

WATERVILLE CITY COUNCIL  
WORK SESSION/SPECIAL COUNCIL MEETING  
February 23, 2016, 5:00 P.M.

There was a work session/special meeting of the Waterville City Council held in Council Chambers at 5:00 p.m. on February 23, 2016.

Present: Vail, Schmidtke, Wollin and Mayor Mihalik

Absent: McIntyre (Arrived 5:02 p.m.)

Also Present: Administrator/Clerk Teresa Hill, and City Attorney Jason Moran

Also Absent: None

**1. Call to Order.** Mayor Mihalik called the meeting to order at 5:00 p.m., noting that all Council members were present, except McIntyre (arrived 5:02 p.m.). Also present were Teresa Hill, Administrator/Clerk, Jason Femrite of Bolton & Menk and Jason Moran, City Attorney. Pledge of Allegiance was recited.

**2. Approval of Agenda/Additional Items to Agenda.** Mayor Mihalik advised that item #7 the Governor's Fishing Opener Commitment he has received word that the Chamber of Commerce has rescinded their bid for the Governor's Fishing opener therefore we do not need to have that discussion. So item #7 will be stricken. Mayor Mihalik said that item #4 the water rates will be moved to the end of the agenda. Motion by Mihalik, seconded by Wollin to approve the amended agenda. Unanimous vote. Motion carried.

**3. 2016 Street Projects.** Mr. Peach presented Council with his recommendations for the 2016 street projects. Mr. Peach went over the street projects that were done in 2015. The only difference was that North 1<sup>st</sup> Street was not 4286 square feet; it was actually 2500 square feet. The estimate for 2015 was \$66,000 and the end cost for the streets was \$32,260. Mr. Peach said we got a good rate on seal coating last year. Mr. Peach said he talked to Pierson Brothers today and their rate is staying the same this year at this point. Mr. Peach said he believes we will be able to handle the list that is on for this year in the blue and he is foreseeing that number will come in much less than the \$61,075. Mr. Peach eliminated a few that were on the list to do in 2017 as they had been previously done not that long ago. He does not know why they were on the list. He added South Third Street (Lake to Common) for a total of \$55,025 for 2017. The Years 2018 and 2019 look good to him. Seal Coating is running at about \$1.50 a square yard and the estimate is done at \$2.50 a square yard. It is hard to say on the crack filling because it all depends upon how many linear feet you have. For 2015 there was about 4,000 linear feet of cracks that they filled and that was about \$3,000 to fill those cracks. Mr. Peach said the blue shaded area for 2016 he would expect that number to come in at least \$10,000 less than what is there. Mr. Schmidtke asked if Virginia Street or Hileman's has been seal coated yet. Mr. Peach said it has not. Mr. Schmidtke felt that should be seal coated. Mr. Peach said Tetonka View is down for 2018. Mr. Schmidtke asked if any of the funds from the projected 2015 street project can be used for the 2016 projects. Ms. Hill suggested to go out for quotes on the items that Council wants and when we get the prices back in then we will see what is budgeted and if we need to find funds we can look at the surplus. Mr. Schmidtke would like to get quotes for Tetonka View Drive and Tetonka View Circle for crack fill and seal coating 2016 street projects. Mr. Peach provided a colored map showing which streets were completed in 2015 and proposed projects for 2016, 2017 and 2018 for pavement management plan bituminous overlay and patching. Mr. Peach lowered the estimated cost for the overlay & patch and overlay because of what the price came in last year. Mr. Peach said for 2016 bituminous overlay and patching for Blowers Street (Rogers to Addition), Rogers Road (TH 13 to Co Rd 3) they have estimated

