

## EAST BETHEL CITY COUNCIL MEETING

September 5, 2012

The East Bethel City Council met on September 5, 2012 at 7:30 PM for their regular meeting at City Hall.

MEMBERS PRESENT: Bob DeRoche Richard Lawrence Heidi Moegerle  
Steve Voss

MEMBERS EXCUSED: Bill Boyer

ALSO PRESENT: Jack Davis, City Administrator  
Mark Vierling, City Attorney  
Craig Jochum, City Engineer

Call to Order **The September 5, 2012 City Council meeting was called to order by Mayor Lawrence at 7:30 PM.**

Adopt Agenda **Moegerle made a motion to adopt the September 5, 2012 City Council Agenda. Voss 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.

Mike Goetz, 21945 Washington Street NE, "I was in the process this spring of looking into building a pole barn but I have 1.25 acres. I was talking to Stephanie Hanson and Emmanuel the inspector. And I know they don't work here anymore. But, they gave me the okay to build, but I waited until fall for a better price. I talked to Nick Schmitz and he told me that is not going to happen now. I am looking to see why I need that three acres for a pole barn?"

Voss asked did you actually submit a building application last spring? Goetz, "No, I didn't talk to him. I talked to Stephanie Hanson and Emmanuel the building inspector and he gave me a pamphlet. And so I got prices for a pole barn and a garage and it was triple the price. And so I came back and asked them why? And I told them it is a three year warranty on the pole barn, it is maintenance free and it looks just as good if I get the two-tone and make it match the house. I don't have the shingles you have to replace every so often and the paint.

Lawrence, "Did you get a permit at that time?" Goetz, "I did not." Lawrence, "Do you have any documentation that shows they approved this?" Moegerle, "Do you live in an overlay district and you have the 1.25 acres?" Goetz, "I have 1.25 acres." Moegerle, "But you are not in a shoreland overlay district or any of that?" Goetz, "Not that I know." Moegerle, "Davis can you look into this or do you know about this?" Davis, "I think the code requirement says you have to have three acres to have a pole barn. Unless there is a variance given or a special consideration." Moegerle asked Goetz, "So, would you apply for a variance?" Goetz, "I was told it is \$400 for a variance and I don't get my money back. I don't know if it is worth it. I don't understand why you have to have three acres up here, compared to one acre. I understand the size wise would make sense because it is over your land. But, I don't understand the reason for having three acres. If I had three acres I could still put it just behind my house, not hidden. You are still going to see the pole barn."

DeRoche, "How many acres is that guy have behind Corner Express? He put up a house and a pole barn." Davis, "I think that was done before the zoning change." Voss said that is

probably a bigger lot because it is on a cul-de-sac. It is a pie shaped lot and I would guess it is three acres. Voss said it doesn't matter what staff says. It was a miscommunication. The ordinance says three acres and no one other than Council can change that.

Moegerle, "Yes, but you can go through variance and there is notification to your neighbors and those kinds of things. We can't arbitrarily deny it." Voss said but even with that too, just so you understand (he asked the City Attorney to expound on this) there are guidelines on when we can grant a variance. Vierling, "The standard has changed to what we now call practical difficulty. A variance is the exception. There still has to be a reasonable basis for the Council of why they should deviate on your property from somebody else's that might be similarly situated. So you are right, there is no guarantee. It is an opportunity you have to make a pitch to the Council to see if they will vary or deviate from their guideline which is in their ordinance. Notwithstanding the change from undue hardship, to practical difficulties" it is still the exception, not the rule. So there has to be really a good reason for them to deviate from that. In the past, it has always been because there is some unique feature to the property that sets it aside from other properties in the area. I don't know if that applies or doesn't apply to your situation. But it is not simply walking in and saying "I want one" and then here it is. Only you can make that decision if you want to invest that time and money into it, it is your call."

Lawrence, "I think the guidelines are set up just because of lot size. We are trying to not allow pole barn structures on these small lots for the reason that a pole barn is usually referred to as being used for something bigger than parking your car in it. I think that is how this came about that you had to have at least a three acre lot. If you were stick building it, I am sure you could do that without a problem."

Moegerle, "One question that might help is the size of the lots surrounding you. Part of this is, you don't want this crammed in, a shoe-horned property. If there are big pieces of property surrounding you, that might emulate some of that packed in sense of that." Goetz, "There is a little part of land (not for sale) next to me that you own between me and a neighbor. I heard you wouldn't sell it because you were going to build a road on it. But, there are houses behind it and no way to build a road." Moegerle, "I think you need to come in and see the city administrator about this." Voss said if that is the case it is a city right-of-way. Goetz, "Do you think you will still be doing something with that?" Davis, "I am not sure the city owns that property." Voss asked the city attorney if it is a right-of-way, the city doesn't even really own it right? Vierling, "The city controls the right-of-way. But, it owns it for the benefit of the public and they don't have the right to sell it." Davis, "The only way we can dispose of right-of-way is to vacate it. And then if we vacate it, it goes to the adjoining property owners." Voss said but by looking at that, it will not get you the three acres. It is not even close.

Moegerle, "I do think you should come in and sit down with Mr. Davis and go over some of these things. And then he can come back and give us some details of what you are looking at." Voss said well really, it is a staff decision of whether it is a variance or not. If it is a variance it will go to the Planning Commission for a public hearing and then here where we decide whether or not to grant the variance. Lawrence, "It is about a three month process." Voss said, and just so you know from what I remember in the past. The variances on pole buildings (we haven't had any for a long time) it has always been close to three acres. You are not even half of that. It is a tough sell. Goetz, "I talked to my neighbors about it and they said it would be fine. One of my neighbors has a pole building."

There were no more comments so the Public Forum was closed.

Consent  
Agenda

**Voss made a motion to approve the Consent Agenda including: A) Approve Bills; B) Meeting Minutes, August 15, 2012, Regular Meeting; C) Meeting Minutes, July 23, 2012, Special Meeting; D) Meeting Minutes, July 23, 2012, Work Meeting; E) Meeting Minutes, August 1, 2012 Work Meeting; F) Meeting Minutes, August 6, 2012, Special Meeting; G) Meeting Minutes, August 6, 2012, Work Meeting; H) Res. 2012-50 Proclaiming September 17-23, 2012 as Constitution Week; I) Res. 2012-51 Adopt-A-Park Rod and Norma Smith Park; J) Pay Estimate #15 S.R. Weidema for Phase 1, Project 1, Utility Improvements; K) Pay Estimate #6 Municipal Builders for Water Treatment Plant No. 1; L) Approve Hire of Cable Technician. DeRoche seconded; all in favor, motion carries.**

2013 Budget  
Discussion

Davis explained that budget work sessions were held in July and August 2012. The budget review was not completed during the work sessions and a work meeting was scheduled before tonight's meeting.

Prior to September 15, 2012 the City Council must adopt a preliminary budget and levy for 2013 to be provided 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 are 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.

Changes to the 2013 proposed budget are proposed as follows:

City Assessor Department

307-Professional Services

Approved:	\$151,700
Proposed:	\$150,000
Increase:	\$ 1,700

Reflects new agreement approved at the August 1, 2012 City Council meeting.

Transfers Out & Contingency

999-Contingency-On Call (Standby) Pay

Approved:	\$ 0
Proposed:	\$ 7,125
Increase:	\$ 7,125

Reflects 1 hour of pay per day for staff that are required to be on call or standby during the work week (includes FICA, Medicare & PERA expense).

To make provisions for these proposed and potential changes, which increase the General Fund budget \$8,825, General Fund budgeted expenditures would increase by .18%. A General Fund levy of \$4,223,907. The General Fund proposed levy is \$32,437 or .77% more than last year's levy.

To service existing debt, a market based debt levy of \$149,638 is required to meet the debt service requirements for the 2005A Public Safety Bonds issued for the fire station and the weather warning sirens and a tax capacity based debt levy of \$180,000 is required to meet the debt service requirements for the 2008A Sewer Revenue Bonds.

The total property tax levy amount proposed is \$4,553,545 or an increase of 1.26% over last year's levy.

Discussion during work sessions has included the following items that have not been included in the proposed 2013 budget:

City Council: Reimbursable allowance of \$800 for each council member and the mayor for computer/software purchase for electronic packets. Total cost \$4,000. Over a four year term we would realize a savings of \$14,000. This is based on the cost of \$3,600 a year to produce the packet.

Also not included was the Fireworks for Booster Day at a cost of \$2,500. If these two items are approved they would have to be added to the budget.

Staff is requesting review of the proposed 2013 budget and approval of preliminary budget for submission to the Anoka County Auditor.

**Moegerle adopt the preliminary budget shown on page on page 62, with the addition of \$4,000 which is the reimbursable allowance of \$800 for each Council Member and the Mayor for computer/software purchase for electronic packets and specific omission of the fireworks in the amount of \$2,500 which should be allocated out of the EDA Budget. Voss seconded for discussion.**

Voss said the \$4,000 for electronic packets, as I understand this basically it is so that you each have a tablet? Davis, "So that they can have a laptop or can purchase software if you have an existing laptop." Moegerle, "You don't just get the money. You have to submit a bill and then get reimbursed." Voss asked is that something that the three of you want to move forward with? It is important that you have that? Because it is also something that the Council Members then own, right? Davis, "Yes, the Council Members will own them, that is correct." Lawrence, "The reason we looked at electronic is the overall savings over the years. I think in three years there would be a \$14,000 savings." Voss said I understand that. If you are all in support of it, then my suggestion is since it is just a one-time thing. Why not make it part of the compensation that we already have? Because essentially what we are doing is increasing the compensation of Council Members by \$800.

