City of Blaine
City Council Workshop

November 18, 2024 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

MINUTES

NOTICE OF WORKSHOP MEETING
In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

The meeting was called to order by Mayor Sanders at 5:32PM.

2. Roll Call

PRESENT: Mayor Tim Sanders, Councilmembers Terra Fleming, Leslie Larson, Chris Massoglia (arrived at 5:38PM), Tom Newland, Jess Robertson.

ABSENT: Councilmember Lori Saroya.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; City Planner Sheila Sellman; Deputy Police Chief Joe Gerhard; Finance Director Jason Zimmerman; Director of Administrative Services Scott Johnson; Public Works Director Nick Fleishhacker; Director of Engineering Dan Schluender; City Attorney Tom Loonan; Finance Analyst Nikki Beckers; Accountant Haley Chapman; Communications Manager Ben Hayle; and City Clerk Catherine Sorensen.

3. New Business

3.1. 2024-552 Closed Session Pursuant to MN Statute 13D.05(3)(c)(3) - Discuss Property Purchase Offers Related to Property Identified as PID 21-31-23-24-0009.
Sponsors: Erik Thorvig, Community Development Director

Upon a motion and second, the council moved into closed session to discuss property purchase offers related to property identified as PID 21-31-23-24-0009.

3.2. 2024-540 Northtown Owner Update
Sponsors: Erik Thorvig, Community Development Director

City Attorney Loonan stated the owner of Northtown Mall was in attendance virtually to provide an update on the current status of the food court at Northtown Mall.

Felix Reznick, Northtown Mall owner, requested the city council consider submitting an amicus brief in support of ending the lease of Cloud Kitchen. He discussed how important it was to have a vibrant food court within the mall. He commented further on the situation and requested support from the council.

Mr. Loonan indicated he has not spent too much time on this issue because he was waiting to receive direction from the council. He explained he was uncertain if an amicus brief from the city would have an impact on the court. He reported this was a private lawsuit and estimated it would cost the city $5,000 to $10,000 to draw up documentation for this case.

Councilmember Newland stated he did not believe the request from Mr. Reznick was unreasonable and supported the city sending a letter.

Mayor Sanders commented he agreed with what Councilmember Newland was saying and appreciated Mr. Reznick's aggressive approach. However, he was concerned about the city getting involved when this was a matter between two Blaine businesses. He requested further comment from the city attorney on this matter. Mr. Loonan provided background information on the lawsuit noting Mr. Reznick would like Cloud Kitchen evicted for a breach to the lease. He encouraged the council to give serious consideration on whether or not to submit an amicus brief about the circumstances regarding this specific litigation. He anticipated if the council were to take this action, other landlords would be approaching the city for support when having issues with tenants.

Councilmember Newland indicated the city has invested two years in the Northtown Mall area master planning and he wanted to see the council offering support because it was a reasonable ask.

Councilmember Fleming asked if staff had knowledge of the requirements within the lease. Mr. Loonan stated Cloud Kitchen was to have a presence in the mall but their business model was more virtual, similar to Uber Eats.

Councilmember Massoglia explained it was his understanding that Cloud Kitchen owns the entire food court and they have a few people there, but the majority of their business was Ghost Kitchen making deliveries. He stated it does not make a lot of sense to say the tenant was in violation of the lease when this was their model from the beginning. For this reason, he did not believe the city should get involved.

Council consensus was to not submit the brief on behalf of Northtown Mall at this time.

3.3. 2024-504 Utility Enterprise Funds 2025 Operating Budgets and 2025-2029 Capital Improvement Plans

Sponsors: Jason Zimmerman, Finance Director

Item 3.4 was heard at this point in the agenda.

Mayor Sanders reconvened the workshop meeting at 8:30PM to discuss Item 3.3.

Finance Director Zimmerman stated at the September 30 City Council Workshop, the Utility Funds 2025 operating and 2025-2029 capital requests were reviewed. Several documents were provided to the council, including: 2025 Operating Fund Summaries, 2025-2029 Capital Equipment Fund Summaries, 2025-2029 Detailed Project and Equipment Lists, and the 2025 Utilities Funds Presentation. General feedback from the Council at the conclusion of the workshop was for staff to:

- Ensure the City's infrastructure is replaced at reasonable intervals to maintain the existing service model
- Reduce the 2025-2029 capital requests
- Revise the model to reflect a less aggressive path to cash funding capital expenditures
- Provide a model that reflects lower annual increases to utility rates

Finance Analyst Beckers provided additional information on the utility enterprise funds and requested feedback from the Council on how to proceed.

