

EAST BETHEL CITY COUNCIL MEETING

October 3, 2012

The East Bethel City Council met on October 3, 2012 at 7:30 PM for their regular meeting at City Hall.

MEMBERS PRESENT: Bob DeRoche Richard Lawrence Heidi Moegerle
Steve Voss

MEMBERS ABSENT: Bill Boyer

ALSO PRESENT: Jack Davis, City Administrator
Mark Vierling, City Attorney
Stacy Kvilvang, Ehlers & Associates
Andrew Pratt, Eckberg, Lammers, Briggs, Wolff & Vierling
Craig Jochum, City Engineer

Call to Order **The October 3, 2012 City Council meeting was called to order by Mayor Lawrence at 7:30 PM.**

Adopt Agenda **Moegerle made a motion to adopt the October 3, 2012 City Council Agenda with the following amendments: move items 7.0 A.1 through 7.0 A.4 to be considered immediately after the public hearings and also addition of a closed session 9.0 C to discuss a personnel issue per Minnesota Statute 13.D subdivision 3. Lawrence seconded; all in favor, motion carries.**

Public Hearing – Adopting a Business Subsidy Policy and Criteria Davis explained that Stacie Kvilvang of Ehlers & Associates, the city's financial consultants will present some information on the Business Subsidy Policy Criteria and open the public hearing on this. Kvilvang, "Before you tonight is the formal public hearing on your providing a Business Subsidy Policy. Any time you provide assistance over \$150,000 it is considered a business subsidy and therefore you have to have a policy in place in order to do that. You have to have certain criteria in your policy. A job creation goal and a wage goal. Your preliminary business subsidy policy states that they must create one job within two years of the benefit date. And the job must pay at least 150% of the minimum wage that is in effect at the time. Currently minimum wage is \$7.25 so that would be \$11.00 an hour or about \$22,000 a year, exclusive of benefits. We did attach as an attachment an application for public assistance. The two items that were discussed in your work session were an application fee of \$3,000 and then an escrow deposit if they are going to proceed of \$10,000.

There were no public comments.

Moegerle made a motion to close the public hearing on adopting a business subsidy policy and criteria. DeRoche seconded; all in favor, motion carries.

Public Hearing – Proposed Establishment of Development District No. 1 and the Kvilvang, "In order to create a Tax Increment District within your community, you have to have what you call a development district. Essentially that is establishing the boundaries in which you are promoting development or re-development within your community. The map in your packets shows the borders along Highway 65 from 181st to 245th Avenue. It does delineate where the Aggressive Hydraulics project is located. That is the first step in your development program. Stating what your boundaries are. For public purpose you are creating that development district.

Proposed

Adoption of
the
Development
Program
Therefor; the
Proposed
Establishment
of
Tax Increment
Financing
District No. 1-
1, and the
Proposed

The second item before you is the creation of Tax Increment Financing District No. 1-1. This is to facilitate the development for Aggressive Hydraulics. It is going to be an economic development district. It will have a nine year term. If the first payment is 2014, we anticipate this district will be completed in 2022. If it is 2015, then it will be 2023. It is for a portion of a parcel that is listed in the plan on approximately 6.06 acres. The annual tax increment is approximately \$54,000 and the budget is listed in the TIF Plan as well. As we discussed that is a maximum budget, it does not dictate the amount of assistance you are providing. The form of financing is also listed in the TIF Plan, which is a Pay As You Go Note. Twice a year the receipts are distributed back to the city for receipt back to the development or whoever happens to hold that note. Two laws we have in the TIF is within four years we have to have some kind of qualifying activity happen. And the secondary item is the five year rule. All qualifying activity has to happen by five years.

Adoption of
the Tax
Increment
Financing Plan
Therefor; and
the Proposed
Granting of a
Business
Subsidy and
the Proposed
Adoption of
the
Development
Agreement
Therefor

The next item is the development agreement. The agreement with Aggressive Hydraulics. They are looking to construct a 60,000 square foot manufacturing facility. Construction must commence before the end of this year and be completed by December 31, 2013. As you know everything is set up for their closing to begin immediately. They are required to create one full-time job at 150% of the minimum wage within two years, which they have agreed to. Essentially the other thing they have in there is called a claw back in the business subsidy law, so they have to maintain or own that business in that spot for five years or if something happens they are subject to percentages of the subsidy they received. You will be issuing a Pay As You Go TIF Note to them, who they will be assigning to Village Bank who is providing them with \$225,000 in upfront cash to help the project move forward. They will hold that note and it will be paid over time at a 5% interest rate. That note will be paid from 90% of the Tax Increment generated from the project or the nine years, the other 10% will go back to the city to cover any administrative costs that you have or any other projects that you want to do that you can use those funds for.

Aggressive Hydraulics is required to execute a minimum assessment agreement. That will be for \$3,000,000. That is essentially \$50 a square foot. The reason we have this in place is to protect the note holder. Because as long as that is out there, it is pretty much guaranteed that those monies will be out there to pay on that note.

Not part of this public hearing, but the last resolution you have for approval is the Interfund Loan Resolution. I know you discussed this at your Housing and Redevelopment Authority (HRA) meeting. That the HRA is borrowing funds to this TIF District with the hope or anticipation that you will be repaid back over time. So the City Council is ratifying that resolution as required by statute. One of the questions that came up at the HRA was the why would you charge interest? We always say it is your dollars and your funds and if you are not going to be paid back for a time, if you have the ability and you know the dollars are there you should charge no different than a bank so to speak, with regards to that. This is just a resolution that will go up to that amount and is required by statute.”

