

The Cannon Falls City Council met in a regular session on Tuesday, December 3, 2013, at 6:30 p.m. in the City Council Chambers. Present were Mayor Robby Robinson and Council Members Bill Duncan, Jay Sjoblom, Morris Mattson, Rodney Holst, LeRoy McCusker, and Merlyce Johnson. Also present were Aaron Reeves, City Administrator; Dave Maroney, Community Development Director; Brenda Voshalike, Ambulance Director; and Jeffrey McCormick, Police Chief.

Call to Order	Mayor Robinson called the City Council Meeting to order at 6:30 p.m.
Roll Call	All members were present.
Pledge of Allegiance	Mayor Robinson led in the recitation of the Pledge of Allegiance.
Approval of Amended Agenda	Council Member Johnson moved, seconded by Council Member Duncan and unanimously carried, to approve the Amended Agenda as submitted.
Public Input	No one came forward to speak.
Presentations: Citizen Recognition Awards	<p>Police Chief McCormick recognized Eufemio Cedillo for his actions on July 20, 2013, coming to the aid of a child drowning in the Cannon River near the Third Street bridge. Chief McCormick presented a Citizen Recognition Award to Mr. Cedillo for his immediate and selfless actions.</p> <p>Officer Joe Berg received a Letter of Commendation for his actions on March 18, 2013, when Officer Berg responded to a call regarding an allegedly armed and suicidal person. Officer Berg demonstrated his ability to consider alternatives and act appropriately in order to safely resolve a potentially dangerous situation.</p> <p>Mayor Robinson thanked both individuals for their actions and courage.</p>
Public Hearing Resolution 2047, Vacating Part of Oak Street North	City Administrator Reeves reviewed the request for vacation of a portion of Oak Street North, submitted by an adjacent property owner. Mr. Reeves stated that the City has no plans to use the property, and vacation of the property is recommended. Council Member McCusker inquired about a utility easement. Mr. Reeves replied that rights to a utility easement would be maintained. Mayor Robinson opened the public hearing. No one came forward to speak. Mayor

Robinson closed the public hearing. Council Member Johnson moved, seconded by Council Member Duncan and unanimously carried, to approve Resolution 2047.

Consent Agenda

- A. Just and Correct Claims – Accounting Period Ending November 27, 2013
- B. Meeting Minutes for November 19, 2013, City Council Meeting
- C. Meeting Minutes for November 19, 2013, City Council Work Session
- D. Resolution 2048, Authorizing EAID Grant Application
- E. Approve Diane Witte to Practice Massage in the City Limits
- F. Hire EMS Applicants for Ambulance Service

Council Member Johnson moved, seconded by Council Member Duncan and unanimously carried, to approve the Consent Agenda as submitted.

Council Business:

Resolution 2049,
Ordering a Special
Election on the
Question of Issuing
General Obligation
Bonds

City Administrator Reeves reviewed the work of the Pool Committee, which is recommending that a new pool construction project moved forward, with an estimated cost of approximately \$4 million. Approval of Resolution 2049 would initiate a Special Election on March 3, 2014, to allow citizens to vote on the proposal. Mr. Reeves reviewed necessary repairs needed for the current pool and the inability to comply with ADA requirements. Thomas Schaffer from US Aquatics presented a summary of the pool study, including structural issues with the current pool, community demographics, aquatic facility amenities, design concepts, and projected revenue and expense estimates for a renovated facility versus a new facility.

Council Member McCusker inquired about a completion date for a new facility. Mr. Schaffer discussed a proposed completion date of May of 2015, with the current pool being closed for construction during the 2014 season. The Pool Committee recommends a 13-week operating season, from Memorial Day weekend through Labor Day weekend. Judy Conway from the Pool Committee commented on possible competitive swimming opportunities. Council Member Duncan commented on the favorable revenue projections for a new facility and the substantial cost to renovate the current facility, which is more than 40 years old. Mayor Robinson commented on safety and efficiency factors related to pool facilities. Council Member McCusker commented on general infrastructure priorities. Council Member Duncan added that this is the reason for the referendum.

Council Member Johnson moved, seconded by Council Member

Duncan, to approve Resolution 2049, authorizing a Special Election on March 3, 2014, to consider a new pool proposal. A vote was taken and the motion carried 5:1, with Council Member McCusker voting nay.

Mayor Robinson thanked the Pool Committee for their work on the study.

Sustane Odor
Monitoring Project

City Administrator Reeves reviewed the need for the monitoring project and the project agreements. Council Member Duncan inquired about one-time training costs. Council Member Mattson commented on adverse connotations of monitoring business activities. Mr. Reeves explained that monitoring processes would take place in conjunction with business cooperation and standards would be applied uniformly. Council Member McCusker recommended further discussion involving Sustane personnel.

Council Member Johnson moved, seconded by Council Member Duncan and unanimously carried, to approve the odor monitoring project.

2014 Utility Rates

Rebecca Kurtz from Ehlers and Associates provided an annual update and recommendations regarding utility rates. She reported that water, sewer, and storm utility rates are adequate to meet operating expenses and maintain financially healthy cash reserves. She described capital costs related to current and future utility upgrades and the need to increase utility rates to build reserves to help pay for future projects, summarizing each utility separately. A 4% increase is proposed for water rates in 2014, which is less than anticipated. This reflects an increase of \$1.04 per month for the average residential home. Council Member McCusker asked for clarification of the total additional fund amount with the 4% annual increase. Ms. Kurtz replied that this equates to approximately \$20,200. She added that estimates reflect projected revenue increases of approximately 2% and expense increases of 3% for all funds, along with factoring in new growth.

Council Member McCusker commented on new users anticipated during 2014. Mr. Reeves explained that conservative projections were provided for 2014 and that commercial usage is difficult to estimate. Once actual usage data is available, rates can be further adjusted for 2015. Council Member Duncan commented on the lower than projected increase recommendations.

Ms. Kurtz reviewed sewer utility debt and planned upgrades. An annual increase of 10% for sewer rates is recommended through 2016, with an inflationary increase of 5% thereafter. Council Member Duncan asked about the impact on sewer rates once the debt has been repaid. Ms. Kurtz explained that the sewer fund balance is still a little below the target goal. Once outstanding debt has been repaid, this will provide more flexibility. It was clarified that the proposed 10% increase reflects additional revenue of approximately \$120,000.

Ms. Kurtz reviewed storm water utility fund information, which was established in 2009. An inflationary increase of 2% is recommended for 2014 to make current bond payments and build fund reserves. This proposed increase is less than projected and would raise the monthly rates on a residential home from \$2.42 to \$2.47.

In summary, the proposed utility rate increases would result in an average residential home with a total monthly utility bill of \$87.72 in 2014, reflecting a \$6.40 increase.

Ms. Kurtz detailed capital improvement planning for each of the utility funds. She explained the goal of imposing the lowest possible increase that will leave the City's systems in good financial health in terms of covering operating expenses, debt, capital needs, and cash balances for emergencies or unforeseen circumstances. Recommended cash balance targets are equal to 50% of the current year's operating expense plus 100% of the next year's debt service payments.

Council Member Mattson inquired about commercial storm water utility rates. Mr. Reeves explained that rates are based on the amount of impervious surface. Businesses are also offered the opportunity to earn utility credits.

Council Member McCusker commented on rising utility rates and adverse impacts on residents. Mr. Reeves described the detrimental effects of compounding, whereby increased rates are the result of not increasing rates at the time infrastructure improvements were originally made. Council Member Mattson inquired what other communities are doing. Mr. Reeves replied that, due to its infrastructure improvements, Cannon Falls will be in good shape for years to come with regard to its sewer system, while other communities now need to upgrade their systems. Council Member Duncan asked whether other cities are finding it necessary to raise utility rates. Ms. Kurtz replied that this is generally the case. Mayor Robinson stated that the situation needs to be addressed, as the debt

has been incurred and planning for the future needs to continue.

Council Member McCusker asked about the possibility of maintaining lower utility fund balances in 2014 and re-evaluating for 2015. Mayor Robinson recommended against “kicking the can down the road.” Mr. Reeves added that borrowing from general fund reserves will not result in building the necessary long-term utility fund reserves.

Council Member Johnson moved, seconded by Council Member Duncan, to approve the proposed 2014 utility rates. A vote was taken and the motion carried 5:1, with Council Member McCusker voting nay.

Resolution 2050,
Adopting 2014 Tax
Levy and Budget

City Administrator Reeves reviewed the proposed tax levy and budget. A breakdown of the proposed 2014 tax levy was provided, which includes a 3% tax levy decrease. Historical comparisons were made. No major operational changes are planned. Debt obligations and capital improvement projects were discussed. Revenue and expense projections were reviewed. An estimated savings of \$30,000 and \$40,000 is anticipated as a result of the new sales tax exemption for cities.

Council Member Duncan inquired about WAC and SAC charges. Mr. Reeves replied that these charges have not been included in utility revenue projections. Council Member Duncan recommended bringing this up for further discussion at a future meeting.

There was no public comment.

Council Member Duncan moved, seconded by Council Member Johnson and unanimously carried, to approve Resolution 2050, adopting the 2014 tax levy and budget.

Reports:
Staff

Police Chief McCormick provided a reminder regarding winter parking rules.

Mayor and Council

Council Member Duncan provided a report from the Public Works Commission meeting, including discussion with regard to alleys.

Mayor Robinson commented on a reading activity and the Deck the Falls parade.

Adjournment

The meeting adjourned at 8:40 p.m.

Adopted by the City Council of the City of Cannon Falls on the 17th day of December, 2013.

Lyman M. Robinson, Mayor

ATTEST:

Aaron S. Reeves, City Administrator