Councilmember Robertson asked if the data shows historical debt was only taken out for two capital projects in 15 years. Mr. Zimmerman reported this was the case. He commented further on how the city was now playing catch up because the city only invested in two capital projects over the past 15 years and utility rates were only increased nominally. He explained the water fund was not rich with cash.

Councilmember Fleming questioned how large amounts of interest from bonding would impact the levy in the future if the city had to bond for projects versus having cash on hand. Mr. Zimmerman indicated this would fall onto the backs of the utility rate payers. He indicated he did not know a way forward without increases in utility rates. He stated the good thing was the city was looking at this issue now in order to make plans for the future.

Councilmember Massoglia commented the debt taken on for utility projects was paid for by utility rates and income from the utility funds. Mr. Zimmerman reported this was the case. He commented further on the city's S&P bond rating based on recent bond issuances. He discussed how having clear and measurable goals for the water and other utility rates will greatly assist staff when considering utility rates on a yearly basis.

Ms. Wolfe commented further on the scenarios that were available for the utility rates for 2025. She noted the council could opt to choose portions from either scenario and move forward with a hybrid option.

Councilmember Larson supported Scenario 2 for water and Scenario 1 for sewer and storm.

Councilmember Newland thanked staff for their efforts on the medium and high risk scenarios for the council. He indicated he supported mixing and matching the water and sewer rates as proposed by Councilmember Larson. He discussed how garbage rates would be going up and he wanted the council to be cognizant of how these increases will impact residents.

Councilmember Robertson indicated there was no debt payments in the water or sewer funds. She explained the council was being asked to right a lot of wrongs from previous councils. She stated she was not supportive of increasing fees but feared how the city would be impacted if Scenario 1 did not move forward. She reported the difference between Scenario 1 and 2 was nominal and indicated she would like to see Scenario 1 moving forward. She commented further on how the city would be positively impacted once the current bonds were paid off. Mr. Zimmerman stated when the city was so reliant on debt, it made it difficult for the council to pivot.

Ms. Wolfe stated there was more ability to control the use of water. She commented on how irrigation was driving water bills, which meant water bills were higher in the summer and lower in the winter months.

Public Works Director Fleischhacker commented another unknown for the city would be what treatments would be required for water in the future and noted the city needs to have the ability to meet these demands.

Councilmember Robertson stated she believed Scenario 1 was the right move for the city even if it was the more difficult option to support. She reported the city council had real responsibilities and now was the time to make things right. She indicated the council could possibly consider an irrigation surcharge to assist with generating additional revenue for the city. She wanted to be assured the city had funding in place should a catastrophic event occur within the city's utilities.

Councilmember Massoglia indicated he agreed with the commitment to prefund capital. He stated his main concern was how the council would stick to the plan. Mr. Zimmerman commented he understood the council's frustration given how things did not come true this year as they were proposed last year. He explained he did his best to present a fair budget coming in mid-year. He reported everything staff has done to show a five year model, with the understanding everything was subject to change. He discussed the targeted goals for each department, which would be to maintain a 3% increase. He stated his goal would be to discuss if increases were outside of this framework with the council. Ms. Beckers discussed how the five year models did not stop at 2029 but rather were modeled out for another 10-15 years in today's dollars. She reported the thought and the planning was in place.

Councilmember Newland stated Councilmember Robertson supported the low risk option for the city while he was proposing to support the medium risk option. He stated he could support the low risk option and eliminating debt. He was of the opinion the proposed increases were manageable.

Ms. Wolfe confirmed Councilmember Robertson would like to move forward with Scenario 1 with the city being debt free at the end of five years for all three funds.

Councilmember Larson indicated she liked the philosophy but feared how residents would be impacted by the rate increases when some were struggling to pay for groceries.

Councilmember Robertson stated there was $160 million of deferred maintenance on the city's sewer and water systems. She explained she wanted to see the city making investments in these funds in order to have a plan in place for its sewer and water infrastructure.

