

CITY OF ST. FRANCIS
ST. FRANCIS MN
ANOKA COUNTY

CITY COUNCIL WORK SESSION NOTES

November 7, 2018

5:30 pm

Present: Mayor Feldman, Councilmember Tveit, Councilmember Skordahl, Councilmember Bauer, and Councilmember Muehlbauer

Also present: City Engineer Craig Jochum, Public Works Director Paul Teicher, Community Development Director Kate Thunstrom and Finance Director Darcy Mulvihill

Community Development Director Thunstrom began the work session by talking about the DNR Rum River Management District and how that affects the 2040 comprehensive plan.

Staff will gather all factual information and meet with the DNR to decide which direction to move forward.

1) Oak Grove Ponds Development Sewer Connection Proposal

Feldman explained that Oak Grove has asked that the City of St. Francis make adjustments to the sewer connection proposal. He put some numbers together that he thought were mutually beneficial to the City of St. Francis and the City of Oak Grove. This extra money that our city would be getting would help our city not have to bond our residents or raise their taxes which has been done enough already.

City Engineer Jochum clarified which infrastructures they are talking about. The sewer pipe on Bridge Street was upgraded in 2012 so it's fairly new and sized correctly. The immediate need is a segment of pipe for \$250,000 and another at a million dollars.

Muehlbauer said that the first option wasn't good for Oak Grove because they would have ended up paying more than if they built their own. The secondary options are both beneficial. He's not sure what the best way to go would be and knows that Administrator Kohlmann has a concern of this being our only shot. He asked about the \$500,000.

Teicher said at the \$500,000 mark, they are covering their costs. Our immediate impacts to our infrastructure and our facility. The first segment of pipe that Jochum talks about would be covered under that connection fee. It's a low number but it's still showing that the city can make some money, and still cover the costs.

Mike Rodger said that the residents in the Ponds area have been misled and if we want to sell them anything, we need to explain to them what we are selling them.

Bauer said he came up a little shorter than the Mayor. His thought was to put the \$350,000 for the park upgrade onto Oak Grove's CIP. That would allow them to set their user rates a little bit differently. This is without changing any of the water. It's \$600,000 to fix our infrastructure, which is going to be overloaded.

Bauer said that he spoke to Scott from Oak Grove and he agrees that the infrastructure for 222 homes on the east side to push it west is something that needs to be done. This doesn't need to be done in December. We need to give the best plan that we can. He doesn't want to lose the 222 homes because if this falls apart it's going to look ugly that we have to raise rates.

Tveit said there's a reason that Met Council can do things cheaper than the City of St. Francis. That's because they are splitting the costs over more people. Regionalization is a good thing as long as it's done smart. Tveit has been on the council for a lot of years and have worked with Oak Grove for a lot of years. Oak Grove is very difficult to work with. They want everything for free and they want everyone to subsidize them because they want to run lean and mean. They don't want to raise taxes or fees so they just keep spending their reserves down. In his opinion, they need us more than we need them. Whatever the proposal is, it needs to cover our costs, plus any projected increases that we need to do for the CIP to keep them up and running. No matter what number we come up with, they won't be happy. He thinks we just need to come up with a number that works for us and if it works for them fine, but he thinks no matter what it won't work for them. That's his opinion.

Skordahl said that there are also benefits for us. We are not just bailing someone out. That \$300,000 is not a bet he would be willing to take. The \$500,000 offer is not subsidizing anybody, it's not giving St. Francis extra nickels and dimes, but to him that's the bottom offer. If we offer them the \$600,000 offer, they might say they tried and move on and do their own thing. They could still say that with the \$500,000 offer. To him the \$300,000 is not worth the risk of them walking away because by them coming to us, they are helping us with what we want to do and lower the rates in our city and adding hookups. It's not a one way deal. It's beneficial to both parties. Now there's a risk with River's Edge. That \$300,000 is not worth it to him. He does not think they should be subsidized, and it has to be beneficial to both sides. He just thinks the risk of going in with something that has the potential to make their stubborn leadership just walk away from this and do their own thing when there is the potential of them accepting an offer that still covers all of our cost and brings 222 hook-ups into our system. Skordahl thinks our council really, really, really wants to have these 222 hook-ups. He doesn't think we would want to throw money in a camp fire just to get them.

Finance Director Mulvihill explained the rate decrease. They had estimated 50 new homes this year and currently have 44 and going forward was supposed to be 30 per year. That was what they based the decrease in rates on. In looking at the water fund cash balance, with the rate decrease you are drawing down some of your cash balance. We have a minimum cash balance and you can see in 2023 that we are estimating that it's going to hit that minimum balance. By the estimates, small rate increases would need to start at that point. This could set that back where you wouldn't have those rate increases going up. One thing to clarify is that when you are looking at the \$67.50, the \$67.45, and the \$64.37 on Jochum's report, understand that that is not what we are billing Oak Grove, that's what they are billing their residents. If we do this, we are only billing them the \$20.82 based on the sewer and the usage fee.

Discussion continued regarding what offer to present to Oak Grove and the benefits and drawbacks of each offer.

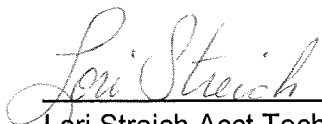
Teicher said that if Oak Grove chooses to agree and we move forward with this proposal, phase two would be to form a JPA (Joint Powers Agreement). That JPA would cover some of those issues and concerns that we all have about future connections and future "what if's".

Feldman asked Finance Director Mulvihill to create a spreadsheet outlining 222 units over 20 years with that \$200,000 coming to us and see how much of that upcharge we need to get if we finance it for them to get five years at \$350,000 we need for the first upgrade.

Another work session was scheduled for Tuesday, November 20th at 5:30 pm.

Meeting adjourned at 7:52 pm.

Respectfully Submitted by,



Lori Streich Acct Tech/Deputy Clerk