

**CITY COUNCIL MEETING
CITY OF FRIDLEY
MARCH 25, 2019**

The City Council meeting for the City of Fridley was called to order by Mayor Lund at 7:06 p.m.

ROLL CALL:

MEMBERS PRESENT: Mayor Lund
Councilmember Barnette
Councilmember Tillberry
Councilmember Eggert
Councilmember Bolkom

OTHERS PRESENT: Wally Wysopal, City Manager
Daniel Tienter, Director of Finance/City Treasurer
James Kosluchar, Public Works Director
Gerald Maeckelberg, North Suburban Hospital District

PRESENTATIONS:

- a. North Suburban Hospital District
- b. Spring Flooding

APPROVAL OF PROPOSED CONSENT AGENDA:

APPROVAL OF CITY COUNCIL MINUTES:

1. City Council Meeting of March 11, 2019.

APPROVED.

OLD BUSINESS:

2. **Second Reading of an Ordinance Prohibiting Acceptance or Consideration of Zoning Applications Related to Massage Therapy Businesses to Allow for the Study, Adoption, or Amendment of Official Controls;**

and

Adopt Official Title and Summary Ordinance.

WAIVED THE READING OF THE ORDINANCE AND ADOPTED ORDINANCE NO. 1367 ON SECOND READING AND ADOPTED THE OFFICIAL TITLE AND SUMMARY READING AND ORDERED PUBLICATION.

NEW BUSINESS:

- 3. Approve Amendment to the Agreement for Professional Services for Locke Park Water Treatment Plant Improvement Project No. 17-509 between the City of Fridley and Short Elliott Hendrickson Inc.**

APPROVED.

- 4. Approve a Cost-Share Agreement between the City of Fridley and the Rice Creek Watershed District for the Norton Creek Watershed Study.**

APPROVED.

- 5. Resolution Approving Gifts, Donations and Sponsorships to the City of Fridley.**

ADOPTED RESOLUTION NO. 2019 - 11.

- 6. Approve 2019 Reappointments to the City of Fridley Commissions.**

THIS ITEM WAS REMOVED FROM THE CONSENT AGENDA AND PLACED ON THE REGULAR AGENDA.

- 7. Claims: ACH PCard – 1903; 184407-184556.**

APPROVED.

ADOPTION OF PROPOSED CONSENT AGENDA:

Councilmember Bolkcom requested that Item No. 6 be removed and placed on the regular agenda.

MOTION by Councilmember Barnette to adopt the proposed consent agenda with the removal of Item No. 6. Seconded by Councilmember Bolkcom.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.

OPEN FORUM, VISITORS:

No one in the audience spoke.

ADOPTION OF AGENDA:

MOTION by Councilmember Bolkcom to adopt the agenda with the addition of Item No. 6. Seconded by Councilmember Barnette.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS:

8. Resolution Authorizing and Approving an Interfund Loan for the Locke Park Water Treatment Plant Improvement Project; and Establishing Compliance with Applicable Bond Reimbursement Regulations.

Daniel Tienter, Director of Finance/City Treasurer, stated on February 25, 2019, the City Council created the Community Investment (CI) Fund. As part of that action, there is a corresponding policy establishing the process the City would use to ultimately issue interfund loans to support capital project expenditures related to the City's public utilities.

Mr. Tienter stated when those loans are repaid, the City would capture the interest income on those loans and then used them to support parks and recreation related improvements. The policy also provided guidance regarding the use of the fund to support debt service and the minimum fund balances the City would need to maintain to ensure the solvency of the fund.

Mr. Tienter presented a slide and outlined how the model works. He stated that per the policy and Section 7.10 of the Charter, the City Council may authorize interfund loans by resolution. The policy also says that action must be included in the capital investment program and the 2019 budget. The Council did approve up to \$3.8 million over a two-year period, \$3.3 million in 2019, and another \$500,000 in 2020 for the Locke Park Water Treatment Plant improvement project. The project has decreased in costs since the adoption of the CIP. As a result, staff is recommending Council authorize an interfund loan in the amount of \$3.6 million from the CI fund into the water utility fund, and that the water utility fund would repay the loan over a 10-year period with interest. It is worth noting that staff's internal calculations, depending on the final cost of the project, up to that \$3.6 million the City would net about \$620,000 in interest over the period of the loan.

Mr. Tienter discussed the terms of the interfund loan. The principal would be for up to \$3.6 million. The interest rate would be set at 3 percent. When setting the interest rate, they use essentially two benchmarks. The first is what is happening in the bond market or what the interest rate would be if the City went out and borrowed the money. Also, what would the interest rate be if the City did not issue an interfund loan and otherwise invested the funds. Staff looks at those two considerations to decide on what is a fair value for the taxpayers in issuing this interfund loan.

