to approve the Minutes of the October 23, 2014 Special City Council Meeting as presented. With 3 Ayes, Rahm and Gallagher voting Nay, the motion carried.

6. VISITORS PRESENTATIONS/PETITIONS/CORRESPONDENCE

John Jacobson, 1820 Kolff Street - Not paying attention to the local politics, I don't know where we decided to have four deer kills this year versus the two. I have no more deer in my yard. How was that decided and will there be a published result?

Mayor Geraghty - We decided last year on it.

Councilman Gallagher - We don't state the number of deer to be called, we contract with MN Bowhunters Association who hunts two weekends.

Admin. Hill - It's four weekends.

Mr. Jacobson - There are some people who want to see some deer in the neighborhood. I've counted zero deer and 12

turkeys in the last few days. How do we find out how effective it was so we can approach you next year to say it was too much?

Councilman Ingemann - We do an aerial survey. I did one last winter and we presented the results to the DNR and they said that we're over populated with deer.

Councilman Rahm - We do the survey every other year.

Admin. Hill - They have taken 6 deer in the last two weekends.

Councilman Ingemann - Can they bow and hunt turkeys?

Councilman Gallagher - Yes they can but it's difficult.

7. MAYOR'S REPORT –

Mayor Geraghty - I wanted to do a summary report for the October 16 and 23 meetings. On October 16, the City Council held a workshop and went in to a closed session at 6:23 p.m. The City Council reviewed and discussed investigative data related to three pending complaints against City Police Officers Mueller, McArdeell, and Crist. No formal action was taken. These complaints remain pending without resolution. On October 23, the City Council went in to a closed session at 5:31 p.m. and the City Council considered the investigative data regarding the pending complaints against Officers Mueller, McArdeell, and Crist and their performances, specifically as to the factual matters related to and alleged in the complaints. The Council determined that further discipline may be warranted in all three instances and referred the matter for further action by the City Administrator and staff. None of the three officers involved requested the hearing be open. In addition, we had a very successful Buckthorn Day, we had over 100 people. I also want to announce that next Wednesday, November 12 at 5:15 p.m., the City Council will meet to canvass the election results.

8. COUNCIL REPORTS –

Councilman Gallagher - Congratulations to Tracy, Dan Lund, Karla Bigham, and Dan Schoen on the elections.

Councilman Sumner - I attended Buckthorn Days, it was another beautiful morning. As we get more people, we are able to remove more amounts but it keeps coming back. It is a good way for us to get involved.

Councilman Ingemann - Nothing to report.

Councilman Rahm - I also attended Buckthorn Day with my children.

9. ADMINISTRATOR'S REPORT –

Admin. Hill - Before we start, I'd like to say that the last day for compost is this Saturday.

A. Resolution No. 2014-48 - Establishing Water and Sewer Rates for 2015

Jason Aarsvold, Ehlers, presented on this item as outlined in the attached.

Councilman Rahm - We just recently got the bill from the Met Council right? This reflects that bill?

Admin. Hill - Yes.

Councilman Rahm - We just raised our rates didn't we?

Admin. Hill - That was a couple years ago.

Mayor Geraghty - How much did you estimate in total bonding?

Mr. Aarsvold - In the water fund, we're talking about \$541,000 in 2016 and \$315,000 in 2020. In the sewer fund, we're talking about \$585,000 in 2015, \$553,500 in 2017, and \$332,700 in 2020. It's to meet some of those capital needs and mandates.

Councilman Sumner - I want it restated that these increases are driven by unanticipated costs from Met Council correct?

Admin. Hill - A large portion and also the street work and water tower painting.

Councilman Rahm - That was in the budget though. It's the \$800,000 that weren't in the budget. Are we going to appeal it?

Admin. Hill - I don't think there's an appeal process.

Councilman Rahm - Can we get our representatives involved in it because that's a lot for a city this size.

Admin. Hill - We have to fix our own system as well because one day in June our own system was over capacity.

Councilman Sumner - That's with the I & I? That's part of what we're addressing with the street work?

