

Greenwood Special City Council Meeting

Wednesday, June 3, 2009 8:00 a.m.

SouthShore Community Center 5735 Country Club Road Shorewood, MN 55331

AGENDA

1. Discuss Southshore Center
2. Adjourn

SouthShore Center Working Group
Meeting Notes
1:00 p.m. Thursday, May 14, 2009
Shorewood City Hall

PRESENT: Mayor Paul Skrede, Deephaven, Council Member Biff Rose, Greenwood, Mayor Deb Kind, Greenwood, Mayor Chris Lizee, Shorewood, Brian Heck, Administrator Shorewood, Council Member Ken Folley, Tonka Bay, Jessica Loftus, Administrator Tonka Bay, Kristi Luger, Manager Excelsior, and Council Member Gregg Miller, Excelsior.

Heck provided the group with a summary of the Shorewood Council meeting and the response Council provided to the question raised at the last meeting which was “would Shorewood take over the operation and management of the Center and if so, under what conditions?” Heck reported that a majority of the Council would agree to moving in this direction, would not require contributions by the other Cities, would not be obligated to pay the other cities their initial investment, would do so for a specific period of time, and offered the possibility of entering into a lease arrangement.

Heck then stated one simple way for this to be accomplished is for other member cities to exercise their option under Section 6 of the Cooperative Agreement whereby the city withdraws from the Agreement, forfeits rights to decisions related to the Agreement and the operation of the Center, is under no obligation to contribute to the operation of the Center, the City retains its undivided ownership interest, and the city receives their initial investment, less operating costs. Heck added that a condition to have Shorewood operate the facility as a Community Center for a period of not less than five years might be acceptable as the Council did discuss a time-limit for operations.

Council member Miller talked about the five cities remaining together and working out a funding formula and addressed issues Cities might face upon withdrawing from the partnership. He expressed his concern that if Shorewood were the only operator of the Center they might choose to sell the center and he didn't want to loose the asset.

Mayor Skrede stated he has full faith in the Shorewood Council to operate the facility and that the Council will make the right decisions concerning the Community Center and fully supports the idea of Shorewood taking on this responsibility.

Mayor Lizee stated the majority of the Council indicated a willingness to move forward and take the risk in operating the Center. She stated that personally, she disagrees with that concept and believes the cities need to remain together to operate the Center; however, she said that for this to happen, there needs to be the full commitment from all the cities; that contributions based on a donation system is not the proper way to run a business.

Luger stated the issue is not necessarily the joint operation of the Center; the real issue is the funding the center.

Mayor Kind stated that Greenwood took action on three issues at their last meeting. First the Council adopted the AHOC group resolution, second the Council approved a motion to move forward to develop a management agreement with Community Rec. Resources to operate the Center, and finally the Council agreed to pay 3.95% of any costs associated with the Center through June 30 and would consider an additional contribution to Shorewood for their work as fiscal agent and coordinating and hosting meetings.

After additional discussion, Heck indicated that decisions need to be made regarding the Center. The group asked Shorewood to consider operating the facility as a single entity and the Council's response was "yes". Heck then said one efficient way to accomplish this is for each city to take a resolution to their Council that removes the city from the agreement in accordance with Section 6 of the Agreement and have a second clause that requires Shorewood or the remaining cities, to operate the facility as a community center for no less than 5 years.

Council member Miller wanted to give the cities another option. He said he would prepare a funding formula that takes in to consideration a five city partnership and a four city partnership.

The final outcome of the meeting was the following:

- 1) Heck will prepare a Resolution for distribution to each City to consider that withdraws the city from the Cooperative Agreement in accordance with Section 6. The cities agree to present this to their respective councils for consideration.
- 2) Council member Miller will prepare and send to the cities a funding formula option for a five city and a four city partnership for each Council to consider along with the withdraw option.

A meeting date for the group was not established and the meeting ended at 2:15 p.m.

May 19, 2009

To: Senior Funding Committee
From: Dana H. Young
Re: Deephaven City Council Action on proposed Resolution to Withdraw from the SouthShore Center

The Deephaven City Council reviewed the proposed Resolution to Withdraw from the SouthShore Center at a Special Council meeting on May 18th and made the following observations:

Development of a Future Funding Formula

The Senior Funding Group has met for close to 18 months and has had absolutely no success in fashioning a funding formula that is acceptable to all five cities. It is becoming increasingly clear to the Deephaven City Council that the five member cities will never be able to develop a mutually agreeable funding formula to finance the future operations of the SouthShore Center.

Resolution Withdrawing from the SouthShore Center

The Deephaven City Council does not favor the adoption of the proposed Resolution to Withdraw from the SouthShore Center for a couple of reasons.

