

EAST BETHEL CITY COUNCIL MEETING

July 5, 2012

The East Bethel City Council met on July 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 July 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 July 5, 2012 City Council Agenda. Voss seconded; all in favor, motion carries.**

Presentation – Davis explained that representatives from the East Bethel Seniors group are present to donate
Res. 2012-33 \$5,000 to the City for an electronic reader sign.

Accepting

Donation from **Voss made a motion to adopt Resolution 2012-33 Accepting the Donation from the East
East Bethel Bethel Seniors in the amount of \$5,000 for an electronic reader sign. DeRoche
Seniors 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 comments so the Public Forum was closed.

Special Order Davis explained that staff was informed by Aggressive Hydraulics on June 26, 2012 that the
of Business - appraisals for the land and building for their project at 18800 Ulysses Street in East Bethel
Aggressive were returned at a lower value than they had anticipated. The appraisal was hindered by the
Hydraulics lack of comparatives for this type of building and the depressed real estate market. As a
GAP result, Aggressive Hydraulics is restricted in their ability to finance the project based on its
Financing value. This problem is further compounded with the need to obtain this financing within the
Request next 30-45 days to keep the project on schedule and avoid the risk of the project not being
able to move forward.

Their bank, BankCherokee, and the SBA are able to provide financing for 90% of the lesser of the project cost or appraised value of the land and proposed building. The project costs are estimated at \$4,843,971 but the appraised value has come in at \$3,650,000. This caps the bank and SBA financing at \$3,285,000. In order to make up the difference, Aggressive Hydraulics will utilize the sale of an existing building for \$550,000 and provide an additional \$100,000 to increase their contribution to \$3,935,000, leaving a funding gap of \$908,971. To further reduce this deficit, Aggressive Hydraulics will use the proceeds of the sale of an additional building at 1580 94th Lane NE, Blaine, MN, and a subordinate loan from the Metropolitan Consortium of Community Developers to generate additional capital and to reduce the financing gap to \$481,051.

Aggressive Hydraulics only recently became aware of this situation and informed staff of the need for this request on Wednesday, June 27, 2012. This matter was presented to the East Bethel EDA at their meeting on the same evening and the EDA, through a motion, recommended that Council consider working with Aggressive Hydraulics to attempt to assist them with financing their needs. The EDA recommended no dollar amount in their recommendation, only the willingness to consider their request. The EDA's main concern was the question of whether Aggressive Hydraulics had exhausted all other possibilities for sources for funding the deficit.

Aggressive Hydraulics has been requested to produce the following information:

- 1.) A written request for the financing and the amount;
- 2.) An explanation as to the appraisals lower than expected valuation and a review of the appraisal process;
- 3.) A statement indicating that there are no other sources of financing available that are viable options; and
- 4.) A review of the estimated project costs to insure that all economies have been accounted for in determining the real estate acquisition and construction expenses.

Any agreement for assistance that is proposed for Aggressive Hydraulics would have to incorporate securities that protect the City's interests and those could include but not be limited to maximizing our position in any type of loan/mortgage agreement both for real estate and fixtures, corporate or personal guarantees or other acceptable collaterals.

Paul Johnson, president of Aggressive Hydraulics, "I appreciate the time you have given us. This journey has taken two years. Initially it began with looking for an existing facility in the Blaine area. I have been a long time resident of East Bethel, going back to the 60's. Because there was not a building that suited us, that would make sense, we came to the process of looking at building our own. If we found an existing building we would have been tasked with making revisions and updates so it would meet our needs; updating it to make it more commensurate with what we need. Tasked and faced with certain concessions, but it would be a better situation than what we have today. We are currently operating out of three buildings. We have a desire to get under one roof for efficiency and a better, safer environment. We have excellent prospects for growth and our growth is being hindered. So it is a prosperity situation for retention and job security for the people we have and putting us in a position to grow.

We are approved for the money. We applied for a \$5,000,000 loan. Our company has the wherewithal to float this loan based on our history and our cash flow. We knew that would be high, but there are a certain amount of expenses including infrastructure, hoists and a paint line that would put us in another level then compared to just being under one roof and adding square footage with the ability to expand. Initially, we were going to include some of this infrastructure in this project and we were concerned about the appraisal not coming in as desired, so we decided, "Let's not add things that are not going to add value to our appraisal. Let's do a separate loan and maybe finance some internally."

Going forward, again we were looking at Blaine and East Bethel, pros and cons to each. But, for us cost wise, it was a better situation to come to East Bethel having a build ready lot, understanding some of the dynamics going on with the City now. As a resident, and with a company representing six partners, four of whom are residents, we want to be stewards of the City, do the right thing and be part of the solution in terms of utilizing the services that are being put in place. So, we choose East Bethel and began doing our due diligence the first

part of the year. I worked with Curt Strandlund of Classic Construction but we were not sure where we were going to go at that time.

Going through this process, I wish I knew then what I know now. We went through the appraisal process and when we got the numbers back I wish I would have known that I could have challenged the numbers and I am going to let our banker, Roger Hamilton from BankCherokee speak to this. When we were going through the design for this property there are lots of different designs to use for roofs, for lighting, for walls (tip up walls, precast, block) as I am sure you are aware. We were told by some people you have to go at least 24 foot clearance because that will help you for resale value. Well we don't need 24 foot clearance. We went through the process of designing the most efficient.

I started Aggressive Hydraulics ten years ago today. We have grown ourselves to a 12 million dollar a year company. We are entrepreneurs, hard working; we didn't pay ourselves for two years. That was part of our strategy. Being resourceful and we didn't work with a bank for two years other than a checking account. The first banker we started working with eight years ago was Roger. Every step of the way in this design we were looking for best value. We didn't want to make compromises, but we didn't want to add fluff. Our offices are professional, but functional. We don't have ceramic tile, we have colored concrete. The subcontractors that Classic Construction has used for HVAC, for parking lot, for the wiring (in this facility there is \$400,000 in wiring, one of the things we don't get credit on an appraisal) used the low bidder in most. We knew we could absorb a couple hundred thousand.

The premise for us being here today, it would be disingenuous and disrespectful for us to say to Curt, "We can't do it, it's not going to work, and we can't get it done." We want a new plant; we want to build in East Bethel. We are trying to figure out what the opportunities are. We have to figure something out. This is not about ultimatums; this is early on in the process. Jack did mention a 30-45 day window, that is to keep it on schedule, but I would rather it takes a 2, 3, 4 months and we get it done, then we don't get it done. Part of our rationale on building is material and labor isn't going down, it is going up. We consume thousands of tons of steel in our business and we know what steel is doing. There is nothing specific we are looking for, we have some ideas. We respectfully request assistance in helping us bridge this gap. We have done things to reduce it, including the landowner has reduced the cost."

Roger Hamilton, senior vice-president of BankCherokee, "We are a family owned bank, and been in business for over 100 years. We have four offices in Ramsey County, one in North Oaks and three in St. Paul. We are very committed to working with small businesses to help them meet their financing needs. Whether it is credit lines, equipment loans, real estate. We don't do a lot of investor type facilities; we focus on owner occupied real estate. I have 28 years of experience and came over to BankCherokee 2 ½ years ago. I have worked with Aggressive Hydraulics for the last eight years.

The issue that has come up recently is the gap in the cost of project and the appraised value. We could have done more due diligence on our part earlier in the process so that Paul might have been able to flush some of this out a little bit earlier. When we had the actual cost numbers, we called and talked to a number of appraisers. And what we heard from those appraisers consistently based on the challenges with finding sales comps of land and a building that costs \$70 a square foot, that we shouldn't be surprised to see values in the \$55 to \$60 a square foot range. We passed that on to Paul (he is an optimist by nature) and he

said, "Well let's get that appraisal done and we will find out exactly what we are looking at."

We have a list of commercial appraisers that the bank works with, so we get multiple bids. Every one that we work with is someone that the bank is comfortable with because they have a good track record with us and a lot of experience. So, we went with an appraiser that has about 30 years of commercial appraisal experience, and the value, based on the three different approaches, cost, sales and income approach came back at \$58 a square foot. Based on what we had been told by the other appraisers, it is not entirely surprising. When you look at the three different approaches of appraising, it is pretty set for the income approach. Where I think there are much more variables in the sales comps. That had to use comps that range from Lakeville to Monticello. Then, based on their professional judgment the appraiser makes adjustments. The financing vehicle here is the SBA 504 program. We have used this extensively for owner occupied businesses and it provides two key benefits to the businesses. A 90% loan to appraised value is a significant benefit. This compares to what is normal bank practice to lend about 75% of appraised value. So there is the ability to leverage the real estate with the SBA behind the bank and the borrower also gets access to attractive 20 year fixed interest rates.

With the value of 3.65 million, the bank and the SBA are able to finance 90% of that, we were able to refer Paul to the Metropolitan Consortium of Community Developers. That is a non-profit that recently changed a loan program that was capped at \$40,000 to \$300,000. There is a Small Business Initiative Program that provides a 70% guarantee. They agreed to come in behind the bank and SBA. So that when you look at the leverage that is being created here, Aggressive Hydraulics is borrowing 98%. I can only speak very highly of Aggressive Hydraulics and the leadership Paul provides. He is a straight shooter and an exceptional person to work with."

Voss asked part of the funding mechanism is the sales of existing building? Is that two buildings? Johnson, "That \$550,000 represents one building. We have two, we occupy three, and we lease one. We have a neighbor next door that is very interested in this building. We haven't signed a purchase agreement; we have an agreement in principle. He did a Phase 1 Environmental. I had it surveyed. We have a lot of equity in that facility and he is going to connect to it. He has some title work to do and he is somewhat flexible. I had a meeting with him a last week, to let him know we have some issues we are dealing with. We are in a unique situation where he wants to buy it as soon as possible. That gives us an influx of cash and we had this all along. It is nothing new. We can rent that back from him until we get out.

We do have one more building, it is about the same size but we don't have as much equity in that. It's a situation where it is hard to list a building and sell it when we don't know when we are going to be out. And of course we want to make sure we have a deal but together before we go from three buildings to one. And it is 10,000 square feet instead of 60,000 square feet." Voss asked is that the 1610 building? Johnson, "No, it is 1580." Voss said where I was going is the surety of those numbers. Sounds like in your discussion in terms of your neighboring business you already have discussed what the price will be. Johnson, "We have a price." Voss asked and that won't change? Johnson, "Other than signing the paperwork, that won't change. We have a great relationship, that is not speculative." Voss asked as this goes forward what are the chances that those two numbers could change such that your funding gap is even larger. Johnson, "I can tell you that those numbers are as solid as they can be. Our neighbor wants to get in there bad. He has three buildings that are connected. This will be his fourth building. He wants to take it down, close it, so he can

work on his title work. He could use it now. That is a solid deal. We have equity. It is a corner lot and has all the things you would look for. We have \$200,000 to \$300,000 is our equity in that building. We were thinking about keeping this building and leasing it out. But in light of what happened, we knew that we needed these funds. We thought the MCCD might make us pledge these funds back to them, but they did not give us that requirement.”

Voss asked so as identified in spreadsheet the funding gap is \$481,000? Johnson, “Yes, that is correct.” Voss said and your discussion about the additional building, are those funds in this formula? Johnson, “No, they could help bring it down, but we need it up front.” Voss said you mentioned that MCCD didn’t put any kind of qualification on their funding for you. And one of the options that are presented to the City is basically setting up a loan program for Aggressive Hydraulics to fill that gap. Voss asked would the proceeds from this building, would you be comfortable using those in this additional building, those proceeds, would you be comfortable to help pay down the loan if the City does make a loan to you? Johnson, “Pledge that equity to help pay down the principal on a loan, yes. In the process of finding the MCCD, before the appraisal came in and went through the due diligence processes they go through our finances. We thought that would be a contingency. There were other avenues that were available. There are pretty stiff requirements in terms of minimum wage requirements, etc., for the contractor and that doesn’t help or situation here. Certainly the SBA Loan has the basis for job creation. And that is why we are doing it.

One option we thought that seemed to make sense was Tax Increment Financing. So that we aren’t pulling money out of anyone’s existing funds, but a bond is issued and the incremental difference is paying for that. We are still paying taxes, still paying all the City sewer and water fees, big consumer of electricity. Don’t know if that has ever been discussed within the City of East Bethel. I was under the impression that it was an incentive for a City to set up a TIF zone to say “Hey look what we can do for you.” Early on in this project, I know I had this conversation with you and you weren’t looking for this type of project. I never thought we would be having this type of conversation. I thought by now we would be having a groundbreaking ceremony. We thought we would have closed in the land, on the building in Blaine. That got pushed out because of the design process, etc. Since found out that TIF is solely for these purposes, where there is a gap. Don’t know what the options are. We would like this to be mutually beneficial for everybody. For us and residents of East Bethel.”

Moegerle, “This was presented at the EDA meeting. And at the same meeting, a representative from the Greater MSP was there. So you are connected with them and there is meeting on Monday. I am real interested in making this a success for you. I think you are an important community member, as a resident, but hopefully also as a business. So I am open to considering whatever we can do within reason.” DeRoche, “I am open to look into it.”

Davis, “I gave you an article that was in Minnesota Business late fall, and Aggressive Hydraulics was identified as the emerging manufacturer of the year. They do have some impressive credentials. This is something that we haven’t had time to analysis all the numbers. I would like to recommend to Council that they consider Aggressive Hydraulics request for financial assistance and ask staff to prepare some different financing options that may be available and present these at our next meeting. We have already started some of the process we have a meeting scheduled for Monday with Greater MSP where we will discuss what might be available from the Department of Employment and Economic Development and programs they may have. And then present this to Council.” DeRoche, “This is something we have to look into. There just isn’t enough information on the table right now.”

Lawrence, "Are the numbers pretty hard and accurate of what is before us right now? Is this what you need?" Johnson, "Yes, other than the other building those are good numbers. Hard other than some other things that can present themselves. We have exhausted everything we know of. And the next logical step would be to work with the City and we are not going to rest on our laurels and see what you come back with. We are going to continue and look at other options." Voss said absolutely we need to look at this. He said one of the options you have kind of laid out is a loan through the EDA. Obviously the one of the most important part is the terms. Probably something we need to discuss the next time we need to get together. Voss said so when we do come back to Council, if that is a route we do want to pursue, we should discuss what kind of terms do we want to pursue? And is the mutually satisfactory. Davis, "We would definitely consult with them in the process because if we come up with something that they are unaware of or not in agreement with, we are wasting everyone's time. We have other resources to advise us. Hopefully what we can come up with is a combination of funding mechanisms that will satisfy the need and bridge this gap. It may be TIF, loans, some kind of state assistance or something else we might not be aware of at this time. Voss said what I am suggesting is we wholeheartedly work with Paul and Roger and come up with a plan. Johnson, "We welcome anybody to our operation. We want to make sure it is right. And our ability to make it work, and we can afford it, we need to make sure we are healthy, vibrant employer, and a steward of the community." Voss said we want you here, but we also want you to stay. Johnson, "We are very proud of the company. We didn't get to where we are at by pushing a square peg in a round hole."

DeRoche, "The in person thing is better than just the paperwork. There is a big difference when someone wants to accomplish something and this just put it on paper and say, "This is what we want, here we sent it to you." And they don't bother to show up. Don't get any compassion; don't get anything out of it." Johnson, "Thank you for that. I am new at this." Lawrence, "We need to do some work on the financial part and see what we can do to help you out. Obviously you are pretty good at business. Hopefully the overall will work out on the structure of this." Moegerle, "And maybe we have availability to resources that you don't have. What is your timeframe? Your drop dead date. Is it the end of the year? Obviously, sooner is better." Johnson, "We are not in a position to give you a drop dead date. Our contractor may have some strong opinions on that. We certainly would appreciate a sense of urgency or spirit that would let us know if we can get something done. And we will perform the due diligence to get something done."

Consent
Agenda

Voss made a motion to approve the Consent Agenda including: A) Approve Bills; B) Meeting Minutes, June 20, 2012, Regular Meeting; C) Meeting Minutes, June 13, 2012, Special Meeting; D) Appoint Election Judges; E) Pay Estimate #4 for Elevated Storage Tank No. 1; F) Pay Estimate #4 For Water Treatment Plant No. 1; G) Pay Estimate #14 for Phase 1, Project 1, Utility Improvements; H) Resolution 2012-34 Approving Plans and Specifications and Direction to Solicit Bids for the Coon Lake Beach Overlay Project. Moegerle seconded; all in favor, motion carries.

League of
Minnesota
Cities (LMC)
Conference
Report

Council Member Heidi Moegerle will present a report of the meetings and sessions at the League of Minnesota Cities Annual Conference.

Moegerle, "The keynote speaker was talking about the next generation. And basically she addressed the issue the 30 year olds are doing what 20 year olds were doing a generation ago. So, we are looking at a generation where people want to age in a place where people are not settling down and having kids, buying houses and those kinds of rites of passages. So, what

are cities going to do about that? And I think we have sort of addressed that with the website, because those people are very technologically orientated. There were additional challenges with that. I can send you a little more detailed memo on that.

A couple things I thought were pretty important was the focus on civic engagement. Look around and we have one resident and a staff member. They said, "You really literally have to go visit your businesses and invite them to be engaged. Encourage your residents to be engaged by listening to them, inviting for input." And we have tried to do that through the website and we have talked about that at the website meetings. Identify groups, like we have the Lions and the Lioness and those kinds of things. Go to their meetings to bring them in. Not sure how much of that is being done, but the sense was the more diversity of opinions you get on issues is good and we certainly have a lot of issues that are upcoming.

One of the messages I heard repeated from different sources was "When elected officials get involved things get done that wouldn't ordinarily get done." And one example is my recent contact with Met Council. I said to them, "Why aren't you accepting septic system effluent? I don't understand when 99.9% of the businesses and people of East Bethel are on septic systems but you refuse that waste. You have excess capacity for the waste water treatment plant. We have excess water that needs to be diluting it, why aren't you doing that?" And the response was, "Well, we wouldn't have thought of that. It is kind of outside our bailiwick. We deal with sewer systems. But since an elected official is involved we will look at it much closer." If it is a good idea, it is a good idea, from whomever it comes. In the presentation from Oakdale, "Get elected officials and council people to work, because you can get more done. Using the website for civic education and engagement. We are working on that as well.

Going back to the septic system effluent. I met the Mayor of Montgomery and they have a waste water treatment system that accepts septage. And they are making \$30,000 a month during the summer months just from processing that. So, there is money to be made in it."

DeRoche, "We have always extended an invitation to anybody to come in. If anyone has an interest or idea, come in. I think we have been saying that since we came in here. We don't have a crystal ball and we don't know what they want. If anybody on the other side of those cameras out there, if you have ideas, come in and talk to staff. Call me. The City is facing this infrastructure, we are trying to bring Aggressive Hydraulics in, and there are a lot of things going on. No one person on City Council that can make it happen, has to be a collaborative effort of everyone in the community." Moegerle, "Another thing I heard was about going out and recruiting businesses to come to your community. There is another spectrum of what we can do. But also to engage the public involvement in that."

Park Capital Improvement Plan

Davis explained the City of East Bethel Parks Commission adopted a Parks and Trails Capital Improvements Plan for 2013-2015 at their May 9, 2012 meeting. This plan identified a number of capital projects that should be completed at numerous City parks. From this draft of projects, funding recommendations and revenue projections were developed to produce a prioritized schedule for improvements for the planning period.

The Parks and Trails Capital Improvement Plan have factored in the major downturn in the housing and credit markets that has occurred over the past 5 years. A significant portion of the funding required to complete a number of these projects are generated by the park and trail dedication fees charged as a part of the development process. No additional funds from these fees are anticipated through the remainder of 2012 or projected for 2013.

Commitment to this plan requires the dedication of resources only for 2013. Projects beyond 2013 are identified and prioritized by the Parks Commission to provide Council with recommendations for improvements in 2014 and 2015. Commitment to the 2013 projects is required as part of the 2013 budget process finalized in 2012. Projects beyond 2013 will be addressed in future budget years. This provides the necessary lead time to prepare final plans, specifications and presentations before Council for the following years improvements.

Adoption of this plan for improvements would result in expenditures estimated at \$550,000 over the planning period, 2013-2015. The cost of these improvements would be funded with the projected revenues from General Fund transfers, Park Dedication Fees and Trail Dedication Fees estimated at \$615,000.

Staff is recommending the approval of the 2013-2015 Parks and Trails CIP and the projects as listed for 2013 implementation.

Voss made a motion to approve the 2013-2015 Parks and Trails Capital Improvement Plan and the projects as listed for 2013 implementation. Lawrence seconded.

DeRoche, "I am curious how much money is in the Parks Dedication Fund and how much does the city put in?" Davis, "The Parks Capital Fund balance at the end of the year will be \$0. Those funds will be spent down on a 2012 project. \$100,000 that would fund the 2013 projects would be a transfer from the City. The other \$100,000 would be funded by Park Dedication Fees. The Trails Fund has a beginning balance of \$140,000, there are no dedication fees, and it will be recommended to transfer \$5,000 to keep that active and no projects are projected. DeRoche, "Who owns the building at Whispering Aspen?" Davis, "The City owns the building and Mr. Mundle has exclusive office rights until the project is fully platted out." Moegerle, "How many houses has Mr. Mundle built this year? I thought he was going to be building five this year. Has he pulled those permits yet?" Davis, "He has built one".

Moegerle, "How much park dedication fees do we get? I am looking at the agreement right now and I don't see that." Davis, "Actually we don't get any, it was in the purchase agreement that those fees had already been paid for that property."

DeRoche, "So any playground equipment it is the City's responsibility to replace once it gets worn out or people get bored with it? I haven't been up there so I don't know what the equipment looks like, and it is one thing if it is unsafe." Davis, "This would be new equipment; there is no playground equipment there. Currently there are two tennis courts and a basketball court. This is an area that is the second highest density in the city population wise." Moegerle, "What is the first?" Davis, "Coon Lake Beach." Moegerle, "And they got used playground equipment." Davis, "You are correct, but there were several other improvements were made at that time."

DeRoche, "I am looking at \$100,000 General Fund transfer. And we haven't finished doing the budget yet, so we are not quite sure where things are at. We do have some expenditures coming up. It makes me a little nervous. Maybe it is okay to do the \$100,000 this year, but at some point we are going to have to sit down and say, "You know what, there were some decisions made and we are obligated to certain expenditures. We have to start taking away from something to take care of things that have to be paid."

Davis, "This is the plan we approve and it is for budgetary purposes. What that means is we are going to plug \$100,000 into the preliminary budget for Council's consideration. Council can always not approve this once it comes before us in September for approval or even the final budget in December." DeRoche, "That is fine, but I don't want people to get false hopes. It is always a lot easier to be more conservative than it is to give something and then say, "Oh now I have to take it back from you." People need to get a handle on what kind of situation the City is in. Davis, "We do have a preliminary budget prepared and including this, it doesn't include an increase in taxes. The playground equipment at Whispering Aspen, it is a fairly dense population area. Hopefully there will be some growth in there along with development in the out parcels. We talk about parks and some of them are underused and this is this is one thing we are going to have to address in future. To make sure those that aren't being utilized to their maximum potential or not serving a purpose are either reclassified to other uses and expenditures in them lowered. But also we have to address these situations where there is the need and benefit for the implementation for the work.

DeRoche, "I realize this contract was already done. But has the City asked Mr. Mundle if he is interested in helping with putting the playground equipment in? It is his development, he is going to put the houses up, and he is going to make money off the houses." Davis, "He has not been approached. This park does serve other areas. It serves about 200 homes or units. About half of these are in Castle Towers. About 42 are in Whispering Aspen and the rest are on Fillmore, Skylark and Allen." Voss said this is a city park. Davis, "Yes, this is a City park." Moegerle, "But it just doesn't have playground equipment. What does \$42,000 worth of playground equipment cover?" Ayshford, "That will cover the installation of playground equipment and edging and safety material. Usually a swing set and modular structure. I think the reason the Park Commission looked at this area is because of the smaller lots, so they don't have as much room for the kids to play. Also, people had expressed interest when renting the community center in having a place for kids to go outside and play."

Moegerle, "Where is Whispering Oaks?" Davis explained. Voss said if he recalls right, that is the last park that the residents actually built. Lawrence, "That one is pretty heavily used, isn't it?" Voss said it used to be that the residents would build their own park. Moegerle, "Is that equipment unsafe or is it just age?" Ayshford, "Some of it. Some of it would remain. It still has the old pea gravel surface. They are trying to get away from that." DeRoche, "What are they going to?" Ayshford, "Wood mulch. That is what we are using. Some other cities are using chopped up rubber material." Davis, "The equipment at Whispering Oaks is not unsafe. We do an annual inspection on these. They have passed their useful life. From an economic development standpoint we need to make sure we maintain the parks in a very pristine condition and make sure we maintain the standards we are trying to achieve. This equipment is very, very old and outdated. Even though it is safe, there is rust that is beginning to appear. It is galvanized stuff.

All in favor, motion carries.

Road Capital Improvement Plan

Davis explained the Streets Capital Improvement Plan was developed by the Roads Commission to prioritize street improvement projects over the next five years. The Commission has examined current economic conditions and factored this information into the projections of this report. The Roads Commission adopted the 2013-2017 Streets Capital Improvement Plan at their May 8, 2012 meeting. The plan is presented in the attachments to this report.

Funding for these projects assumes a continued annual minimum General Fund transfer of

\$425,000 to the Street Capital Fund and \$539,836 from annual Municipal State Aid Funding.

Commitment to this plan requires the dedication of resources for 2013. Projects beyond 2013 are identified and prioritized by the Roads Commission to provide Council with recommendations for improvements from 2014 through 2017. Commitment to projects beyond 2013 would be considered as part of subsequent years budgets.

The estimated cost of the Street Capital Projects in 2013 is \$480,300 and \$1,688,968 for the MSA Projects. These amounts are available from dedicated resources in the Street Capital Fund and Municipal State Aid Fund respectively. On MSA this fund is predicated on us advance funding for up to four years, which is eligible under the program. We can advance up to four times the project costs or up to \$3,000,000. These are priority projects that need to be done and we don't have any real pressing projects after those. If this is approved, we won't be able to essentially do any projects until 2017.

DeRoche, "Weren't we looking at trying to get Longfellow changed to MSA?" Davis, "Yes that is projected for next year."

Staff recommends approval of the 2013-2017 Streets CIP.

Voss made a motion to approve the 2013-2017 Streets Capital Improvement Plan. Moegerle seconded; all in favor, motion carries.

Council
Reports –
DeRoche

DeRoche, "The 4th of July has come and gone. There were a lot of boats on Coon Lake. Coon Lake is definitely the attraction, 75 to a 100 boats and the fireworks went off to about midnight. The parade was toned down this year because of the balloon factor. There have been a lot of drownings, so if you are going out on a lake put your life jacket on. And with this heat, be careful; make sure you drink a lot of electrolytes."

Council
Reports –
Moegerle

Moegerle, "The LMC Conference was very valuable. I went to the Cedar Creek Bio Blitz event at the National Landmark. It was very educational and got to know more of the details on what they do on global warming.

The EDA met last Wednesday on the issue of vision. The EDA agreed we need more businesses. Since then I have heard from at least three individuals and they talked about how the city needs to go out and recruit businesses to come. That is another thing that Jack can do, but we are getting very, very thin on how many hats he can wear. Recruitment is pretty important.

I asked Rita about the issue of ERUs. Because the infrastructure project was started with the intention that we would get a grocery store here, and then we would get additional businesses. It was built so we would have a grocery store, and a grocery store would be here sooner or later and we will probably know more about that by the end of the year. My question is where are additional ERU connections going to come from? And I asked Rita if in 2016 which is the year we owe the 1.5 million dollars, what if nobody comes? And she said, "\$2,530,000 in the hole." So where is that contingency money going to come from. We need to be recruiting. If we recruit Culvers to build a burger stand, by the time they buy land, build and open shop, and connect up for the ERUs how much further down the road are we going to be? And how are we going to make that payment in time for 2016.

I would like to spend more time working on ordinances and policies, so that when people do

hook up to the infrastructure we know what concessions, if any, are we going to make for them when they come. When can we start working on these things?" Davis, "Your question is very germane. This is something we should have started working on last year. We should have policies in place for those like we had tonight. We are working on a water and sewer ordinance that will address things such as connections. But we need to work on policies regarding incentives or aids to assist businesses with locating in East Bethel."

DeRoche, "I think what has to happen is we need to have work sessions with Council Members there to work these things out. By the time staff does the write-up and we get a packet on Friday, there is not enough information or a whole lot of time to make a decision on Wednesday. If a situation or idea comes up, we have to have a work session as a Council and look at things and toss them around. Other than doing it up behind these five foot desks." Moegerle, "Can we have work meetings before the Council meetings?" Davis, "We will be having work meetings for the budget. Sometimes you just need a special meeting because of the amount of time you need to review. Smaller items we could schedule before a Council meeting. We will and are in the process of accelerating all these things to meet the demands."

Council Reports – Voss

Voss asked about the budget. He said usually we see the preliminary budget the beginning of June. Davis, "That has traditionally been the first week of July. I will have preliminary information to you in the update and then will deliver the budget to you via the CSO the beginning of next week."

Council Reports - Lawrence

Lawrence, "I have gotten some calls about a property and the lawn not being cut. One house that is an eyesore to some people." Davis, "We do have certain powers under our nuisance ordinance to deal with this. We have done compliance letters and they have until July 2nd to take care of this."

Adjourn

DeRoche made a motion to adjourn at 8:55 PM. Voss seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk