



**MINUTES
CITY COUNCIL WORK SESSION
December 3, 2024**

CALL TO ORDER

The meeting was called to order at 5:32 pm.

Present: Mayor: Charlie Miner; Council: Jahn Dyvik, Mike Feldmann, and Deirdre Kvale

Staff Present: City Administrator: Scott Weske; City Clerk: Jeanette Moeller; and Finance Director: Amanda Nowezki

Absent: Council: Gina Joyce (with prior notice)

APPROVE AGENDA

A motion was made by Feldmann, seconded by Dyvik, to approve the agenda as presented. Ayes: all.

OPEN CORRESPONDENCE

No one was in attendance to address the City Council during Open Correspondence.

BUSINESS ITEMS

Discussion of Proposed City Utilities/Recycling Rates

Finance Director Nowezki indicated that she had done a lot of research on how the new rates the City implemented last year affected the accounts and noted that the majority of the City's utility customers who'd shared feedback had been pleased with the transition to monthly billing. She explained that they had been able to catch some major leaks much faster because of the monthly billing process.

Council member Dyvik noted that he had gotten a notification informing him that he may have a leak.

Nowezki stated that staff had implemented 'you may have a leak' postcards this year because the City's new software allowed her to see the leak report a bit easier, enabling her to send a postcard to residents to advise them they may have some type of leak.

She reviewed that the City had recently added 127 new apartments/condos to City water and sewer infrastructure which brought the City's total connections to 985. One of the things she had found in her research is that apartment base rates should be billed at 80% per unit and not 100%.

Council member Kvale asked why apartments were supposed to be billed at 80% per unit.

Nowezki replied that it was a rule of thumb that was passed down from the state, and she recommended following the state's established procedure in order to stay on the safe side.

Council member Kvale asked if staff or City Attorney Thames could research that a bit more in the future because whether there are two people living in a house or living in an apartment, those individuals were still affecting demand on the water supply.

Nowezki responded that she would have no problem looking into the issue a bit more and noted that for 2025, utility rates for apartments would be based on both consumption and number of units. Another factor for the Council to consider related to utility rates was the importance of separating out the Metropolitan Council sewer treatment fee from the sewer usage charges. She explained that she had started slowly with that process in 2024 by establishing a dedicated \$10 Metropolitan Council charge in order to try to get some of those fees moved over, but in 2024, apartments did not pay per unit and just paid the \$10 fee. Her goal for 2025 was to continue the implementation of the Metropolitan Council fee in order to be more transparent with residents. The City has been informed that it's Metropolitan Council treatment fee would be increasing by \$99,164, which equates to about a 39% increase with the overall total being \$351,225. The City had done a sewer lining project and staff is hoping that the City will begin some of the effects of that; however, the City does not really have a lot of say in what the Metropolitan Council charges.

Council member Dyvik asked if staff had any idea of what the Metropolitan Council fees did in other communities.

Nowezki stated that she knew that Orono's fees went down, but did not understand why.

City Clerk Moeller observed that she felt that the City needed to consider getting the interconnect flows between Long Lake and Orono metered.

Council member Kvale asked if the Metropolitan Council would come out to the City and explain the reason behind the fee increase.

Nowezki replied that she could try to see if she can get some answers from the Metropolitan Council.

Mayor and Council discussed metered versus unmetered billing, I & I, fees that can be charged, and the possibility of revisiting the connection agreements with Orono.

Nowezki moved the discussion forward onto recycling and recalled that the Council had recently implemented City-wide organics recycling collection at a discounted rate.

Moeller added that multi-family developments can opt into the City's recycling or organics contracts, and the City would charge a per-unit rate for collection for the entire apartment building, no matter how many units actually participate. She noted that although paying for the organics recycling is required similar to single sort recycling, residents will have the choice of opting to participate in the City's organics collection program by contacting her to sign up.

Nowezki reviewed the Water Fund balance, compared the 2024 rates with the proposed 2025 rates, and outlined adjustments that she had made in the commercial tier structure.

Council member Kvale noted that the residential tiers go from 0 to 2,000 for Tier 1, but Tier 2 did not begin until 3,000.

Nowezki clarified that the City's system always rounds to the nearest thousand, so Tier 1 was actually 0 to 2,499 and Tier 2 began at 2,500.

Council member Dyvik questioned how they arrived at o a million-dollar fund balance if they have an operating loss of over \$125,000.

Nowezki commented that the City has been carrying quite a large budget for a while and has been purposely running with a shortfall because the balance was healthier than the other funds. She noted that the City experienced quite a few developments over the last few years and the receipt of WAC and SAC fees had a major impact on the Water Fund. The City is still paying some bonds that have portions coming out of Fund 601 and 602, so staff has been wanting to assure there was a bit of a healthy reserve available in order to pay some of those costs. She noted that she would like to get the fund closer to \$800,000 and then operate at a cash profit, but they weren't quite there yet. She moved the discussion onto proposed adjustments for the Sewer Fund/Fund 602 which currently has a positive cash balance of \$275,000. She reiterated that the City had just been notified of the almost 40% increase in Metropolitan Council treatment fees that they were not expecting. She pointed out that the new Metropolitan Council rate would equate to an increase of \$105.76/year per connection which would be a major burden for residents. Her recommendation was that for Sewer Tier 1, the City includes the first 2,000 gallons of water for each resident at no cost to help offset the Metropolitan Council increase in the base charges. She mentioned that one thing she has noticed is that there are a number of zero water users in the City and because their base fees have been so low, those users are paying approximately \$33 a month for their total utility bill, which she felt did not cover their share of what it costs the City. She further outlined her recommendations for Metropolitan Council sewer treatment charges and sewer usage rates for single-family as well as apartments.

Council member Dyvik asked if the idea was for the \$21.22 increase per household for the Metropolitan Council treatment base was intended to cover the increase from Metropolitan Council of around \$99,000.

Nowezki explained that the proposed Metropolitan Council sewer treatment base fee of \$31.22/connection would cover the entire \$351,225 of annual Metropolitan Council fees.

Council member Dyvik reflected that going from partially covering it at \$10.00/connection to now fully covering it at \$31.22/connection was a big step.

Nowezki acknowledged that it was a big step, but if they already have to cover another 40% increase in Metropolitan Council fees, her thought was just to rip the band-aid off.

Council member Dyvik noted that another approach would be to do another incremental step and then cover the full amount the following year.

Nowezki responded that there was some benefit to being able to say that this portion of utility bills is entirely the Metropolitan Council charge. As she's reviewed average user billing scenarios, her expectation is that everyone will see an increase of around \$10 to \$15 on their utility bill, but if the City includes the first 2,000 gallons for sewer in Tier 1, that will help offset the rate increase.

Council member Dyvik confirmed that this would also go to the Orono connections as well.

Nowezki confirmed that it would also apply to the Orono connections.

Moeller commented that what she liked about the approach recommended by Finance Director Nowezki is that if they call it exactly what it is, it is evident that entire fee equates to what the City is just passing through to the Metropolitan Council.

Nowezki added that as long as she understands the 'why' of the fees and the increases, she will be comfortable explaining this to the residents. She reminded the Council that what she was proposing was just her recommendation and they could make a different choice.

Council member Dyvik stated that he actually liked what she was proposing because it shows exactly what it is and isn't a pass-through to the Metropolitan Council.

Moeller agreed and noted that while it was a hard reality, this approach was also honest and fair.

Council member Feldmann added that he liked this approach too because it was all spelled out.

Nowezki mentioned that before the City was informed of the additional \$99,000 in fees to the Metropolitan Council, her plan had been to just continue moving forward with what they had started last year with incrementally implementing the Metropolitan Council treatment fee to be reflective of the City's obligation.

Council member Dyvik indicated that he was in support of trying this approach and liked that it would give some relief to the Tier 1 sewer users, but did have some concerns about people on fixed incomes that may struggle with this. He asked who owned green space.

Nowezki noted that there were only two parcels that are allocated as green space in the City - the park and the St. George's cemetery - and explained that was also something she had implemented in 2024 in order to try to be cleaner. She stated that the other one she is changing this year and splitting into two is the historical society because so much of their property is green space. She gave an overview of the categories within the Storm Water Fund 603 as either residential, commercial/industrial, or green space. She indicated that they are showing a budget shortfall in 2025 of \$5,000; therefore, staff was recommending a minor increase of 2% for residential and 5% for commercial. Returning to Recycling Fund 604, residents would see an impact on their bill due to the organics recycling implementation. Staff recommends the organics recycling fee be established at \$4.25, and as a way to help offset those costs, the recycling rate would be decreased by \$0.50 to \$7.00. She pointed out that households are currently paying their garbage haulers between \$7 to \$8 a month for the organics collection fee, and the new organics contract has enabled the City to provide the service at a lesser rate. She noted that within the regular City Council meeting packet information was a table that showed how residents would be impacted by the proposed 2025 utility rates, and reviewed some of the examples and scenarios. She explained that because she had switched things around on her spreadsheet, some of the numbers were not quite accurate.

Moeller noted that once the City has new rates adopted staff will begin work on marketing and ways to communicate this information to residents.

Nowezki answered Council questions, reviewed proposed rates, and also addressed the recommendation to increase the late fee percentage penalty for unpaid utility accounts.

OTHER BUSINESS

No other business was discussed.

ADJOURN

Hearing no objection, Mayor Miner adjourned the meeting by general consent at 6:29 pm.

Respectfully submitted,

Scott Weske
City Administrator