

The meeting convened at 6:30 p.m.

Councilmembers present: Mayor Jake Spano, Tim Brausen, Steve Hallfin, Rachel Harris, Anne Mavity, Thom Miller, and Margaret Rog.

Councilmembers absent: None

Staff present: City Manager (Mr. Harmening), Chief Financial Officer (Mr. Simon), Chief Information Officer (Mr. Pires), Building and Energy Director (Mr. Hoffman), Director of Operations & Recreation (Ms. Walsh), Engineering Director (Ms. Heiser), Fire Chief Koering, Deputy City Manager/Human Resources Director (Ms. Deno), Director of Community Development (Ms. Barton), Public Works Superintendent (Mr. Hanson), Utilities Superintendent (Mr. Hall), Chief Building Official (Mr. Skallet), Communications Manager (Ms. Smith), City Assessor (Mr. Bultema), Housing Supervisor (Ms. Schnitker), Sr. Management Analyst (Ms. Carrillo Perez), and Recording Secretary (Ms. Pappas).

Guests: Stacy Kvilvang, Ehlers & Associates

## **1. Future study session agenda planning – August 26, 2019**

Mr. Harmening stated there will be a Connect the Park Update at the next meeting. He stated the council can discuss current and future projects if they desire.

Councilmember Brausen asked about the discussion regarding access for youth to Westwood Hills Nature Center, adding he would like a placeholder for this, especially since budget discussions are currently happening. Mr. Harmening stated this will be discussed with the school district soon.

Councilmember Rog proposed a discussion about prioritizing walking, biking/mass transit and then motor vehicles through new/ongoing investments, engineering and operations decisions.

Councilmember Mavity asked if this relates at all to shoveling community sidewalks. Councilmember Rog stated it is about year-round maintenance of trails, sidewalks and bus stops.

Councilmember Mavity asked what Councilmember Rog is identifying as a problem here, and what is not safe right now. Councilmember Rog stated one example is bus stops not being cleared of snow in the winter and with snow pile up, making access difficult for folks waiting for the bus. She added there are also many icy patches along bike trails during the winter, that remain for weeks, and keeping those commuter trails clear year-round is another example. Councilmember Rog added streets are prioritized for plowing in winter as are selective sidewalks, adding these need to be priorities.

Councilmembers Harris, Mavity, and Hallfin stated they do not want to discuss this topic any further. Councilmembers Miller, Brausen, Rog, and Mayor Spano would like to further discuss this topic.

Councilmember Harris stated this ask for discussion is pre-emptive as strategic priorities have just been laid out for staff, adding it would be better to discuss this topic after a few cycles have passed.

Councilmember Mavity stated if this discussion occurs, staff needs to clarify the current policy and include previous reports in the background materials.

## **2. Fats, oils, grease (FOG) discharge and potable water backflow protection ordinance**

Mr. Hoffman noted staff is considering two programs for adoption by ordinance to assist in protection of the sewer and water infrastructure: 1) reducing potential for sewer backups by limiting FOG generated by food service businesses from entering the city's sanitary sewer lines; and, 2) verify annual testing of water backflow prevention devices is occurring to ensure they are operational and compliant with requirements in the state plumbing code.

Mr. Hoffman added that a fee for a service program with neutral effect on the general fund is proposed. License and registration fees would be established to generate the approximate cost of added staffing resources needed to facilitate the programs. The utility fund would be used to fund a portion of total program costs, to keep fees reasonable.

Councilmember Miller asked how staff knows this is mostly caused by commercial kitchens. Mr. Hall stated it's both residential and commercial. Mr. Hanson added many clogs are where restaurant establishments are located; however, noted that some residential areas are worse than others as well.

Councilmember Miller stated it might be helpful to combine the education program for commercial with residential folks. Mr. Hanson agreed and stated staff has been doing this and will continue to do so.

Councilmember Miller asked if the Department of Health is involved. Mr. Hoffman stated they delegate food inspection to the county, and do not regulate grease discharge, it is up to cities if they want to do some type of maintenance.

