



City of Blaine
Anoka County, Minnesota
Minutes
City Council Workshop

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

Thursday, November 15, 2018

6:30 PM

Cloverleaf Farm Room A

NOTICE OF WORKSHOP MEETING

1 Call to Order

The meeting was called to order by Mayor Ryan at 6:30 p.m.

2 Roll Call

Quorum Present.

ALSO PRESENT: Planning and Community Development Director Bryan Schafer; Public Works Director Jon Haukaas; Police Chief/Safety Services Manager Brian Podany; Finance Director Joe Huss; Economic Development Coordinator Erik Thorvig; Public Services Manager/Assistant City Manager Bob Therres; City Engineer Dan Schluender; City Attorney Patrick Sweeney; Communications Technician Roark Haver; and City Clerk Catherine Sorensen.

Present: 6 - Councilmember Clark, Councilmember King, Councilmember Garvais, Councilmember Jeppson, Mayor Ryan, and Councilmember Swanson

Absent: 1 - Councilmember Hovland

3 New Business

3-2

PROPOSED 2019 SANITATION UTILITY FUND BUDGET

Attachments: [Refuse Fund Narrative 2019](#)

Finance Director Huss stated as part of the City's comprehensive budgeting process staff presented a preliminary budget for the City's Sanitation Utility Fund. The presentation provided the Council with the opportunity to review and comment on the proposed budget before it is presented to Council for formal adoption at a subsequent Council meeting. Staff discussed the contract that was in place with Walter's noting the contract would extend for 5½ years. The change in service provider coincided with a large increase in disposal fees imposed on haulers by Great River Energy (GRE), the statutorily required waste handler. Disposal (or, "tipping") fees increased by \$11/ton - from \$64 to \$75 per ton in 2016 and were slated to increase 3% annually through 2022. This increase required an associated increase in the City's utility fee. Taking the increased disposal fees into account, the

fund's five-year model projected annual across-the-board utility fee increases in order for the fund to retain its solvency.

Mr. Huss reported over the last 60 days, the solid waste disposal and recycling landscape has changed both globally and locally. GRE is set to close its operations by mid-January 2019, if not sooner, leaving waste haulers no option but to dispose waste in landfills. This change will actually benefit Blaine, as the cost to dispose this waste will drop from \$77.25/ton to \$59.18/ton, resulting in considerable savings.

Mr. Huss stated on the other hand, a collapse of the recycling market has created a glut of certain recyclables and all but eliminated any market for recycled plastics and paper. Where once waste haulers were able to market recyclables at a net gain, recent changes in the recyclable market are now such that there is a net cost to market the majority of recyclable materials. As allowed in the current agreement, Walters is requesting to reopen negotiations for Recycling Services. Walters is proposing an amendment to the contract wherein recycling services would be treated in the same manner as waste disposal services, whereby net payments or proceeds are passed through directly to the City. Under this revised model, the City would begin paying for materials to be recycled. The annual cost to the City for this service is estimated at \$160,000 for 2019. It is expected that recycling costs could rise about \$10,000 annually. This increase has been incorporated into the five-year model. Staff provided further comment on the proposed rate changes and requested feedback from the Council on how to proceed.

Councilmember Clark stated he would like to see more recycling options from other vendors besides Walter's.

Council consensus was to not support a rate increase for 2019, to bring the budget back for approval in December and to direct staff to review reopening a contract for the recycling portion in light of Walter's contract extension proposal.

3-3

PROPOSED 2019 STORM DRAINAGE FUND BUDGET

Attachments: [2019 Storm budget](#)

Mr. Huss stated staff has prepared a proposed 2019 Storm Drainage Fund Budget for Council review and discussion. Current projections point to an operating gain of about \$215,000 before depreciation, but an operating loss of about \$235,000 for 2018 with depreciation included. This indicates that fees are inadequate to fund ongoing infrastructure repair and replacement. This is consistent with staff's report to Council during the 2018 Budget process, when it was indicated that fees will need to increase in order to support additional work in the storm drainage system. Without an increase in fees, needed system improvements will be deferred until such time that adequate reserves are in place to fund the improvements. The 2019

draft budget proposes a fee increase of \$1/quarter (to \$8/quarter) on residential parcels and a 3% increase on commercial fees. The five-year model indicates a need for future increases as staff is proposing \$2.75 million in capital projects over the next five years. The decision before the Council will be to balance the amount spent on capital projects and system maintenance with gradual rate increases over the next five years.

