

**CITY OF SHOREVIEW
MINUTES
CITY COUNCIL WORKSHOP MEETING
December 8, 2014**

CALL TO ORDER

Mayor Martin called the workshop meeting of the Shoreview City Council to order at 7:00 p.m. on December 8, 2014.

ROLL CALL

The following attended the meeting:

City Council: Mayor Martin; Councilmembers Johnson, Quigley, Wickstrom and Withhart

Staff: Terry Schwerm, City Manager
Rebecca Olson, Assistant to City Manager
Mark Maloney, Public Works Director
Fred Espe, Finance Director
Debbie Maloney, Assistant Finance Director

State Legislators: State Representative Jason Isaacson
State Representative Barb Yarusso
State Senator Beverly Scalze

DISCUSSION WITH LEGISLATORS ON WATER SUPPLY SOURCES

Within the Twin Cities area, there is a mosaic of water providers. Many cities receive water from Minneapolis or St. Paul. Others, like Shoreview, are stand-alone water utilities for their own communities. The DNR Settlement Agreement with the Restoration Association for White Bear Lake was announced last week. The Agreement puts a moratorium on that lawsuit for three years as long as progress to address the lake level is being made. The legislature will be asked to review and fund possible changes to water supply sources for several northeast metro cities.

Representative Isaacson asked the reason for the lawsuit and whether it was just to raise the lake level of White Bear Lake. Mr. Maloney responded that the lawsuit is extensive. The plaintiffs are asking for judicial control over water sources that affect 6 to 13 communities outside of White Bear Lake. The lawsuit was between the DNR and the Homeowners Association and Restoration Association. The cities of White Bear Lake and White Bear Township became interested parties. The White Bear Township Board has adopted a resolution to support the Settlement Agreement. The White Bear City Council will consider it at their next meeting.

The Settlement Agreement states that the DNR will not impede the water supply. The DNR admits that there is no scientific agreement that changing the water supply in this area will impact the water level of White Bear Lake.

Councilmember Wickstrom noted that the lawsuit states that pumping water into White Bear Lake by pipe will not impact aquifers, but the comprehensive study reviewing the aquifers will not be completed until 2016.

Councilmember Quigley stated that the seepage through the geology of the area is uncharted. He does not see how any conclusion can be definitive.

Councilmember Withhart stated that the Settlement calls for Mississippi River water to be pumped through the St. Paul Water Utility and somehow connected to cities that are currently using groundwater wells. Municipal wells would then be shut down and the lake level will rise. This is being proposed instead of pumping water directly into the lake.

Mayor Martin stated that Shoreview has been budgeting for a water treatment plant for many years. It is a project of \$11 million. It is planned to begin in 2015, and decisions will have to be made soon. Mr. Maloney explained that the Shoreview water system has been in place since the 1960s. The amount of iron and manganese that is now present in the water is at a level that is creating operational and water quality problems. Under the Federal Safe Drinking Water Act, iron and manganese are listed as secondary contaminants, not health risks. The water pumped from the ground has chlorine and fluoride added before it is distributed.

Senator Scalze asked if consideration was given to connecting to the St. Paul Water Utility to address these problems rather than building a new water treatment plant. Mr. Schwerm answered that has not been considered because of the extensive modifications that would be necessary and the higher cost of the water. Mr. Maloney stated water sources are often discussed casually as if only a valve has to be switched to change the source. That is very frustrating because there are huge complexities in mixing ground waters with surface waters. To affect all the changes necessary with new infrastructure for a new water source would be very complex and very costly.

Councilmember Withhart noted that the City has tracked its water usage over a decade. Usage has decreased. Shoreview was one of the first cities to create a rate structure that is now a model and mandated by the state for other cities.

Mayor Martin stated that one of the elements of the DNR Settlement Agreement is that the parties have all agreed to pursue water conservation measures. Shoreview has done that with its water rate structure for some time. Even though the number of consumers has increased, usage has decreased. However, the cost of providing the water remains the same or increases, which means rates have to increase. The City has six wells that must be routed to the water treatment plant. Almost \$500,000 has already been invested in design work and extensive planning has been done. She wants to be sure the City can move forward with this plan. She cannot understand retrofitting cities like Shoreview to the St. Paul Water Utility at the cost of hundreds

of millions of dollars. All of these issues have arisen as a result of how to raise the water level on White Bear Lake.