Mr. Tienter stated the loan length is listed for up to 10 years. This is consistent with the policy, and the annual payment is for up to \$422,030. There is a typo in the resolution included in the agenda. The annual payment should be \$422,030 rather than \$420,030.

Mr. Tienter stated the first payment date would begin the year after the project was completed in 2020 and would continue for a decade until the loan was satisfied and fully repaid.

Mr. Tienter stated on the chart he presented in each given year, the light blue represents the funds received and the dark blue are the total expenditures. In 2019 the City has a rather large spike with the additional \$3.6 million loan. The green in the background is the minimum fund balance that has been established by the policy. Ultimately, the turquoise line is the ending cash balance. On the chart, the green and the turquoise lines never touch each other, meaning the fund is always above the minimum fund balance that has been established by the policy. They projected all the way out to 2029.

Mr. Tienter stated there are slight upticks in expenditures in 2020, 2021, 2024, and 2028. Those are the points in time when staff would anticipate having additional loans. Those loans were identified as part of the City's 2017 utility rate study as being years when the City would have significant enough projects to bond for. This program assumes that rather than bonding, they would be issuing interfund loans in the amounts described in the study. Even including those amounts, they can see by the end of the 2029 projection the City does have an ending cash balance estimated in excess of \$4 million or \$3 million beyond the minimum fund balance described in the policy.

Mr. Tienter stated in the resolution, there is some discussion about bond proceeds. Per certain department treasury regulations, a municipality may seek to reimburse itself from the issuance of bonds for eligible expenditures. These include things like design and capital costs, bond issuance costs, and other reasonable expenditures that are related to the project. The action simply reserves the right of the City to issue bonds at a future date to reimburse itself for project activities.

Mr. Tienter stated any effort related to that issuance would require separate actions of Council. At a future date, staff would have to present to Council a resolution to induce the sale of the bonds and then go through the bond sale process and present another resolution for Council to accept the bonds. The action included in the resolution does not obligate the City to bond and it does not initiate the bond process. It just reserves the City's right to issue bonds at a later date. It is consistent with how the City has financed these projects in the past. It is worth noting this is the first time the City will be issuing a loan through the Community Investment Fund. The City is reserving its right to bond.

Mr. Tienter said based on the process to date and the policy that has been established, staff recommends Council adopt the resolution which essentially accomplishes two goals--to authorize and approve the interfund loan for the Locke Park Water Treatment Plant Improvement Project and establish compliance with applicable bond regulations.

Councilmember Bolkcom said sometimes there are change orders, etc. She asked where the funds would come from in the event of a \$500,000 change order.

Mr. Tienter replied, the project financing itself contains about a 2.5 percent contingency or just under \$100,000 that would be available to process change orders. In the situation where it would be \$500,000, Council could authorize the change order using the water utility fund reserve as had been the practice in the past or the resolution that is being offered this evening could always be amended by Council to modify the size of the interfund loan. It is worth noting that the amounts included are simply not to exceed amounts. If they did exceed the amounts, the resolution and the policy require staff, if they were to use the loan, to present that as an option to Council and ask them to modify the resolution accordingly. There are sufficient funds to support a change order in the amount Councilmember Bolkcom suggested. They would be in a strong position to respond to that type of development in the project.

MOTION by Councilmember Bolkcom to adopt Resolution No. 2019-12 including the change in the annual payment amount to \$422,030. Seconded by Councilmember Eggert.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.

9. Receive Bids and Award the Locke Park Water Treatment Plant Improvement Project No. 17-509.

James Kosluchar, Public Works Director, stated the Fridley's Locke Park Water Treatment Plant was originally constructed in 1969 and was upgraded in 1993. Improvements at that time included building and process piping modifications, as well as electrical and control improvements. The plant consists of the following: two public water supply wells, two pressure filter tanks with filtration media and airwash grids which are used backwash and clean the filters at intervals, process piping and control valves and other support equipment. There is also pre and post chemical treatment equipment and associated chemical storage areas and tanks.

Mr. Kosluchar stated the treatment plant is located just south of the new Fridley Civic Campus. Each filter is equipped with airwash grids for backwashing the media and following the backwash cycle, the turbid water and the backwash is initially routed to the sanitary sewer by gravity. After discharging to the sewer for a set period of time, the remaining effluent is diverted into the storm drain via gravity and it gets conveyed to Rice Creek. That operation is not fool proof. The City has exceeded the acceptable amounts, particularly with the discharge due to a storm, basically for suspended solids. The City has been put on notice on those occasions that it needs to rectify its situation. Currently, there is an airwash grid failure in Filter Tank 1, so staff has difficulty backwashing either tank with reliability. The valves, actuators, and associated appurtenances are corroded, and continual maintenance is required by staff to keep the valves functioning in the critical components. A chemical storage room houses all the treatment chemicals.