Moegerle, "It is a reimbursed business expense." Voss said it is taxable income. Moegerle, "If you spend it on software so you can do your job as a Council Member, which seems to me that it is a business expense." Vierling, "I think you should check with CPA, I am sure you can expense it. Because you are still getting income. So, this is an income generating activity. Just as you can draw or expense your mileage coming to and from Council meetings." Voss said I understand that there is the potential for cost savings. But it is also personal equipment; obviously we are going to have to pay taxes on it. Vierling, "That will depend on the price and your pay that you generate from this activity. Whether or not it reaches the IRS threshold of something that needs to be expensed in the year."

Voss asked so what happens with software or hardware in three years' time and it has to be replaced? Is it something the Council continually provides an expense report for? Davis, "The policies we have looked at from other cities are this is a one-time expenditure for the Council Member for their term. Or the Mayor for their two year term. Per term. Technically, by the end of a four year term, the laptop will have a value of -0-." Moegerle, "But the savings will be considerable." Davis, "Yes the savings, it costs us about \$3,600 a year to do

packets. That is paper, labor, everything.” Voss said you are still going to have to put the packets together electronically, correct? Davis, “When we calculated time doing this, we calculated the time doing the copying and collating the packets, putting them together. We didn’t include the time working on the computer.”

Lawrence, “How are we handing the on-call now?” Davis, “We are currently only paying for the weekend. We probably need to cover those costs because we are requiring them to work without compensation.” Lawrence, “So when you are on-call, you are anticipating they are going to show up if they get a call. So whether they are working or not they are going to get paid? Is that what you are saying?” DeRoche, “If they don’t come in they don’t get paid.” Davis, “That is correct, it is part of the inconvenience thing. But, if we call them and they don’t come in, that would be a discipline thing. If they come in, then they get paid for the time they work.” Lawrence, “When they stay at home they get paid full-time?” Voss said one hour.

DeRoche, “My problem with this proposal is I think the \$2,500 needs to be in there for the fireworks.” Moegerle, “It can be through the EDA Budget which was what my motion was.” DeRoche, “I think it should go in through general fund because then for whatever reason the EDA decides no, then.” Moegerle, “Here is my rationale. Again, I don’t like giving money away without some responsibility. And so far we have given them the \$2,500 and I don’t know that there have been any requirements with regard to any attendance or those kinds of things. What I am saying is the Booster Day Committee and the EDA need to be working closer together. And that has already been discussed at the EDA meetings. You can say, “Okay Booster Day Committee here is the \$2,500 this is a value that Council or the community believes in. However, we need to have less unhappy vendors rather than what has been reported to us. Or we have some suggestions. Not that it is a quid pro quo, but at least we want to have some standards because many, many, many people think Booster Day is put on by the city. And in many respects that appearance is fostered by the fact we have many employees who volunteer their time to be there. I think the City is right to have some expectations from the Booster Day Committee other than just handing them \$2,500 and saying, “Go get fireworks.”

DeRoche, “I don’t like that fact that the EDA. It is a control issue in my mind. If somebody gets an attitude, whether we are on here or not, and then it is “Well Booster Day Committee you are under our thumb now.” I don’t like that. I think the \$2,500 is well spent. I was there all night and I watched and talked to people from all over the place. This is pretty cheap advertising.” Voss said to Moegerle, you made a comment that, just to paraphrase it: “People think Booster Day is put on by the City.” I think that is one of the strong benefits of having Booster Day Committee do this is having the appearance that it is put on by the City. Because it is a City celebration. One day of the year we have this celebration. Voss said whether or not the EDA is micromanaging the Booster Day Committee is still the fact that it is still a civic celebration. And we are trying to preserve kind of one of the keys of Booster Day, the fireworks. If the fireworks go away, you just cut 30% of the people.

Moegerle, “I am conceding the \$2,500, and I will stick by that the EDA does that. But, because there is the perception that it is put on by the City, then the City should have some say about some things. The EDA has pointed out some ideas such as; we would like to have a food vendor over by the lawn tractor pull. Because there was no food over there, there was beer but no food. And there was an unhappy vendor because they couldn’t sell all the things they normally sell, and they could have been over there. There needs to be a closer relationship between the EDA (which is important for economic development/community

development where we are trying to get civic engagement) and as Council Member Voss has just said, this is the big deal for East Bethel. To make it the best, then I think it is a more collaborative effort spread over more people that want that civic engagement.

Voss said all you are doing is adding another layer of government on top of this. You are asking for EDA Commission to govern what the Booster Day Commission does. Can't you achieve the same goal by being the Council Liaison on the Booster Day Committee? If you want that input and control over what the committee does, why can't you just be a liaison on that committee? Moegerle, "Why doesn't the Booster Day liaison with the EDA?" Voss said why would they? Moegerle, "Because we are in the same boat together trying to develop the City."