\$155,000 and he believes that it can be done at \$100,000 based on last year's numbers and what seems to be the trend. Mr. Peach suggested that 4<sup>th</sup> Street North from Paquin to the north end and West Harmon Street (Reed to Herbert) be overlaid. The estimate is about \$100,900 and he could see that coming in the low 80's for those two sections. Mr. Schmidtke asked about Buchannon Street South. Mr. Peach said that is on for 2017. Mr. Schmidtke asked if we could do the overlay on South Buchannon from Paquin to Harmon. Mr. Peach said it would depend on what funds are available and what the actual bids might come back at. Mr. Schmidtke questions Lake Street. Mr. Peach said Lake Street is on for 2018 all of it from 1st to Hazen by the park. Mr. Schmidtke said he was wondering about Lake Street from 1<sup>st</sup> to Reed. Mr. Peach said part of that is getting patched up this year. Mr. Schmidtke said that is also showing its wear. As long as that piece by Reed Street and Lake is going to get its second lift, if the money is available put that on our list too. Mayor Mihalik said with the oil prices at this time it would be the best decision to try to do what we can this year. A quote for overlay of Lake Street from 1<sup>st</sup> to Reed will need to be done also. Mr. Schmidtke questioned Lake Street from Buchannon to Mill. Mr. Peach said that is in the same shape as the rest of Lake Street is in which is proposed for 2018. South Buchannon Street will be added to the bids. Mr. Peach said he would like to see the turn around on North 1<sup>st</sup> Street get overlaid. Mayor Mihalik said we can add that to the list and get a bid on it and see where everything comes in at. Mr. Peach said that a couple of considerations that we have talked about before are if you finish Blowers Addition then what are you going to do with the lower section of Blowers Street from Addition to the Highway which is going to need a reconstruct. Mr. Peach said maybe we should vacate that section as there are two entrances into Blowers Addition. Mayor Mihalik asked Teresa if she had contacted the owners. Ms. Hill said she had discussions with them and he had not made a decision and has not re-contacted her to say what he wanted to do. Mayor Mihalik said we need to give him a timeline to make a decision. If we go to reconstruct that will have to be assessed. Mr. Moran suggested vacating and blocking the road if the owner agreed to convey it. It would be their responsibility to tear up the asphalt and reseed it. Discussion regarding reconstruction of the lower section of Blowers Street. Mayor Mihalik said let's get the quote for the reconstruct first and if we are going to give the property owner a time line to make a decision at least they will make an educated decision on what they want to do with that. Mr. Peach said the worst block is Paquin Street between 1<sup>st</sup> Street and 2<sup>nd</sup> Street. Ms. Hill said the estimated cost for reconstruct in 2014 was \$129,448.75 with possible assessments of \$65,724.39 and a city cost of \$64,724.36. This is based off of Mr. Femrite's feasibility report. Motion by Mihalik, seconded by Wollin that we proceed with receiving quotes for the roads mentioned this evening and those provided in Mr. Peach's report. Unanimous vote. Motion carried.

**4. State Building Code Work Session.** Mayor Mihalik said we had a public hearing on this a few months ago. We had great attendance and lots of questions from the audience. Council has not had a chance to discuss what we heard and what we are hearing and our thoughts. Mayor Mihalik said he is not looking for a vote on this tonight, just simply discussion. Mr. Moran answered questions that were received at the public hearing. Mayor Mihalik read each question and the answer provided by Mr. Moran. Mr. Schmidtke said that he feels that Mr. Murphy should have been present at this meeting tonight to answer some of the questions also. Mayor Mihalik said regular maintenance does not trigger an inspection. Mr. Schmidtke asked if you are replacing a window would that require an inspection. Mr. Moran said he believes replacing a window would trigger an inspection. Mr. Schmidtke asked about replacing flooring. Mr. Moran said it would not trigger an inspection. Mr. Moran mentioned items that would trigger an inspection. If there are emergency repairs you can proceed with it and then apply for the permit and have the repairs inspected. Discussion regarding the authority of the inspector, the requirements of the inspector or the authority of the County to go beyond the inspection that