Representative Isaacson asked how much water use in Shoreview is part of the aquifer that is used by White Bear Lake. Mr. Schwerm responded that the majority of communities in the metro area use water from the Jordan Aquifer, including Shoreview and White Bear Lake. The USGS hypothesized that there is a connection between the lake water level and ground water being used by the city in White Bear Lake. A study done in White Bear Lake confirmed that theory. The USGS then conducted the same study in Shoreview for Turtle Lake but did not find a similar correlation.

Mr. Maloney referred to a map from the Metropolitan Council showing population projections for the Twin City area. A ground water model using data points scattered throughout the region shows water levels. This model projects an impact to the aquifer by 2030. The projected population growth is not in this area, but the hot spot is White Bear Lake because of the lake level litigation. There seems to be a disconnect between the Metropolitan Council advancing water policy changes and how they impact Shoreview's decision to build a water treatment plant.

Representative Isaacson stated that according to Representative Peter Fisher, whom he consults with, 85% of the water is going to the bottom of White Bear Lake and is decreasing at a certain rate per day. There is no doubt it is going into the aquifer.

Representative Yarusso asked the depth of Shoreview and Woodbury wells. Mr. Maloney answered that Shoreview wells are 400 feet deep to reach the Jordan Aquifer. Woodbury wells are approximately 85 feet. Representative Yarusso noted that the lack of correlation between ground water and lake level at Turtle Lake may only be because of the particular time frame the study was done. The question not answered is whether pumping the wells is causing a more significant impact or the diversion of runoff from seeping back into the ground water through storm water systems.

Mayor Martin stated that it is still unknown what effect the drought had on lake levels. Even though this summer was rainy, there were several years of drought prior to this year. It may take that long for recovery of White Bear Lake, although Turtle Lake came all the way back this year.

Senator Scalze recalled that about 15 or 20 years ago the level of White Bear Lake was similar to what it is now, but the issue was never taken to the level of suing the DNR. She noted that White Bear Lake city staff remember those drought years and are not as supportive of the lawsuit as the homeowners. In response to the question of whether a change in the system will be required, she does not see that there would be money for it.

Representative Isaacson agreed and stated that he cannot believe money would be available without a definitive understanding of what would be a solution.

Councilmember Wickstrom stated that in regard to water issues there are things that need to be done. One is to change the plumbing code so gray water can be used. The second is to impose more conservation measures. It is premature to develop routing and infrastructure improvements

without all the answers from the aquifer study, which will not be done for another two years. She asked if well water levels in the City are known for the last 20 years. Mr. Maloney stated that levels are known and no problems have been determined.

Representative Yarusso explained that the aquifer is spread out and needs a lot more study. Water could be taken from one location and never see a change in another location because of topography. The DNR is working on a geology map for the whole state, but it is not yet available. The fact that there is an increase in iron and manganese in Shoreview suggests the water level is being drawn down somewhat. That is the mechanism by which those levels would increase. Mr. Maloney responded that is the reason it is so difficult to comprehend an expenditure of over \$200 million to change everyone's water system without experts agreeing on the desired outcome.

Councilmember Withhart asked if the USGS has the scientific expertise to chart the aquifer. Representative Yarusso stated that the problem is that in order to be accurate, a very high number of data points must be used. One thing that could be done is to obtain data from every source, every well that exists and bring that data together. That is not being done. It is a matter of time and money to get the data. The chief problem in charting is the water cannot be seen because it is deep underground. The only way to chart is to drill wells. Then there are local issues to address. If materials are discharged in one place and someone else 100 miles away turns on a pump that sucks water, this may cause water movement on a local basis that may be different from the actual big scheme of water movement.

Mayor Martin stated that it is important to understand that Shoreview has its own system and the City will move forward with a water treatment plant. The City should not wait for three years to do this important infrastructure improvement.

Senator Scalze stated that there will be a presentation on Thursday, December 11, 2014. She invited someone to attend and present another side of the story.

Representative Yarusso stated that this is a long-term issue that will need some fixes. The communities singled out, like Shoreview, are because they would be easier to hook up to the St. Paul system and are fully developed. However, taking that action does not solve the gray water issue and it does not encourage conservation.