Mr. Kosluchar said this plant has not been in full operation for over two years. Given the last major upgrades that were made over two decades ago and because of ongoing operational

deficiencies, the City retained the engineering services of SEH to assist in design of the much-needed water treatment plant improvements. The improvements include refurbishing filter tanks, the interior and exterior, replacing control valves, process piping modifications, dedicated chemical storage rooms and chemical feed equipment, and constructing a backwash water recovery tank. A backwash recovery tank is an exterior tank and when staff backwashes water the City can reuse that water so they do not have to pump as much out of the well. They can reduce the power and water consumption. Other upgrades would include electrical, mechanical, HVAC, painting and civil site work with the modifications with the roadway and new driveway access and parking.

Mr. Kosluchar stated the project is for improving the reliability of the plant filter operation, improving the treatment of the public water supply and filter backwash reuse. As noted, the backwash water is routed to the sanitary sewer and storm sewer and ultimately to Rice Creek. One of the crowning environmental benefits of the addition of the new backwash reclaim base is the City will eliminate approximately 95 percent waste of public water resource and discontinue discharge to Rice Creek, which eliminates possible surface quality issues or violations.

Mr. Kosluchar stated the Locke Park Treatment Plant improvement is included in the City's capital investment program at \$3.8 million. It will be funded from an interfund loan from the community investment fund which will be repaid through water utility fund reserves over a 10-year period. Basically, the project will be funded by everyone's water rates in Fridley.

Mr. Kosluchar stated they the bid opening was on January 30, 2019. The engineer's estimate was just shy of \$3.6 million. The City had seven responsive bids. Two very competitive bids below the engineer's estimate. Two additional higher bids were within 5 percent of the engineer's estimate. The low bid was from Magney Construction at \$3.349 million which is 7 percent below the engineer's estimate.

Mr. Kosluchar stated Magney Construction is located in Chanhassen. With the information provided with their bid, staff has determined Magney has sufficient understanding of the project, and are capable of performing the construction. Staff recommends the City Council move to receive the bids and award the project to Magney Construction Inc. of Chanhassen, Minnesota, in the amount of \$3,349,000. If approved, staff will notify the contractor of the award and issue a notice to proceed to the contractor upon receipt of acceptable submittals for insurance and other material.

Councilmember Bolkcom stated Council had an opportunity to tour the water treatment. It is amazing what goes on there and how much staff has really taken on in making the best of what they had for many years, but also all the things they have done to think through the whole process. The City is in very good hands. This is going to be a better way of delivering water and a better work environment for staff. The huge thing is the amount of water that is not going to be going out of there and will actually be reused. It is long overdue, and needs to be done. It will take them through the next 20 years.

Mr. Kosluchar replied at least that long.

Councilmember Eggert asked how many plants like this the City has and what is their condition. He recalled this is the last plant to go through this.

Mr. Kosluchar replied, this the City's third plant to go through this rehabilitation rotation, and it is out of sequence. They went treatment plants 1, 3, 2. This plant had been rehabilitated in 1993, about the time that Treatment Plant 3 was rebuilt. Treatment Plant 3 was in a little more affordable need, so they prioritized that ahead knowing this would be quite a big project. The Commons Park treatment plant has been rehabilitated several times with several different features, but the filter was mainly what they rehabilitated in 2005 and 2009. The City is in pretty good shape. They are inching towards that 20-year rehab, but it will probably be a more modest rehab. They did a similar airwash grid replacement in the Commons Park plant, so they should be in pretty good shape as far as the interior filters. They may have to replace media but it should be a much more modest expense going forward.

MOTION by Councilmember Bolkcom to receive the bids and award the Locke Park Water Treatment Plant Improvement Project No. 17-509 to Magney Construction, Inc., of Chanhassen, Minnesota, in the amount of \$3,349,000.00. Seconded by Councilmember Tillberry.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.

6. Approve 2019 Reappointments to the City of Fridley Commissions.

Councilmember Bolkcom stated they have some additions and interviews tonight with some potential appointments. The additions are as follows:

Planning Commission – Appoint Terry McClellan

Appeals Commission – Remove Blaine Jones.

Environmental Quality and Energy Commission – Remove Kyle Mulrooney and appoint Amy Dritz (her term will be up on April 1, 2021).

Parks and Recreation Commission – Appoint Ryan Gerhard (his appointment will expire on April 1, 2022).

MOTION by Councilmember Bolkcom to approving the 2019 reappointments and appointments to the City of Fridley Commissions. Seconded by Councilmember Eggert.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.

10. Informal Status Reports.

There were no informal status reports.

ADJOURN:

MOTION by Councilmember Barnette to adjourn. Seconded by Councilmember Eggert.

UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED AT 8:15 P.M.

Respectfully submitted by,

Denise M. Johnson
Recording Secretary

Scott J. Lund
Mayor