Admin. Hill - Yes.

Councilman Rahm - I think we should try to talk with our local officials and see if we can get some support.

Mayor Geraghty - We should check with the League too.

Councilman Sumner - Do you know of any city where they've been able to appeal?

Attorney Knaak - I don't think anything is absolute, I think you have some strategies that you've mapped out. There's a lot of conversations going around about pushback.

Councilman Sumner - What percentage of cities have seen this increases?

Admin. Hill - There are 41 cities. I attended a meeting and they spoke about strategies for cities to combat the I & I issue. One was a point of sale issue where they have to televise their lines before selling the house.

Councilman Sumner - What percent has been televised?

Engineer Herdegen - After this year, all of the main line will have been televised. The laterals is probably 10-15%. There are areas that have more groundwater migration but it's likely that most of the sewer is in similar conditions.

Councilman Sumner - That has to be fixed by a removal, it can't be lined?

Engineer Herdegen - No it can be lined. You have to seal up every hole.

Councilman Sumner - As we continue to explore sewer lines, will we find more problems and have to increase the rates more?

Admin. Hill - When we did the study in 2012, it was decided to revisit it in 2 years. It all depends.

Councilman Sumner - I just want people to understand that these rates may not stay through 2019, there might be changes.

Admin. Hill - It could get better too but this is the way it is now.

Mayor Geraghty - The amount for I & I is a limited amount of work isn't it?

Engineer Herdegen - I don't know if that's been determined yet.

Councilman Gallagher - The work we did 2 years ago, did that decrease the I & I at all?

Engineer Herdegen - It's difficult to say because we can't monitor it. The work we did was strictly mainline lining. We're seeing I & I at the cut-in locations for the laterals.

Councilman Gallagher - You televised the lining right?

Engineer Herdegen - They were re-televised in 2013 and the lining was holding up as expected but we're concerned with the service taps.

Councilman Gallagher - Have we had those replaced during the street projects?

Engineer Herdegen - No we didn't do any 2 years ago.

Councilman Gallagher - Is that because there has been no road construction in those areas?

Engineer Herdegen - Yes but typically a repair to a liner would not be an excavation. There is a technology where you can go in and send the liner up the service line.

Councilman Gallagher - Do you see us asking residents to pay for that?

Engineer Herdegen - I think it would be addressing the same issue where we had residents pay for under the 2013 and 2014 projects.

Councilman Sumner - That would be in lieu of opening up the ground?

Engineer Herdegen - Yes.

Councilman Sumner - How far does the lining go up to the house?

Engineer Herdegen - They can line the entire length. We're seeing the majority of the issues at the first joint.

Councilman Sumner - When would we look at that project?

Admin. Hill - Next year or 2016.

Councilman Gallagher - We have to spend that \$800,000 per Met Council? Could we use that to line the residents' lines?

Engineer Herdegen - That would be a policy issue. We are applying for some of the costs from the 2014 project to reduce that surcharge. I think a lining project on the service laterals would provide tremendous benefits to reducing I & I.

Councilman Gallagher - If we're already being fined that and have this increase, if we could use that to help the residents in the worst areas would make economical sense.

Engineer Herdegen - Met Council said that we need to spend this money on an I & I issue and we don't know if that plan will be approved by Met Council. It's our plan to line those service lines.

Mayor Geraghty - We just need to identify the priority areas.

Engineer Herdegen - I think the areas where we lined the mainline are the worse for the I & I so the service lines in those areas would be the first on the list.

Councilman Rahm - Will we be able to measure this?

Engineer Herdegen - We have the one meter leaving town. I think the most effective way would be to televise.

Councilman Gallagher - I think we should take a look at the ROI to see where we can reduce the most I & I.

Engineer Herdegen - That would take place at a strategic planning level.

Councilman Rahm - I feel like this is an endless project. How do we plan this out and make sure that the investments are reducing the I & I.

Councilman Gallagher - You were applying for a grant to reduce the \$800,000, has that been looked at for these rates?

Engineer Herdegen - I don't believe so. We haven't received word from Met Council yet.