is required. Mr. Moran said if the inspector was to come out and do an inspection on a hot water heater and he noticed that there was an unsafe condition where the deck is pulling away from the house the inspector could issue an order that the deck needs to be brought up to code. If it is open and obvious and it is a safety hazard then the inspector can issue that order. Mayor Mihalik said they don't have the authority to go look at everything in your house or to walk around the back of the house if it is not necessary. Ms. Vail questioned the 2 miles within the City Limits. Ms. Hill said the 2 mile addresses what you can do for a use and also if someone was going to subdivide a property it has to meet our requirements also. Ms. Hill said we don't issue the permits on anything in the County. Mr. Moran said this would not apply to that. The fee that is collected is used for reimbursement for the inspector's time spent on the initial plan review and for the onsite inspection. The State Building Codes does not indicate or dictate requirements for when a licensed design professional is required on any project. Mr. Schmidtke inquired if commercial properties are required to have a licensed design professional. Mr. Moran said that he does not believe that it would be required. Mayor Mihalik asked the Council members what their thoughts are on the State Building Code. Mr. Schmidtke said he would like to have another meeting with Mr. Murphy present and get what the costs are for inspections. Mr. Schmidtke said the contractors build by the state building code anyway. What it is is another tax that will be put on the people. If you hire a contractor and get references on what work he has done that is going to help you out. The homeowner who is having the work done have to be knowledgeable on what is being done. Mr. Mihalik said this is not a tax. It is not to all residents it is only to those that would have major reconstruct or build. Mr. Schmidtke said it is still a cost to the homeowner. Mayor Mihalik said it is a fee and not a tax. Mr. Wollin said the feeling that he gets is that our population in general doesn't really want it but we are surrounded by towns that have it. If we are building by these standards already he doesn't see any reason not to adopt it. Mr. McIntyre said he thinks we should have it because with what we are doing in expanding our water/sewer systems and everything. If we are going to have growth with new housing and possibly some industrial come in it needs to be done properly under the state building code. Mr. McIntyre said we can debate this for the next five years but it doesn't solve it. The State has got it in place. You have a lot of communities who have it in place and counties and he thinks it is the right thing to do to make our City get to the 21<sup>st</sup> century to make sure our buildings are safe and built safe. If anybody decides to sell that building it is being sold to somebody under the safe conditions the way it was built. Ms. Vail said over the years she has been called by a lot of contractors who she would go out and look at where they would be working on a project in town to correct a lot of things on new homes that were probably built within the last 10 to 20 years out. They have huge concerns. The contractors are in favor of this because of the safety issues of what they have seen. Ms. Vail mentioned different items that were wrong in some homes. Ms. Vail said when you look at a safety aspect especially from a liability exposure, especially you always hear of decks, where they had a gathering and the deck collapsed. She does see both ways with it. She thinks it is a good thing to do but she does see the other side. She is not going to fully commit on her stance at this moment. She would like to share a lot of what we heard tonight and visit with a lot of people and revisit with some contractors. Mayor Mihalik said he also has been called by contractors to take a look at jobs that they are working on from new construction that has been in town for a couple of years and the rotting that is happening behind the flashing or within the roofs because things weren't put on correctly and they wanted him to see what they are dealing with. Mr. Mihalik said there are concerns that he still has. He thinks of the handyman's in town. What type of impact would this have on those people in town? He hasn't had a chance to speak with them to say if this is adopted what would it take for you to become a licensed contractor to be able to compete and still be in business and have a job. That is a concern that we need to address and keep in consideration. Mayor Mihalik said he thinks we have a couple of options. Is this something we are going to vote on as a Council, is this

something that we should have added to the ballot and let people vote on whether or not they want the state building code. Mr. Schmidtke suggested that we do a survey to find out if the residents are for or against it. Mayor Mihalik said you would get better participation if it were a ballot question. Mr. Moran will look into what it takes to put a question on a ballot. Ms. Vail believes you have to get the education out. Having public hearings is a good avenue to do that. Mayor Mihalik said when it comes to cost; the items that were mentioned were major items. They were not everyday costs nor every year costs that somebody would incur. Mr. Moran said the whole purpose behind the building code is to insure a good inspection and make sure it is built up to the minimum industry standard. There are a lot of people who are hiring contractors that do not know anything about construction. A lot of people don't know what their contractor is doing until you have some sort of major event like mold, water leakage, pipe leakage, some sort of colossal failure only to find out that yes you had a licensed contractor who was supposed to build it according to code but didn't and now you are out \$15,000 because you have to have another licensed contractor come in and make you another promise that it is going to be built to code and if you don't have the building code inspection done you don't know. You don't know what you are getting until after the fact. Mayor Mihalik said what we need to do as Council is continue our discussions with the public and talk to licensed and unlicensed contractors on what is their experience and what it would take to get up to speed if this is a requirement. What impact this would have on a homeowner and/or contractor. We can have a short work session with Mr. Murphy and ask questions that we still have as Council. Mr. Schmidtke said he has spoke with two contractors that say they are against it because they do everything by the state building code but they have issues with the inspector not being there on time. Waiting for the inspector that delays the projects so that is a problem. Mayor Mihalik said the licensed contractor he spoke with was in favor of this because he is fixing everybody else's stuff.