Councilmember Jeppson asked what projects would be inadequately funded. Public Works Director Haukaas commented on the specific projects that could not be funded such as a storm sewer pipe through the former Toys R' Us parking lot, which was failing. He noted an iron enhanced sand filter was needed elsewhere in the City, along with general maintenance of the storm drainage system.

Councilmember Jeppson questioned what the ramifications would be if the City were to continue to defer these projects. Mr. Haukaas stated excess needs would build up and failures within the system could occur. He explained staff was working to address maintenance so the City did not have emergency situations in the future.

Mayor Ryan asked if the City had cleaned any of its storm ponds yet. Water Resources Manager Haug explained the City has not needed to clean out a storm pond to date but noted this was due to the City's proper maintenance of its pipes. She reported the storm ponds were inspected on a five-year rotating basis.

Councilmember King inquired if there was anything exceptional going on in 2018 that had not occurred in previous years. Mr. Haukaas described how the City was growing and with that comes additional storm sewer infrastructure to maintain. He stated this took staff hours, time and equipment.

Councilmember King stated he supported a proposed rate increase and the time needed to properly support the City's storm sewer system.

Councilmember Garvais explained he supported the proposed increase as well and suggested the Council review the Public Works 20-year plan at an upcoming Council retreats.

Councilmember Jeppson indicated she supported the increase and the City's ability to properly plan for the future.

Council consensus was to support \$1 increase per quarter for 2019 and \$2 increase per year for the next four years and to direct staff to bring the budget to the December meeting for approval.

Attachments: [Preliminary Phasing](#)
 [City Hall Improvements phasing](#)

Public Services Manager/Assistant City Manager Therres stated earlier this year, the City presented the results of a space needs study for future needs of City Hall/Police Department to the City Council. After discussion at several workshops the Council has requested a further break down of the costs of the improvements and how they could be staged. As noted, estimated costs for the total City Hall improvements are \$3,738,960. To build a 36-stall garage for City vehicles would add an additional \$1.25 to \$2.25 million to the cost of the improvements and bring a total cost to approximately \$6 million.

Mr. Therres reported Council also requested any information on additional costs that would be incurred by doing the improvements over a period of years. It is difficult to quantify specific dollar increases but there would be duplication of costs for such items as mobilization of a contractor, costs of bidding separate projects, bonding and financing costs, and the increase in costs over time. 292 Design had conversations with general contractors who bid these projects and they estimate that you could add 7%-10% a year to the costs. The next step in this process is to bring on an architect through an RFP process that would begin to perform design services and get a project ready for bidding. The cost of doing this next step is estimated to be \$225,000-\$250,000 based on doing the full scope of the project. This cost is included in the estimated costs of the improvements.

Councilmember Garvais requested further information on the cost of phasing the project. Mr. Therres described how costs would increase 7% to 10% if the project were completed over several years.

Councilmember Swanson questioned if the project would be bonded all at once if completed in several phases. Mr. Huss reported if the project was spread out over two years, the bonds would be issued separately in order to account for increased costs.

Councilmember Swanson asked if the project could be completed in two years. Mr. Therres reported an RFP would be conducted and an architect hired to determine this. He anticipated improvements would not begin until the fall of 2019 or the spring of 2020. He anticipated the work could be completed in a full year or over two construction periods.

Councilmember King inquired where the garage request came from. Mr. Therres stated this request came from the Police needs study noting the Police Department has run out of space.

Councilmember Garvais indicated he would like more information on the garage and to learn more about why 36 parking spaces was being requested. Mr. Therres stated as the City grows to full build out, staff has estimated 36 more parking spaces would be needed.

Councilmember Jeppson questioned if the garage would have a car wash, if it would be heated or wired for electrical charging. Mr. Therres explained the garage was designed to be concrete with some electrical. He commented the space would be minimally heated. He stated the space would not have a car wash or a mechanics bay.

Councilmember Garvais stated he supported moving forward with the City Hall improvements, but explained he would like further information regarding the Police garage space.

Councilmember Swanson reported he had real concerns supporting the additional garage space. He stated he supported renovations at City Hall because staff needed the additional space. He believed the garage space was a bit too much at this time.

Councilmember Clark encouraged the Council to consider additional conference room space on the third floor that could be open to the public.

Council consensus was to create an RFP for an architect to get a better idea on construction costs, including possible inclusion of a Police garage.

ADJOURN

The Workshop was adjourned at 7:20 p.m.