Councilmember Rog asked the cost or range for a system to be installed. Mr. Hoffman stated between \$5,000 and \$15,000. Councilmember Rog asked if a \$500 yearly fee would cover the costs for the needed sewer line maintenance, if a business did not install a grease trap. Mr. Hoffman stated yes, adding an incentive program could be established to encourage installation.

Councilmember Mavity stated she supports this with fees, but noted it seems slightly inequitable depending on the type of business, adding that staff might look at ways to scale this better.

Councilmember Hallfin asked if garbage disposal food fits here, and if there is any ordinance on this. Mr. Hoffman stated garbage disposal items don't solidify or stick to pipes. Councilmember Hallfin stated there might be an option to look at low interest loans for businesses to pay \$500 per year toward installing a grease trap, and then cover this cost for the future.

Councilmember Harris stated she is generally in favor here and asked if the main priority is to reduce the incidence of FOG, or to retrofit buildings and get interceptors added. Mr. Skallet stated it is education first, then maintenance, then retrofit, adding this will be a slow process.

Mr. Hoffman noted it is better to offer an incentive, instead of setting a date for mandatory installation.

Councilmember Brausen stated the council is micro-managing this, and staff has come up with a great plan, which will pay for itself. He noted council can look at the results of this program in future years and then make decisions about how to proceed from there.

Mayor Spano agreed with the idea of residential education related to FOG, adding the \$500 could maybe be an ongoing special assessment that can be paid over the course of several years, as long as this will be achieving the needed results.

It was the consensus of the city council to support the FOG program presented, and for staff to prepare the first reading of the ordinance.

### **Backflow prevention**

Mr. Skallet stated the protection of potable water from contaminates originating within buildings is regulated by the MN state plumbing code. Backflow valves are currently required to be tested annually for proper operation by the plumbing code. It is proposed that the city have a formalized testing program for water backflow valve registration.

Mr. Hoffman explained many of these valves are on commercial properties, many irrigation systems, and typically when there is a boiler. He noted there is no formal ordinance on this, adding this would be a test and registration fee with the owner having responsibility for a certified tester to come out, test, and send the city a report.

It was the consensus of council to support this certification process and direct staff to prepare the first reading of an ordinance for the backflow valve testing program.

### **3. 2020 Budget**

Mr. Simon stated the report is to assist with the ongoing discussion regarding preparation of the 2020 budget. Staff is requesting input on the policy questions to help inform the next budget discussions set for a special study session on September 3. He noted the council will then be asked to set the 2020 preliminary property tax levy on September 16.

Mr. Simon stated currently the 2020 budget will require a property tax levy increase of 6 – 6.25% within target levels for approving a preliminary property tax levy in September. He also asked if the council agrees with staff's recommendations on the HRA levy allocation, if council

would like staff to continue to study the TIF allocation for potential additional affordable housing or development activities, and if there is any other information the council needs at this time.

Councilmember Rog asked if the trust fund is attached to the HRA. Mr. Harmening stated it can be; however, it doesn't have to be. He noted it can be used for housing staff salaries, housing programs as well, and help with the housing trust fund and programs that are developed.

Councilmember Hallfin asked if the HRA levy at .0185% of estimated market value, is the maximum. Mr. Harmening answered yes, adding these dollars have flexibility and would be part of the overall tax bill for households. He added the HRA levy can only be used for affordable housing.

Councilmember Hallfin stated he is fine with this number, and is fine if it needs to go up, in light of the aggressive agenda the council has presented this year.

Councilmember Miller asked if the 6.23% projected levy includes the HRA levy, or if this would be over and above. Mr. Harmening stated it would be over and above.

Councilmember Mavity stated the council has adopted the housing trust fund, and must fund it, with permanent dedicated resources. She said she understands the desire for flexibility but would like to see an intentional strategy in place.