**5. Apartment Sewer Rate Customer Appeal.** Ms. Hill said the property owner is an apartment complex and they have five units. There was concern about each unit being classified as a dwelling and wanted to know if there was a way to not have to pay for a unit that is not occupied. She was talking about like an occupancy rate or an occupancy certificate. The customer is not available to speak to Council on her thoughts. She was looking if there was a way to alleviate the charge on a unit that is not being rented or used. Discussion held by Council. Ms. Hill said that seasonal homes pay a base fee year round. Motion by Mihalik, seconded by McIntyre to deny the appeal for the sewer rate. Unanimous vote. Motion carried.

**6. Water Rates.** Mayor Mihalik said this is the first year that we are looking at considering depreciation in the water rates. Ms. Hill said we typically don't include depreciation. It has been a discussion item before. Mayor Mihalik asked if there was a reason why this hasn't been used in the calculation of the water rates in the past. Ms. Hill said plain and simple it drives the user rate up. Ms. Hill said if you are trying to collect for \$200 of depreciation it is going to increase your user rates up quite a bit. Mayor Mihalik asked Ms. Hill to remind Council and the public the benefit of considering depreciation in the water rates. Ms. Hill said depreciation helps fund your infrastructure. As you are collecting for it in the time that you would be looking at replacing so it gives you something to work on, something to replace your pumps or whatever may happen between now and the time that the use ability of that structure is at zero. Mr. McIntyre said if you would ever have to replace another water plant structure you would have money partially available to offset the cost for doing that. Ms. Hill said if you had something major go out at your water plant you are collecting for depreciation and you would have funds to use instead of dipping into your profit loss or reserves. Ms. Hill presented Council with four different calculations for the water rates as follows: No depreciation with 1,000 gallons in base fee (\$12.97 base \$9.94 over 1,000 gal), With depreciation on 1,000 gallons with base fee (\$18.72

base/\$15.83 over 1,000 gallons), Depreciation and no gallons in base fee (\$18.72 base/\$15.46 over 1,000 gallons), and no depreciation and no gallons in base fee (\$12.97 base/\$9.70 over 1,000 gallons). Mayor Mihalik said with sewer we do charge each dwelling for their base but we don't for water right now. Council discussion regarding the different rates that Ms. Hill presented. Ms. Hill was directed to include the apartment dwellings in a calculation for what the rates would be. Discussion regarding the campsites. Mayor Mihalik suggested charging campsites one-half of the base fee because they are only there for half a year. So instead of a base of \$11.50 it would be a base of \$5.75. Discussion on what other cities do with their campsites. Mayor Mihalik said this would be for the 2017 season. Ms. Hill was directed to also include the campsites in her equation. Mayor Mihalik said he would like to see both equations one with and one without the campsites included. Discussion regarding the watering meters. Mayor Mihalik said we have an obligation to the MPCA to show our efforts for water conservation. This specifically helps for future funding. We have 7 units that have a separate meter for watering their lawns. They do not pay the sewer rate on the water that they use. Mayor Mihalik said according to his calculations he would take a look at how it would impact the calculation to use one and a quarter. Charge 25% more for those with watering units. He thinks it would show we our doing an effort for the water conservation. He does not want to discourage those who do want to water their lawn because it does help make the City look good. Council was in agreement with charging 1 ¼ rate for watering meters. Mayor Mihalik said the big item is the \$204,000 in depreciation and how we want to include that. If we were to include campsites, apartment units and those watering meters that will help impact any rate increase for the water. Mayor Mihalik said the depreciation is something he thinks we need to consider. The options are is to say no again and not calculate any depreciation and not bank any money for future improvements or repairs. The other option is to go full board and count the whole \$204,000 depreciation. Discussion regarding the samples Ms. Hill provided for including depreciation. Mayor Mihalik suggested that we step into that over an "x" number of years. Let's say we do 20% depreciation this year and the next year do another 20% and in five years we would be there. Ms. Vail said she thinks we should include some depreciation at least to look at the numbers and also show the no depreciation. Mr. Wollin said he thinks it should be done gradually. Mr. McIntyre said if you do it over a five year period at the end of five years see where you are at. Ms. Hill was directed to do a 10% and 20% depreciation increase so that Council can check the numbers. Ms. Hill will try to use a spreadsheet that is projectable.

**7. Adjourn.** Motion by Mihalik, seconded by McIntyre to adjourn. Unanimous vote. Motion carried. Meeting adjourned 7:30 p.m.

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Stephen Mihalik, Mayor

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Teresa Hill, Administrator/Clerk