First, the language in Section 6 of the Cooperative Agreement makes it unclear if a withdrawing city's initial contribution towards the construction of the Center would be subject to reductions due to future costs at the Center. This uncertainly places a withdrawing City at risk for seeing their initial investment erode without having any ability to participate in the process.

And second, the Deephaven City Council believes there is a better mechanism, actually suggested by the Council of Shorewood, for allowing the City of Shorewood to assume the managerial role at the Center without requiring four out of five cities to withdraw from the SouthShore Center.

Recommendation

Deephaven City Council continues to believe that the SouthShore Center would be run most efficiently as a community center by one City and is very thankful that the city of Shorewood has shown the willingness to assume the management of the Center on behalf of the member cities.

We therefore, recommend approving a Lease Agreement with the City of Shorewood as the Tenant. The member cities are very familiar with the former Lease Agreement between the Friends and the cities. Minor adjustments could be made in this Lease Agreement that would enable the City of Shorewood to serve as tenant of the building with the cities as landlord under the same or similar terms and conditions that the cities once had with the Friends. By replacing the "Friends of the SouthShore Center as Tenant" with the "City of Shorewood as Tenant", and making the renewal terms of the Lease every three years rather than every five years, all of the remaining terms of the Lease could be left intact.

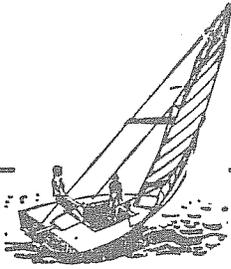
The Deephaven City Council feels this recommendation would allow Cities to voluntarily contribute to the Center without a need for a formula, just as has been the case for the last twelve years. The Lease Agreement would still give each member city a stake in the future of the SouthShore Center while giving the City of Shorewood the appropriate authority to operate the facility.

SouthShore Center
5-19-09 Email from Kristi Luger, Excelsior City Manager

The Excelsior City Council voted unanimously last night to continue their participation in the Southshore Center Cooperative Agreement of 1996. The Council also unanimously supported Councilmember Miller's funding proposal, which is attached to this e-mail. The Excelsior City Council continues to be supportive of the Southshore Center and encourages the other cities to continue this partnership. As you will see by the attached funding proposal, Excelsior is willing to contribute up to 25% to make a funding proposal more palatable to Greenwood and Tonka Bay.

Please share the attached document with your Councils when making the decision whether or not to continue your participation with the Southshore Center Cooperative Agreement. Excelsior thinks that an equitable funding formula can be found and believes that the attached document is a good start to finding a formula that works for everyone.

If you have any questions about our City Council's discussion, please feel free to contact Greg or myself.



CITY OF EXCELSIOR

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May 15, 2009

South Shore Community Center Funding Suggestions

The South Shore Community Center funding committee has been meeting for over a year investigating alternatives and trying to establish new agreements to support the center. We have all agreed in past meetings that we would like to see the South Shore Center continue as a community center and expand its usage to other potential audiences. In recent meetings, the committee has recommended the proposal by Community Recreation Resources (CRR), moving us in the right direction to achieve this goal. This is very encouraging progress. It is important for the five cities to continue the partnership that was established in 1996 to create and support a community center. We have a regional community responsibility to accomplish this for future users of the South Shore Community Center.

Some reasons to continue as a five city partnership include the following:

- Expand the usage of the center to other potential groups in our cities
- Share regional responsibility for the risk and costs associated with the center as the founders of the center intended
- Share the potential revenue opportunities and asset appreciation that may occur with a fully utilized South Shore Center
- Avoid losing a withdrawing city's investment in the center over time as is prescribed by exercising Section 6 of the Cooperative Agreement (i.e., a withdrawing city's interest is reduced by their share of the center's costs)
- Maximize the promotion and exposure of the center to generate more activities
- Keep access fees low for member cities and minimize non-member fees so that usage of the center is encouraged not discouraged
- Allow continued input into services so that needs are met for the entire five city region
- According to the plan presented by CRR, the cost to run the center is a trivial portion of any city's budget
- Demonstrate strong commitment to the long term vision of a vibrant community center as is done in most communities

Although agreements were completed and approved by two cities last December, those agreements have not been approved by all councils. One of the crucial issues is the funding approach to support the center if expenses exceed revenues in any given year. This document represents suggestions for the funding approach as approved by the Excelsior City Council. The Excelsior City Council intends these suggestions to be carefully considered as a representation of a possible funding alternative as opposed to

placing the entire funding burden on the City of Shorewood as has been recently proposed. The Excelsior City Council does not intend this to be the final word on the funding approach because we are open to all funding approaches suggested by the other cities but we are supportive of these concepts and consider them reasonable. These suggestions are simply a potential starting point to help determine a final funding approach for the cities that choose to continue in the partnership to support the South Shore Community Center.