Voss made a motion to open the public hearing on the Proposed Establishment of Development District No. 1 and the Proposed Adoption of the Development Program Therefor; the Proposed Establishment of Tax Increment Financing District No. 1-1, and the Proposed Adoption of the Tax Increment Financing Plan Therefor; and the Proposed Granting of a Business Subsidy and the Proposed Adoption of the Development Agreement Therefor. Moegerle seconded; all in favor, motion carries.

There were no public comments.

Voss made a motion to close the public hearing on the Proposed Establishment of Development District No. 1 and the Proposed Adoption of the Development Program Therefor; the Proposed Establishment of Tax Increment Financing District No. 1-1, and the Proposed Adoption of the Tax Increment Financing Plan Therefor; and the Proposed Granting of a Business Subsidy and the Proposed Adoption of the Development Agreement Therefor. Lawrence seconded; all in favor, motion carries.

Res. 2012-61
Approving
Business
Subsidy Policy
& Criteria

Davis explained that Ms. Kvilvang has outlined the proposals and requirements for granting of a Business Subsidy Policy. Staff recommends approval of Resolution 2012-61 Approving the Business Subsidy Policy and Criteria.

Moegerle made a motion to adopt Resolution 2012-61 Approving the Business Subsidy Policy & Criteria. Voss seconded.

DeRoche, "I would like Ms. Kvilvang in as few words as possible to explain this to the people on the other side of this camera. They understand what the business subsidy is." Kvilvang, "The Business Subsidy Policy that you are stating and setting forth is at the minimum to have a job and wage goal requirement. So it is one job at 150% of the minimum wage and that is the policy you are putting in place. Along with some other things that are required statutorily. Your purpose in providing assistance and your criteria that you are using to evaluate proposals." DeRoche, "And this will not only affect Aggressive Hydraulics, but any other business that comes in the future will be under those same guidelines?" Kvilvang, "That is correct. So this is your policy and criteria. If anyone wants to do some type of development within your community they would have to fall within the guidelines of the policy and follow the guidelines before coming before the City Council." DeRoche, "Is this cut in stone, or can this be modified?" Kvilvang, "This is a policy, so it can be modified over time." Moegerle, "Does it require a public hearing to be modified?" Kvilvang, "Yes it does."

Moegerle, "I know one job has to be created, but we are setting the standard. Is that a low standard that is normally used or does it make sense to make it ten jobs?" Kvilvang, "It is a standard that is pretty typical that is utilized. It doesn't mean that just because you meet those requirements it is all you have to do. Where the "meat" comes is the development agreement. It may require more job creation, it may require other things above and beyond that." Davis, "Also, sometimes there are alternative forms of financing involved such as SBA Loans that have their own job requirements. I believe that Aggressive Hydraulics will be subject to SBA job requirements. So not only are they covered in our business subsidy policy, they are probably covered in other issuances." **All in favor, motion carries.**

Res. 2012-62
– Resolution
Establishing
Development
District No. 1
Therein and
Adopting a
Development
Program
Therefor; and

Davis explained that Ms. Kvilvang has reviewed the requirements. Staff is recommending adoption of 2012-62 Resolution Establishing Development District No. 1 Therein and Adopting a Development Program Therefor; and Establishing Tax Increment Financing District No. 1-1 Therein and Adopting a Tax Increment Financing Plan Therefor.

Voss made a motion to adopt Resolution 2012-62 Resolution Establishing Development District No. 1 Therein and Adopting a Development Program Therefor; and Establishing Tax Increment Financing District No. 1-1 Therein and Adopting a Tax Increment Financing Plan Therefor. Lawrence seconded. DeRoche, "The only concern I had was I am wondering why this wasn't separated. The 1-1 District and the one

development. This is all the way from 181st to 245th, correct?” Davis, “That is correct. This defines the boundary in which TIF projects can occur in the future.” DeRoche, “And from what I have read and seen over time here, we are really pushing for manufacturing and industrial. And I don’t know if that is going to serve our purpose. And I thought at our last meeting it was discussed about it going that far up. And I thought if we only went to Sims, and then after a while if we decided we wanted to go up to 245th we would have to pay fees or whatever. I can’t quite figure out in my mind why we are going border to border, when we are not sure where we are even heading.”

Davis, “This had to be presented to the Planning Commission to ensure that this was in compliance with the city’s Comprehensive Plan. The Planning Commission reviewed the TIF boundary and agreed it was in compliance with the Comprehensive Plan. One of the reasons we are recommending it be the entire corridor at this time is most of our TIF Projects will probably be related to industrial or manufacturing type activities. The zoned use for those occurs around 221st Avenue and between 237th and 245th. This makes it where we don’t need to recreate another district if we get any prospects up there. To recreate another development boundary would cost at least \$2,500 or higher.”

