

City of East Bethel
City Council Agenda
Work Session – 8:00 PM
Date: October 27, 2011



Item

- | | | |
|----------------|------------|-------------------------------------|
| 8:00 PM | 1.0 | Call to Order |
| 8:01 PM | 2.0 | Adopt Agenda |
| 8:02 PM | 3.0 | Discuss ERU Reduction Policy |
| 9:00 PM | 4.0 | Adjourn |



City of East Bethel City Council Agenda Information

Date:

October 27, 2011

Agenda Item Number:

Item

Agenda Item:

ERU Reduction Policy Work Meeting

Requested Action:

Commence discussions to develop an ERU reduction policy for existing businesses that will be served by the City water and sewer project

Background Information:

In order to properly charge the users of the water and sewer services for the Project 1 Municipal Utilities Project, assessments are based on Equivalent Residential Units (ERU's). The basis for determining an ERU is an equivalent to one single family residential unit's use of water. The amount of water used for this calculation is 274 gallons/day. ERU units are assigned for different types of property use based on the MCES Service Availability Charge Procedure Manual. The proposed charge for an ERU is \$17,000 (based on Bolton & Menk's recommendation) with \$8,000 of this cost being lateral charges assessed over 20 years, \$5,600 a charge for City SAC/WAC costs and \$3,400 for the MCES connection fee.

In order to fairly evaluate the overall connection cost for municipal services for existing businesses it is proposed that some latitude be considered in determining the number of ERU's per connection for City charges for this project. The City's Special Assessment Policy permits ERU calculations to be modified at the City's discretion. However, to avoid arbitrary decisions on a case by case basis it is recommended that the City consider a policy that would consistently apply a standard methodology for a reduction of ERU apportionment.

A variety of options can be used to establish a policy for City ERU reduction alternatives. A method that was previously discussed was to develop a policy based on actual water use of the businesses. While this would address a use approach for a policy it is not consistent with the peak flow aspects of MCES SAC manual assignments of ERU's. In our case actual water use and project costs have little relation. Basing an ERU reduction policy on water use would skew the total ERU requirements to a level that would create serious cash flow problems for the project in 2013 and 2014. In addition a policy based on water use would be extremely difficult to administer, monitor and implement due to the inherit problems associated with data collection and adjustments for ERU's.

Another method of consideration would be to postpone payment of City SAC and WAC fees on assigned but undeveloped ERU lots. This would enable the property owner to pay only \$3,400(MCES SAC fee) at the time of final ERU designation. The balance, \$8,000 for the

assessment fee, would be paid over the term of the assessment and the City SAC and WAC fees would be rolled into the assessment and any balance paid in full when the property was developed. Staff is currently assessing the impact this type of option would have on the project's cash flow.

A third option would be to grant an ERU credit for businesses that employ more than 20 employees and grant an ERU credit to those businesses that pay more than \$12,000 per year in property taxes. This tax credit would be in increments of \$12,000 with each increment over \$12,000 being an additional credit. For example if a business paid \$20,000 in property taxes they would receive a 1.67 reduction in their ERU assessment. In no case would the reductions offered under this proposal be less than 50% of the original ERU assignment and always be a minimum of 1 ERU. This offer would only be available for only the initial ERU assignment for this project. Staff is currently assessing the impact this type of option would have on the project's cash flow.

Utilizing the third type of option would also address the City's commitment to existing business retention. This approach would also make an effort to equalize any future incentives that may be offered for new business recruitment in relation to ERU reductions offered to existing businesses.

Staff contacted the Cities of Andover, Ramsey, Blaine, Forest Lake and Lino Lakes to discuss their ERU reduction policies. None of these Cities have a policy for ERU reduction. The City of East Bethel is in a unique position with the MCES sewer project and in the financial design of the project. Our situation does not reflect the development of sewer systems for other Metro cities.

The adoption of an ERU reduction policy will have consequences and impacts that must be thoroughly understood in order to decide what type of policy will have the least financial impact on the City while at the same time considering the issues of those being affected by the project. This is a matter that would be best addressed in a meeting that is entirely devoted to this issue.

Attachments

Attachments 1-8

Cash Flow Alternatives 1-5

Fiscal Impact:

As presented in the Bolton & Menk Feasibility Study, there are 12 existing businesses with current assessments of 50 ERU's within the assessed project area. Three of these uses have only a single ERU designation so they would not be eligible for reduction under any policy, leaving 147 ERU's for consideration. However, one of the properties is the proposed East Bethel Water Treatment Plant which had an initial assigned ERU of 40. The redesign of the water treatment plant reduced this number to 1 ERU. Therefore, there are a total of 107 ERU's that would be eligible for review under this policy.