Admin. Hill - If things change, we can revisit the numbers.

Councilman Gallagher - Do you think you'd hear by mid- December?

Engineer Herdegen - I'll contact them and hope to have it by November 20.

Councilman Gallagher - I'd motion that we table it until November 20 if Jon has heard from Met Council by then.

Motion by Gallagher, seconded by Geraghty, to table Resolution No. 2014-48 until November 20, 2014. With 5 Ayes, 0 Nays, the motion carried.

B. Resolution No. 2014-49 - Establishing the City of Newport's Contribution for Employee Health and Dental Insurance Coverage

Admin. Hill - Our health coverage went down 4.6% and our dental coverage has a 0% change. The change that we're recommending is for the City to pay 91.5% for family coverage instead of 93%.

Councilman Sumner - How were you able to reduce the costs?

Admin. Hill - We had a healthy year and also removed a benefit called the 4th Quarter Carryover that wasn't being used by anyone.

Motion by Sumner, seconded by Ingemann, to approve Resolution No. 2014-49 as amended. With 5 Ayes, 0 Nays, the motion carried.

C. Agreement between the City of Newport and State of Minnesota for Property Acquisition

Admin. Hill presented on this item as outlined in the November 6, 2014 City Council packet.

Mayor Geraghty - It's being amended to increase by \$126,000 right? That's the amount they spend but it's giving us more buying power. Do you know how much buying power this gives us?

Admin. Hill - Not entirely. In speaking with the DNR, they said they would search.

Motion by Sumner, seconded by Ingemann, to approve the agreement between the City of Newport and State of Minnesota for Property Acquisition. With 5 Ayes, 0 Nays, the motion carried.

10. ATTORNEY'S REPORT -

Attorney Knaak - The Quade matter will be heard tomorrow morning. We should have a determination within a couple months.

Councilman Gallagher - Could St. Paul Park and us do a joint hearing?

Attorney Knaak - They have a different legal position than us. Their half of the street is registered land and we have testimony from Bruce Hanson saying that our half is not registered land.

11. POLICE CHIEF'S REPORT - Nothing to report

12. FIRE CHIEF'S REPORT - Nothing to report

13. ENGINEER'S REPORT -

A. 2014 Street Improvement Project

Jon Herdegen, City Engineer, presented on this item as outlined in the November 6, 2014 City Council packet.

Councilman Gallagher - How long is the warranty? I noticed they were doing some paving in the cold mornings.

Engineer Herdegen - Two years. MNDot specs is 32 degrees and rising. We take the temperature of the mix coming out of the trucks and ground. The ground temperature is significantly higher than 32 degrees this time of the year. We're comfortable with what they did.

Motion by Sumner, seconded by Geraghty, to approve Partial Payment #5 in the amount of \$952,508.36 and the Certificate of Substantial Completion. With 5 Ayes, 0 Nays, the motion carried.

Engineer Herdegen - You have an amended resolution before you because we received waivers for the additional sewer repairs today.

Motion by Ingemann, seconded by Geraghty, to approve Resolution No. 2014-50 adopting the final assessment and certification to the County and authorizing the City Engineer to amend the final cost from \$708,122.72 to \$709,945.75 if a waiver of hearing and assessment appeal for a property is submitted to the City by November 13, 2014. With 5 Ayes, 0 Nays, the motion carried.

14. SUPERINTENDENT OF PUBLIC WORKS REPORT - Nothing to report

15. NEW/OLD BUSINESS

Councilman Gallagher - I'd like to bring up us having a workshop to evaluate how we handled the previous issues or we could have an employee performance evaluations for all of the Department Heads.

Mayor Geraghty - The Administrator does the Department Heads' evaluations. Our evaluations have been limited to the Administrator.

Councilman Gallagher - How can we evaluate the processes?

Mayor Geraghty - I would prefer to wait until January when we have a new Council member and get his input.

Admin. Hill - The process isn't done yet.

Councilman Gallagher- He won't be up to speed.

