

Study Meeting #5
Monday, February 1, 2010, 5:30 p.m.
Bloomington Civic Plaza
1800 West Old Shakopee Road
Bloomington, Minnesota 55431-3027

Call to Order

Mayor Gene Winstead called the meeting to order at 5:37 p.m.

Roll Call

Present: Mayor Winstead, Council Members S. Elkins (arrived at 5:50 p.m.), A. Grady, T. Hulting, K. Nordstrom, S. Peterson (arrived at 5:51 p.m.), and V. Wilcox.

STUDY ITEM #1
Outdoor Refrigerated
Ice Skating Facility

Greg Boatman, Assistant Parks and Recreation Manager, explained they will be making a presentation on the Outdoor Refrigerated Ice Feasibility Study conducted by HTG Architects. Boatman reviewed the background information stating the Bloomington Amateur Hockey Association (BAHA) brought to the City a proposal for outdoor refrigerated ice in 2007. They felt there was a lack of quality, affordable ice during prime times and their proposed solution was to develop two refrigerated outdoor rinks that were of high quality and available from November to March seasonally. At that time, staff decided additional information was needed and HTG Architects was hired to prepare a feasibility study. Boatman introduced Tom Morse and Rob Brandwick with HTG and Kyle Gillespie, Rink Tech.

Morse explained they analyzed the sites located at different parks in the City to determine which one would best host the facility. After looking at the various sites and other details, it was determined from an economic standpoint it would make more sense to have both rinks at one site. This allowed them to narrow down which sites would be available and are proposing Westwood and Brookside Parks for these facilities. It was also determined the park needs to be in a centralized location for residents and users and a close connection to Bloomington Ice Garden (BIG) is necessary.

Gillespie reviewed the different ice system alternatives explaining there are three types of ice systems with the most affordable being the Mat System. The Sand Floor System is permanent and all header and main piping is contained inside the rink area. The perimeter concrete grade beam utilized in the sand floor installation limits the use of that portion of the park for off-season activities. Gillespie explained the third alternative is a Concrete Floor System and this system can also be used year round for other activities.

Morse stated the Mat System incurs the lowest initial costs but there are on-going maintenance costs with that system. Gillespie said it is very labor intensive to install and remove the system and there tends to be problems over a period of time. Nordstrom asked how they would keep people off of the system when it is not used. Gillespie responded it is rolled up and taken away after the season. The Sand Floor System requires less capital up front but there is the potential for vandalism to the system since it is not removed at the end of the season.

Morse explained some site work, grading, etc. would be required at all of the parks. The parks were analyzed for available parking and lighting and all locations would need some sort of expanded parking facilities to accommodate a higher use facility. Morse said they also looked at the buildings at the various parks. A utility building or combination utility building/warming house would be required. Morse reviewed the costs for various options to the systems. Option A would be a permanent single-sheet installation at two different sites and the estimated cost for both sites was \$2.9 million. Option B would be a portable single-sheet installation at two different sites; Westwood Park and Running Park for an estimated cost for two sites of \$2.4 million. Option C is two permanent installations at one single location; Brookside Park or Westwood Park for an estimated cost of \$2.3 million. If they replaced an existing warming house with a new larger building the cost would increase to \$2.5 million.

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Morse reviewed the annual operating expenses for the various systems. He said they are recommending two rinks at Brookside Park rather than one rink at two locations. They are also recommending the Concrete Floor System which can be used during the summer months. This system also reduces the risk of vandalism and makes the most sense for a long-term life expectancy.

Boatman explained staff has reviewed multiple options for the outdoor refrigerated ice system. They looked at the life expectancy of each system and found the Concrete Floor System would have to be replaced every 40 years. The Sand Floor System would have to be replaced every 20 years and the Seasonal Ice Mat System would have to be replaced about every 13 years. Estimated total costs including capital costs for replacement and anticipated maintenance over the 40 years would be \$5.6 million for the Seasonal Ice Mat System; \$4.5 million for the Sand Floor System; and, \$3.8 million for the Concrete System. Boatman said based on the study and should they move forward, staff would recommend they construct the Concrete Floor System at one location, Brookside Park. They would also recommend two rinks at one site because of cost savings.