Voss said the Booster Day Committee is trying to put on a celebration and you are stating things should be done this way and that is micromanaging. Moegerle, "Why do we want to have a Booster Day Committee that is not answerable to anyone with the City and can do whatever they want? If Booster Day fails, who has egg on the face? That Committee? No, the City. And that is the problem." Voss said so you have a problem with what the Booster Day Committee has been doing all these years? Moegerle, "What I am saying is, if that happens, in that circumstance, it is the City that bears the egg on the face. So the point is that there should be input from the City and if we are putting \$2,500 into that, which is 50% of the fireworks why can't the EDA have some input?" Voss said so in exchange for the contribution, rather than have this come out of general fund, you want the EDA to have the control over what the Booster Day Committee. Moegerle, "I am not saying control; I want them to work together." Voss said no, because if that money wasn't there would EDA be doing the same thing? Moegerle, "I am the president and I make that commitment that the \$2,500 would be there." Voss asked how can you make that commitment from EDA? Moegerle, "I would not oppose it, and I am opposed to it in general. I am retracting that opposition."

**Lawrence amended the motion to include the fireworks from the general fund in the amount of \$2,500 because I feel it is important for the City to back up the Booster Day Committee. DeRoche seconded.** Moegerle, "I don't accept the amendment. I know I don't have to, but I don't accept the amendment." Vierling, "The voting protocol is on the proposed amendment first and then whether or not that passes, we will go back to the main motion." **Moegerle, nay, DeRoche, Lawrence and Voss, aye, motion carries.**

Voss said one thing that wasn't included was the transfer out for contingency that staff requested in the write up. That is not in the budget right now, correct? Davis, "That contingency is in the budget." Voss asked and so is the assessor? Davis, "That is correct."

Vote is now on the main motion as amended. **Moegerle, nay; DeRoche, Lawrence and Voss, aye; motion carries.**

Resolution  
2012-52 Set  
Final Levy &  
Budget Date

Davis explained that the legislature requires that on or before September 15, 2012, at the regularly scheduled meeting at which the City Council adopts a preliminary levy, the City Council must also announce the time and place of the City Council meeting at which the budget and final property tax levy will be discussed and adopted.

Resolution 2012-52 sets the date for Wednesday, December 5, 2012 at 7:30 p.m. at City Hall for discussion and adoption of the final budget and tax levy for 2013.

Staff recommends adoption of Resolution 2012-52 approving the date of Wednesday, December 5, 2012 at 7:30 p.m. at City Hall for discussion and adoption of the Final Budget and Tax Levy for 2013. Further, that a copy of the adopted resolution be transmitted to the County Auditor.

Moegerle, "I have a point of clarification. We were talking during the work meeting about the \$200,000 on the infrastructure project. Are we going to get to that separately from all of this or how is that going to be dealt with?" Davis, "We can and now would be the time to entertain that before we go ahead and do this. We can pass this resolution. The other resolutions can be contingent on what we do as far as the numbers in there. I think we can go ahead and pass them and then amend them later. The dollar amounts would reflect any changes that we do for the budget discussions. If you want to move through these and approve these resolutions and then we can go back and finish up with the bond issue." Voss said my only question on the bond issue is and dealing with that amount is whether or not we take it out of the proposed levy or whether or not we increase the levy to cover those costs. Davis, "That is correct." Voss said so if we pass a levy it has to come out of that levy. Davis, "That is correct." Voss asked which resolution are we on? Davis, "We are on 2012-52.

**Moegerle made a motion to adopt Resolution 2012-52 Setting the Date for Final Budget and Tax Levy Hearing for Wednesday, December 5, 2012 at 7:30 p.m. at City Hall.**

**DeRoche seconded.** Voss said I thought in the past we set that meeting earlier so we had time for residents to speak. Davis, "We do have another Council meeting in case anything needs to be taken care of." Voss said he was just thinking time wise, but we don't have long agendas anymore either. **All in favor, motion carries.**

Resolution  
2012-53  
Set the  
Preliminary  
Levy &  
Budget 2013

Davis explained that Council, through its discussions at City Council meetings and work sessions in July and August, has directed that the preliminary property tax levy for 2013 be set such that funds are available to accomplish the goals and objectives Council has identified.

The proposed 2013 General Fund budget is \$8,825 more than the 2012 budget or an increase of .18%. A General Fund levy of \$4,223,907 is necessary. The General Fund proposed levy is \$32,437 or .77% more than last year's levy.

To service existing debt, a market based debt levy of \$149,638 is required to meet the debt service requirements for the 2005A Public Safety Bonds issued for the fire station and the weather warning sirens and a tax capacity based debt levy of \$180,000 is required to meet the debt service requirements for the 2008A Sewer Revenue Bonds.

The total property tax levy amount proposed is \$4,553,545 or an increase of 1.26% over last year's levy. Resolution 2012-53 provides for this property tax levy.