Councilmember Fleming discussed how getting the city out of debt would assist with improved finances in the future. She stated she could support Scenario 1 moving forward. Mr. Zimmerman commented on how the model was built and shows expenses would go down over time.

Councilmember Massoglia explained he would support the city pursuing a separate quarterly capital service fee versus having water rates going up $25 annually. He suggested this fee expire in 2028 after the debt was paid off.

Councilmember Newland stated he appreciated this idea but indicated in four years the council could opt to keep the capital service fee in place.

Councilmember Massoglia expressed concern with the fact the capital projects for sewer and water projects never come in as estimated. Mr. Zimmerman reported this was going to happen because this was just a plan or model and costs were updated as time goes along. He explained the city council could have further policy discussions regarding the city's CIP and enterprise funds. He stated he appreciated the council's commentary and understood things have not come to fruition in the last year as proposed.

Councilmember Robertson stated if the city were to pull off a line item for public safety, this would provide transparency for residents. She supported the council further discussing this at the upcoming retreat in January. She agreed with Councilmember Newland that if an annual capital service fee were pursued, it would be difficult to sunset in four years.

Councilmember Massoglia commented he believed residents may find a quarterly capital service fee more palatable knowing that it would sunset in four years.

Mayor Sanders proposed the city council create a budget sub group early in 2025 in order to dig further into the budget.

Council consensus was to support Scenario 1 moving forward.

3.4. 2024-539 Boards and Commissions - 2025

Sponsors: Cathy Sorensen, City Clerk

City Clerk Sorensen stated Council in the past has discussed possible changes to the composition of Traffic, NRCB, and the Park Board. As we approach 2025 and council begins to consider appointments/reappointments for all boards and commissions for terms ending April 2025, staff is seeking input regarding those potential changes.

City Manager Wolfe discussed how attendance has been better for the NRCB and Park Board since moving to quarterly meetings as outlined in the council policy.

Mayor Sanders suggested another option be considered for addressing traffic matters in the city versus holding traffic commission meetings. He asked if the option would take more staff time and asked staff for comment on this. Director of Engineering Schluender reported the traffic commission has met twice in the last two years and noted the majority of the issues were being addressed by the police department and engineering staff. He understood the Traffic Commission members were frustrated the group was not meeting but noted the issues that have been brought forward were more efficiently addressed by staff.

Mayor Sanders recommended staff work with the communications manager on how traffic complaints will be managed going forward and supported the traffic commission being dissolved.

Councilmember Robertson reported the city's website has a place where residents can fill out a form to address traffic concerns.

Mayor Sanders stated this was great, but he still wanted staff to communicate this further to the public.

Councilmember Newland was of the opinion the commissioner review selection process should continue as is. He appreciated how the council has gotten solid candidates through the matrix process currently being followed.

Councilmember Robertson agreed.

Councilmember Massoglia explained he understood the traffic commission was not meeting but he requested staff have some system in place in order to track traffic complaints or concerns. He stated he still supported merging the Park Board and NRCB and suggested a new board be created for Veterans Memorial Park.

Mayor Sanders stated he would not be opposed to creating a board for the Veterans Memorial Park. Ms. Wolfe reported staff could research this further and could report back to the city council.

Councilmember Massoglia asked if the Council supported merging the Park Board and NRCB.

Councilmember Robertson stated it was her understanding attendance was up for both of these groups.

Mayor Sanders asked for feedback from Councilmember-Elect Ford on how the Park Board was working.

Councilmember-Elect Ford stated he believed the Park Board was doing a good job and was of the opinion that what the group was doing now was working.

Mayor Sanders indicated he would like to keep the Park Board and NRCB as is for the time being.

Councilmember Newland concurred.

Council consensus was to communicate alternate methods to address traffic concerns with the goal to dissolve the Traffic Commission and to either create a new board or possible sub-board under the Park Board that focused on Veterans Memorial Park.

Mayor Sanders recessed the workshop at 6:56PM.

4. Other Business

None.

5. Adjournment

The workshop was adjourned at 9:25PM.

CITY OF BLAINE
L'ETOILE DU NORD
ANOKA CO., MINN.

Signed by ______________________
Tim Sanders, Mayor

Signed by ______________________
Catherine M. Sorensen, CMC, City Clerk