DeRoche, “I don’t understand why we are not trying to focus on the mile and a half where we have this water currently instead of just opening everything up? If it was me, and I had the choice of putting my business in the sewer district or up here where I wouldn’t have to hook up?” Moegerle, “I think it is a two-prong attack. The sewer district will attract a certain type of business. We hope it is restaurants and those types of things. But this says we are open to manufacturing and those types of businesses. What a great thing. I think it adds more options to us and makes us more attractive if we have that full area.” Davis, “Also too, we will have the possibilities of certain sewer services from 237th Avenue on south. And even the potential for some extension of that to some of the undeveloped properties north of 237th with the construction of the forcemain to Castle Towers/Whispering Aspen.” DeRoche, “You made the assumption that if we do it once, and then we do it again, and again, and again. My thought was, we create this, we get Aggressive Hydraulics in, we get them taken care of and then if down the road we want to do an expansion, we can. We don’t have to do this 4, 5 or 6 times.”

Voss said this is only if a business is interested in a TIF District. It is strictly related to TIF financing. Our zoning ordinance directs where development is going to happen. Voss said this is strictly related to the TIF Funding. It has nothing to do with development. DeRoche, “The development district is from 181st to 245th.” Voss said it has nothing to do with whether development is going to occur. DeRoche, “This is a matter of opinion.” Davis, “Just as an example say if we had a light manufacturing that wanted to develop in East Bethel, the only place we could locate them is at 221st or between 237th and 245th. Those are the only areas that are zoned industrial. Everything in the sewer district is zoned either high-density residential or B-2/B-3 Business.”

DeRoche, “It was my understanding that the Comprehensive Plan was coming up for review again because that was something we were going to do every year. I would be curious who has read the Comprehensive Plan cover to cover and sees what the plan was. I know I did and I know Moegerle has. But, since that was written in 2007 a lot of things have happened that we need to make changes.” Davis, “The comp plan will be coming up for review. TIF have to be reviewed on a case-by-case basis. Commercial activities are not eligible for TIF financing. We thought this would be the most expedient to do.” Lawrence, “I don’t see the problem with having the district. All we are saying is from border to border you can get TIF.

We are not saying you will get it.”

Voss asked Kvilvarg you mentioned that development district is the same as our ¾ mile corridor. It has the image that it is the same, but it looks like some of those pieces are cut out? Davis, “Those properties that were cut out on the south are virtually undevelopable or residential.”

Voss made an amendment to the motion that the Development District mimic exactly what we have in the Comprehensive Plan. Lawrence seconded; all in favor, motion carries

The vote now is on the motion as amended to **adopt Resolution 2012-62 Resolution Establishing Development District No. 1 Therein and Adopting a Development Program Therefor; and Establishing Tax Increment Financing District No. 1-1 Therein and Adopting a Tax Increment Financing Plan Therefor changing the Development District No. 1 to mimic exactly what is in the Comprehensive Plan. All in favor, motion carries.**

Res. 2012-63
Approving
Development
Agreement &
Awarding Sale
& Issuance of
the City’s
\$225,000 Tax
Increment
Financing
Note

Davis explained as Kvilvang previously outlined the description of the development agreement, staff recommends adoption of Resolution 2012-63 Approving Development Agreement and Awarding Sale & Issuance of the City’s \$225,000 Tax Increment Financing Note.

Moegerle made a motion to adopt Resolution 2012-63 Approving Development Agreement & Awarding Sale & Issuance of the City’s \$225,000 Tax Increment Financing Note. DeRoche seconded; all in favor, motion carries.

Res. 2012-64
Approving
Interfund Loan

Davis explained as discussed at the previous HRA meeting, staff is recommending approval of the interfund loan for the Aggressive Hydraulics Project.

Moegerle made a motion to adopt Resolution 2012-64 Approving Interfund Loan. DeRoche seconded; all in favor, motion carries.

Public Forum

Lawrence opened the Public Forum for any comments or concerns that were not listed on the agenda. There were no more comments so the Public Forum was closed.

Consent
Agenda

Moegerle made a motion to approve the Consent Agenda including: A) Approve Bills; B) Meeting Minutes, September 19, 2012, Regular Meeting; C) Meeting Minutes, September 19, 2012, Special Meeting; D) Appoint Election Judges – General Election November 6, 2012; E) Res. 2012-58 Declaring Glass Crusher as Surplus; F) Res. 2012-59 Declaring Recycling Trailer as Surplus; G) Approve Purchase of Recycling Trailer; H) Approve Purchase of Glass Crusher; I) Pay Estimate #5 to Caldwell Tank, Inc. for Elevated Storage Tank No. 1; J) Pay Estimate #7 to Municipal Builders for Water Treatment Plant No. 1; K) Res. 2012-60 Accepting Donation from CHOPS, Inc.; L) Pay Estimate #16 to S.R. Weidema for Phase 1, Project 1, Utility Improvements. Voss seconded; all in favor, motion carries.

Davis explained that attached are two reports for your review

- 1.) Building Department Monthly Report for August 2012
- 2.) Permit and Fee Report for 2012

As indicated in the reports, the Building Official and Administrative Assistant issued 65 permits, addressed 9 code violations, handled 371 calls and e-mails, performed 72 building and 4 septic system inspections and conducted 20 meetings with homeowners and contractors.

Permit fees collected through August 2012 total \$82,021. Revenue for fees from this department for 2012 were projected to be \$100,100. The department is on track to equal or surpass the revenue projections for 2012.

Total permit fees collected through this date in 2011 were \$51,805.

Moegerle, "This report reminded me that you have to get a permit for air conditioning and alterations and all those many other things. I did notice that we only have three new homes this year? Do we expect any more?" Davis, "Probably not, but we are going to get a permit for one large 60,000 square foot building."