Staff recommends adoption of Resolution 2012-53 approving the preliminary property tax levy for 2013 at \$4,553,545 and setting the preliminary General Fund and Debt Service Budgets at \$4,804,723 and \$1,619,444 respectively. Further, that a copy of the approved resolution be transmitted to the County on or before September 15, 2012.

**Voss made a motion to adopt Resolution 2012-53 Setting the Preliminary Levy and Budget for 2013 as presented with the additional expenditure of \$6,500 to cover two items we just added to the budget.** Davis, "We can absorb that in the contingency." Voss

said his motion is not to take it out of contingency, it is an additional expenditure. **Change to General Fund and Debt Service Budgets at \$4,811,223 and \$1,619,444 respectively. DeRoche seconded; all in favor, motion carries.**

Set  
Preliminary  
EDA Tax  
Levy and  
Budget

Davis explained The East Bethel City Council passed enabling Resolution No. 2008-83 establishing the East Bethel Economic Development Authority (EBEDA) on July 16, 2008. Resolution No. 2011-27 amending Resolution No. 2008-83 was approved on August 17, 2011 and limited the powers of the EBEDA to levy a tax within the City of East Bethel.

The EBEDA is a special taxing district and the City of East Bethel is authorized by Minnesota Statute 469.107 to levy a tax in any year for the benefit of the authority. The tax must not be more than 0.01813 percent of the taxable market value.

The maximum levy allowed for pay 2013 taxes is \$144,670 (East Bethel Taxable Market Value of \$797,957,993 X 0.01813%). The resolution presented for your approval provides for the maximum tax levy for pay 2013.

The tax levy must be submitted to Anoka County by September 17, 2012. Also attached is a proposed EBEDA budget for 2013 which was reviewed at the May 23, 2012 EBEDA meeting.

Staff recommends adoption of Resolution 2012-54 approving the preliminary EBEDA property tax levy and proposed budget for 2013 at \$144,670. Further, that a copy of the approved resolution be transmitted to the County on or before September 17, 2012.

**Moegerle made a motion to adopt 2012-54 Approving the Preliminary EDA Tax Levy and Budget for 2013 at \$144,670. Further that a copy of the approved resolution be transmitted to the county on or before September 17, 2012. Voss seconded; all in favor, motion carries.**

Consider  
Resolution  
2012-55  
Consenting to  
EBHRA  
Resolution  
2012-05  
Adopting a  
Tax Levy  
Collectible in  
2013

Davis explained that the East Bethel City Council passed enabling Resolution No. 2009-36 establishing the East Bethel Housing and Redevelopment Authority (EBHRA) on May 20, 2009. The EBHRA is a taxing authority independent from the City of East Bethel and is authorized by Minnesota Statute 469.033 to adopt a levy on all taxable property within its area of operation, which is the City of East Bethel, Minnesota.

At the Wednesday, August 15, 2012 EBHRA meeting, a resolution adopting no tax levy collectible in 2013 was approved. The EBHRA 2013 Budget was reviewed at the April 4, 2012 HRA meeting.

Staff recommends adoption of Resolution 2012-55 consenting to EBHRA Resolution 2012-05 approving the EBHRA Budget and Tax Levy for 2013.

**Moegerle made a motion to adopt 2012-55 Consenting to EBHRA Resolution 2012-05 Adopting a Tax Levy Collectable in 2013 of no tax. Further that a copy of the approved resolution be transmitted to the county on or before September 17, 2012. DeRoche seconded; all in favor, motion carries.**

2013 Projected  
Bond Deficit

Davis, "There is the matter of how we are going to pay for the projected bond deficit for 2013. Which at this point we project to be \$91,000. In addition to that, if we don't meet the

## Payment

## Alternatives

Met Council's SAC charges, there would be an additional cost of approximately \$110,000. So our 2013 deficit for the sewer project would be \$201,000. The discussion now would be to determine and get recommendations on how we would propose to take care of that issue. As we previously mentioned, there is some contingencies in the budget that could be rolled over to take care of approximately \$86,000 of this amount. We do have funds in HRA that could be loaned to cover this amount. There is also a general fund balance of reserves that we have in excess of the required 35% capacity that we could use to cover the balance and meet these payments. Or we could do a bond levy and tax this amount. If we do the bond levy that would add approximately 5% to the budget costs because we are looking at about \$200,000."

Voss asked about the penalty with Met Council. You have started discussions with them? Davis, "That is correct." Voss asked when do you think you will have resolution or at least a good indication? Davis, "Not for a couple weeks still. If we are going to do a bond issue for this, it wouldn't be in time to get it to the county." Voss said so really all we need to decide tonight is whether we want to bond levy for the difference." Davis, "That is correct." Voss said the suggestion I had and I think it affects our dollar amount and whether or not we have to pay the penalty. What from a financial standpoint, since we have all these different options with all these different affects, it would be good to have pros and cons on all these different options. Voss said because whether it is \$90,000 or \$200,000 it has the same effect, so it doesn't need to be resolved tonight. The question of whether we tax for it needs to be done tonight.