If all the eligible ERU's were reduced as described in the third alternative the reduction would be in the range of 67 to 77 ERU's from Bolton & Menks original estimate of 150 ERU's. While every ERU is critical for the financial feasibility of this project, this may be a useful tool in encouraging other existing businesses to connect to the system, reduce the burden of connection costs and provide a policy for consistent application of requests for ERU reductions.

The loss of one ERU is \$13,600 to the City side of this project. A reduction of 77 ERU's would result in a revenue loss of \$1,047,200. The project cash flow analysis is in the process of being

re-evaluated to determine if this loss could be absorbed within the bond payout schedule. Staff will be e-mailing various cash flow projections to Council as they become available. The challenge is to determine the amount of reductions that could be granted, develop a policy that will retain a certain amount of flexibility to deal with unforeseen circumstances and insure that the financial obligations of the project can be achieved .

Recommendation(s):

Discussion matter only at this time

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____

ATTACHMENT #1

ADDRESS	OWNER	ACREAGE	ERU'S	2011 PROPERTY TAX
Ulysses	Mark & Debbie Landwehr	2.11	5	4,004.17
Ulysses	Muller	2.02	2	5,096.73
Ulysses	Muller	2.02	2	5,096.73
18600 Ulysses	Mark & Debbie Landwehr	2.02	1	16,961.68
18542 Ulysses	Classic Holdings	2.02	2	21,016.27
18530 Ulysses	David Ebertowski	2.09	1	16,765.44
	Muller (P.L.)	3.22	0	5,892.66
18635 Ulysses	Muller (P.L.)	4.33	27	46,346.03
a.	Muller (P.L.)	2.16	2	2,726.85
b.	Muller (P.L.)	2.16	2	2,726.85
c.	Muller (P.L.)	2.19	2	2,755.40
18530 Buchanan	Heartland Developers LLC	10.00	2	26,172.18
18533 Buchanan	JP Investments LLC	2.19	1	15,080.72
18581 Buchanan	Truck Body Specialist LLC	2.15	2	29,396.91
18627 Buchanan	North Bound Woodworks LLC	2.16	2	19,699.17
18651 Buchanan	Merrimac Const.	2.16	2	14,002.14
18689 Buchanan	Rickey Properties LLC	2.35	2	18,731.98
	CD Properties North LLC	15.02	45	1,850.49
1341 187th Lane	River Country Coop	2.83	4	18,560.71
18765 Ulysses	Village Bank	8.94	4	61,212.21
	City of East Bethel		1	
TOTAL			111	

 CITY OF EAST BETHEL
CivicSight Map

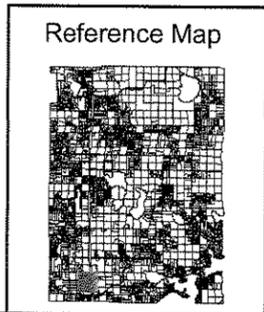
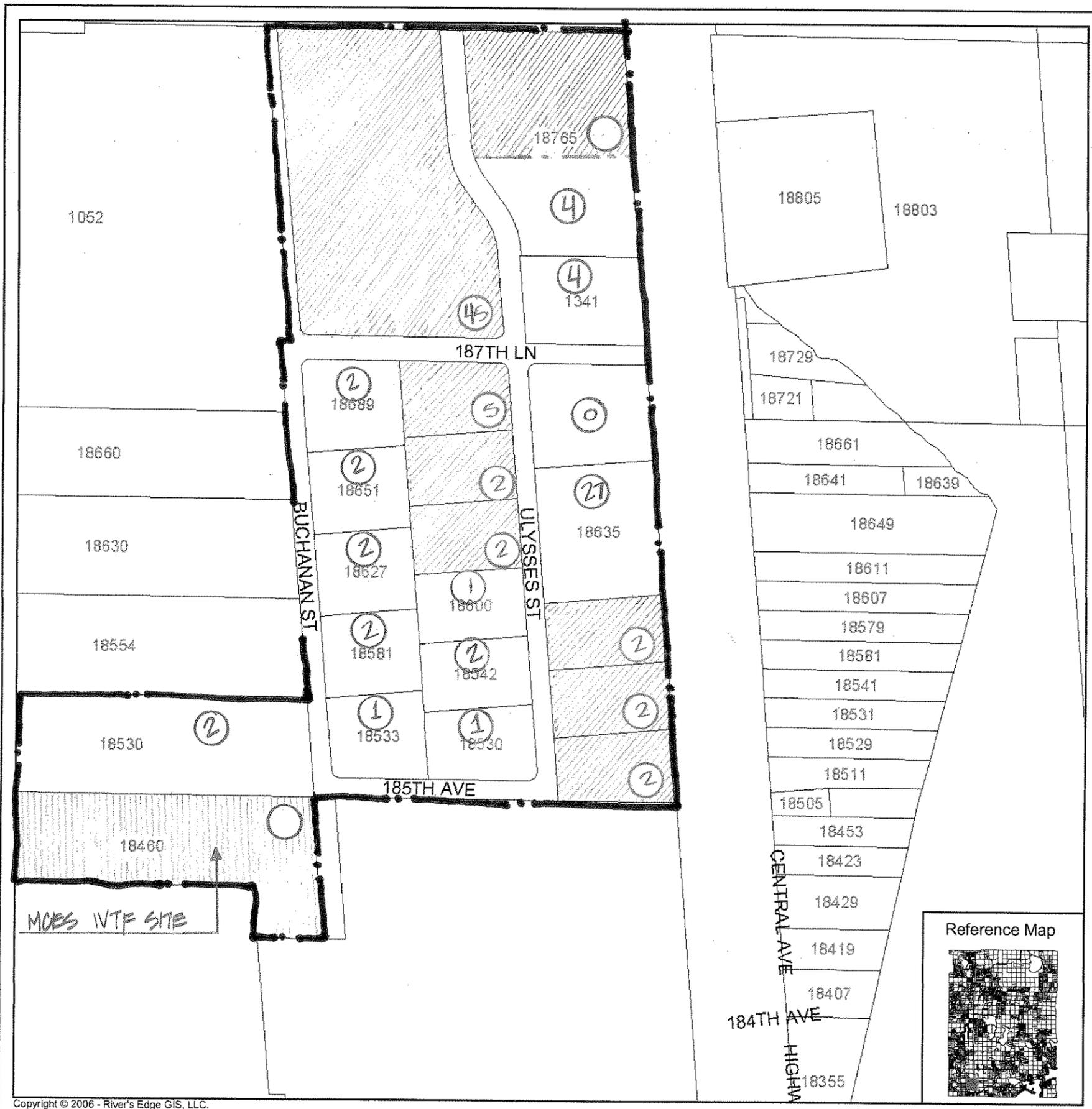
MAP LEGEND:

-  WATER
-  PARKS
-  PARCELS2

 — MOES ERU ASSIGNMENT

 ASSESSABLE
PROPERTIES AREA
(CATEGORY 1)

ERUS-VACANT PROPERTY - 00
ERUS-EX. BUSINESS - 51



Map Scale: 1 inch = 504 feet
Map Date: 10/26/2011
Data Date: June 24, 2011



Sources: EAST BETHEL GIS AND ANOKA COUNTY

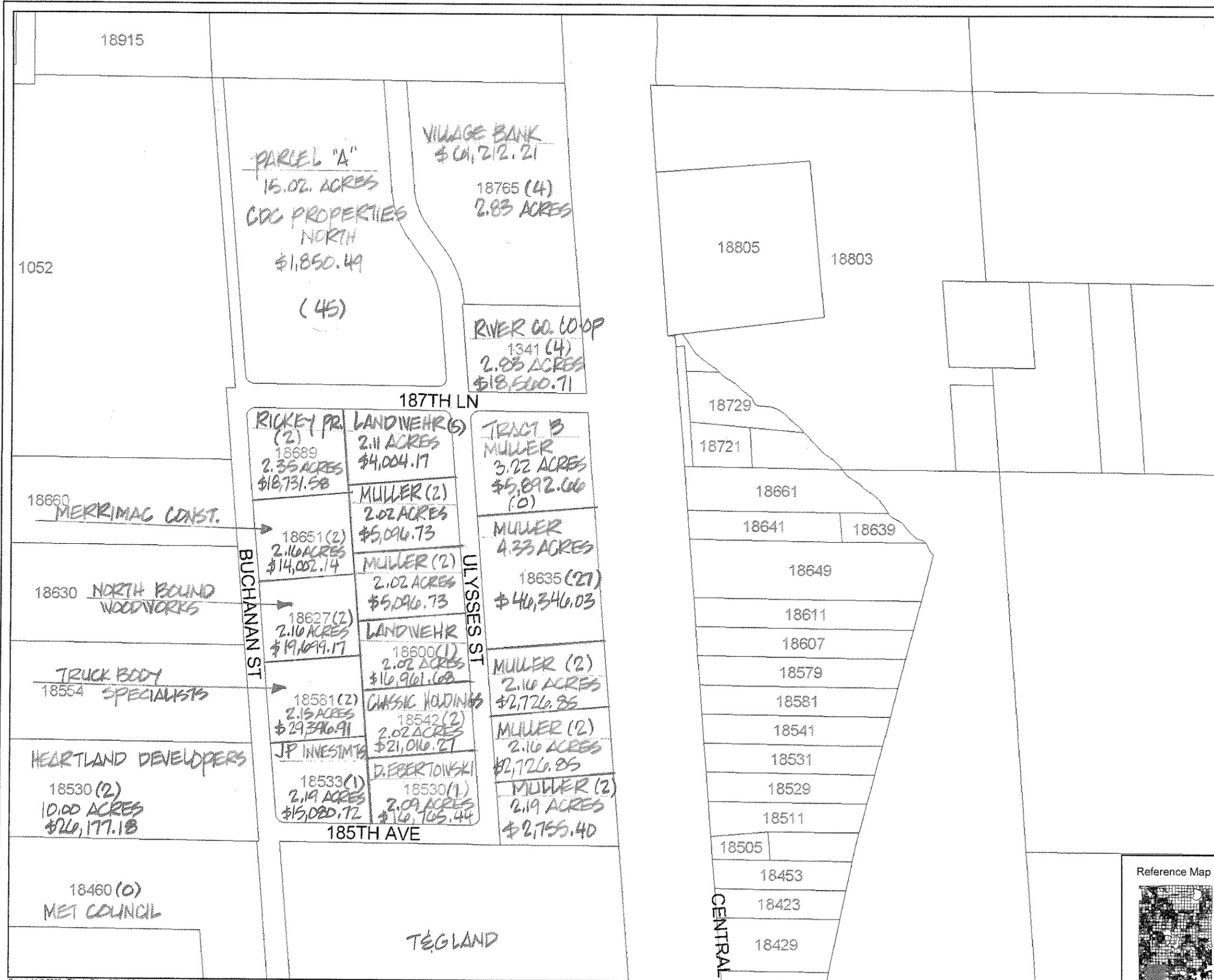
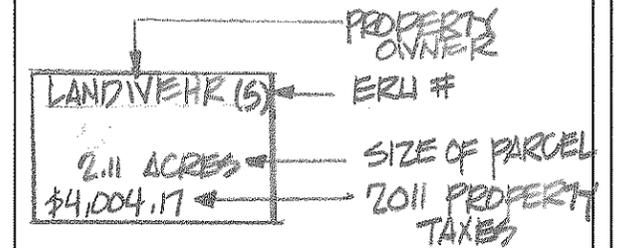
Disclaimer:
Enter Map Disclaimer Here



