

**Lilydale City Council Meeting  
December 14, 2015**

**Present** – Mayor Anita Pampusch; Council Members Bob Bullard, John Diehl, Marilyn Lundberg and Warren Peterson; Mike Andrejka, Building Official; Mary Schultz, City Clerk and Kathy Mutch, Administrative Assistant

**Also Present** –Tom Lehmann, City Criminal Attorney; Jeff Weiss, Barr Engineering; and Jim Maher, Planning Commissioner.

**Absent:** Mike O’Brien and Chief Mike Aschenbrener

The City Council Meeting was called to order at 4:30 p.m. by Mayor Pampusch. The Pledge of Allegiance was recited.

**Agenda** –**Motion by Councilmember Bullard seconded by Councilmember Lundberg to approve the Agenda as presented. Motion carried 5-0.**

**Minutes** –**Motion by Councilmember Diehl, seconded by Councilmember Bullard to approve the November 9, 2015 City Council Meeting Minutes as presented. Motion carried 5-0.**

**City Civil Attorney Report** – Tom Lehmann, filling in during Mike O’Brien’s absence, had no report.

**City Criminal Attorney Report** – Tom Lehmann reported all three municipalities that the Mendota Heights Police Department services are looking at the issue of rental housing licenses. A work session with Chief Aschenbrener, the Mendota Heights city planner and Mr. Lehmann is scheduled in January to look at case studies, ordinances, potential solutions and tools for use by cities. Mr. Lehmann encouraged representatives from the City of Lilydale to participate. Jim Maher, as Planning Commissioner offered to attend. Mary Schultz will be kept informed of meetings and any revised ordinances.

**Building Official Report** – Mike Andrejka reported one permit was issued and five permits were closed in November. Mr. Andrejka is reviewing permits and will prepare a list of open permits for the January City Council meeting.

**Police Report** – No report.

**Engineering Report/Drop Shaft Project Update** - Jeff Weiss reported that it appears a small section of pipe did not get installed near where the drop shaft will start according to the Trunk Highway 13 project plan sheets; therefore, he asked the Minnesota Department of Transportation to hold off on issuing final approval of the drop shaft plans until the situation has been investigated.

Councilmember Bullard reported Mary Schultz and he appeared before a capital investment bonding committee to present the city’s request of \$140,000 for inclusion in the Governor’s 2016 capital budget for bond funding to help defray the cost of building a new drop structure to improve storm water management. The presentation included notes and photos of the trail, bluff and physical location of Lilydale. Councilmember Bullard was encouraged by the response of the committee members in attendance.

**Resolution 15-15 Governor's 2016 Capital Budget Request** – The resolution outlines the city's request for inclusion of \$140,000 in the Governor's 2016 capital budget for the drop structure project, affirms the Lilydale City Council's support of the project, and requests the Governor's and State Legislature's support for capital budget bond funding.

Councilmember Diehl suggested the third paragraph of the resolution be amended to read: WHEREAS, Lilydale is planning to build a new drop structure ("Project") to convey storm water from the watershed beyond the city limits to the top of the bluff and safely down the bluff.

**Moved by Councilmember Peterson, seconded by Councilmember Lundberg to approve Resolution 15-15 as amended. The motion carried 5-0.**

**Resolution 15-16 Salary Increase** – Moved by Councilmember Peterson and seconded by Councilmember Bullard that the annual salary of Mary Schultz, City Administrator/Clerk-Treasurer, shall be increased to \$63,000 annually effective January 1, 2016. The motion carried 5-0.

**Renewal of Liquor Licenses** – Moved by Councilmember Peterson and seconded by Councilmember Diehl to approve the 2016 liquor licenses subject to the applicants completing criteria such as background checks, required documents and payment of license fees to the City. The motion carried 5-0.

Attorney Lehmann noted liquor license compliance checks were conducted in December and all Lilydale licensed establishments passed.

**Renewal of Tobacco Licenses** – Moved by Councilmember Peterson and seconded by Councilmember Bullard to approve the 2016 tobacco licenses subject to the applicants completing required documents and payment of license fee to the City. The motion carried 5-0.

**Storm Water Utility Rates** – Moved by Councilmember Diehl and seconded by Councilmember Peterson that the Lilydale City Council approve the rationale set forth in the Revenue Sources for Storm Sewer Fund white paper (Attachment A) to establish new storm sewer rates. Motion carried 5-0.

The new storm water rates will be in effect in 2016. The final billing, October to December 2015, will not change.

Councilmember Bullard commended Councilmember Diehl for his extensive work in preparing the white paper and establishing new storm sewer fees.

**Public Budget Meeting** - The regular meeting recessed at 6:26 p.m. Mayor Pampusch declared a Public Meeting on the 2016 budget and levy open. No members of the public offered comments. The public meeting closed and the regular city council meeting resumed at 6:30 p.m.

**Resolution 15-17 – 2016 Final Levy and Budget** – The Payable 2016 Final Levy to be certified to Dakota County is \$495,571 and the 2016 final budget is \$551,373. **Motion by Councilmember Peterson, seconded by Councilmember Lundberg to approve Resolution 15-17. The motion carried 5-0.**

**Resolution 15-18 General Fund Beginning Balance**– Clerk Schultz, at the recommendation of the State of Minnesota Office of the State Auditor, requested the City Council approve a resolution increasing the

general fund 2015 beginning account balance by \$80.00 to account for a check that was issued and voided in two different fiscal years. **Motion by Councilmember Peterson, seconded by Councilmember Lundberg to approve Resolution 15-18. The motion carried 5-0.**

**Clerk's Report** – Clerk Schultz presented the City Council with the November financial reports. **Motion by Councilmember Peterson, seconded by Councilmember Diehl to approve the financial reports. Motion carried 5-0.**

**Mayor's Report** – No report.

There being no further business, the meeting adjourned at 6:36 p.m.

Respectfully submitted:

---

Mary Schultz, City Clerk

Final copy reviewed by:

---

Anita Pampusch, Mayor

The City of Lilydale maintains a storm sewer system and, as required by principles of prudent management, the City has established a Storm Sewer Fund to provide for future repairs and improvements as needed.

Substantial parts of the Lilydale storm sewer system have been replaced and upgraded incidental to the 2015 improvements in Minnesota Highway 13 in Lilydale.<sup>1</sup> At this time, this is most of the City's storm sewer infrastructure, and since such a substantial part of this system has now been newly constructed, it has been determined that a reasonable amount for the Storm Sewer Fund going forward is \$50,000. The present balance in this Fund has been depleted<sup>2</sup> to pay for the City's share of the Highway 13 related storm sewer upgrade, so revenue is needed to restore/establish the Fund at the intended level, to replenish the other reserves that were used for this project, and to retire the debt that is contemplated to cover the other costs.

Of course, whatever the revenue sources, the fee structure must be adequate to develop the funds necessary for this utility. In the short and intermediate term, two considerations are controlling. First, the City must develop adequate funds to cover the intended Storm Sewer Fund at the \$50,000 level. Second, given the intention to issue bonds to finance whatever balance is needed after receipts from other sources (short term fee revenue, a small (\$6,000) contribution from the Watershed District, and a state capital improvement grant (\$140,000 has been requested)), the fees must be adequate to retire that bonded indebtedness. We assume that the bond issue that is being contemplated would be retired over a 15-year period with annual payments of \$30,000. The proceeds from the sale of bonds would allow the City to reimburse the amount that it has drawn from the sanitary sewer fund, pay for any remaining capital improvement expenditures, and develop a storm sewer fund of \$50,000 within, say, four years. This model indicates an intermediate term revenue need of \$40,000-\$45,000 per year.

The Storm Sewer Fund has been maintained by imposing a storm sewer charge. As we have studied the storm sewer system, the repair and upgrades of 2015, and the sources of funds to

---

<sup>1</sup> The state's design for Highway 13 included a new storm sewer intended to handle run-off from the highway. Incidental to this, the City has cheerfully assumed financial responsibility for repairs and handicap accessibility upgrades to the paved "trail" that runs along the north side of Highway 13, upgrades in the *capacity* and scope of the new storm sewer to better manage surface water moving from south to north across the highway, and the construction of a storm sewer drop shaft to manage the movement of water around the residential properties along the river bluff and the flow of that water to the river without flowing over the erosion-sensitive bluffs. It should be noted that the State Department of Transportation (which owns at least some of the bluff) is assuming some financial responsibility for the construction of part of the drop shaft facility. Note also that this agency has been a positive force in this important project. When one includes legal, engineering and other fees, the project will have involved total Lilydale expenditures of approximately \$570,000.

<sup>2</sup> The Storm Sewer Reserve Fund was committed in its entirety to the Highway 13 related sewer work, and the balance of the initial funding was secured by borrowing from the City's Sanitary Sewer Reserve Fund.

complete these improvements, the City has also reevaluated the method for raising and maintaining funds for this purpose. It has been determined that the historic rationale is illogical and inadequate,<sup>3</sup> and it is appropriate to consider and adopt changes to this methodology.

In preparation for the development of a different model for the storm sewer fees, Lilydale engaged the services of its city planning consultants, Stantec, which modeled fees based largely on the area of impervious surfaces (roofs, driveways, streets, parking lots, etc.) in the respective Lilydale properties on the rationale that these surfaces contribute disproportionately to surface water runoff. Stantec also suggested a system of credits (reductions in what an owner would pay) for private storm water management efforts. This report has stimulated a diligent analysis and thorough discussion of a wide array of policy issues and options relating to storm sewer fund revenues.

Thus, the City has considered fee criteria of (1) historic charges, (2) impervious surfaces, (3) rate payors' sources of funds, (4) the use to which the real estate is devoted, (5) the benefit or lack of benefit to a property from the storm sewer, and (6) the owner's private surface water management efforts.

The policy considerations in allocating the cost of the storm sewer system within the City of Lilydale arise in the context of the fact that by virtue of history and geology, most of the City of Lilydale lies on the bluffs extending for some two miles along the south side of the Mississippi River. It is the last small sliver of real estate over which all of the surface water in the watershed in a substantial part of northern Dakota County passes as it naturally finds its way to the river. Surface water is not caused or created by any part of, or any party in, our City, or anywhere else. It is a natural occurrence that visits us in the form of rain and the emergence of ground water, and naturally flows to our northern city limits, the Mississippi River.

While the City does not generate the water, the City of Lilydale has some duty to manage this natural phenomenon. Accordingly, we find that a primary consideration in establishing and maintaining this public utility is simply the equitable allocation of the costs of this utility.

---

<sup>3</sup> Historically, the storm sewer fee followed the sanitary sewer funding mechanism, which is based on the Metropolitan Council's "sewer access charge" (S.A.C. fee). Accordingly, for example, if a Lilydale property was not using the Lilydale *sanitary* sewer system, it had no *storm* sewer fee at all, and there are other ways in which these systems are incongruous.

In considering the identified fee criteria, we have used a “blend” of four<sup>4</sup> of the factors, historic rates, the equitable treatment of similarly situated occupants, the use to which the real estate is devoted, and the extent that the improvements to each property present “impervious surfaces.”<sup>5</sup> Note, however, that our primary guidance has been the goal of establishing a simple, transparent and equitable fee structure, and we apply the specific criteria simply to guide this development.

Our storm sewer fee structure recognizes three types of property, (1) residential, (2) group residential, and (3) commercial. In developing these categories, we recognize that the purpose of residential properties is personal shelter, and the properties are not to any significant extent devoted to a use that generates income for the occupant; in residential properties, the occupant is the only source of funding for these fees; and thus all occupants are similarly situated.

The recognition of two types of residential use, the true single-family properties versus “group residential,” simply recognizes that apartments, condominiums, and townhouses generally occupy larger parcels with possibly more per capita infrastructure and, therefore, can be expected to have more run-off, i.e., this distinction gives some recognition of the “impervious surface” factor.

Commercial use has been recognized in the rate structure for four reasons. First, the historical fee structure has had de facto differences for properties with commercial use.

Second, commercial properties tend to be larger properties (even larger than the per capita size criterion for group residential) and thus contribute more to run-off than smaller properties.

Third, commercial properties include and/or benefit from parking lots, and these surfaces cause substantial run-off.

Fourth, the financial resources of the owners include income from the patrons of the businesses, which is fundamentally different than residential uses.

---

<sup>4</sup> We have chosen to disregard disproportionate benefit from the storm sewer infrastructure, and we are not including a system of “credits” for private surface water management. The former choice recognizes that the storm sewer system reflects a shared responsibility and is a benefit to all. The latter recognizes that this funding mechanism must generate adequate revenue for the whole system and any “credit” would simply move the charge from one owner to another in what could become a very complex, costly and never-ending process of measuring the effectiveness of private mitigation, quantifying the benefit in comparison to other similar efforts or the complete lack of mitigation, assigning a dollar value to each factor, and resolving disputes over each part. Simplicity, fairness, and transparency ruled out a “credit” component.

<sup>5</sup> The consideration of “impervious surface” is reflected in two ways. First, by adopting a rate category for commercial use, the City is taking into account that such properties generally have larger buildings and parking lots. These are legitimate, desirable uses, but these features do not mitigate run-off; the fee structure should not “punish” this use, but should recognize this fact. Second, by having a factor for property size, the rate structure takes run-off volume into account.

Guided by the foregoing, the City of Lilydale has developed the following rate structure:

Each residential unit should pay a residential fee of \$50 per year, each commercial unit should pay a commercial fee of \$340 per year, and on top of those amounts, each property owner or ownership group other than a true single-family home should pay an additional annual amount based on the overall *size* of the property (which we allocate according to properties of 0-7 acres (\$50), properties of 7-20 acres (\$75), and properties of over 20 acres (\$100).

Applying this formula to the 605 individual residential units, we have aggregate fees of \$30,250. Applying a commercial fee of \$340 to 35 commercial units, we derive \$11,900. When one adds the additional “surcharge” based on property size, we generate an additional revenue of \$650. Accordingly, the total revenue from the described methodology is \$42,800 per year.