Councilman Rahm - We've all been involved in it and can talk about it intelligently. This has drug on for a little bit and puts closure to it. I don't see anything wrong with it.

Mayor Geraghty - It's not done yet.

Councilman Rahm - Do we know when it'll be done.

Councilman Ingemann - I think Steve wants to talk about how this got stretched out way too long.

Mayor Geraghty - But there are appeals going on and I think it's best to wait until it's completed.

Attorney Knaak - You're correct that there is pending litigation. In the context of discussing strategy and pending litigation and reflection, it could be argued that this would be an appropriate exercise in attorney-client privilege in the context of a pending litigation. It might limit you strictly to those items.

Mayor Geraghty - You're saying it could be done in closed session?

Attorney Knaak - Yes because of the possible prejudice of the ongoing cases you don't want to have too frank of a conversation to allow a potential opponent some leverage. I can explore it a little more to see what we can do.

Councilman Gallagher - So you'll look into that some more?

Attorney Knaak - Let me explore that option and I'll communicate that with the Council.

Councilman Gallagher - Sooner than later would be better.

Attorney Knaak - In the next few days.

Mayor Geraghty - I think we should review it but not while we're in the middle of it.

Attorney Knaak - There's nothing that would preclude a former Council member from attending a meeting on it.

16. ADJOURNMENT

Motion by Geraghty, seconded by Rahm, to adjourn the regular Council Meeting at 6:38 P.M. With 5 Ayes, 0 Nays, the motion carried.

Signed: _____
Tim Geraghty, Mayor

Respectfully Submitted,

Renee Eisenbeisz
Executive Analyst



City of Newport Utility Rate Analysis Update Water and Sanitary Sewer

November, 2014




Recap of Water and Sewer Funds

- Current Challenges in the Enterprise Funds
 - Future Capital Needs
 - Future Operating Needs
 - Insufficient Cash Balances
 - Metropolitan Council Environmental Services (MCES) Mandates

2




Water Fund-What Are The Challenges?

- Capital Needs
 - Significant work was done on street projects in 2014
 - Repaid through user rates
 - Future capital work includes SCADA, water tower painting and street projects
 - Total \$880,000 to be spent from 2014-2020
 - Operating revenues have not been sufficient to pay for operating costs and debt

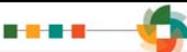
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Sewer Fund-What Are The Challenges?

- Capital Needs
 - SCADA, I&I, sewer lateral lining, and street projects between 2014-2020 equal \$1,440,000
- Cash Balances, healthier than the Water Fund...
 - HOWEVER-Future capital and higher operating costs will place greater pressure on cash balances

4

Recommended Water Rates

- The 2014 rate study recommended a proposed 2015 rate increase of 6.75%
- Utility rate update recommends a rate increase of 8.5%
- Why the change?

5




Recommended Water Rates

- Change is due to increased capital and operating expenses.
 - Several street projects were accelerated in 2014.
 - \$150,000 of street projects were planned for 2015 but \$300,000 was actually constructed in 2014
 - Overall capital costs have increased by \$142,000 (2015-2021)
 - Overall operating costs and debt has increased slightly by about \$95,000 combined
 - Future bond projections anticipate higher interest costs
 - Need to increase cash balance to meet cash target

6



Recommended Sewer Rates

- The 2014 rate study recommended a proposed 2015 rate increase of 6%.
- Utility rate update recommends a rate increase of 10%
- Why the change?

7

Recommended Sewer Rates

- Change is due to increased capital and operating expenses.
 - Several street projects were accelerated in 2014-spurring the need for rates and charges to cover accelerated debt service
 - \$500,000 spent in 2014 versus \$241,000 planned for 2015
 - Overall capital costs have increased by \$521,000 (2015-2022)
 - Mostly driven by mandated I&I
 - Overall operating costs have increased by \$158,000
 - Overall existing and projected debt has increased by \$343,000, due to higher projected capital costs