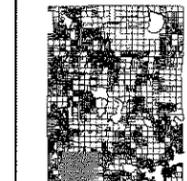
CITY OF EAST BETHEL
BETHEL
CivicSight Map

MAP LEGEND:

- WATER
- PARKS
- PARCELS



Reference Map



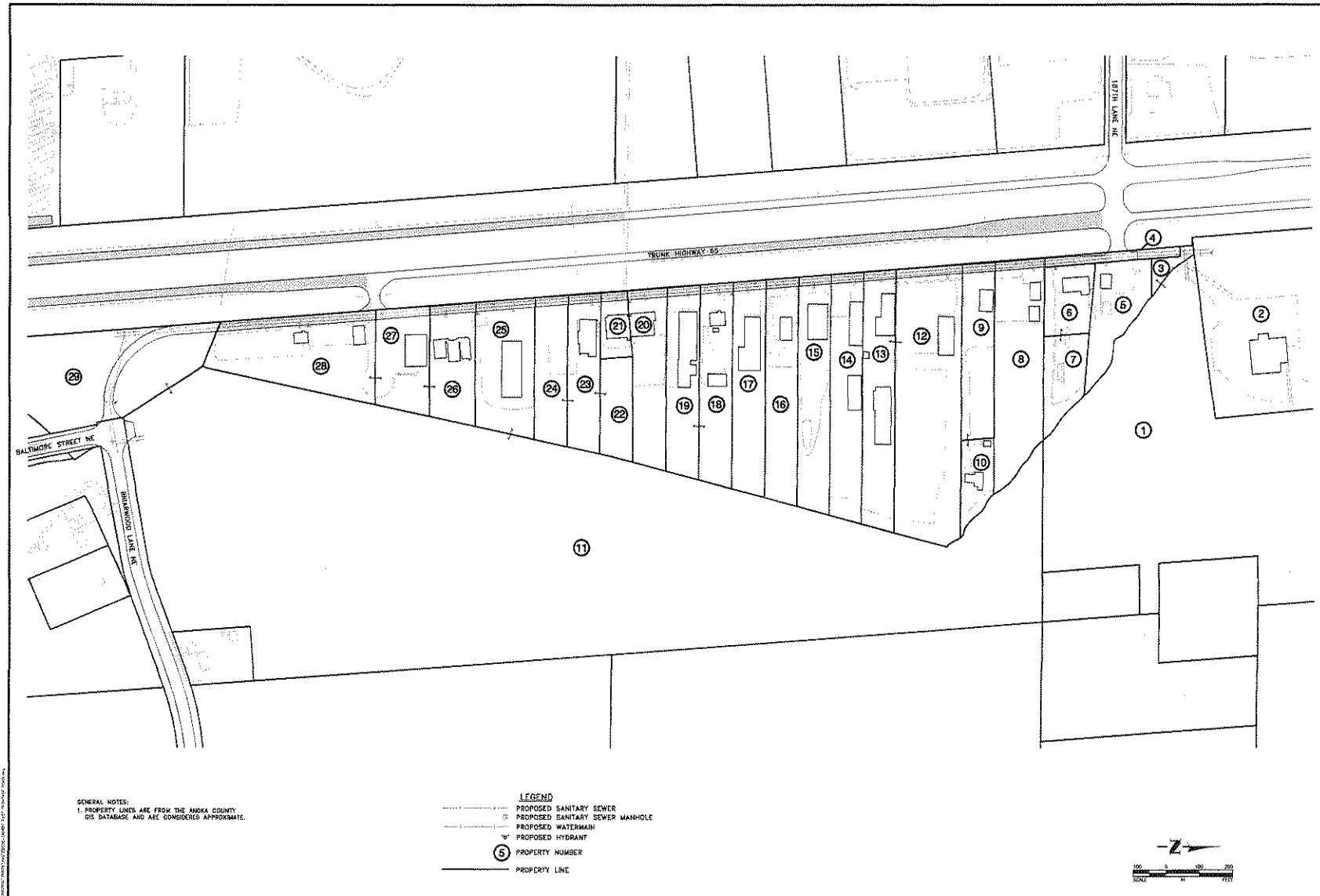
Map Scale: 1 inch = 1157 feet
 Map Date: 10/17/2011
 Data Date: June 24, 2011
 Sources: EAST BETHEL GIS AND ANOKA COUNTY