Funding Suggestions to Consider

1. The South Shore Community Center founders in 1996 had a primary focus on seniors and recognized the shared regional community responsibility to support the center by creating a funding approach based upon the share of each city’s population. As we expand the center to other audiences this approach seems even more appropriate for the long term with some adjustments as indicated below.

2. Current usage statistics, while not rigorously analyzed, do suggest greater usage by seniors from Excelsior and Shorewood. The Excelsior usage is driven by the fact that the most concentrated senior housing in the five city region is located in Excelsior. Seniors from the entire area come to Excelsior to live. The founders recognized that this senior housing supports the entire region and that the location of the highest concentration of seniors should not be the driving factor in the funding approach. To further emphasize this point and as an example, if the Senior Apartments in Excelsior happened to be located in Greenwood (or any other city), would we expect Greenwood to pay an inordinate share of the expenses for the center? The founders correctly reasoned that we would not. However, the funding approach presented below does suggest an adjustment for both usage and proximity to the center to address concerns expressed relating to those factors.

3. The following table presents possible funding percentages using different approaches for baseline comparisons (compiled by Kristi Luger):

	Ownership	Population	Households	Tax Capacity	*Usage	Average
Deephaven	22.45%	24.37%	22.69%	28.35%	7.80%	21.13%
Excelsior	14.60%	15.05%	20.19%	9.64%	39.90%	19.88%
Greenwood	3.95%	4.95%	4.78%	8.35%	4.00%	5.21%
Shorewood	50.00%	45.73%	41.85%	38.51%	39.00%	43.02%
Tonka Bay	9.00%	9.90%	10.48%	15.16%	10.60%	11.03%

* A cautionary note that this usage figure is for one month only and does not include non-resident and event usage therefore inflating the usage percentages.

The new suggested funding and ownership percentages are as follows:

Deephaven	16%
Excelsior	21%
Greenwood	5%
Shorewood	48%
Tonka Bay	10%

These suggested percentages were determined by starting with the rounded percentage share of population. Excelsior was adjusted 40% higher (15% to 21%) due to current higher usage. Shorewood was adjusted 4% higher (46% to 48%) due to current higher usage and closer proximity to the center. Deephaven was adjusted 33% lower (24% to 16%) due to lower current usage and farther proximity to the center. Greenwood and Tonka Bay were left at their population percentages. Currently, seniors use less than 30% of the available time at the center. By expanding usage of the center to other audiences, over the long term, usage patterns should tend to gravitate toward the population percentages influenced by proximity to the center. This funding approach is reasonable and recognizes the regional community responsibility we have for supporting the center while also factoring in current usage and proximity concerns.

According to the plan presented by Community Recreation Resources this would be the projected cost allocations for the next three years based upon the proposed percentages:

	Y1-Ttl Cost	Y1-Per Person	Y2-Ttl Cost	Y2-Per Person	Y3-Ttl Cost	Y3-Per Person
Deephaven	\$4,182	\$1.08	\$2,858	\$0.74	\$1,197	\$0.31
Excelsior	\$5,489	\$2.29	\$3,751	\$1.56	\$1,571	\$0.65
Greenwood	\$1,307	\$1.65	\$893	\$1.13	\$374	\$0.47
Shorewood	\$12,545	\$1.70	\$8,573	\$1.16	\$3,590	\$0.49
Tonka Bay	\$2,614	\$1.66	\$1,786	\$1.13	\$748	\$0.47

The above table shows the projected total costs and the cost per person in each city for the next three years. This cost allocation is equitable and represents a minimal investment in our community – less than the cost of a cup of coffee for each person for the entire year. Excelsior would be paying (per person) over double the lowest paying partner to adjust for expressed usage and proximity concerns.

- At recent funding committee meetings, the Deephaven representative has indicated his council’s likely reluctance to participate in the five city partnership. While Excelsior would encourage all five cities to continue in the partnership as intended by the founders and for the reasons highlighted above, we present some possibilities to consider for a four city partnership as a contingency. The following table presents possible funding percentages using different approaches for baseline comparisons:

	Ownership	Population	Households	Tax Capacity	*Usage	Average
Excelsior	14.60%	19.72%	26.12%	14.88%	39.90%	23.05%
Greenwood	3.95%	6.49%	6.19%	11.00%	4.00%	6.33%
Shorewood	50.00%	60.81%	54.13%	54.19%	39.00%	51.63%
Tonka Bay	9.00%	12.98%	13.56%	19.92%	10.60%	13.21%

* A cautionary note that this usage figure is for one month only and does not include non-resident and event usage therefore inflating the usage percentages.

The new suggested funding and ownership percentages for a four city partnership are as follows:

Excelsior	25%
Greenwood	5%
Shorewood	60%
Tonka Bay	10%

These suggested percentages were determined by starting with the rounded percentage share of population. Excelsior was adjusted 25% higher (20% to 25%) due to higher current usage. Shorewood was adjusted 2% lower (61% to 60%) to round out the percentages and to provide a small adjustment for the largest contributor on a total dollar basis. Greenwood was adjusted 17% lower (6% to 5%) due to lower current usage and further proximity. Tonka Bay was adjusted 23% lower (13% to 10%) due to lower current usage. Currently, seniors use less than 30% of the available time at the center. By expanding usage of the center to other audiences, over the long term, usage patterns should tend to gravitate toward the population percentages influenced by proximity to the center. This funding approach is reasonable and recognizes the regional community responsibility we have for supporting the center while also factoring in current usage and proximity concerns.

According to the plan presented by Community Recreation Resources this would be the projected cost allocations for the next three years based upon the proposed percentages:

	Y1-Ttl Cost	Y1-Per Person	Y2-Ttl Cost	Y2-Per Person	Y3-Ttl Cost	Y3-Per Person
Excelsior	\$6,534	\$2.72	\$4,465	\$1.86	\$1,870	\$0.78
Greenwood	\$1,307	\$1.65	\$893	\$1.13	\$374	\$0.47
Shorewood	\$15,682	\$2.12	\$10,716	\$1.45	\$4,488	\$0.61
Tonka Bay	\$2,614	\$1.66	\$1,786	\$1.13	\$748	\$0.47

The above table shows the projected total costs and the cost per person in each city for the next three years. This cost allocation is equitable and represents a minimal investment in our community – less than the cost of a cup of coffee for each person for the entire year. Excelsior would be paying (per person) significantly more than the other partners to adjust for expressed usage and proximity concerns. Using this reasonable approach, based primarily upon share

of population, would allow Greenwood and Tonka Bay to continue in the four city partnership at the same cost as the five city partnership.

5. This proposal also suggests that the vote weighting for the five partner cities be changed to the following:

Deephaven	1
Excelsior	2
Greenwood	1
Shorewood	3
Tonka Bay	1

Those under 20% would have 1 vote; between 20% and 40%, 2 votes, between 40% and 60%, 3 votes. This vote weighting properly aligns cost allocation with representation. Similar to the current Cooperative Agreement, a majority (5 of 8 votes) would be required for routine operating decisions and a supermajority (7 of 8 votes) would be required for the high impact decisions (e.g., termination, dissolution, agreement alteration, etc.).

6. This proposal suggests that the vote weighting for the four partner cities scenario be changed to the following:

Excelsior	2
Greenwood	1
Shorewood	3
Tonka Bay	1

Those under 20% would have 1 vote; between 20% and 40%, 2 votes, between 40% and 60%, 3 votes. This vote weighting properly aligns cost allocation with representation. Similar to the current Cooperative Agreement, a majority (4 of 7 votes) would be required for routine operating decisions and a supermajority (6 of 7 votes) would be required for the high impact decisions (e.g., termination, dissolution, agreement alteration, etc.).

7. This proposal suggests that these cost allocation percentages would be fixed unless renegotiated (as allowed under the Cooperative Agreement) and that these percentages would correspond to the new ownership percentages in the case that the center would be sold for some reason in the future.
8. This proposal suggests that an oversight board is created to oversee the operations of the center. The need for an oversight board has been recognized by the funding committee and was incorporated in the agreements approved by two cities in December. This proposal suggests that the oversight board vote weighting would be the same as in items 5 and 6 above. The detail organization and process for the oversight board is beyond the scope of this document but should be fairly non-controversial for the partners to establish.

From: Brian Heck City of Shorewood <bheck@ci.shorewood.mn.us>

Date: Tue, 26 May 2009 22:34:43 -0500

To: <chrislizee@mchsi.com>, Debra Kind <d.kind@mchsi.com>, <gmiller17@msn.com>, Paul Skrede <pslaptop@mchsi.com>, Biff Rose <idarose@mchsi.com>, <tonkabayken@mchsi.com>

Cc: Kristi Luger City of Excelsior <kluger@ci.excelsior.mn.us>, Jessica Loftus City of Tonka Bay <jloftus@cityoftonkabay.net>, <DanaYoung@mchsi.com>, <greenwood@visi.com>

Subject: Shorewood Meeting

All,

I am writing you all to inform you of the action taken at the Shorewood Council meeting tonight regarding the SouthShore Center. The Council passed a motion directing staff to draft a modified Lease Agreement based on the original Lease Agreement between the five cities and the Friends. The term of the lease is set for three years with automatic renewals. Shorewood will be the lessee in this situation. Staff is to have this draft document ready for the Shorewood Council by June 1, 2009 and provide the other cities with the same document in preparation for the June 3 meetings at the SouthShore Center. If you have any questions regarding this issue, please feel free to contact me.

BRIAN W. HECK

City Administrator

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