Councilmember Mavity added this will be hard to undo in the future. Mr. Harmening pointed out there is a 10.4% levy increase required to cover all of what the council has set in place, and staff has now looked at ways to cut and add new revenue, with the 6.23% levy. He added staff is working to give the council options for bringing in new funds – with the HRA levy, but the council can choose to do as they wish, and to change this again next year.

Councilmember Mavity noted the city will need to have a reliable fund available to developers in order for them to design projects. The fund will need to be predictable, and available in order to create affordable units.

Mr. Simon indicated that as soon as the county releases the tax capacity and fiscal disparity information, he will know the corresponding median value home changes.

Councilmember Harris stated with the HRA levy, her inclination is to not include salaries here, and reallocate salaries to the general fund, thereby using the HRA levy to invest in new housing stock or in new affordable housing.

Councilmember Rog stated the budgeting process is flawed and being in this position pits the council against staff. She added it is difficult as council questions staff's recommendations in order to fit the goals council has set, adding if feels like over time, looking at outcomes and having more of an advisory role would be preferred. She stated she would like to be able to tell residents about outcomes, and what they got for paying the levy, adding she is unsure of the need for six new full time staff.

Councilmember Rog asked if staff sees revenues for new investments in the Nature Center. Mr. Simon stated yes, these revenues have been projected, and in March of 2020, these will start to be realized when the center opens and starts having events.

Councilmember Brausen stated he is fine with using the HRA levy to pay housing staff salaries, and there is no reason to change policy here. He noted there is over \$1 million that can be directed to housing, adding that outcomes are hard to quantify. He stated he trusts staff to make decisions on staffing, and for example, relies on Chief Harcey and public safety officials to advise council on their staffing needs. He stated he supports what is recommended here.

Councilmember Mavity stated she is not opposed to having staff salaries included in the HRA levy but is also looking for a more articulated recommendation and strategy from staff on housing and priorities.

Councilmember Rog stated she is here to represent the residents, and when she gets questions on taxes being high as it relates to incomes, she struggles with this and wants to be responsible to residents.

Mayor Spano agreed, indicating he also struggles with this and it is not easy.

Councilmember Brausen appreciated comments from Mayor Spano and Councilmember Rog, adding he doesn't want to raise taxes either, but the council's goals related to racial equity and sustainability total \$900,000, and it is the council's responsibility to explain this to residents.

### **TIF discussion**

Ms. Kvilvang explained the budgeting process as it relates to Tax Increment Financing (TIF). She noted TIF is only used for rental housing and cannot be used for owner-occupied housing. She stated TIF is income and rent restricted for tax credit eligible housing and is 20% affordable at 50% of median income or 40% affordable at 60% of AMI. Ms. Kvilvang stated currently the city has 19 districts but could utilize 12 districts for pooling for rental housing.

Ms. Barton noted TIF is revisited on an annual basis and is an annual decision by council. She explained if a TIF district is closed it cannot be reopened. Ms. Kvilvang stated for every 40% added in, 60% is received for housing or for however the council wants to use it.

Councilmember Rog asked if the HRA fund can be dedicated annually. Mr. Harmening stated yes, each year it is certified, and can change.

Councilmember Brausen stated he is in favor of pooling these dollars and getting a better return, along with reviewing this annually to allow for maximum flexibility.

Councilmembers Harris and Mavity concurred.

Councilmember Rog asked if there are any unintended consequences of this decision.

It was the consensus of the council to proceed with the TIF for 2020.

Additionally, Mr. Simon stated he will recommend to council, at the September 16, or early October meeting, to start the process for 2019/2020 GO Revenue bonds for water and storm water as interest rates are still historically low.

**Communications/meeting check-in (verbal)**

Councilmember Harris noted the upcoming Texatoka workshop area plan will be held on Tuesday, August 13, at the Lennox Community Center from 6-7:30 p.m.

The meeting adjourned at 9:20 p.m.

Written Reports provided and documented for recording purposes only:

**4. Arlington Row Apartments East and Arlington Row Apartments West plat extensions**

---

Melissa Kennedy, City Clerk

---

Jake Spano, Mayor