

EAST BETHEL CITY COUNCIL WORK MEETING

October 23, 2013

The East Bethel City Council met on October 23, 2013 at 6:30 PM for a work meeting at City Hall.

MEMBERS PRESENT: Ron Koller Richard Lawrence Tom Ronning
 Bob DeRoche Heidi Moegerle

ALSO PRESENT: Jack Davis, City Administrator
 Andy Pratt, Eckberg, Lammers & Vierling

Call to Order **The October 23, 2013 City Council work meeting was called to order by Mayor Lawrence 6:30 PM.**

Adopt Agenda **Moegerle made a motion to adopt the October 23, 2013 City Council work meeting agenda. DeRoche seconded; all in favor, motion carries.**

Municipal Davis explained that the East Bethel City Council conducted a Public Hearing for the
Utility Project proposed assessments for the benefitting property owners served by the Municipal Utilities
Assessments Project on October 16, 2013. Eight property owners filed letters of objection to the
 maximum assessment that was presented at the hearing. As a result of the objections and the
 fiscal impact to property owners, City Council tabled a decision on the matter and directed
 Staff to provide other assessment options.

The final assignment of costs, terms and interest can be reduced to whatever Council deems appropriate. Within this material there are several different options to consider for modifications to the maximum assessment. The key question in this process is how much is Council seeking in terms of assessments to apply to the project costs and what impact will the assessments have on the existing businesses and the marketability of the undeveloped property in this area.

The options proposed are as follows and are described in more detail in the accompanying attachments:

- 1.) The Maximum Assessment Option is presented in Attachment 1-Proposed Assessment Roll as Option 1. This is the same proposal that was presented at the October 16, 2013 Public Hearing;
- 2.) The No Assessment Option is presented as Attachment 1-Proposed Assessment Roll, Option 2. Under this proposal no assessments for the project would be levied against any of the benefitting property owners.
- 3.) Option 3 is proposed as an assessment of \$7,704.03 on each parcel. This option is presented in Attachment 1-Proposed Assessment Roll, Option 3.
- 4.) Option 4 is proposed as an assessment of \$ 7,704.33 against all vacant properties (9 parcels) and \$15,408.66 against all developed properties (13 parcels). The Option is further described in Attachment 1-Proposed Assessment Roll, Option 4.

The total principal and interest owed by the City on the 2010 A, B and C Bonds is \$40,991,000 at interest rates which varying from 4.5 to 7% for the A bonds, 3.1 to 7% for the B bonds and 3.1 to 3.45 for the C bonds. The four options for assessment would produce the following amounts to be applied toward the debt:

- 1.) Option 1, the maximum assessment of \$1,104,030 would produce \$1,847,700 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 4.5 % of the funds necessary to retire the bonds;

- 2.) Option 2, no assessment, would produce no funds to apply to the debt;
- 3.) Option 3 would produce \$283,660 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 0.7% of the funds necessary to retire the bonds; and
- 4.) Option 4 would produce \$451,280 if all those assessed financed their assessment for 20 years at 5.5%. This would represent 1.1% of the funds necessary to retire the bonds.

The concern for the assessment is the impact on the property owners. The options presented should provide a means to address these concerns. We will review these proposals, modifications to the proposal and/or new alternatives to address this situation.

It is recommended that we develop a proposal for assessment for consideration for the November 6, 2013 City Council meeting. An approved Assessment Roll must be submitted to the County Auditor by November 15, 2013 to be included in the pay 2014 assessments.

Staff is seeking direction from Council on this matter.

Ronning, "Is this inclusive of the levy or exclusive?"

Davis, "This is exclusive. We haven't added any cost or reduction for the levy. Assessment would range from \$7000 to \$370,000. Option 2 would be the opposite of this with no assessment. The City would fund the maximum allowable assessment through WAC, SAC or other means. Option 3 would be to assign one ERU whether the property was developed or not. This would generate \$169,000 in assessments.

Option 4 would be to assign one ERU for vacant properties and two for developed properties.

Option 5 would be a reversal of 4. It would be easy to prove benefit. All owners would be assessed \$7704.33 per lot. The amount that would be received is a total assessment \$238,000. This would amount to 6/10 of percent and 1%. We would collect \$100,152 from developed properties. What we tried to do is set up something that was minimal impact to the property owners. Option 4 and 5 represent 75% of the maximum assessment. There needs to be some assessment, and there is a danger of no assessment. We just need to make sure we don't set a precedent."

Moegerle, "Why the twenty years? Is that arbitrary?"

Davis, "It is based on the life of the bonds."

Moegerle, "4.5% and I noticed that bond costs range up to 7%. Why is 5.5 or 4.5 selected?"

Davis, "That is what was in the feasibility study. The interest rates are set on the bond rates. If you want to do an average we would have to do a calculation on what it was."

Moegerle, "How would Classic Construction and Aggressive Hydraulics be affected? Have you talked to Ken Tolzmann?"

Davis, "Mr. Tolzman thought that the property values would increase. If you have a vacant property and you are going to install a well and septic, it would cost \$20,000. We would be able to factor in benefit with these lower costs. The assessment per lot would typically be \$36,000."

Moegerle, "Are there seven vacant lots?"

Davis, "There are thirteen that are developed and nine that are vacant."

Moegerle, "But we have Aggressive Hydraulics, Classic Construction, Northbound Woodworks, and all of these, and we have Met Council that isn't vacant."

Davis, "The theater has six vacant lots and we are also counting the parking lot as a lot."

Moegerle, "We have twelve filled and nine vacant."

Ronning, "In one place it says \$7,705. Where does it come from?"

Davis, "It is the maximum assessable cost. It came from the feasibility study."

Ronning, "The water is \$1,527 and the \$6,178 is the sewer. Are we operating from Bolton and Menk?"

Davis, "That is the cost of the sewer and water assessment and what 1 ERU for water and 1 ERU for sewer."

Ronning, "Did that come from Bolton and Menk?"

Davis, "Yes".

Ronning, "Can we get that information?"

Davis, "It would be in your packet."

Koller, "Is it on the website?"

Davis, "Please pull up the summary sheets."

Ronning, "I want to keep apples to apples. I want to keep to the real story."

DeRoche, "Curt did the City bring up lateral benefit charges?"

Curt Strandland, "I just attended the meetings when they were lead by Kreg Schmidt. I don't recall any specific numbers. There was assessment talk, which I had a problem with that from day one. I never got a real definite answer."

Ronning, "They embellished the costs to begin with. Your group took out some numbers from that. It might be what Bolton and Menk said. We can't assess someone more than what the cost is."

Davis, "The costs are 75% less than what the maximum allowable is. The cost of that portion is \$1 million. The street costs are \$476,000. That cost wasn't included in here."

DeRoche, "Is there any information out there about lateral assessment benefits. Did anyone produce anything back then? If you are putting together a feasibility study for a project, didn't they have some idea of what they were going to charge?"

Moegerle, "October 15, 2010, October 20, 2010 it looks like lateral assessments were

discussed.”

Davis, “The feasibility study was completed in the fall of 2010, as part of the first public hearing. There were some letters of notification sent out suggesting what the assessment could be.”

Ronning, “The people on the street have a lateral benefit of some kind, but further down the block and on the cul-de-sac were assessed later. Would the assessment be permanent?”

Davis, “This is a one time cost.”

Ronning, “If the bond costs go up or down does the assessment change.”

Davis, “No.”

Moegerle, “There is developed, undeveloped and recently developed. The ones that are already developed there is a minimum difference. Then we have Aggressive Hydraulics, who wouldn't be here but for that. Does that make things more complicated or more simple to look at it how it was in 2010? This is a burden not a benefit for some business. If we look in term of burdens or benefits does that make it easier?”

Davis, “We said we have to do things equitably. It is somewhat confusing and is a definition of terms is not needed. There are lateral water benefit, future benefit, sewer and it goes on. It sets up a hierarchy that is difficult to comprehend.”

Koller, “I went over this with a calculator last night and it turns out so did you. I think that number five is the best plan.”

Davis, “I think that too. People didn't come knocking on our doors to get this implemented.”

DeRoche, “Some did.”

Koller, “Existing businesses paying 1 ERU is fair.”

Moegerle, “2010 or now?”

Koller, “I would count them as existing.”

Moegerle, “I would think the vacant lots should be three ERUS or more and would like to hear from Ken Tolzman what the availability of utilities increases the value of the area. Who is going to come in? Isn't that the fast lot alley?”

Davis, “These properties are suited for light industrial. They will develop along the same pattern of what is there. What cost can you add to these lots without affecting marketability. Our land costs are less, and the others costs are higher here.”

Ronning, “Another variable on the building sites some are more buildable than others.”

Davis, “As far as being developable, most of those lots are comparable.”

Moegerle, “What leads me to 3 ERU? This does not benefit the general public. The 1 million number was imaginary in 2010. All of this benefit is 100% commercial. The residents are carrying the burden. I am not to blame for this circumstance. To the extent that we don't assess it to commercial, the residents will have to pay.”

Paul Johnson, "I don't know if it was appropriate. Curt Strandland and I both spoke. Our interest in being here is for the community; we are residents of the community. We want to live in a city that is functional, and there is no discord and so on. You are talking about balance. One of the tangible things that we dealt with was that we paid a lot of money for appraisal that came up with numbers that I didn't believe. The land component was based on having city water and sewer services. We did some other due diligence. We challenged the appraisal and the comparables. The comparables were Blaine, Anoka and Andover. The appraised of our lot was \$2.20 per foot. I agree with Moegerle on her thoughts about a McDonalds. But having said that, we are here this week and last week. \$2.20 18 months ago. But everything we went through we validated. We paid over \$15,000 for the appraisal."

Ronning, "The assessment and appraisal was based on the availability of sewer and water."

Paul Johnson, "Yes."

Moegerle, "The property at 16835 Hwy 65 is 77 cents per square foot. I also found property in St. Francis for 36 cents per square foot. I am trying to get a balance on what is the cost in the area per square foot."

DeRoche, "We don't know what businesses are coming in."

Lawrence, "As we look through the information, I have a problem assessing someone for a parking lot. I have a problem with that one. All of the ERUS are coming from the water usage. When you look at the assessments, as I recall, to avoid any problematic issues with the business owners, don't we need to get an actual assessment of the actual value increase to actually assess."

Andy Pratt, "The general law states that the benefit of the work done cannot exceed the cost to the property. You can't assess a property \$10,000 if the work is only \$5,000 worth of value. Each property will have a different value. That is the touchstone that you have to follow."

Lawrence, "Have you looked at the value to each property?"

Davis, "We have reduced the amount by 75%. It would be hard to prove there is no value."

Lawrence, "There is no dispute on value."

Davis, "With all the improvements, we can prove the benefits."

DeRoche, "I don't have a problem assessing the parking lot. If the theater moves, then we would lose that."

Lawrence, "If the property came available at a different time, wouldn't you go back and assess that?"

Davis, "They are usually done at one time."

Moegerle, "The \$1,014 million, reducing it by $\frac{3}{4}$ is exceedingly generous, because the rest of it goes onto the taxpayers."

Davis, "We are not here to decide. This is to try to get consensus, so we can present it at the next city council meeting for a decision on what Council feels appropriate."

DeRoche, "We can't put it all on the residents. The residents aren't going to close their doors and leave. You can't put it all on the businesses, because then they will leave. I think the lack of the way numbers on lateral connections. I think that there wasn't any information out there leaning this direction. I don't get it. Some businesses thought this was the greatest thing in the world. Now there is a lateral benefit, and the SAC/WAC."

Moegerle, "We could do 1/2 of the \$1,014 and then with regard with that, then split that in 1/3, and 2/3 go into vacant lots and look at dividing that based on square foot of the business. I had the privilege of drinking the water from Aggressive Hydraulics. If you did it based on the cost of the business, could we see how that turns out? That might be a fair way of doing it. Could you work that up?"

Davis, "That is what we are here for to see how you would like to proceed with it."

Ronning, "I don't think there is a fair way. I know time is wasting. But without knowing actual costs, without knowing them, it is hard to divide the costs with any kind of equity in his view."

Davis, "The actual cost for water and sewer were \$7,936,077. This is for the city share of the lateral lines. The total lateral assessment revenue that can be assessed is \$1,104,030.49."

Moegerle, "My idea was a starting point. I appreciate it will be skewed. I know what a burden it is going to be for some businesses."

Moegerle, "What if we back load this like our bonds? What if we said if in the first year the assessment is 10%, and then it keeps increasing? Will that make it more desirable?"

Ronning, "It is a worthy thought and suggestion. If the business sells after four years, and we wait for another theater to come for the rest of the twenty years, it doesn't work."

Moegerle, "Doesn't the bank take it over?"

Davis, "It would have to be assessed on their taxes. We would have to talk to the County to see if we could do this. I am not sure if they are set up to do this or if they would consider this."

DeRoche, "Originally the theater had 27, and there is a property that doesn't have any. So how did the one property wind up with none?"

Davis, "This isn't an assessment in there, it is a MCES SAC assignment. As far as SAC charges go, they will be reassigned based on use when a business changes."

Moegerle, "Is it \$4000 assessment per ERU?"

Davis, "When the notices were sent out in 2010, they were at \$8000 per ERU."

Moegerle, "Does Met Council get anything of the assessment revenue?"

Davis, "No. Met Council will be receiving an assessment for the water usage portion of the project."

Ronning, "Their business is using water."

Davis, "They will be a larger water user."

Moegerle, "They are water reclamation. They are transporting bio-waste."

Lawrence, "Is there a comment from the theater?"

Moegerle, "What about the idea of assessing the parking lot?"

Davis, "It is a separate lot and if they did develop, the parking lot would be the most valuable lot."

DeRoche, "For the right price the parking lot could disappear."

Lawrence, "I have a problem with the parking lot being assessed."

Davis, "It is being assessed as a vacant lot."

DeRoche, "In light of some things happening, I can see the parking lot turned into something else. Once it happens, nothing would be assessed."

Pratt "State law allows 30 years of assessment, that could ease the cash flow. The interest cost is then spread out over 30 years. If you have extenuating circumstances. Usually they are set with the term of the bonds."

Davis, "Most of these we would get probably get 2 or 3% that would be interest."

A resident "Are there any opportunity for any business to have an exemption from this due to extenuating circumstances? I am thankful that I didn't invest in a well and septic and then have to abandon it. There is a benefit. I have been to Northbound a couple of times. They did all the cabinetry in our business. I am a little sensitive to the fire suppression equipment. Here is a business that incurred a mandate approaching \$100,000. He was told that you don't have to hook up. He continued on with his investment. He put in an 8 inch well. As a neighbor, that is a pretty small business, and just a few employees."

Moegerle, "Maybe we could do a rebate. That value we are negating completely."

DeRoche, "If we do it for one, then all the businesses would come in and say the same thing."

Pratt, "The State law provides exceptions, and this wouldn't fall into this."

Lawrence, "There is a value for the residents to have businesses here. People go to the theaters, and Aggressive Hydraulics is a good business. The actual benefit spills over into the community."

DeRoche, "We are going to be taxing the resident for something they won't benefit from."

Moegerle, "How long has Northbound been in business?"

Resident, "Ten years."

Ronning, "When we talk about these things, we are talking about some degree of fairness. We have to make sure when we help one, we don't hurt the other one."

Moegerle, "All of the market values I was looking at are 1/3 of what they were last year."

Lawrence, "I wonder if you have enough direction Jack."

Koller, "I still like option 5."

Moegerle, "Yes, that is the best that is there."

Davis, "We had a recommendation from Moegerle, and they can work that up too, and will have it for the Council meeting."

Koller, "Option 1 and 2 are out of it, and I am not crazy for Option 3."

Moegerle, "If it could be put in a table, that would be easier for me."

Davis, "It is an attachment."

Moegerle, "After three p.m. I don't check my email."

Lawrence, "We have provided input, we need a work up and need to be sensitive to both sides of the coin."

Davis, "We can do whatever we want to on this. These are just the numbers that work out based on the maximum assessable costs. We can change values also."

Ronning, "If the distribution is reasonable and you reduce the cost per, to some extent, that is another thing to think about anyhow."

Davis, "The tough assignment is to figure out what is reasonable. Any guidance that can be given is welcome."

2010A & 2010B Bond Issues

Davis explained that there has been an ongoing discussion since 2011 regarding the use of the 2010 A & B Bond Funds. City Staff was informed that these funds had to be used on infrastructure projects and defeasance was only a possibility in the event that alternative projects. As a result of Congressional budget reductions through sequestration, which became effective in 2013, the City's tax credits on the A and B Bonds were reduced by 8.7% on the amount we received for our August 2013 payment.

This reduction in the tax credits has been interpreted as a unilateral modification of the terms of the agreement and therefore permits the use of excess bond funds to defease or pay down the bond issuance as part of a refinancing sale of the bonds. Since the City receives Federal Tax Credits on these bonds, they are subject to final IRS rulings on this matter. There are still questions as to the tax liability on the use of the bond funds for other purposes than infrastructure expenditures that have not been fully answered.

As you know we've been working on this approach with Ehlers in regards to the bond refinancing. Ehlers is continuing to explore opportunities to use our bond surplus funds (up to \$800,000) to pay down the 2010 B bond to make it more attractive for a sale. They presented an option which was discussed at our HRA meeting on October 2, 2013 and this was tabled due to our concerns regarding:

- The need to keep these funds in the short term to address any potential change order costs for the Castle Towers Project;
- The need for the use of these funds for additional infrastructure projects that

were discussed at the above mentioned meeting; and

- The need for additional time to evaluate the proposal. The 2010 B bond sale that was presented by Ehlers would have been part of the 2005 B refinancing to save issuance costs and we only had 2 days to decide if including the 2010 B in this sale would have been in our best interests.

The timing issue of this proposed refinancing, through the fault of no one, and the initial prospectus of breakeven costs of savings of the 2010 B bond sale versus infrastructure benefits and the other reason listed above were our basis for informing Ehlers not to pursue this addition to 2005 B sale and to continue seeking opportunities to revisit a more attractive proposal.

We have been examining the issue of defeasance and the potential to pay down the bond debt for refinancing purposes since August of 2013. We have had numerous conversations with Ehlers, Dorsey and Whitney (the original Bond Counsel for the project) and Eckberg Lammers as to our options and interpretations in this matter. The issue of a reconsideration of refinancing the 2010 A & B Bonds has been the Council Agenda since September and the potential for defeasance of the bond fund balance has been on the Agenda for the October 2nd and 16th meetings

Councilperson Moegerle examined the 2010 A& B Bond Record Books and found some language that needs further explanation. Her concerns, and I'm also sure that they will be universal, are related to implications that excess bond funds could be used for defeasance, which was contrary to what we had originally been informed.

Should this have been an option to Council from the beginning, it may have influenced the decision to proceed with the Castle Towers/Whispering Aspen Force Main Project. However in this case, this project would have been needed to complete regardless of the opportunity to use the excess bond funds to finance the work. The costs to decommission the sewer plant at this location and install the force main with the bond funds would be same as those required to renovate the facility and keep it operating for the next 30 years using other funding sources. In addition this project will enable us to provide sewer service for larger developments along the corridor and apply SAC charges to new housing starts in Whispering Aspens and other new connections to this phase of the system.

I have attached those sections from the Bond Record Book that have been questioned by Ms. Moegerle. These are listed as Attachment 1.

The savings years were 2016-2020.

Davis, "Andy is here to answer these questions and Heidi can expound on her concerns".

Moegerle, "When I went to the State Fair, I picked up business cards from Franken and Klobuchar. When the Springsted bond books were at my home and I wanted to talk to the Senators about our rebates. However my concern was when I saw the documents, it talks about we can't reimburse ourselves. Andy and I talked about that earlier. This is on page 4 - P and Q. We know now, that Davis found on December 15, the HRA was repaid \$640,000. If we have repaid ourselves and we can't repay ourselves, is that an issue? We have to figure out what was done. That is one issue. We have identified the problem."

Lawrence, "I would like to know if there was a question on the answer."

Pratt, "We had talked about that earlier."

Moegerle, "The form of the resolution was convoluted and circular and looks like there is still something that needs to be done. 2010-86 and 2008-41. That one is pretty clear."

Ronning, "Due to the nature of these, your level of attention is going to drop when you get to the 10th or 11th one. Anyone else agree with that?"

Pratt, "I met with Davis, he doesn't know what was spent, etc. The general rule for reimbursement for bond proceeds. If there was a new project, capital, and you were going to bond for that in the summer of next year. You can spend money now, but in order to reimburse yourself, you must pass a resolution to authorize repayment by the bond in the future. For example there has to be reasonable relation between bonding and time. If you spend money you have to pass a resolution for reimbursement. In this resolution in 2010, it looks like you are in compliance. Where did the \$646,000 loan come from? There are a lot of moving parts. You have met the timelines that were required."

Moegerle, "It says we earlier declared that City to be reimbursed. There might be some limitation."

Pratt, "The one exception to this, for the big projects you have engineer costs up front. They are basically the first costs. Those costs can be paid before the bond is issued without having to do the resolution. You can spend up to \$3.3 million on up front costs without having to pass the resolution."

DeRoche, "There were bond attorneys and a city attorney and it was all looked at. I understood the HRA paid for the upfront engineering costs and when the money came back it was paid back. We've gone through all this, and there wasn't any incompetency. Now this stuff is coming up and why wasn't the question raised then?"

Moegerle, "I just got this October 4. This document is not on the website and wasn't in the packet. Is there an issue of three bonds being issued at one time?"

Pratt, "The certificate all had to do with one bond."

Moegerle, "The bonds."

Pratt, "Yes, but the Series."

Moegerle, "The funds will be deposited in a bond fund and different very long name for bond fund. Apparently the funds were commingled. Does it matter whether which fund they come from for reimbursement? It may be a technical error."

Pratt, "The name of the bond fund, they typically do get commingled. For paperwork and book keeping the bonds are names for each series of bond. As a book keeping function you keep track of the differential. This is an unchartered area for the City. We don't want the City to be a test case. We have newspaper articles that talk about cities all around the country that are trailblazing, and the city has not spent down all of the proceeds of the bond. If these were not BAB's or RZED, it would be a big deal. If you do things that jeopardized the rebate, then you are possibly getting in trouble through out the term of the bonds. I think one of the benefits of refinancing the bonds would be able to get out of the structure of the

Federal Government. If you refinance to tax exempt bonds, then you don't have to worry about the debt service. We also have this issue about the excess of the \$800,000 of the bond proceeds. You have four options."

Moegerle, "It says you shall defease the bonds."

Pratt, "Here is the problem with that language. For the most part the funds need to be spent on a hard project. That was the whole intent of the Federal Government at that time. Bond attorneys counseled the City to put the money on projects. Defeasance was talked about. Later on the IRS sent out guidance (unofficial), with BAB's and RZED that if you do some partial defeasance of the bonds, then that can jeopardize the whole tax rebate going forward. You can't reissue BAB's or RZED bonds anymore. That unofficial guidance post dated this document."

DeRoche, "We used the bonds proceeds to go ahead with Castle Towers."

Moegerle, "The document said we would have to spend 85% by December. \$2.5 million could have been used to defease the bonds. We might have been able to put the money into paying down the bonds. I can imagine we are going to hear questions from people at the public hearing."

DeRoche, "There is nothing we can do about it now. We can point out how it could have been done differently. We can't do anything, so we are going to ponder this thing for a little longer."

Moegerle, "There were no present facts that would change expectations. We weren't advised when we were making our decisions, and that really stinks. If we would have known this in 2011, we would have made better decisions."

Pratt, "I am not sure what the market looks like for refinancing. Back when these bonds were issued, bond counselors were wary on the Federal government paying back the rebates. That is why this language was put into the bond resolution. Normally you have to wait 8-10 years to do it. Ehlers would know more, if it was possible from the market perspective."

Moegerle, "The basis of the promise, was it backed by the full faith and credit."

DeRoche, "It irks me that we pay staff, and then we second guess staff."

Lawrence, "The question is we did do things correct and legal."

Pratt, "My review states it was all done legally. It would be nice to do some confirmation of the loan, and where it came from."

DeRoche, "We should go back and look for documents, we can't change anything that is going on."

Moegerle, "That is why it is a work meeting and that is why we are there. I don't have any more on this. Did we do the right thing for the right reason?"

DeRoche, "The next time there is an issue like this, it should come before Council and Council should direct staff."

Moegerle, "Does the shall require the \$800,000 to buy this down?"

Ronning, "May we?"

Pratt, "No you don't have to use the rest of the \$800,000 to defease. You have some potential projects you could use this money on. If you do that, they are all capital expenditures."

DeRoche, "If they are revenue bonds, and they are GO bonds and they have to be paid, correct?" Pratt, "Yes."

Ronning, "Your advice is to put it into capitol projects."

Davis, "In order to make a bond sale attractive, we have to buy down some of the debt. Can we do this without incurring any tax implications? The advantage to spending it down on the bond debt, even if the savings are minimal, is well worth the consideration."

Ronning, "The rebate is one thing."

Davis, "Our tax credit will be reduced 7.2% this year and this will be a chain that will be pulled every year."

DeRoche, "I would have made the same decisions."

Davis, "We would have had to do something for Castle Towers either way. It would be difficult to explain it on some levels. There are still some costs that are/maybe out standing."

DeRoche, "We already discussed that we had reserved funds to cover the change orders."

Davis, "We left it with Ehlers to still continue to looking."

DeRoche, "I would recommend council direct staff to look for the resolution."

Moegerle, "I would have liked to have all the information upfront."

Davis, "There are some gaps in the pre 2011 records , hopefully we will be able to have it out in an update by the end of next week."

DeRoche, "Wouldn't the resolution have been in the Council packet?"

Davis, "Yes, typically they would have been."

DeRoche, "The law suit wasn't settled with the County."

Davis, "There was money transferred out of the equipment replacement."

DeRoche, "I have the paperwork that shows the amounts were and how it was moved."

Ronning, "The battle with the County and the HRA. Did that money come into the City or

the HRA?”

Moegerle, “That is why we have \$800,000.”

DeRoche, “They borrowed the money to do the engineering, and then paid it back.”

Our Saviour’s
Lutheran
Church
Utilities
Project

Davis explained that Our Saviors Lutheran Church (OSLC) approached the City and made a preliminary request to connect the City’s water and sewer system in November 2011. This extension would connect to the City system on Viking Boulevard and extend south along the GRE power line to a point inside the Church property just south of Crooked Brook (see attached site plan).

This project stalled and OSLC has expressed an interest in renewing the discussions for the extension. OSLC has had conversations with several developers concerning this matter and needs updated utilities cost to proceed with their negotiations. Staff met with OSLC on Thursday, October 17, 2013 and, as a result of the meeting, will provide OSLC with updated costs for the project. Staff informed OSLC that as soon as they had a commitment, Council could examine and consider options and proposals for the project.

Attachment 2-Alternative 1 presents the costs to serve only OSLC. Attachment 2-Alternative 2 presents the costs to upsize the lines for extension to areas, which could potentially be served and to provide for a future loop to connect the water lines the lines that are currently serving the Classic Commercial Park.

The extension of water and sewer service to OSLC would open up the potential for development for the 51.5 acre Church campus. OSLC has plans for a 40-60 unit Senior Housing Project and there is the possibility of the expansion of existing Church building and the addition of an expanded preschool program and facilities which would add to the City’s ability to meet its ERU mandates and acquire connections and user fees necessary to pay the indebtedness of the system.

The first cost estimate was \$330,000. The second would be to upgrade the lines and to serve any other future extensions, the cost \$476,000.

DeRoche, “Are they looking at running it the same way?”

Davis, “Yes. The church said they are ready to look at the full range of services to put. If they get a commitment from a developer, I would like to get these numbers to them so they can use them for their negotiations.”

DeRoche, “It needs to be more formalized for them.”

Lawrence, “It is a proposal, and the cost would be valid for 30 days. At least that gives them some sort of number they can use.”

DeRoche, “Would it be easier for them to come up 189th?”

Davis, “It is closer to come up County Road 22.”

Moegerle, "Are they planning on paying their fees?"

Davis, "There are many ways we could assist them."

Moegerle, "Anoka County did their housing assessment, the Oak Grove Senior Center is not full, we would have to look at their housing assessment. Karen Skepper was pretty firm that City of East Bethel wouldn't get assistance on this from Anoka County."

DeRoche, "There would be more opportunity for people here with the strip mall."

Davis, "We could apply for CDBG funds, and we could apply for it on our own. Essentially they would have a presale of the rental units. They would have 60 or 70% occupancy before they started out. This is a little different project and we have to have a written commitment. It is very refreshing that they are renewing discussions. If it is a 40 unit complex, that is 40 SAC/WAC charges."

Lawrence, "The City of East Bethel would have a lot more to offer than Oak Grove."

DeRoche made a motion to adjourn at 8:40 PM. Moegerle seconded; all in favor, motion carries.

Respectfully submitted,

Jill Anderson
Recording Secretary