ATTACHMENT 4

ADDRESS	OWNER	ACREAGE	ERU'S	2011 PROPERTY TAX
18803 Hwy 65	Able Properties Mgmt.	21.75		1,741.14
18805 Hwy 65	Timothy Chies	6.92		7,744.86
No address	Able Properties Mgmt.	0.16		216.55
18729 Hwy 65	Roger & Sharon Wedel	1.06		2,569.56
18721 Hwy 65	Tax Dept Mail Drop 22	0.70		6,631.37
18661 Hwy 65	Brian & Nanette Renstrom,	2.18		6,471.94
18641 Hwy 65	Freimuth Prop. II LLC	1.22		2,932.90
18639 Hwy 65	Freimuth Prop. II LLC	0.52		1,642.27
18649 Hwy 65	Geo. & Nancy Cosette	3.79		7,930.44
18611 Hwy 65	Geo. & Nancy Cosette	1.78		7,495.06
18607 Hwy 65	Kenneth F. & J.R. Stewart	1.70		9,197.49
18579 Hwy 65	Art Torgerson & Son Well Co.	1.63		7,302.30
18581 HWY 65	Gregg Boster	1.55		4,425.59
18541 Hwy 65	Donald & Marvel M. Sprague	1.47		7,834.12
18531 Hwy 65	KCG LLC	1.39		5,328.59
18529 Hwy 65	KCG LLC	1.31		13,535.33
18511 Hwy 65	No. County Foodshelf	1.29		7,223.78
18505 Hwy 65	Lynda Danielson	0.40		7,145.26
18453 Hwy 65	Charles Properties LLC	1.08		7,040.32
18423 Hwy. 65	Charles Properties LLC	1.01		1,905.94
18429 Hwy 65	Osborne Dev. Inc.	1.68		25,052.61
18419 Hwy 65	David C. Carlson	1.12		8,124.53
18407 Hwy 65	David C. Carlson	1.16		11,266.92
18355 Hwy 65	David C. Carlson	2.40		8,385.30
E. Bethel No address	Osborne Dev. Inc.	3.73		1,515.75
E. Bethel No address	Osborne Dev. Inc.	37.31		8,246.75

ATTACHMENT C



GENERAL NOTES:
 1. PROPERTY LINES ARE FROM THE ANOKA COUNTY GIS DATABASE, AND ARE CONSIDERED APPROXIMATE.