8

Impact on Users

Impact Analysis on Rate Payers						
	Actual 2014	2015	2016	2017	2018	2019
Residential Property (Senior)						
Water (8,000 gallons)	\$ 12.21	\$ 13.25	\$ 14.37	\$ 15.60	\$ 16.92	\$ 18.36
Sewer (8,000 gallons)	31.95	35.15	38.66	42.53	46.78	51.46
Total Quarterly Utility Bill	\$ 44.16	\$ 48.39	\$ 53.03	\$ 58.12	\$ 63.70	\$ 69.82
\$ Increase/(Decrease)	2.57	4.23	4.64	5.09	5.58	6.12
Residential Property (Low User)						
Water (8,000 gallons)	\$ 26.95	\$ 29.25	\$ 31.73	\$ 34.43	\$ 37.35	\$ 40.53
Sewer (8,000 gallons)	42.60	45.85	51.54	56.69	62.36	68.60
Total Quarterly Utility Bill	\$ 69.55	\$ 75.10	\$ 83.27	\$ 91.12	\$ 99.72	\$ 109.13
\$ Increase/(Decrease)	4.10	6.58	7.17	7.85	8.60	9.41
Residential Property (Median User)						
Water (16,000 gallons)	\$ 40.30	\$ 43.72	\$ 47.44	\$ 51.47	\$ 55.85	\$ 60.59
Sewer (16,000 gallons)	71.41	78.59	86.41	95.05	104.55	115.01
Total Quarterly Utility Bill	\$ 111.71	\$ 122.27	\$ 133.85	\$ 146.52	\$ 160.40	\$ 175.60
\$ Increase/(Decrease)	6.56	10.57	11.57	12.67	13.88	15.20
Residential Property (High User)						
Water (45,000 gallons)	\$ 105.35	\$ 114.30	\$ 124.02	\$ 134.56	\$ 146.00	\$ 158.41
Sewer (45,000 gallons)	175.86	193.45	212.80	234.08	257.48	283.23
Total Quarterly Utility Bill	\$ 281.21	\$ 307.75	\$ 336.82	\$ 368.64	\$ 403.48	\$ 441.64
\$ Increase/(Decrease)	16.53	26.54	29.06	31.82	34.85	38.16

9

Proposed Rates-Water

	Proposed Rates				
	2015	2016	2017	2018	2019
Percentage Increase	8.50%	8.50%	8.50%	8.50%	8.50%
Flat Rates					
Residential	17.66	19.16	20.79	22.56	24.48
Senior	13.25	14.37	15.60	16.92	18.36
Multi Family, per unit	13.25	14.37	15.60	16.92	18.36
Commercial	23.98	31.42	34.09	36.99	40.13
Usage Rates					
Residential, Multi Family					
0 - 8,000 gallons	1.45	1.57	1.70	1.85	2.01
8,001 - 20,000 gallons	1.81	1.96	2.13	2.31	2.51
Over 20,000 gallons	2.53	2.75	2.98	3.24	3.51
Senior					
0-8,000 gallons	0.00	0.00	0.00	0.00	0.00
8,001-20,000 gallons	1.81	1.96	2.13	2.31	2.51
Over 20,000 gallons	2.53	2.75	2.98	3.24	3.51
Commercial					
0 - 30,000 gallons	1.45	1.57	1.70	1.85	2.01
30,001 - 70,000 gallons	1.81	1.96	2.13	2.31	2.51
Over 70,000 gallons	2.44	2.65	2.88	3.12	3.39

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Proposed Rates-Sewer

	Proposed Rates				
	2015	2016	2017	2018	2019
Percentage Increase	10.00%	10.00%	10.00%	10.00%	10.00%
Flat Rates					
Residential	15.16	16.67	18.34	20.18	22.19
Senior	11.37	12.51	13.76	15.14	16.65
Multi Family, per unit	11.37	12.51	13.76	15.14	16.65
Commercial	16.71	18.38	20.22	22.24	24.46
Usage Rates (City and MCES)					
Sewer Only					
Residential, Multi Family, Commercial	3.96	4.36	4.79	5.27	5.80
Senior	2.97	3.27	3.60	3.96	4.35

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