DeRoche, "The problem is, doing all the contingencies and is only a temporary fix. And when that is gone (in about a year), we are still going to have to face the problem. And this is something we have to start looking at now."

Moegerle, "I agree. And, if we get this information later that there is some change with Met Council we can always reduce the tax levy if that is the way we decide to go. But I think we have big issues with 2015 and if we can project some certainty as to how those are going to go. And if we use up our fund balances and our rainy day fund now, we are going to hurt even more in 2015, which I am very concerned about."

Lawrence, "This is the timeline issue with the sewer and water project. And we are supposed to have some ERUs or hookups. But because of the delay and the Met Council agreed to the delay and now we have been discussion this with Met Council. What do you think their viewpoint is on pushing this out for the next year?" Davis, "Well I hate to speculate. I am hoping they will look at it in favorable terms and push this back another year. I wish I could make that guarantee that they would do so. They are evaluating our proposal. I hope they will react favorably to it. But as to what their final decision will be, I am not too sure about that." Voss asked is it a matter of the penalty or the interest of the penalty? Davis, "I think it is just a matter of them wanting to get their schedule too. These charges are what they use to repay their investment in the project."

Moegerle, "I attended that meeting. The first suggestion that Mr. Pickart has to say was, Well go to the Governor and ask for some money." So, maybe he has dealt with them more frequently and has a relationship with them. But I thought that was an appalling first position. I understand that first positions are not always the last positions. But, if the idea is basically to go beg for money from legislature, I am not optimistic. But, this is the first time I met him." Davis, "My feeling is Met Council realizes they are in this as deep as we are. Hopefully they will realize that they need to assist us in making some accommodations in meeting some of our obligations. That is the point we are trying to negotiate with them to try

to achieve some relief from some of these things or at least spread some of these thing out a little further so it will be more affordable.”

DeRoche, “One of my questions has come up a few times. It said that because we choose to go with a smaller water plant we lost ERUs. As a city we would have had to pay for them anyway. So we didn’t really lose anything, it kind of got shifted. If we were committed to 45 ERUs we would have had to make those up anyways. In the 4.8 million that was saved it has to balance out somewhere.” Davis, “The SAC charges that would have been owed to Met Council would have been 40 x \$3,400. So that is somewhere around \$130,000.” DeRoche, “I brought that up, because I read something that was in the paper.” Davis, “What was conveyed to the paper was why the ERUs were reduced from 150, which would have been 75 per year that included the ERUs for the original water treatment plant. No matter how we look at it, it is not going away.” Moegerle, “I am really concerned about kicking this down the road. You hear so much about our children and grandchildren having to pay our debts. Especially with in 2015 more money is owed. If we use our contingency fund, we are hurting ourselves. And we are going to exuberate the problem that shows up on 2015.”

**Moegerle made a motion to levy for the \$201,000 deficit for the 2013 bond payments that are due for the 2010 Bonds and the Met Council penalty. DeRoche seconded.**

Lawrence, “Do we have to levy? If Met Council says we can push it out a year, we can delay this payment?” Davis, “We would still have a deficit of \$91,000 of that \$201,000. \$110 would be due to Met Council and the \$91,000 would be for the bond payments. If we don’t levy for it then we have to go back to some of our secondary sources or options such as general fund budget or HRA monies to meet those payments.” Moegerle, “We can always reduce the levy. This is just putting us in a safe position. So that on December 5<sup>th</sup> we can make a final commitment. But this protects us on that.”

Voss said I would wager that by passing a bond levy it reduces our ability to wager out of paying it. If we just made the commitment to levy for it. That is more of an observation than anything. Voss asked Davis, before the aspect of the changing of the ERU landscape, what was the projected deficit going to be this year? Was there a deficit? Davis, “The original had the amount of 75 ERUs. That was based over a two year period. The first two years had 75 ERUs each. The water treatment plant was changed. We went from 40 ERUs to 1. So that took us to 111 ERUs. So we lost 20 ERUs per year in that process.” Voss asked what does it cost per ERU? Davis, “The cost is \$3,400 per year.” Voss said if I have done my math right, we would have had a deficit of \$68,000 anyways. So the net effect, aside from the penalty is \$23,000 more of a deficit that what we would have projected.

Davis, “There are two portions of the deficit. The \$91,000, the difference of the bond payment we owe. We have approximately \$241,000 balance to carry over to pay for that. We are going to generate about \$360,000 in connection fees in 2013 for those properties in the sewer district. And that will leave the \$91,000 deficit to make the bond payment. The other portion is Met Council has set up a schedule that we have to meet every year and that is the \$110,000.” Voss said setting that aside, since the water treatment plant change, we have \$20,000 deficit more than we would have had. Pierce, “I don’t remember the schedule you are thinking of. But the delay in this project, we were anticipating special assessments coming in 2012. And many connections in 2012. So, we have shifted everything back a year. But, I don’t remember one of the cash flows when the project was put out.” Voss said putting numbers aside, am I correct that we were going to have some deficits for the first few years? Davis, “I think in Bob Schunicht’s projections there was a portion of this project

where there were some deficits.” Voss said what I am trying to gauge is where that \$91,000 sits in comparison. Davis, “I think it is probably more, because as Rita said there is some special assessment income that we won’t get until 2014”

DeRoche, “That is providing that those people that are in the sewer district, the few I have talked to, they are talking about leaving. Are they going to leave or not? Who knows, but then we could be in that much more of a shortfall next year. But, wasn’t Met Council one of the big ones that said, “Give them another year to pay.” And now we need another year.” Davis, “I think we have a very strong argument in that case.” Lawrence, “Whether they agree or not is the question.” Voss said there was the anticipation that this was going to occur. And the first year was a smaller deficit; there was a period of time where we would have larger deficits. And if I remember discussions from a year and a half ago, the options were to levy for it or to find a way somehow within our funds a way to do it. Voss said to me the question is, do we levy a small amount this year. Or do we wait and see how it goes and then levy for it next year? To me that is the question. Moegerle, “I think we need to protect ourselves until we know what Met Council is going to do. Because we can never add more money back to the budget if we need it. We can always say, “We have worked something out and we don’t need this levy.”

Lawrence, “I think if we say okay to the levy, we will have to do it. Because Met Council is going to say, “Hey, you have the money now.” The Met Council approved the year delay, the need to approve a year push back.” Moegerle, “I respectfully disagree. When we see that we have the nerve to do what we have to, to get this paid up. And what this is ultimately going to do to the taxpayers of East Bethel. If the projections that we currently have for 2015 come true, they cannot allow that to happen. They cannot allow 2015 to happen when we have a net negative balance close to \$800,000. I think we need to say, “We are facing the music and you have to face the music too.” Voss said along those lines then, I am not saying I support it, but what makes more sense if the bond for \$91,000. And then if we get stuck with the penalty, well we need to work it out with our contingencies and it will be a cost we all have to share. To me it puts us in a better position of dealing with Met Council.

DeRoche, “I don’t think from the one conversation I sat in on, that Bryce cares one way or another.” Voss said you just have to keep in mind that Met Council was a partner in all this. They have a vested interest in the success of everything the city is doing. DeRoche, “I ?” personally think the numbers were escalated a little from what Met Council knew. Because if I remember right, the city had to submit this two or three times before the Met Council accepted it. Until it scored high enough. So at what point did it the city say we are going this high and Met Council said, “Let’s do it.” It was in the newsletters, that this thing was kicked back because there weren’t enough numbers.” Davis, “At this point, this could go above Bryce. It could go all the way to the sixteen members that sit on the board. We don’t know.”

Moegerle, “I went to that board meeting and spoke at public forum about this and that seemed to kick start Bryce’s interest in talking about this. I think that this City Council needs to be more involved with the Met Council so that they appreciate the dire circumstances we could be in in 2015. If we take responsibility we encourage them to take responsibility.” DeRoche, “And reality is, things are moving south of us. Be it gas prices, cheaper homes, who knows why. We have to assume things might not develop, just because we put infrastructure in, they may not come to East Bethel. And so we still have these bills to pay, so why wait until we are up against the wall to do it. Why not try to plan now and start working towards that. Because whether I am on the Council in two years or not doesn’t matter. We should deal with it now.”

Voss asked Pierce is there a benefit at all from a finance standpoint, with interest rates and bond rates, with bonding for this now rather than taking it out of contingency. We aren't talking about a lot of money. Pierce, "You know, we are earning so little interest on our funds right now." Voss asked but how much would we be paying on a bond? Pierce, "Met Council's interest rate is 3.6%." Voss said so using funds that are virtually making nothing as opposed to paying 3% for the cost of that money plus whatever fees we have to pay. Our contingency in our general fund is at 50%. If we were to take this out of the general fund, what percentage would that bring us to? Davis, "Probably low 40's." DeRoche, "And that would only be for one year?" Voss said yes, for only one year. Moegerle, "But that would reduce our opportunity to bring businesses to the City by doing this. We could use this money for incentives, tax credits, TIF districts and other opportunities." Voss asked don't we have money in our HRA that EDA could use for this? DeRoche, "This money is going to be used for helping people upgrade their non-compliant septic systems."

Davis, "We need to clarify if we are talking about doing a levy or a bond levy. If we do a bond levy it would be for a number of years. If we do a levy, it would just be for this year. If we are doing a bond levy, we have to pass a resolution." Voss asked the motion was bond levy? Moegerle, "No it was for a levy." Pierce, "We ended up with at the end of 2011 with \$2,250,000 in our fund balance. Our policy states that our fund balance should be 35% of our tax levy. If we reduced it by \$201,000 we would still be at 58% of next year's levy. It is different. Most auditors' look at budget."

Moegerle, "The other thing is we haven't passed the ordinance that requires people to hook-up. Do we know that we will have sixty-seven ERUs in the sewer district hook-up next year?" Davis, "We won't know until it happens. There could be one or two decide they are going to move somewhere else." DeRoche, "It is other people's money we are playing with. If you don't start planning for now, it will be "Bang" and we will be cleaning it up. I wasn't on the 2010 Council and I didn't pass this, but I am here now and I have to deal with it. We are going to be sitting up for the next two years trying to explain to people why things are the way they are." Pierce, "If we took last years and broke even, we would still be at 42% of next year's budget. State Auditor suggests between 35 and 50." Moegerle, "Here is the problem. If you start whittling away at that and then in 2015 when we have to come up with 1.2 million dollars." Lawrence, "Are you guaranteeing there will not be any growth whatsoever?" Moegerle, "I am not saying that. You have to plan for the worst case scenario. What I am saying is you might not be here but in 2014, but, Bob and I will be here looking at what are we going to do about the shortfall we saw in 2012? If we take that cushion away now, it will be that much harsher."

Voss said so what you are saying is you would rather tax the residents now even though we have such a large cash reserve, because you might need that cash reserve to augment something in the future that we are going to tax for. Why would you tax residents now for something you don't know is going to happen? Moegerle, "We have projections of that shortfall and if another Aggressive Hydraulics comes here and asks "Can you help us?" and we have used up all that cash that otherwise could have helped them move to East Bethel. At this position today, we have to help ourselves and if we are not in that position in December and I hope we are out of it." Voss said to me, it has the appearance I have all this money in the bank, but yet I am going to borrow to pay for something. You have all this money sitting around. You are guessing on what the world is going to be in two years. What dire straits you say we are going to be in, in two years. Voss said you are describing that in a period of time we knew was going to be a deficit in the project and to take a knee jerk action that we

have to go tax for it and not use the reserves that we have.

DeRoche, “The analogy that you used was we won’t even need the existing businesses to hook-up. We are going to have so much development.” Voss said he would like you to present those statements. DeRoche, “And all we heard was “If you don’t hook up, you don’t pay. We are banking on new businesses and all the ones that are here, those 67. We are trying to keep the existing businesses across the street.” Moegerle, “I think this is a safe medium step. There is not a guarantee from Met Council and we need to be able to provide alternatives to businesses that come to us. By December 5<sup>th</sup> we should be able to make a decision whether we need to keep that levy. But we need to have that as a possibility in our toolbox.” **DeRoche, Moegerle, aye; Lawrence, Voss, nay; motion fails.**

**Voss made a motion to adjourn at 8:56 P.M. Lawrence seconded. Lawrence, Voss, aye; DeRoche, Moegerle, nay; motion fails.**

Council Reports – DeRoche

DeRoche, “Contractors have been over working on the beach roads. A lot of people have been complaining about the inconvenience, but now they are happy campers. They are proposing next week as the finish. If you have anything of value on your boats on the lake, don’t leave it out there. There are people cruising the lake looking for things to steal.”

Council Reports – Moegerle

Moegerle, “The EDA met in a productive meeting last Wednesday. While we still haven’t been able to get everyone on board to work towards a vision other than “We need business, we did come up with a list of businesses that we would like to attract to East Bethel. We are working on putting a packet together so we can make contract with developers as well as those businesses. There was a conference with Bryce Pickart and, as I told you the first words out of the gate were “Go to the legislature and ask for money to pay for budget shortfalls.” Then he said something surprising. The discussion was whether we could have that plant treat septage. He said “The plant is a waste water collection system, or water reclamation plant. There was never the plan to treat bio solids. Treat the water into drinking water quality and to re-inject into aquifers. However, the bio solids are going to be transported to Fridley to go to Pigs Eye where they will be treated.” So they are not interested in accepting septage in East Bethel. We had a meeting today, teleconference with Civic Plus and we have a much expedited schedule for getting photos of East Bethel. We need photos for the website. Please if you have photos send to us. Also will be doing a brief survey on our website about what websites you like within a week.

Council Reports – Voss

Voss said with your issue on waste water treatment plant. It is a waste water treatment plant. What comes out of septic tanks is solids, so it makes sense what they are saying. There was never going to be a digester there. Moegerle, “WWTP was all over the minutes of 2010.I never knew there wasn’t going to be a digester there.” Voss said I am just trying to clarify.

Adjourn

**Voss made a motion to adjourn at 9:02 PM. Lawrence seconded; all in favor, motion carries.**

Attest:

Wendy Warren  
Deputy City Clerk