

**DEEPHAVEN CITY COUNCIL MEETING
TUESDAY, NOVEMBER 2, 2009
MINUTES**

1. CALL MEETING TO ORDER: Mayor Paul Skrede called the meeting to order at 7:00 p.m.

PRESENT: Mayor Paul Skrede, Councilmembers Steve Adams, Kim Crockett, Keith Kask and John Wheaton

STAFF: Police Chief Cory Johnson and City Administrator Dana Young

2. PLEDGE OF ALLEGIANCE

The Council recited the Pledge of Allegiance.

3. APPROVE CONSENT AGENDA

Motion by Councilmember Kask to approve the Consent Agenda, consisting of the following items:

- A. October 19, 2009 Minutes, as amended
- B. Approve November Verifieds

Seconded by Councilmember Adams. Motion carried 5-0.

4. MATTERS FROM THE FLOOR

There were no Matters from the Floor this evening.

5. PUBLIC HEARING

A. Public Hearing on the assessment of delinquent charges pertaining to the abatement of a public nuisance – Adopt Resolution No. 31-09

Mayor Skrede called the public hearing to order at 7:05 p.m. Hearing no comments, the public hearing was closed at 7:07 p.m.

Administrator Young stated that the public works department identified a diseased tree at 3965 Walden Road. He stated that after the property owner was notified that the tree had to be removed, the property owner requested that the City remove the tree on his behalf and assess him the cost over a three year period.

Administrator Young stated that the amount of the proposed special assessment is \$1,300.00 - \$1,250.00 for the removal of Mr. Schreiner's tree and \$50.00 for publication of the required public hearing notice. He stated that the assessment would be extended over a three-year period at 8.0% interest.

Councilmember Adams stated that, while he is not overly concerned with the size of this assessment, he wouldn't want to use City funds to do this type of financing to a greater extent in the future.

Administrator Young noted that once a public nuisance has been identified, the principal tool that the City uses after abating a public nuisance is to specially assess the cost of abating the nuisance against the offending property.

Administrator Young stated that the single largest issue that might require more extensive special assessments to recover the cost of abating public nuisances is with the City's tree program that requires the removal of diseased and hazardous trees. He stated that this might become an even larger issue with the spread of the Emerald Ash Bore disease.

Councilmember Crockett questioned if the proposed interest rate of 8% was adequate.

Mayor Skrede stated that the interest rate could be changed annually by an amendment to the ordinance and noted that an 8% interest rate would be a favorable rate to the City.

Motion by Councilmember Crockett to adopt Resolution No. 33-09, A Resolution Establishing a Special Assessment for Delinquent Charges pertaining to the Abatement of a Public Nuisance. Seconded by Councilmember Wheaton . Motion carried 5-0.

6. UNFINISHED BUSINESS

A. Discuss 2010 EFD Excess Budget Levy

Administrator Young stated that at the September 23, 2009 Excelsior Fire District Board Meeting, discussion was held on how to best allocate the excess levy in the 2010 EFD Budget that resulted from the lower than expected mandatory contribution to the Fire Relief Association. The amount of the 2010 mandatory contribution is \$97,194, which came in \$22,806 less than the \$120,000 that had been included as the mandatory contribution in the 2010 EFD Operating Budget.

He stated that the Board held preliminary discussions on the possibility of returning the excess levy to bolster reserve funds, where \$40,000 in Operating Fund reserves and \$40,000 in Fire Facility Fund reserves have been proposed to be used to offset the 2010 mandatory contribution, or to return some or all of the excess levy to augment a number of expenditures that have been reduced in the 2010 Budget.

He stated that in order to provide further clarification, the Fire Board requested that the Fire Chief provide an updated list of his budget priorities and requested that the Fiscal Agent provide an analysis on EFD reserve funds to assist the Board in their decision on the possible reallocation of these surplus funds. In addition, the Fire Board asked each city representative to present this issue to their respective Councils for further input.

Mayor Skrede thanked Councilmember Crockett for her motion at the last Fire District meeting to restore the \$22,806 budget excess back to the fund reserves and for always bringing Fire District issues back to our Council for discussion.

Discussion was held on the analysis that had been provided by City Administrator and Fire District Fiscal Agent Dana Young on District Fund Reserves.

Administrator Young provided a brief summary of his report. He stated that his analysis shows that with the introduction of a semi-annual payment schedule in January and July, the District would have the ability to fully fund its January and February bond payments. He stated that this would have a

significant benefit on fund reserves, particularly in the Fire Facility Fund, and would potentially free up approximately \$170,000 in Fire Facility Fund reserves that could be used for some other purpose.