DeRoche, "Any way we can get a print out where the numbers are on the report? They are cut off. When it comes to the complaints is there any way they can be broke down, what and where the complaints are happening? So we know where we can focus in areas? And where are we with those?" Davis, "We can provide some of the information on some of those. We can give you generalized information." Vierling, "There may be from time to time some information that may be privileged or private. Depending on the issue and the charge." Moegerle, "DeRoche and I are both aware of a house that has a dumpster in front of it that was supposed to be cleaned up and nothing has been moved." Davis, "The majority of our code enforcement complaints are barking dog issues."

DeRoche, "I am not asking to be nosy. If you are a City Council person, it is good to know what is going on. Otherwise people think you aren't going to help. I have asked also for the police issues. Where are the problem areas they are spending their time." Moegerle, "I would be interested to hear from the building official what ordinances need to be tweaked to make them better." Davis, "We are working on this. We have found many grey areas that need to be tweaked to clear up areas in our building code." DeRoche, "The building official that is great if you enforce ordinances. We need to take the approach that we are working with people, not just bang we are hammering them." Davis, "That is city policy. We treat people in a fair and equitable manner." DeRoche, "We don't know if that is what is happening." Moegerle, "If it was different, you and I would hear."

Municipal
Utilities
Project Update

Davis explained that the city engineer will give you an update on the Municipal Utilities project.

Jochum, "I will start with the Phase 1, Project 1, Utilities. In general all of the City and MCES improvements including watermain, sanitary sewer, forcemains, paving and restoration are complete south of 189th Avenue and North of Viking Boulevard to the Water Treatment plant. The watermain, forcemain, and sanitary sewer are also complete from 189th Avenue up to Viking Boulevard. The main work components left include approximately 1,400 lineal feet of watermain and sanitary sewer along Viking Boulevard and the east crossing under Viking Boulevard for the watermain, sanitary sewer, and forcemain.

Municipal wells #3 and #4 are complete except for the final startup. Power to the wells was provided under the water treatment plant contract and has been recently completed. Well start up and testing is scheduled for October 4, 2012.

The water treatment plant No. 1 is near completion. The contractor is currently working on the final plumbing, heating, electrical work and painting. It is anticipated that the final wear course in the parking lot will be placed next week. The plant startup and testing is planned for the second week in October.

Water tower No. 1 is complete except for the exterior electrical work, bacteria testing, and final punchlist items. The tower needs water to complete the bacteria test. After the well startup on October 4 the tower work can be completed.

In summary it is anticipated that all of the water supply improvements including the wells, treatment plant, and tower will be operational by November 1, 2012.

Moegerle, "Since we don't have anyone connected to the water, when should we plan to fill the tower?" Jochum, "This is something we need to discuss with staff. In general in November it will be running and staff will run it from there. Probably for a couple weeks go through test runs with the contractor. After that and we have no users, we need to discuss if we are going to drain it or keep it up over the winter. Typically, we would keep it as low as possible. It depends on how cold the weather is."

Lawrence, "What about the bacteria that is up there. If we just have minimal water will we have a bacterial problem up there?" Jochum, "That is why we need to flush the system. We shouldn't have bacterial issues up there." Lawrence, "How low can the water be in there with nobody hooking up? How much water will we have in the tower?" Jochum, "Probably a minimum of 20,000 gallons. It holds ½ million." DeRoche, "How deep are the water pipes." Jochum, "Minimum of 7 ½ feet to the top. The plant needs to run at least once a month. To keep the filter media working. And so it doesn't harden up. We can't leave it stagnant."

Voss asked when do they anticipate starting back on the forcemain? Jochum, "I have not heard yet." Davis, "We had early indications we got was mid-November to mid-December when we start getting frost in the ground." Voss said with as dry as it has been, you need moisture in the ground to get frost too. Jochum, "There has been some discussions with the County because they have a project going on Viking. They were talking about crossing on Viking with all the peat in there. Redoing Viking a mile west." Davis, "As part of the discussions they are considering letting us do an open cut near the intersection of 65 and 22. It would be cheaper than doing the boring and dewatering." Jochum, "The debate on the design is if they are going to use lightweight fill or peat."

2013 Budget Discussion

Davis explained that Council approved a preliminary budget and levy on September 5, 2012 and submitted this to the Anoka County Auditor. The preliminary levy will be used to provide property taxpayers with parcel specific notices in November for pay 2013 taxes. The final 2013 Budget and levy is then adopted by City Council in December. The final levy adopted in December 2012 cannot be increased from the preliminary levy, but can be reduced.

At the September 19, 2012 City Council meeting, staff was directed to include the 2013 Budget as a discussion item on the agenda for the October 3rd meeting. In order to facilitate

the discussion of opportunities to explore additional budget reductions, the following are items within the preliminary budget that Council may want to consider as possible reductions:

Central Services and Supplies, Item 101-48150-421, laser-fiche scanner	\$1,200
Trails Capital Fund, Proposed Annual Transfer from the General Fund	\$5,000
Street Maintenance, 101-43220-101, Full Time Employee*	\$21,000
Fire Department, 101-42210-214, Clothing and Uniforms	\$2,100
101-42210-434, Training	\$2,000
City Administration, 101-41320-433, Dues and Subscriptions	\$1,000
Planning and Zoning, 101-41910-431, Equipment Replacement Charge	\$1,000
Risk Management, 101-48140-307, Professional Service Fees**	\$1,500
Engineering, 101-43110-302, Engineering Fees	\$2,000
Park Maintenance, 101-43201-103, Part Time Employee	\$6,290
Parks Capital Fund, Proposed Transfer from the General Fund	<u>\$25,000</u>
Total	\$68,090

*We will be losing one employee from the Public Works Department between November and January 2013. If we don't fill this position until April 1, 2013 we can save \$21,000. The consequences are we will be down one employee during the snow plowing season.