- LEGEND**
- PROPOSED SANITARY SEWER
 - PROPOSED SANITARY SEWER MANHOLE
 - PROPOSED WATERMAIN
 - ⊕ PROPOSED HYDRANT
 - ⑤ PROPERTY NUMBER
 - PROPERTY LINE



DATE	REVISION	DATE	REVISION



Hakanson Anderson
 Civil Engineers and Land Surveyors
 3601 Trevino Ave., Anocka, Minnesota 55303
 763-427-5850 FAX 763-427-0825
 www.hakansonanderson.com

TRUNK HIGHWAY 65 EAST FRONTAGE ROAD
 SANITARY SEWER AND
 WATERMAIN EXTENSION

EXHIBIT 1
 CITY OF EAST BETHEL, MINNESOTA

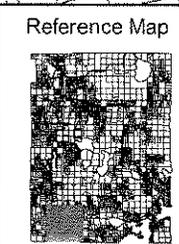
SHEET 1 OF 1
 1/2011



CITY OF EAST BETHEL
CivicSight Map

MAP LEGEND:

- NWI (WETLAND_TY)
 - Freshwater Emergent Wetland
 - Freshwater Forested/Shrub Wetland
 - Freshwater Pond
 - Lake
 - WATER
 - PARKS
 - PARCELS2



Map Scale: 1 inch = 1134 feet
 Map Date: 10/26/2011
 Data Date: June 24, 2011



Sources: EAST BETHEL GIS AND ANOKA COUNTY

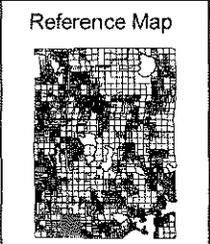
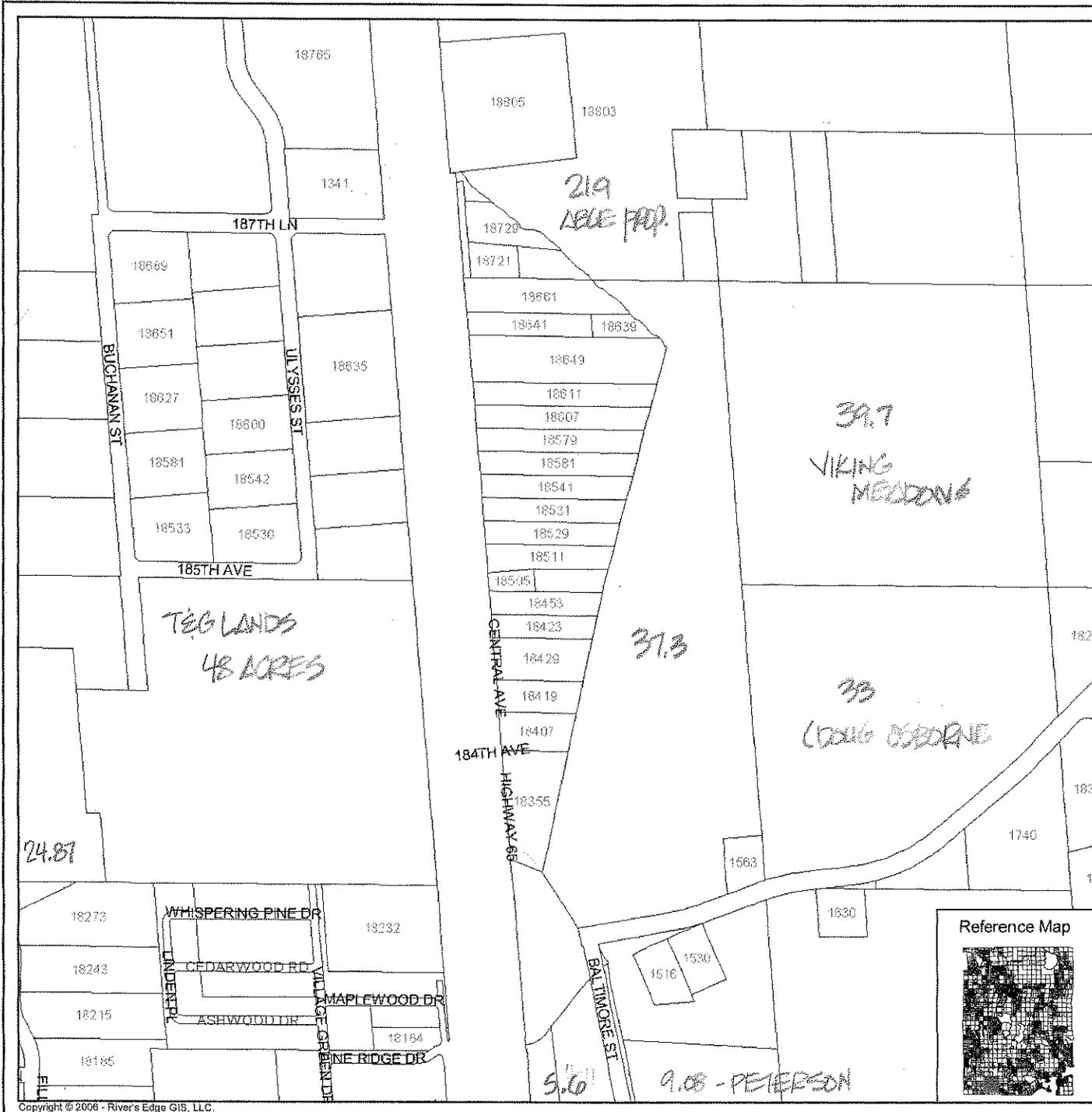
Disclaimer:
 Enter Map Disclaimer Here