He stated that the other two main funds of the District, the Capital Equipment Fund and Operating Fund, both have more than adequate reserve funds to support all projected expenses through 2011.

Mayor Skrede explained that the reason that excess reserves have developed in the Fire Facilities Fund is due to advance payments that were made by the member cities in 2003 and 2004 in preparation for the actual payment of the bonds.

Mayor Skrede stated that he wouldn't be supportive of designating the surplus \$170,000 in the Fire Facilities Fund for use in a separate Building Improvement Fund or a separate Fire Relief Reserve Fund. He stated that discussion was held last year that a Building Improvement Fund could be established after the final payment of the bonds is made in 2023. He stated that he preferred that the \$170,000 surplus remain in the Fire Facilities Fund, still available in the event of emergency building repairs, but there primarily to support the final bond payments in 2023.

Councilmember Crockett acknowledged that it is difficult to determine the best time to establish a Building Improvement Fund.

Councilmember Wheaton exits at 7:40 p.m.

Councilmember Kask stated that the simplest solution would be to simply return the \$22,806 to the member cities since it is excess budget funds and the cities could find themselves having to make another mandatory contribution to the Fire Relief Association in 2011.

Councilmember Adams stated that he would also support sending the entire \$120,000 contribution, including the excess \$22,806, to the Fire Relief Association since they are drawing a much better investment rate than cities.

Further discussion was held on the Fire Chief's recommended restoration priorities for use of the \$22,806, including the proposal to restore salaries in 2010.

Councilmember Kask stated that the excess funds should really be used for what it was designated for in the 2010 budget rather than on some other Operating Budget item. He stated that his second choice would be to return the funds to the cities.

Mayor Skrede stated that his first preference would be return the excess funds to the cities since the cities can still lower their proposed property tax levy at their December meetings. He stated that his second choice would be to use the excess towards the Fire Relief Association. He added that the least desirable option would be to use the excess funds for 2010 Operating expenses. He noted that the cities may have still voted for reductions in the 2010 Operating Budget regardless of the mandatory contribution.

Councilmember Crockett stated that she would inform the Fire District Board that our Council's position is to 1) return the excess funds to the cities; 2) give the excess funds to the Fire Relief Association as was originally intended in the 2010 EFD Budget; and 3) return the excess funds to Operating Fund reserves.

B. Discuss 2010 Group Health Insurance

Administrator Young stated that it has been very difficult to keep pace with increases in group health insurance. Over the last five years, single rates have increased 54% from \$374.75 in 2004 to \$576.61 in 2009. Single rates will increase another 15.6% in 2010 and 11.5% in 2011.

Family rates have likewise increased 54% from \$987.70 in 2004 to \$1,518.16 in 2009. As with single rates, family rates will increase another 15.6% in 2010 and 11.5% in 2011.

In the attempt to keep pace with these increases in premiums, the City's contribution to the employee's health premium has increased from \$552 in 2004 to \$948 in 2010.

Administrator Young stated that with the renewal of 2010 & 2011 rates with HealthPartners, it has become apparent both to LOGIS and its membership (including Deephaven) that these increases aren't sustainable and all efforts must be made to discontinue the most expensive and popular High Option Plan and attempt to move all employees into a High Deductible HSA Plan (HDHP / HSA). The three primary benefits of the HDHP / HSA Plan are:

1. The monthly premiums for the HDHP / HSA Plan are much lower than the High Option Plan:

	<u>\$High Option</u>	<u>HDHP / HSA</u>	<u>Difference</u>
Single	\$ 666.76	\$ 439.76	\$ 227.00
Family	\$1,755.50	\$1,156.96	\$ 598.54

2. Annual increases will be less. Based on the experience of the LOGIS group in 2009, the High Option would have required a 32.98% increase in 2010 and the HDHP / HSA would have warranted a 32.54% decrease in 2010 if there hadn't been a required increase of 15.63% in 2010.
3. The plan is actually more beneficial to the employees, particularly employees with family coverage, as the employee's reduced contribution towards the premium under an HDHP / HSA allows the employee to pay all of his or her potential out-of-pocket costs (\$5,000) and, in some instances, still enable the employee to contribute additional savings into his or her Health Savings Account.

Administrator Young stated that the City's present policy is to contribute up to \$820 per month towards health insurance premiums. The City has 12 employees with single coverage who are currently enrolled in the High Option, as they have no incentive to switch to HDHP / HSA since the City pays the full cost of their monthly single premium of \$576.61. In addition, switching to the lower premium HDHP / HSA holds little interest since the employee would have to potentially pay an out-of-pocket fee of up to \$2,500.

He stated that the City could encourage participation in an HDHP / HSA by offering to pay the monthly premium and the \$2,500 out-of-pocket for all employees with single coverage. The City would still save \$18.67 each month for all 12 employees with single coverage. This equates to annual savings of \$2,688.48 for the City from converting our single employees from the High Option Plan to a HDHP / HSA.

Administrator Young stated that the remaining 6 employees have a variety of different coverages that include Single plus Spouse, Single plus Child, and Family coverage. Of these 6 employees, 4 would immediately benefit from switching to a HDHP / HSA Plan, with potential savings of hundreds of dollars per year. The City would not benefit from these 4 employees since the Family premium for an HDHP / HSA Plan (\$1,156.96) is still higher than the City's monthly contribution (\$948).

He stated that by offering this incentive to switch to a HDHP / HSA Plan in 2010, the City could save a total of \$3,786.24 in 2010 and the employees could potentially save \$25,618.32. However, the most important benefit to the City would be in future contributions to the employee's monthly premium. The City has historically, and through union contract with the police and public works, contributed 54% of the highest family premium towards the employee's monthly health premium. In 2010, the City contribution will be \$948. Assuming all employees switch to an HDHP / HSA in 2010, the 2011 municipal contribution could be frozen at 2010 levels.

Councilmember Kask stated that there is definitely a need to create an incentive to encourage employees with single coverage to move to the HSA Plan. He stated that he couldn't see why the employees wouldn't be interested in switching to an HSA Plan with this type of incentive. However, he noted that you will not see such large rate discrepancies between the High Option Plan and the HSA Plan in the future since he believes that the premiums for HSA Plans will grow at a higher rate than the High Option Plan as more employees move into the HSA Plan.

Councilmember Crockett noted that her employer has offered two plans – one that provides a 10% decrease in rates and another that offers an HSA Plan that is 52% lower than the first plan. She stated that she can't understand why the City's group health premiums are climbing at such a high rate.

Administrator Young stated that he doesn't know why this is the case although it is not uncommon for healthcare providers to offer an "introductory" rate that is very attractive the first year and then grows at much higher rates in subsequent years. He stated that HealthPartners offered a 0% rate increase their first year with LOGIS and the rates have increased by 15.9% in 2010 and 11.5% in 2011. He added that health history is a primary factor in determining future rate increases and municipal employees are notorious for having a rather poor health history.

Mayor Skrede stated that his two main concerns are whether the City would be offering to pay the \$2,500 out-of-pocket cost to employees with single coverage every year or just for 2010 and whether the City is treating all employees fairly by offering to pay the out-of-pocket cost for those with single coverage.

Councilmember Adams stated that he didn't think that the City would be treating the employees any differently than what currently exists since the City already pays different premiums for those with single or family coverage.

Mayor Skrede stated that it appears that the Council is supportive of this plan to encourage employees to switch to an HSA Plan and the Council could continue discussions on this issue on November 16th. He stated that the Council would be interested to hear whether the employees would be favorable towards this plan when they meet to discuss 2010 group health plans on November 9th.

Mayor Skrede stated that future discussion by the Council should include whether the City would choose to offer this same plan on an annual basis, the legalities of the proposed plan, and that

discussion on group health policy decisions should begin far earlier, even if the premium rates for the upcoming year are unavailable.

7. NEW BUSINESS

A. Other

There was no other New Business to discuss this evening.

8. DEPARTMENT REPORTS

A. Police Department

Police Chief Cory Johnson stated that attendance at the Halloween Open House was down considerably from prior years and noted that the school zone lights are currently up and operational. He stated that his department will begin fully enforcing speed zone requirements as soon as additional signage is installed.

B. Excelsior Fire District

EFD Board Representative Crockett stated that she has nothing additional to report concerning Fire District activities.

C. Public Works

Administrator Young provided an update on recent and upcoming public work activities.

Mayor Skrede reported that the Fall Cleanup will be held this Saturday and encouraged everyone to participate. He also noted that a recent law change now requires yard waste bags to be compostable beginning January 1st.

D. Administration

Administrator Young provided a brief summary on the following items:

- 2009 Tax Capacity Ranking of the City & Comparisons with Other Minnesota Cities
- Performance Evaluations
- Building Permit Revenue Update
- Annual Comparison of Parking Permits Sold
- Warming House Operations
- Assessment Fee
- Hennepin County Youth Sports Grant Applications

Mayor Skrede thanked City staff member Deborah Hicks for her recent work in improving website communications with the Community Center and in resolving several recent boat lease issues.

9. ADJOURNMENT

Motion to adjourn by Councilmember Kask, seconded by Councilmember Adams. Motion carried 5-0. The meeting adjourned at 9:08 p.m.

Respectfully submitted,

Dana H. Young, City Administrator