Nordstrom asked if there would be open skating for non-hockey users or would the ice be totally scheduled. Boatman responded they are trying to maximize revenue by scheduling ice for the entire time. The BAHA's proposal addressed having time available for open skating so there may be one rink exclusive for the Hockey Association and the other rink for public use. Decisions would be made based on the revenue that can be generated from these rinks.

Grady said they currently have different rinks at other parks. She said she knows the purpose of these rinks is to expand the skating time. She questioned how cold it would have to be to make this system functional. Gillespie explained a Mat System with a concrete floor would be similar to what they have at the Ice Garden and could be started in October. They will get consistent ice quality for a four or five month period. Grady asked if they went with this system would they continue hockey rinks at the parks that were on the closed list. Boatman responded the BAHA proposal did propose this but in this study staff is not proposing the discontinuance of those rinks.

Bernhardson questioned what other locations have these types of rinks and how has it extended the season. Boatman responded St. Paul has several rinks and two years ago they put in the Mat System and are now coming back with the Concrete Floor System. City staff did look at those facilities and at the Rice Park system which is a roll out Mat System. Gillespie explained the length of the season is determined by the weather. An outdoor rink they constructed in Ohio made ice from November 15 until March 15 and this was based on a 55 degree ambient temperature.

Wilcox asked if the decision for having two rinks at one park is economics and not based on use. Morse said it is primarily economic but also all of the factors pointed to having them together. It also makes sense from a functionality standpoint. Wilcox said if they open the rinks up for public use part of the problem will be users will be forced to drive to the rinks unless they live nearby.

Bernhardson said there is an assertion that these rinks will affect BIG's revenue and he would like to do more study on that. The reason for doing these rinks is to provide more prime time low-cost options and this may result in BIG losing some business on the less than prime time hours but there may also be some new business. Bernhardson said he is concerned they still have debt service to pay on BIG as well as some internal loans. Building these rinks will have some impact on BIG and he would like staff to study this further to understand what that impact might be and how significant it will be.

Winstead pointed out there have been no funding sources identified for these rinks. Peterson questioned what deployment model the revenue model was built around. He asked if it was a single rink or double rink. Morse said it was based on a per sheet basis. They project \$32,000 in season total revenue based on \$50 per session. Bernhardson said this is somewhat untested. They also need to look at this projection very carefully. He said they will have to look at what other facilities charge. For indoor ice people understand they have to pay but when using outdoor ice there may be some resistance in paying the price to use it. Staff needs to test that assumption. Winstead said staff also

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needs to look at the impact on BIG and it would be good to see a rate comparison per hour for equal hour time.

Hulting said he is sympathetic to the hockey players but questioned what is driving this proposal. He said he drives by various rinks in the City and does not see anyone on those rinks. He has also received many calls saying no one is using the rinks so they should be closed. Winstead responded this proposal came from BAHA. The report did not contain a lot of stats on demand. Grady said one of the drivers is the unreliability of outdoor ice. Morse explained the cost of renting outdoor ice versus indoor ice is less. Three hours of outdoor ice can be purchased for the same cost of one hour of indoor ice. They would not build it unless they had some kind of agreement with the Association to make the numbers work. Winstead said it has not been totally demonstrated that the demand for outdoor ice is there and that the Association would pay and help fund it. They would also have to look at what the overall cost would be beyond that.

Bernhardson said he would like to have Council accept the report this evening and then staff would work on addressing some of the questions discussed and suggested they bring it back to the Council for further review in April. Winstead said this report has been shared with BAHA and they would be the ones to help staff frame usage and costs. How this impacts BIG also needs to be addressed. Boatman explained he will be making a similar presentation to the BAHA Board of Directors, the Kennedy and Jefferson Hockey Board of Directors in conjunction with the Task Force members so the entire BAHA knows what this study is about. Winstead said it would be good to hear their comments and feedback to the report.

Motion was made by Grady, seconded by Nordstrom, and all present voting aye to acknowledge receipt of the Outdoor Refrigerated Ice Rink Skating Facilities report with further discussion to be held sometime later this spring. Motion carried 7-0.

**STUDY ITEM #2
Comprehensive Utility
Rate Study Update**

Karl Keel, Public Works Director, explained last fall staff met with Council to discuss the Utility Rate Study. This study had been initiated by a change in State Statute that requires the City to adopt a Conservation Rate Study with the intent to encourage people to conserve water whenever possible. This evening staff will present to the Council an update on this study.

Glen Gerads, Assistant Utilities Superintendent, reported they hired a consultant from Springsted, Inc. to conduct the study. He explained using rates to impact water use could lead to potential conflicts within the major components of Imagine Bloomington 2025. Gerads reviewed the foundation for setting the new rates including basic assumptions and feedback from the September 14, 2009 Council study session. Gerads also reviewed the existing water rates structure and the rate structures they evaluated. They looked at two-tier rates at various quantity thresholds and evaluated the impact to different customer classes. Gerads explained staffs' recommended approach is to have a two-tier approach based on 100 percent flow with unit quantities allowed in the first-tier rate of \$2.18 and all irrigation (metered) and use above the first tier allocation at the second tier rate. They are also recommending elimination of the \$5.85 per month basic charge and a minimum charge based on meter size (industry standard). Currently, they have a different rate structure for residential versus commercial/industrial and residential pays a flat rate that varies by account type. Commercial/industrial is based on flow (metered water usage) and there is an irrigation meter deduct. The proposed new rate structure balances cost of service with revenue.

Peterson said in the proposed model, if they are charging the marginal cost on the second tier then it follows that the first tier rate bears all of the non-flow based costs. He asked if they expect to recover all of that in the first tier. Gerads responded the model is based on 100 percent revenue recovery using both tiers. The second tier isn't necessarily based on marginal cost. It is based on recovering the Minneapolis portion. Peterson said to him this implies the marginal cost from the second tier is only the City's cost of taking water from Minneapolis but all of the other non-production related costs are being borne by the rate in the first tier.

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Keel explained when the City buys water from Minneapolis in the summer that is the time they are purchasing the most water. The actual cost for the water in the summer is less than \$3.05 a gallon but on average over the year it is \$3.05. Bernhardson said the City has to buy a minimum of 2 million gallons per day averaged over 30 days at all times. When they eliminate the fixed charges the residential users will actually see a slight drop. Peterson asked if the marginal cost of electricity to deliver the water in the summer would be borne by the first tier in that model and if there is any sort of depreciation around capacity that is necessary to deliver the marginal water and if it is funded out of the basic amount. Keel said the City charges the marginal cost at \$3.05 when the actual marginal cost is less than that. In the summer the City is paying less than \$3.05 but charging \$3.05. Bernhardson said in response to Peterson's point, the City is not saying they have to have two reservoirs at 82nd and Penn to be able to store the water. They may have that storage but they don't take into account any of that storage. If Peterson would like staff to go back and add that in plus the extra marginal electric pumping, etc. they can do that. Peterson said he is not trying to make this super precise but is trying to understand the flow of the cost. Bernhardson said in their first discussion in September to actually cause people to conserve water would probably mean tripling the rates. This is a fairly simple way of recovering the cost of Minneapolis water and it is based on the approximate cost. If the Council would like them to add in other costs they can do that.

Gerads reviewed the impact of this proposal on water customers. All account types will no longer pay the basic charge and the projected monthly bill for the average residential user will go down. This will happen for all residential classes except mobile homes and club houses. Commercial average users will also see a drop and that is primarily due to the elimination of the basic charge. Irrigation costs will increase because it will be based on the second tier and is strictly under the user's control. Nordstrom said she has been asked why the City doesn't restrict watering lawns and asked if that has ever been done in the City. Keel responded under the City's contract with Minneapolis, if Minneapolis implements a water restriction Bloomington is also obligated to restrict water usage. In recent history, Keel said he could only recall one time when a water restriction was put in place. Bernhardson said most of the city's that use rationing are using ground water only and they can only pump so much water.

Gerads explained the existing wastewater rate structure is different for residential versus commercial/industrial. Residential pays a flat rate and varies by account type. The commercial/industrial rate is based on flow and metered water usage. Their irrigation meter is deducted from their flow. Gerads stated staff did look at a simplified flat rate structure instead of flow based with a fixed cost percentage similar to water. They varied the fixed cost percentages and evaluated the impact to different customer classes. Gerads explained the present wastewater rate structure favors commercial/industrial customers. The proposed rate structure balances the cost of service with revenue. Currently, the residential class generates approximately 54 percent of the flow and generates approximately 60 percent of the revenue. Gerads said staff is recommending one usage rate versus separate commercial/industrial and residential rates. They are proposing one usage rate across the board and that rate would be \$2.64 per thousand gallons based on the 2010 budgeted revenue projections. The current rate is \$2.44 per thousand. For bi-monthly residential staff is proposing to move from the flat rate to a winter usage charge with that usage setting the rate for the remainder of the year. For monthly multi-family residential properties, staff is proposing a metered flow rather than the present per unit charge. This would encourage those users to put in a separate irrigation meter.

Grady asked with regard to residential bi-monthly fees, if they have residents who go south for the winter and don't have much usage, how will that affect their rate. Gerads answered this is something they will have to look at. They may have to set a minimum usage and will use their consultant to help determine what that minimum will be.

Gerads further explained staff has looked at different ways to increment this approach including an 8.2 percent increase on July 1 or a 4.1 percent increase on July 1 and another 4.1 percent increase on

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January 1. This scenario depicts the fact that total revenues exceed total expenditures by 2013. All scenarios have positive operating income by 2013 and add at least three months of operating cash by 2013.

Gerads recapped the proposed changes for water including the elimination of the basic charge and using a two-tier rate structure. In 2010 Tier I would be \$2.18 per thousand gallons and Tier II would be \$3.05 per thousand gallons with a mid-year adjustment on July 1.

For wastewater Gerads said they are proposing one usage rate. For 2010 the rate would be \$2.64 per thousand gallons, an 8.2 percent increase. They are also proposing residential bi-monthly would be based on winter usage versus a historical flat rate and multi-family residential monthly would be based on meter flow versus a flat rate. Gerads said they still need to finalize some nuances such as winter usage for people who go south for the winter, etc.

Winstead asked how the City covers its depreciation for pipes, etc. Bernhardson responded that is the study they are currently working on and will be presenting to the Council at a future meeting. They have been keeping a reasonable amount of money for depreciation but this is something they need to look at more closely with the help of the Asset Management Program. Gerads explained the rate structure model moving forward is dynamic enough to take into account any increases the Council would want to put toward future asset management.

Bernhardson said if the Council is comfortable with this proposal staff could bring it back in March or April for an ordinance and implement the first part of May, June or July. This proposal includes an 8.2 percent increase on the commercial side for wastewater. This could be phased in at 4 percent in the middle of the year, another 4 percent at the beginning of next year and 4 percent next summer. Winstead said this proposal puts into balance the users and the payers. The residential has been supporting the commercial. Peterson said he thinks phasing the increase in makes sense. The thing he likes about this proposal is that it is easy to explain and is more accurate without being too precise. Wilcox said he doesn't have a problem with a onetime increase. Phasing it in gives users three opportunities to complain about a rate hike. If all they are trying to do is balance the scales he doesn't have a problem with doing it all at one time. Winstead said that is also his thinking but either way is okay with him.

Bernhardson said when they bring this item back for Council approval they will bring it back as a one-time increase and as a phased-in increase to give the Council an opportunity to further consider how they want to implement these increases. Hulting asked if it is customary to forewarn everyone in a monthly statement that this is going to occur. Bernhardson said they will plan to put a notice in the statements of this proposed change.

**Study Item #3
Bloomington Central
Station Bonding
Request**

Jill Hutmacher, Acting Port Authority Administrator, explained the City did not seek bonding from the State of Minnesota to promote the more sustainable approach of higher-density, mixed-use, transit oriented development at Bloomington Central Station (BCS) but rather it was offered to the City. She explained there are 2,500 surface parking spots on the BCS site owned by Health Partners that need to be relocated into structured parking in order to place developable pads throughout the site. Hutmacher further explained the BCS Tax Increment Development Agreement does contemplate using tax increment funds to build structure parking for Health Partners. With today's economy there will more than likely be a gap in the City's development funds. As the district continues, staff will continue to look for alternative funding sources to help fill those gaps for that parking. She stated that Senator Kelash and Representative Slocum have indicated interest in doing something to assist BCS and the South Loop District in transit oriented sustainable development. This proposal was presented to get the project moving, create some jobs and offer transit benefits as well.

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Hutmacher said the proposal is for a bonding request of \$20 million to be used to fund parking adjacent to a future office building at BCS as well as adjacent to the existing Park and Ride structure. By pursuing this bonding, it gives the City an opportunity to educate legislators about South Loop and BCS and there is also a potential for a transportation bill or a State stimulus package and this project may fit quite well into the parameters of those proposals if it is not approved for this bonding.

Winstead asked what the downside is of submitting this request. Hutmacher responded there will be some staff time and there may be some minimal time spent by the City's lobbyist. BCS is also looking at this and it is a way to start the education process with the legislators.

Bernhardson said the reason they are presenting this to the Council at this time is because the City would be the recipient of the funds and would require City Council approval. Staff wanted to make sure the Council is not opposed to staff applying for these funds before they proceed. Peterson said if it is structured like the transit parking structure the City would have very limited exposure. Hutmacher said if the parking structure was constructed, it is possible the City would be the owner of it because of State funding but would then do a Lease and Management Agreement similar to what was done with the Park and Ride structure.

Winstead said it appears no one is opposed to filing the application and staff should move forward.

Recess

A recess was called at 6:52 p.m. with Study Item #4 to be considered after the regular Council meeting. The meeting was reconvened at 9:03 p.m.

**Study Item #4
Improvements to
Oxboro Streetscape**

Karl Keel, Director of Public Works, reported approximately a year ago the Council discussed preparing a Comprehensive Streetscape Master Plan and the Council directed staff to not spend time developing a master plan but to consider areas they know need improvement. One of those areas is the Oxboro streetscape area developed almost 30 years ago. Staff is now proposing a process to renovate and repair the architectural areas. The timing for this project is good because Lyndale Avenue will be reconstructed and it makes sense to do this work at the same time.

Paul Edwardson, Assistant Maintenance Superintendent, provided the Council with a brief history of the Streetscape Program explaining this is a construction program put in place in the late 1980's. Much of the landscaping has reached its expected life and is in need of replacement. Edwardson said staff is proposing to upgrade the fencing, make sidewalk improvements, and replace bollards, trash cans and benches. They are also proposing to change plant materials to more perennials and grasses thinking they will regenerate year after year. Edwardson explained the preliminary cost for this project is approximately \$540,000. Approximately \$200,000 will be spent on repairs; \$254,000 on plantings; and, \$86,000 on medians. Staff is proposing funding would come from assessed costs to the businesses of \$374,000 and City costs of \$166,000. Possible City funding sources could be Strategic Priorities or from Pavement Management funds for the Lyndale Avenue project. The assessment to the businesses would be based on the current assessment formula in place. He explained letters were mailed to all of the businesses in the Oxboro District informing them of a stakeholders meeting on January 7. Six individuals representing four businesses attended that meeting. Those stakeholders indicated they would like a chance to review the information and felt it would be advantageous to have a second meeting. That meeting was held January 21 and two of the original people who had attended the January 7 meeting were there. Edwardson said they have talked to 7 of the 16 property owners about what they are proposing. Edwardson reviewed the proposed schedule indicating staff is proposing a public hearing before the Council on February 22 with Council awarding the bid for the work on April 12 and the project to occur in late spring early summer. The reason the schedule is set up like this is to coincide with the Lyndale Avenue reconstruction. This would also result in the business owners being inconvenienced one time.

Edwardson said staff is asking the Council if they should proceed with this project. The consensus of the property owners who responded and came to the meetings were positive in that they wanted to see something done. However, they are concerned about the potential cost and how that will be

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handled and the impact it would have on them. If they proceed, the question is should they do both public and private areas or only do the public at a cost of approximately \$165,000. Edwardson said staff would also like direction on whether or not they should continue to maintain and assess private maintenance. He said if they re-landscape and maintain both public and private, the advantages would be consistency of design and the areas will be re-landscaped and improved. The disadvantage would be the cost to the owners. If they re-landscape and maintain only the public, the advantages would be less cost to the owners and the disadvantages would be some private areas won't get improved and as a result they lose the consistency of design throughout.

Bernhardson asked how much the assessment would change if they do both private and public. Currently they are spending about \$14,000 on maintenance and they have had discussion that is not enough even on the public side. Edwardson responded the maintenance assessment was increased last year and they have not done a lot with plant materials but have been more aggressive in clean up. Edwardson said he does not have the amounts available right now but would be happy to pull that together. Bernhardson said he believes that information will be key for the private owners to be able to tell them how much their assessment will be over a period of time and they need to know the cost before the public hearing. They also need to look at the cost for maintenance for the public portion and the private portion. Edwardson said if they go forward with this plan, one thing they would find with the maintenance assessment is that it is not going to jump dramatically once those plants are in. The new materials will require less maintenance.

Grady questioned if they are talking about a grand redo. With today's economy, it does not appear to be the time to replace benches and trash containers. Edwardson responded they are basically replacing existing trash containers that are damaged and they have refurbished some of the benches. They will be refurbishing what is there. They are not proposing bringing in any new design. Everything will be the same throughout.

Wilcox said when this was first proposed property owners were told the other side of Lyndale Avenue would be done. That has never taken place. Also, the first year the sprinkler system froze out and the property owners were assessed for that. There have been some problems with this. Wilcox said he believes it was a mistake to turn the private side back to the property owners. If they are going to do this the only way he would support it would be to do both the private and public. It would be a waste of money to do the public side and not the private side because it would not be maintained. Wilcox said they need to get the partnership in place and to hold up the public end better than they did the first time.

Peterson said he agrees with what Wilcox has said and said there is no way to tell what is public and private. He said he feels they need to treat it as one project and they need to maintain this at a steady state. Once they get it to a certain level they need to maintain it at that level. The way that site looks now is not acceptable. Something has to change.

Elkins said he agrees with Wilcox and Peterson. The public and private distinction is pretty artificial. He said he believes it is unrealistic to expect business owners to take any type of pride of ownership in a streetscape when it is set so far back from their storefronts.

Hulting asked if the reason for the shrubbery looking the way it does is because of the salt from the sidewalks and parking lots or because of lack of water and nutrients. They are proposing a significant amount of new plantings and he questioned if they will run into the same problems with the shrubbery. He asked if there might be other non-organic treatments that wouldn't require City crews watering, pulling weeds, etc. Edwardson responded the designs they are proposing are perennial plants. Some of the same things could happen with these plantings but they are far easier and less expensive to replace and some of those plants will not require the water that is required now. Keel pointed out the existing material is close to 30 years old. The plantings will still need maintenance and they will have to eventually be replaced because they have a limited life.

Wilcox said staff may also want to think about including an educational component for the business owners. These businesses hire snow plowers who will push the snow on top of the landscaping and

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if the owners are receiving an assessment and have a financial stake in the plantings they may want to direct the snow plower to place the snow somewhere else. Edwardson said they could develop some type of publication once the project is completed telling the business owners what they can do to help maintain the landscaping to keep their cost down.

Nordstrom asked if the business owners who have already updated their landscaping used plants that will be used in this proposal. Edwardson answered they did meet with City staff before they did their landscaping and asked what types of materials they should use. Nordstrom asked if the City has a bidding process for local nurseries to receive a good price for these plantings. Keel explained staff is proposing they construct this as part of the construction contract for the Lyndale Avenue project and that project will be bid. In other projects, staff tends to purchase materials from one or two suppliers wholesale.

Keel said he is hearing from the Council support to go ahead with the project and to continue both the public and private assessment program so that it is maintained into the future. Hulting asked if that assumes buy-in from the property owners. Winstead said this information has been presented to the business owners so they are aware of the alternatives. The Council will be holding a public hearing to finalize that if that is the direction they go. Bernhardson said staff is looking for direction to move forward to the public hearing. All of this will be dependent on what happens at the public hearing.

Grady said when the notice is sent out, she would like a statement added stating if they are unable to attend the public hearing to please e-mail their opinion to the City Council. She said she would feel more comfortable if they heard from all of the property owners.

Adjourn Meeting

Mayor Winstead adjourned the meeting at 9:41 p.m.

Carol Pelzel
Acting Council Secretary