Councilmember Wickstrom stated that she would like to see efforts for alternative systems in areas that are projected for development. Shoreview is fully developed, and there would be no efficiency to changing the water system.

Representative Isaacson asked if the City is losing money on water revenue. City Manager Schwerm explained that the City has had to restructure rates to eliminate deficits as a result of declining water usage. The City is now holding its own and not running deficits. The Settlement, which could mandate Shoreview being switched to St. Paul Water, came at a time when the City's water treatment plant is just in the process of being designed. The City is investing \$11 million for the water treatment plant. It is important to talk about this so there is a clear understanding of Shoreview's situation at the legislative level.

Representative Isaacson expressed his appreciation for knowing about this situation. It will help him when he has to talk about these issues. He again stated that he would be shocked if this is on anyone's radar because the budget will be almost exactly the same because the surplus is being drained with tax cuts.

Councilmember Quigley stated that the DNR has one focus, but the Metropolitan Council has indicated a plan for 18 communities that has drawn crossfire between different perspectives. He would like to see an overall, broad policy adopted by the legislature as a coherent way to approach these issues.

Representative Yarusso stated that a broad policy that also addresses other parts of the state that are agricultural and also have ground water problems would be very difficult. Changing ground water policy would be a big problem. She agreed a policy is needed because those communities are in greater danger of having water level issues in a shorter time frame than Shoreview. While manganese and iron are an inconvenience, the Clean Water Council is finding that some wells in other areas of the state are hitting arsenic and nitrate, which are significant health issues that must be fixed. That is not a choice.

Senator Scalze noted that the nitrate problem in Park Rapids is being fixed with local funding. However, in Lake Elmo the legislature did provide funding to address the 3M contamination. Wells cannot be drilled because the pollution is sucked into the well. A long pipe is needed from another part of the city in order to not suck pollution into the water. That is a much more extreme issue than the White Bear Lake level.

Other Legislative Issues

Councilmember Withhart noted that Land 'O Lakes is one of the City's biggest supporters and has now taken space in the old Deluxe Campus. One of the biggest disconnects for them is the separation of their company by Lexington Avenue. A bridge or tunnel is too expensive for the City to handle. He asked if the state could help with a pedestrian bridge.

Senator Scalze noted that the only thing that helped get the new bridge at Rice Street and Highway 36 was St. Jude Medical hired a lobbyist who was in the Governor's office daily. Land 'O Lakes and Boston Scientific must hire a lobbyist to get in the Governor's office. She added that when the Mayor goes to the Governor's office it always helps, and it is different because the Mayor is elected by the people.

City Manager Schwerm commended legislators for all their help in the last session, which was successful in getting the I-694 improvements, quiet rail zones, and special TIF authority for Shoreview. The legislative response to working with Shoreview on these issues was wonderful to see. He raised an upcoming issue of impending changes to the way cities are required to report budgets. This is a result of an initiative being pushed by the National Association of Industrial and Office Parks. The City has no problem providing transparency but to change reporting is a lot of busy work to provide the information in the requested format.

Mayor Martin suggested that the Municipal Legislative Commission (MLC) cities form a caucus of all the legislators representing those cities. It would be an example of crossing the aisle and working with people representing the same goals. Senator Scalze responded that she has chaired the Suburban Caucus in the House and served on that same body in the Senate. Unfortunately, the suburbs do not agree on many issues. There is no coalition as with the Iron Range.

Councilmember Wickstrom added that while MLC legislators represent cities that agree on certain issues, they also represent neighboring communities that may not agree.

Mayor Martin expressed great appreciation State Representatives Isaacson and Yarusso and Senator Scalze for attending this meeting on short notice and for the fact that they have listened well over the years to Shoreview's concerns. She noted the Municipal Legislative Commission Breakfast on February 13, 2014, at the Minnesota League of Cities Building, at 8:00 a.m. to which they will all be invited.

Councilmember Quigley asked the response to the resident who questions the expense of \$11 million on water treatment plant when the City will eventually have to change over to the St. Paul Water Utility. Mr. Maloney responded that he does not see any legislative agreement to make this mandate. Mr. Schwerm added that even if there were such a mandate at some time in the future, he would guess that the St. Paul Water Utility would not want all the wells and water treatment plant to shut down. Unfortunately, there are more questions than answers at this time.