CITY OF EAST BETHEL
CivicSight Map

MAP LEGEND:

- WATER
- PARKS
- PARCELS2



Map Scale: 1 inch = 639 feet
 Map Date: 10/24/2011
 Data Date: June 24, 2011



Sources: EAST BETHEL GIS AND ANOKA COUNTY

Disclaimer:
 Enter Map Disclaimer Here

City of East Bethel
Water Sewer Bond Cash Flows
Alternative 1

2012	Sources	Uses	Balance
Beginning Cash Balances			\$950,200
Debt Payments		\$798,904	\$151,296
Ending Cash Balances			\$151,296
2013			
Beginning Cash Balances			\$151,296
55 Connections fees (\$5,600/ERU)	\$308,000		\$459,296
2010A & B Special Assessment Income	\$72,300		\$531,596
Debt Payments		\$708,388	-\$176,792
Ending Cash Balances			-\$176,792
2014			
Beginning Cash Balances			-\$176,792
55 Connections fees (\$5,600/ERU)	\$308,000		\$131,208
2010A & B Special Assessment Income	\$72,300		\$203,508
Debt Payments		\$708,388	-\$504,880
Ending Cash Balances			-\$504,880
2015			
Beginning Cash Balances			-\$504,880
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$615,120
2010A & B Special Assessment Income	\$72,300		\$687,420
Debt Payments		\$708,388	-\$20,968
Ending Cash Balances			-\$20,968
2016			
Beginning Cash Balances			-\$20,968
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,099,032
2010A & B Special Assessment Income	\$72,300		\$1,171,332
Debt Payments		\$1,493,388	-\$322,056
Ending Cash Balances			-\$322,056

Assumptions:

ERUs - Used Bolton & Menk 10/6/2010 presentation less 39 (Water treatment plant) 2013 & Beyond
ERUs include NO ERU reductions & NO 2012 Connections

2010A & B Special Assessment Income-B&M 10/6/2010 presentation less City assessment
Debt payments only - does not consider operations

City of East Bethel
Water Sewer Bond Cash Flows

ALTERNATIVE 2

2012	Sources	Uses	Balance
Beginning Cash Balances			\$950,200
45.94 West Side Connections (\$5,600/ERU)	\$257,264		\$1,207,464
35.50 East Side Connectins (\$5,600/ERU)	\$198,800		\$1,406,264
Debt Payments		\$798,904	\$607,360
Ending Cash Balances			\$607,360

2013			
Beginning Cash Balances			\$607,360
55 Connections fees (\$5,600/ERU)	\$308,000		\$915,360
2010A & B Special Assessment Income	\$72,300		\$987,660
Debt Payments		\$708,388	\$279,272
Ending Cash Balances			\$279,272

2014			
Beginning Cash Balances			\$279,272
55 Connections fees (\$5,600/ERU)	\$308,000		\$587,272
2010A & B Special Assessment Income	\$72,300		\$659,572
Debt Payments		\$708,388	-\$48,816
Ending Cash Balances			-\$48,816

2015			
Beginning Cash Balances			-\$48,816
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,071,184
2010A & B Special Assessment Income	\$72,300		\$1,143,484
Debt Payments		\$708,388	\$435,096
Ending Cash Balances			\$435,096

2016			
Beginning Cash Balances			\$435,096
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,555,096
2010A & B Special Assessment Income	\$72,300		\$1,627,396
Debt Payments		\$1,493,388	\$134,008
Ending Cash Balances			\$134,008

Assumptions:

ERUs - Used Bolton & Menk 10/6/2010 presentation less 39 (Water treatment plant) 2013 & Beyond
 ERUs include ERU reductions & 2012 Connections

2010A & B Special Assessment Income-B&M 10/6/2010 presentation less City assessment

Debt payments only - does not consider operations

City of East Bethel
Water Sewer Bond Cash Flows
ALTERNATIVE 3

2012	Sources	Uses	Balance
Beginning Cash Balances			\$950,200
45.94 West Side Connections (\$5,600/ERU)	\$257,264		\$1,207,464
Debt Payments		\$798,904	\$408,560
Ending Cash Balances			\$408,560

2013			
Beginning Cash Balances			\$408,560
55 Connections fees (\$5,600/ERU)	\$308,000		\$716,560
2010A & B Special Assessment Income	\$72,300		\$788,860
Debt Payments		\$708,388	\$80,472
Ending Cash Balances			\$80,472