** Reduction due to insurance RFP as approved by Council on September 19, 2012.

Provision of services for other municipalities could produce other potential sources of non-tax revenues. This item will be discussed as part of agenda item-Building Inspection Services for Oak Grove.

The proposals for reductions as listed above do not address the projected \$91,000 bond payment deficit for 2013. Unless otherwise directed, this debt is proposed be paid from the General Fund which has an adequate reserve to pay the balance of the difference between available funds from the 2012 project cash balance carry-over (\$241,812) and the projected 2013 SAC, WAC and assessment fees (\$375,200) that will be derived from the Municipal Utilities Project and the bond payment of \$708,388.

Approval of the cuts discussed would result in an additional \$68,090 in proposed budget expenditures for 2013. This would reduce the 2013 budget request from \$4,811,223 to \$4,743,133 and produce budget and levy reductions of 1.1 % and 0.51%, respectively. The approved budget for 2012 is \$4,795,898.

Staff is requesting Council direction for any or other preliminary 2013 Budget adjustments.

Voss asked so the risk management line, that is not really an adjustment? Davis, "Either way

that is there, that is correct.” Voss said and the asterisk you had on the streets maintenance? Davis, “There are some things we cannot discuss on that right now. If there is a vacancy in that department, we have made some contingencies to cover the snow plowing and then we could wait until the 1st of April to fill that position and save those funds.” Voss asked these aren’t items the departments have proposed. Davis, “These are from a discussion we had with staff and they came up with these items. Pierce and I went on and came up with a few other budget cuts. As far as staff and departments go, there is very little to cut in there. Especially on the city administration side, it is basically wages and a few office supplies. There were a few things on the fire side we eliminated. One of the things we eliminated in the planning department was the equipment replacement charge. That is for a vehicle that we currently don’t propose to purchase. We have eliminated that, but it is fully funded.”

Moegerle, “I have a question about the fire department. Does this bring the fire departments budget equal to last year now?” Davis, “This should bring it down if not equal, very close to last year.” Moegerle, “I gladly accept all of these reductions. The question I have is with this \$68,090 reduction, but also considering we have to pay the \$91,000 bond payment. If we were to not tap our reserve, our rainy day fund, what would that mean as a net increase in tax? Above last year?” Davis, “About \$11,000 difference.”

DeRoche, “I thought this was all taken care of before, but apparently not. At what point do you quit cutting out more and more and more services that people are expecting for what they have been paying their taxes for? When does it get to the point that you are not officially running the city or you are starting to jeopardize things because you are trying to save a dollar? With the proposed budget we had, which was a preliminary budget and we were going to work on it, the only increase I recall was when Moegerle and I had considered maybe some kind of a fund to help pay for the sewer and that didn’t make it. But apparently this stuff was needed at some point and I can’t believe it was all slush fund stuff. At what point do we say we have cut so much stuff out of here, there is nothing left? People understand they have to pay taxes for certain services. The \$21,000 for street maintenance, depending on the discussion, you have to have street maintenance. The park maintenance, if we take that part-time guy out, who is going to make up the difference? Now we are going to have to pay our regular guy overtime to make that up?”

Davis, “At what point can you stop the cutting or see a reduction in services? We are at that point now as a staff and some of that will be rectified when we get the community director/city planner position filled. But there is a lot of activity going around here that a lot of people are doing extra duties and as a result sometimes you don’t get done what you would like to get done in a day. The \$68,000 is not slush. It is things that could be cut out without a substantial reduction in services. The park maintenance employees, one of the reasons we employ the seasonal employees in the summer is it is the busiest time of the year. Not only for mowing but also for projects that need to be completed. There wouldn’t be any overtime, because there isn’t any in the budget. It would just mean that certain things wouldn’t get done as expeditiously or as had been in the past.”

DeRoche, “That is what I am saying, we are going to let our parks get debilitated. Our employees aren’t just sitting around.” Moegerle, “He did offer up a suggestion. We approved a 1.5% increase, we reduce that to ¾%, that would save how much?” Davis, “\$15,000.” Moegerle, “So with the \$80,000 minus \$15,000 that gets us to \$65,000 above last year.” DeRoche, “The only problem with that is from what I have seen is there hasn’t been much of an increase anyways. And as was stated, we have been cutting staff so people are stacking themselves on this and this and this. And all of a sudden something has to suffer

somewhere. We are telling staff we want this done and why can't you do it in a timely fashion? Well, we don't have as many people. Are we going to continue cutting? Jack was running around like a chicken with his head cut off when we didn't have a building official." Moegerle, "He is still doing that because we don't have a planning official."

Lawrence, "What we are looking at is some things that the city administrator has said we can do without. He would not put the city in jeopardy, the people in jeopardy. He is a former public works director, he knows what the public works people do."

Lawrence made a motion to accept the proposal presented and cut our tax levy for 2013 to zero (0).

DeRoche made a motion to table the 2013 Budget Discussion. Moegerle seconded.

DeRoche, "And we can have it as a discussion item at the new work meeting." Voss said it should be as a standing agenda item for every council meeting. There is nothing to table. Vierling, "There is nothing to table. And the first motion fails for lack of a second."

Moegerle made a motion to accept the \$68,090 in cuts as provided and that we continue to review the preliminary budget to see if there are further reductions that we can make before we adopt a final budget. Vierling, "For the clarity of staff, they are going to want to know what it means to accept those cuts?" Moegerle, "And implement them." **Lawrence seconded.** That will maintain our zero (0) increase. Moegerle, "When are we going to address our \$91,000 completely? How can we accept a budget or levy until we know about that \$91,000? Because in 2014 if we have gutted our rainy day fund. I am not seeing a big rush to come here. I am very hopeful and very positive about it. But, I think we have to prepare for the worst and I want to have that piece done before we accept a final budget and before we accept the final levy. You are kicking this can down the road." Lawrence, "I am not kicking any cans down the road. All I am trying to do is put a point out here saying that we can maintain a zero increase to show the people that we are working hard to keep their taxes at zero percent increase."

DeRoche, "I think the people probably see that and most people that watch these meetings are well aware what is going on. It is obvious we have cut out of the budget. Do you want nothing out of the city or something. Do we get the community development director/city planner? Or do we say let's keep the budget down and cut some more money there and make Jack and Wendy fill that spot." Davis, "Both of you have valid points. There is a point where you cannot do more with less. We have in some areas crossed that point and in some areas if there are future reductions we are going to have to start discussing reduction in services. That can't be avoided. I understand the need to get the levy down as far as possible, and I appreciate that and I am very sensitive to it. We are very marginal in what we are providing." Moegerle, "And when we are cut that thin, where are we going to be in 2014. Projections are nothing. How are we going to protect that reserve? Build it and maintain it? How are we going to pay for the \$91,000? Are we going to stop going to medical calls? Are we going to have more user fees?" Lawrence, "First of all we don't know how many connections we have. You are throwing down the flag and saying business is over. Where is it coming from Mr. Davis?" Davis, "Right now, the contingency." Moegerle, "I know we have talked about having the reserve over what is required. What is it?" Pierce, "It is \$2,250,000. That is 40% of our budget. State Auditor suggests 35-50%. You have \$80,000 in contingency from 2011 and 2012."

Lawrence and Moegerle, aye; Voss and DeRoche, nay; motion fails.

Coopers Lake Dock Ordinance Davis explained that this ordinance was prepared rather late and we have received some comments from the City Attorney's office that we need to take into consideration. There were also some other issues raised about the ordinance so at this time I would recommend that we can discuss it be that we table the ordinance.

DeRoche made a motion to table the Coopers Lake Dock Ordinance. Moegerle seconded; all in favor, motion carries.

Voss said we have an ordinance on Coopers of no motorized boats. This wouldn't change that at all? Voss said I can see someone saying now I can have a dock so now I can have a boat, so does it make sense to reference that at all? Vierling, "We can, it wouldn't hurt." Moegerle, "Do we really want to get into this, permitting to put a dock on public land?" Voss said I don't have a boat and we sit out there all the time relaxing in the summer. And this is an application so isn't this a license? Vierling, "Essentially yes." Moegerle, "What is the history on this? Does somebody want a boat launch or do they just want to loll in the sun?" Davis, "The most recent is a resident that has private property on Coopers wanted to use a motorized boat on it. The resident then complained that there were people on the opposite side of the lake that had city property separating their property from the lake that were putting out docks on their side of the lake. In order to address the dock issue we brought up the ordinance to permit these residents to establish a dock on city property." DeRoche, "But then that opens it up on Coon Lake for those five 20 foot lots about why can't we have a dock. And then that opens it up about liability, because the city attorney had some concerns I thought we were going to discuss at another meeting." Davis, "There are things that need to be looked at further on this in depth. And that is why I recommended that this get tabled."

Cemetery Regulations Davis explained I would also like to make the recommendation that Council table this until we can go back and do some refining of the regulations. There are certain things in here that need to be reviewed and changed.

DeRoche made a motion to table the Cemetery Regulations. Moegerle seconded; all in favor, motion carries.

Building Official & Inspection Services Contract Davis explained that the City of Oak Grove has indicated an interest in contracting Building Official and Inspection services from the City of East Bethel. There been three meetings with Oak Grove City Administrator, Rick Juba, to discuss this matter over the past few months. Mr. Juba was invited as an observer and did attend the interview process for the selection of our Building Official in July of this year. This was to provide the City of Oak Grove with some familiarity with the selection process and the candidate that was eventually recommended for hire as our Building Official.

Exploration of the potential of contracting building inspection services has been endorsed by the Oak Grove City Council and they are waiting on a proposal from the City of East Bethel to consider their decision to move forward on this matter. Oak Grove currently contracts this service with Inspectron, Inc. Oak Grove has expressed an interest to contract this service with East Bethel due to the excellent working relationship between our Cities, our common geography and an expectation of better services on their behalf.

Attached is the current contract between Oak Grove and Inspectron. Unless Council or the City Attorney recommend any changes, this document would be the template for a proposed

contract with Oak Grove for the Building Official and Inspection Services Agreement. When reviewing the hourly charges stated in the attached contract, our cost for wages and benefits for our Building Official are \$48.20/hr. and our proposed costs for a Building Inspector will be \$35.60/hr. As part of our proposal and at Oak Grove's request, we would provide office hours at the Oak Grove City Hall from 8:30 to noon, one day per week or provide the same number of hours at another time that is mutually agreeable to both parties.

In order to provide this service to Oak Grove, the City would have to continue our current Building Inspectors position. Funding for this position is provided in the preliminary 2013 Budget. In the event that an agreement for services is not executed with Oak Grove, the City of East Bethel would need, at a minimum, a portion of this position to address the work load within our own Building Department. Entering into this agreement with Oak Grove would assure funds to cover this as a full time position. \$74,000 for wages and benefits has been budgeted for this position for 2013.

Nick Schmitz, the City Building Official, has been involved with the meetings and discussions of this proposal with Oak Grove. Mr. Schmitz sees no issues or reductions in services to East Bethel residents with this agreement provided we continue the position of City Building Inspector.

The City of Oak Grove has paid Inspectron, Inc. \$47,000 for services through September 2012. This would project out to approximately \$60,000 as Oak Grove's payments for this service for 2012.

It is anticipated that based on the fee schedule in the sample contract that this service agreement with Oak Grove has the potential to generate approximately \$60,000 in additional revenue for the City of East Bethel in 2013 and cover all costs associated with this service.

Staff is requesting authorization to submit a formal proposal to the City of Oak Grove to provide Building Official and Inspection Services.

Voss asked when would this start, 2013? Davis, "January of 2013." Voss asked when will we have our issues with our building inspector decided? Davis, "We may know that later this evening." Voss said my concern is we have heard from Nick, heard from you that the building official is overworked right now. There is no doubt we need a building inspector. Davis, "To do this we need to continue the building inspector position. If we didn't continue the building inspector position, we couldn't even consider this request." Voss asked and there are different rate structures in the contract for the building official and inspector? Davis, "That is correct." Voss asked are they our costs? Davis, "They are higher than our costs."

Lawrence, "With this service would it be the building inspector doing most of the work or the building official? Davis, "It would probably be the building inspector." DeRoche, "It was my understanding as far as the building inspector, we hadn't made any decision." Davis, "As far as the position, it is the 2013 budget, as far as continuing the position." DeRoche, "I don't know if there is enough information to put out a contract. I think we need to know where we are going." Voss said we did budget for the position. So, what remains to be seen is how it is filled. Davis, "I would like to prepare a contract for council approval. I am not requesting council approval of a contract tonight. Because if we are to proceed with this, Oak Grove needs information by November or otherwise they need to contract for services." DeRoche, "If we give the okey dokey to go ahead and look into this, are they going to think we are going to do it?" Moegerle, "They all know that we need to all agree on doing it. The

other side of it is, it is one solution to a \$91,000 problem.” Davis, “As indicated this has the potential to bring in another \$60,000 in revenue. This would improve the revenue side of our budget. Even better than reducing the expenditure side.” Lawrence, “I say go ahead and get the information so we can look at it.”

URRWMO
Member
Representative

Davis explained that Jarod Trost has resigned from his position as an East Bethel representative on the Upper Rum River Watershed Management Organization (URRWMO). The following is from the by-laws on Membership Appointment: *Each party to this Agreement shall appoint two (2) representatives to serve as members of the Organization board. Each representative of a party to this agreement who is current in the payment of their share of operating expenses shall have one (1) vote. Representatives appointed to the Organization board shall be evidenced by a resolution or certified copy of official meeting minutes of the governing body of each party and filed with the Organization.*

There is only one more URRWMO meeting scheduled for 2012 and that date is November 7, 2012. The next scheduled meeting is January 9, 2013. Should Council elect to fill the vacancy immediately we can post it on the website. I will be available to substitute for Mr. Trost at the November meeting if an appointment is not made by that date.

DeRoche, “I think we should post it. You have enough hats on.” Davis, “We have one gentleman here that is interested.” Voss said his suggestion would be to him to attend the meeting. Davis, “We will advertise this position. Jared did a great job, I would like to recognize him.”

Council
Reports –

DeRoche, “First I would like to address the city engineer. The roads on Coon Lake Beach, I would like you to stop over and we can go together and look at the issues. Prior to this road project I maybe had one call since elected. Since this project I have had about 45. There are a lot of people that aren’t really happy. It is not that the roads aren’t done, other than Bryant Lane. But they have created such a safety issue, you go riding around a corner or walking and you have this gully three inches deep. Neighbors that have pieces of asphalt in their yard, little piles on the end of driveway. Some have piles of concrete. I really don’t know what the problem is. I know the first crew that was out there did a great job, second crew not so much. I think no matter what, we need to find out when they are going to do the finish project. There is a massive amount of pine needles in there so they can’t just fill them in, it will be a clean up now. Some people have taken shovels out and filled in their own driveways.”

Jochum, “We have to get through the final and the punchlist and the cleanup so it is not done. I know we have a punchlist started and anything we need to address, we will get taken care of.” DeRoche, “65 and 221st it was my understanding we were going to run down the road with tile and then go across. Is there a holding pond and then drain across?” Jochum, “There is no holding pond on south side.” DeRoche, “I am looking on the north side.” Davis, “There is one the north side, it is very long and narrow, they reduced the footprint of that considerably. And it almost looks like a ditch now.” DeRoche, “That is a pretty good size ditch if that is what it is.” Jochum, “There is a little infiltration pond on the north side, on the corner of Sandy at the request of Mr. Kable.” DeRoche, “Has he made arrangements with the contractors and the county? Because there were aerial trucks turning around in his yard.” Davis, “I spoke with Mr. Kable about a week ago. He has made arrangements with the county for some egress. The road is open east bound to local traffic only. Also, he has made arrangements with local contractors to store their equipment on his property.”