It was the consensus of the Council to move forward with construction of a new water treatment plant.

DISCUSSION AND REVIEW OF UTILITY RATES

Finance Director Fred Espe summarized a report on requested utility rates for 2015.

Water: Water usage is trending downward. The average from 2000 to 2004 was 22,635 gallons. The average now is down 14.8% to 18,400 gallons. The majority of costs are fixed so there is not a lot of flexibility for savings. The largest variable cost is electricity, which is only 6% of all water costs. Meeting revenue projections with the decline of water usage has been possible with the use of the two-tier rate system. The rate increase for 2015 was projected at 4% and 12% in 2016. It was decided that it would be better for the increase to be 7% for both years rather than a big jump in 2016. The reason for the planned increase is the cost of the water treatment plant.

Sewer: The Metropolitan Council processes the City's sewage. Both sewage flow and the cost per million gallons decreased this year. The cost increase to consumers is recommended at 3%.

Surface Water: The Five-Year Operating Plan shows a 10% rate increase, which is staff's recommendation. Mr. Schwerm explained that one of the things driving costs with surface water management is that it is becoming an ever increasing part of the City's capital projects. It is almost as expensive as the street improvement portion of the project and, in fact, was about 50%

of the cost to the Red Fox Road improvements. There will also be a need for dredging a number of ponds in the next few years.

Councilmember Withhart noted that he has never received a complaint on utility rates in all his years on the Council. He asked the number of complaint calls the City receives after rate increases.

Depending on the year, Mr. Schwerm estimated about 30 to 40 calls are received. He explained that Terese Roesler, the staff member who handles these calls, does an outstanding job of explaining and walking residents through the reasons for the rate increases.

Councilmember Johnson asked if there should be a certain policy response from the City given that there is an uptick on water issues as a result of White Bear Lake and Turtle Lake. Mr. Schwerm explained that the years when there are complaints is when a wet summer is followed by a dry fall and residents are sprinkling into the fall. He noted that last year some adjustments were made to sewer rates because residents were encouraged to run water to prevent frozen pipes. Credit was given, not for the water used, but for winter consumption, so rates were based on a year when they were not encouraged to run water due to water pipe freezing.

It was the consensus of the Council to adopt the proposed utility rate report.

OTHER ISSUES

Cable TV Update

Mr. Schwerm stated that a second negotiation session with Comcast went well. There is still disagreement on the PEG fee. The two-year extension agreement with the North Suburban Communication Commission (NSCC) continues with a PEG fee at \$4. The City proposed a \$2 PEG fee. Corporate Comcast agreed to the two-year extension in order to get the merger through. Local Comcast is reluctant to negotiate PEG fee changes because they are waiting to see what happens with the new merger. A spending plan is being developed to show how the funds will be used. The goal is to have a new franchise agreement to the Council by January. The Council needs to decide whether a lesser agreement than what the North Suburban Cable Commission has for the next two years is acceptable. There will be some concerns from local programmers whose programs will no longer be produced by CTV.

Mayor Martin stated that one concern all along has been that negotiating alone the City would have less negotiating power.

Mr. Schwerm stated that the City could go back into the NSCC. That decision would have to be made at the next Council meeting, December 15, 2014. One benefit of the City staying out of the NSCC is that the City will retain all PEG fees and franchise fees. The equipment should be in place for playback of City meetings in January. He has asked CTV what the fee would be to continue running the public access channel.

Mayor Martin asked if there would be an offsetting grant from Comcast. Mr. Schwerm stated that it is still being negotiated as part of the franchise agreement.

Rainbow Foods Site

Staff met with Joe Ryan of Oppidan Development who originally developed the Rainbow Foods store on the site. He is an experienced commercial developer and indicated that he will be working with the owner on a new development plan for the site. He expected to have something for the City to review in the first quarter of the year.

Economic Development Authority Vacancy

The Economic Development Authority (EDA) will have an opening with Councilmember Withhart retiring. It was the consensus of the Council to appoint Mayor Martin to the open position.

The meeting adjourned at 9:30 p.m.