2014			
Beginning Cash Balances			\$80,472
55 Connections fees (\$5,600/ERU)	\$308,000		\$388,472
2010A & B Special Assessment Income	\$72,300		\$460,772
Debt Payments		\$708,388	-\$247,616
Ending Cash Balances			-\$247,616

2015			
Beginning Cash Balances			-\$247,616
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$872,384
2010A & B Special Assessment Income	\$72,300		\$944,684
Debt Payments		\$708,388	\$236,296
Ending Cash Balances			\$236,296

2016			
Beginning Cash Balances			\$236,296
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,356,296
2010A & B Special Assessment Income	\$72,300		\$1,428,596
Debt Payments		\$1,493,388	-\$64,792
Ending Cash Balances			-\$64,792

Assumptions:

ERUs - Used Bolton & Menk 10/6/2010 presentation less 39 (Water treatment plant) 2013 & Beyond
 ERUs include ERU reductions & 2012 Connections w/o East Side connections

2010A & B Special Assessment Income-B&M 10/6/2010 presentation less City assessment
 Debt payments only - does not consider operations

City of East Bethel
Water Sewer Bond Cash Flows
ALTERNATIVE 4

2012	Sources	Uses	Balance
Beginning Cash Balances			\$950,200
66 West Side Connections (\$5,600/ERU)	\$369,600		\$1,319,800
Debt Payments		\$798,904	\$520,896
Ending Cash Balances			\$520,896

2013			
Beginning Cash Balances			\$520,896
55 Connections fees (\$5,600/ERU)	\$308,000		\$828,896
2010A & B Special Assessment Income	\$72,300		\$901,196
Debt Payments		\$708,388	\$192,808
Ending Cash Balances			\$192,808

2014			
Beginning Cash Balances			\$192,808
55 Connections fees (\$5,600/ERU)	\$308,000		\$500,808
2010A & B Special Assessment Income	\$72,300		\$573,108
Debt Payments		\$708,388	-\$135,280
Ending Cash Balances			-\$135,280

2015			
Beginning Cash Balances			-\$135,280
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$984,720
2010A & B Special Assessment Income	\$72,300		\$1,057,020
Debt Payments		\$708,388	\$348,632
Ending Cash Balances			\$348,632

2016			
Beginning Cash Balances			\$348,632
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,468,632
2010A & B Special Assessment Income	\$72,300		\$1,540,932
Debt Payments		\$1,493,388	\$47,544
Ending Cash Balances			\$47,544

Assumptions:

ERUs - Used Bolton & Menk 10/6/2010 presentation less 39 (Water treatment plant) 2013 & Beyond
 ERUs includes no ERU reductions & 2012 Connections w/o East Side connections

2010A & B Special Assessment Income-B&M 10/6/2010 presentation less City assessment
 Debt payments only - does not consider operations

City of East Bethel
Water Sewer Bond Cash Flows

ALTERNATIVE 5

2012	Sources	Uses	Balance
Beginning Cash Balances			\$950,200
66 West Side Connections (\$5,600/ERU)	\$369,600		\$1,319,800
56 East Side Connectins (\$5,600/ERU)	\$313,600		\$1,633,400
Debt Payments		\$798,904	\$834,496
Ending Cash Balances			\$834,496

2013			
Beginning Cash Balances			\$834,496
55 Connections fees (\$5,600/ERU)	\$308,000		\$1,142,496
2010A & B Special Assessment Income	\$72,300		\$1,214,796
Debt Payments		\$708,388	\$506,408
Ending Cash Balances			\$506,408

2014			
Beginning Cash Balances			\$506,408
55 Connections fees (\$5,600/ERU)	\$308,000		\$814,408
2010A & B Special Assessment Income	\$72,300		\$886,708
Debt Payments		\$708,388	\$178,320
Ending Cash Balances			\$178,320

2015			
Beginning Cash Balances			\$178,320
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,298,320
2010A & B Special Assessment Income	\$72,300		\$1,370,620
Debt Payments		\$708,388	\$662,232
Ending Cash Balances			\$662,232

2016			
Beginning Cash Balances			\$662,232
200 Connections fees (\$5,600/ERU)	\$1,120,000		\$1,782,232
2010A & B Special Assessment Income	\$72,300		\$1,854,532
Debt Payments		\$1,493,388	\$361,144
Ending Cash Balances			\$361,144

Assumptions:

ERUs - Used Bolton & Menk 10/6/2010 presentation less 39 (Water treatment plant) 2013 & Beyond
ERUs includes no ERU reductions & 2012 Connections

2010A & B Special Assessment Income-B&M 10/6/2010 presentation less City assessment
Debt payments only - does not consider operations