Council
Reports –

Moegerle, “I did get a couple complaints about the paving at the beach. However, the playground there has been filled with people. Everywhere, bikes you didn’t see because the roads were so bad, the only thing I can attribute it to. Last night the Website Committee met and selected photographs for the website. Most of the photographs will be fall photographs and we are scheduled to go online Valentine’s Day. We do need to consider a website policy. Is that something that we are going to look to CivicPlus for?” Davis, “We can request a draft from them and check with other municipalities.” Moegerle, “Today there was a meeting of the Snadhill Group. The Planning Commission also attended. There was a lot of discussion about expediting the existing trail system that is in place by the county. There were discussions of changes and additions for the idea of expanding it to include ecotourism. It was a profitable discussion and maybe we need to meet separately about expediting the financing of those systems. It is not a tax levy to residents. I did get notice that one of our planning commission members is going to resign. His life circumstances has changed. If you can’t prepare or read your packet, there is no shame in that. We appreciate your time and commitment but we need to make sure we can invest our time.

Council
Reports –

Lawrence, “We need to keep working on getting our tax levy to zero. I can’t see levying for things that we can cut out of the budget. Still working on taking care of things in the city. I am excited about this plan for Oak Grove. I think it could be a good opportunity for East Bethel.”

Council
Reports -

Vierling, “If Council intends to go to closed session MN Statute 13.D 5 subd. 2 we do need to identify the individual that is the subject of that?” Davis, “Emmanuel Sackey.” Vierling, “Has Mr. Sackey been made aware of the closure?” Davis, “No he has not.” Vierling, “We are not allowed per the subdivision to go to closed unless the individual has the right to be there and has the right to request it be open. So without knowing that request, we are not in a position to go into a closed meeting.” Moegerle, “The fact that he is on leave?” Vierling, “Doesn’t make a difference.”

Davis, “This matter is in relation to a grievance that Mr. Sackey has filed with the Local Teamsters #320. The grievance involves his reduction of wages which occurred September 25, 2011. Mr. Sackey has filed a grievance seeking back pay for this amount. This matter has been discussed with Ms. Jennifer Nodes of Eckberg, Lammers, Briggs, Wolff & Vierling. She has had several discussions with the Union attorney and there have been several proposals presented. The proposal the city presented was back pay to March 1, 2012, which coincides with the period that the previous building official left his duties. Also, the city proposal involved restating his wage if this was approved by the union and changing his status from an exempt employee to non-exempt. We did have a memorandum from the city attorney’s office that this might be problematic, but we did go ahead and vote to reduce wages for both the building official and the building inspector and eliminated a position. You have in your handout the offer the union has made to settle this grievance and staff is seeking input on how you would like us to settle this matter.

Moegerle, “I say no and make it retroactive to the date that Mr. Martin left his position.” Voss asked is this proposal not consistent with the building official settlement? In terms of wages? Davis, “They are two separate issues, the other one was a veteran’s preference issue.” Voss asked in terms of the settlement, isn’t it consistent? DeRoche, “I say absolutely not. To be put in this position, it sets a precedent that if we are going to leave the city all we have to do is threaten we are going to sue and they will settle for us to go away. Rather than eliminate the department or cut their hours which would have affected their benefits, we kept them on and cut the pay 20% and everyone was fine with that and now we are being

threatened.”

Voss made a motion to table the Emmanuel Sackey Union Grievance Settlement discussion. Lawrence seconded. Moegerle and DeRoche, nay, Voss and Lawrence, aye, motion fails.

Moegerle, “When Martin left I think Sackey took on some of those responsibilities. There is some merit that there was to some extent a redistribution of responsibilities.” Lawrence, “Except he was still doing what his job description required him to do.” Moegerle, “Right, but his workload increased and he still had the reduction in pay.” Voss asked did the hours increase? Davis, “They did not increase, no.” DeRoche, “As the inspector part of the contingent was I am doing Martins job. But that was part of his job description. So he wasn’t doing an added job, he was doing what his job said.” Moegerle, “I understand that. I am just saying when it went to a one person department the workload changed. Originally the reason we reduced the pay by 20% was because the workload was low then and had been low for a time. It changed when Martin went on leave.” Lawrence, “But the issue there is his hours did not change.” Voss said September 2011 their hours did not change at that time, their wages were reduced. When Martin left, Sackey’s wages were still at the same level, he was maybe working a little harder, had a few more duties. Voss said I don’t see any relevance there. This is essentially what the settlement was before. He said at my work, if I am responsible for more things in the same amount of time as another person, maybe our wages should be different. But if you cut their wages to do the same work.

DeRoche, “It was either cut them by 20% or lay them off or eliminate the department. If we would have done anything other than cut the pay they would have lost benefits and they had families that needed the benefits. We thought we were being kind.” Moegerle, “The lesson out of this is never be kind and just fire them.” Voss said cut my wage by 20%, that is being kind? Moegerle, “It was either that or lose an employee all together. We did back flips to do this.”

Adjourn

DeRoche made a motion to adjourn at 9:16 PM. Moegerle seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk