

EAST BETHEL CITY COUNCIL WORK MEETING

March 20, 2013

The East Bethel City Council met on March 20, 2013 at 6:00 PM for a work meeting at City Hall.

MEMBERS PRESENT: Bob DeRoche Ron Koller Heidi Moegerle
 Tom Ronning

MEMBERS EXCUSED: Richard Lawrence

ALSO PRESENT: Jack Davis, City Administrator
 Colleen Winter, Community Development Director

Call to Order **The March 20, 2013 City Council work meeting was called to order by Council Member DeRoche at 6:00 PM.**

Adopt Agenda **Ronning made a motion to adopt the March 20, 2013 City Council work meeting agenda. Koller seconded; all in favor, motion carries.**

Proposed
Amendments
to the City
Water and
Sewer

Davis explained that in order to update our current city ordinance that regulates Waterworks, the attached amendments are proposed for Council's consideration. These revisions will allow us to more effectively administer and manage the operation of the Municipal Utilities System that will be accepting customers in May 2013.

Ordinance

The proposed amendments, developed by staff, were discussed at the Ordinance Committee Meeting on March 14, 2013 and those proposed revisions are outlined in Attachment #2. The City Attorney has reviewed the Ordinance and the proposed changes. Staff, city attorney and Ordinance Committee changes are included in the attachments.

The city attorney also recommends that the City Council adopt a policy on mandatory connection, by Resolution, where municipal services are available. Although that is not needed immediately at this point we should begin the preparation of a draft for that for consideration.

I also sent you a redline copy and a clean copy on Monday, March 18, 2013. Hard copies have also been provided here tonight at the dais in case you don't have them. Staff is recommending the approval of the amendments to Ordinance 44, Second Series as presented in the attachment. This is a work meeting, we cannot take any action. We are just here to discuss the ordinance and review what is presented. I think the biggest addition in the ordinance was requiring a time limit when businesses would have to connect. And in the time, we are recommending that be six months. The other changes relate basically to changes in definitions or getting consistencies with the definitions. And, also, there is a section in there on how buildings and addresses are handled. Again, the major recommendation to the ordinance is the recommendation that would require the connections to be made in six months. That recommendation is done in order to hopefully generate the projected revenue that we had projected for this project. I understand that is probably a point of contention and one that we should discuss.

Ronning, "Would it be out of order to speak about the revenue? Personally I haven't seen any numbers or serious suggestions. There is a number of \$5,600 in here." Council Member Moegerle arrived. Davis, "I am passing out Water and Sewer Bond Cash Flows. The first portion of it for 2013 indicates the amount of revenues we would receive if all the required connections were made in 2013. We were looking at a deficit of \$90,000 to meet our bond payments for this year. The second page is the one that says, "Updated 2013" and this shows what would happen if we don't get any of those connections and we only have the Aggressive Hydraulics connection. We also lose some of the federal credits on the Recovery Zone and Build America Bonds. In that

case, we would be facing a projected deficit of \$412,000.”

DeRoche, “Now aren’t we already in trouble with those bonds because of the sequestration?”

Davis, “We could be. Up to 8.9%. That would amount to about \$41,000.” Moegerle, “On Saturday I had a meeting initiated by State Senator Michelle Benson. I brought that message up to her about the RZED Bonds and sequestration. She apparently knows someone in Michelle Bachmann’s office about the importance of not losing those tax credits. But, of course, it would be beneficial if we all sent her letters as well.”

Ronning, “What is the likelihood of those being retroactive? What is the pressure it will get fixed?” Davis, “We would receive these tax payments in February and August. The one we received in February was for the full amount. The one we would see in August, assuming there is no change. That is when we would see that reduction. So, hopefully they will be able to work it out and avoid that. I just wanted to put this in there to show the worst case scenario.”

DeRoche, “The first thing I have a problem with is the six month time limit. (Ronning asked what page Bob was referring to.) Where the redlining starts, on both documents, page (P6) 3, bottom of the page.” Moegerle, “What is the basis of your objection to the six months?”

DeRoche, “To begin with this isn’t a dictatorship. The second point I want to make is all along these people were told, ‘You don’t hook-up, you don’t pay.’ I know that is ancient history but that is going to be part of this discussion. So, now we are at a point where we are going to put sewer and water in and say, ‘You either hook-up in six months or we are going to come after you.’ I think that is a pretty crude way to go after it, whether it is a business or a resident.”

Moegerle, “But we have regulations that say, ‘You to have to do this or that within 30 days. You have to do it within 60 days. You have to do it within six months.’ There are reasons there are rules. And the reason there are rules here is so that this City doesn’t go belly up and so that the residents aren’t paying for something that benefits exclusively our commercial district. So far, this room has not been filled with businesses saying, personally, they don’t come to this council and say, “Please, please don’t do this.” And they have that right and they have that ability. So, one, they haven’t been here. And two, for the past two years, since February 2011, since we changed the water treatment plant and said, “Yes, we have to go forward with this”, they knew they would have to be hooked up. So, while you might want to go back to 2008 or 2010 that said, “Oh if you are an existing business you won’t have to hook-up, (I agree that was said), but that was a political statement, not based on any facts. And since February of 2011 we have been saying, ‘You are an existing business, you are going to have to hook-up.’ So when we pass this, twenty days, or six months, or whatever we put down, the notice is already out to these people. Not the official notice that says, “Now the time has come”, but it is out on the public domain that they are going to have to hook-up and this will not be a surprise to them.”

DeRoche, “You show me where it delineates between businesses and the residents. Because it doesn’t in there.” Moegerle, “There are no residents there. So far we are talking about the six months.” DeRoche, “Exactly, but at some point it will get to the residents, correct? It is under the same ordinance.” Moegerle, “And there aren’t any residents there right now. That was your thesis when you started this about the six months.” DeRoche, “Exactly, and that is why I am giving you the reason I am saying what I am. And that is why we are going back to 2008. Quit trying to find these excuses. We told people a certain thing. I voted against the sewer and water and what it was going to cost because in my mind, it was going to cost more in the end. Now we are here and I don’t think this six months or even a year is going to bankrupt the City. I think we are in trouble no matter what and we need to work on a way to figure that out. And to go to them now and say, ‘You have six months.’”

Moegerle, “So, we are going to postpone getting that income? And, then when we postpone getting that income that we would get through the loan program or whatever, when we postpone that and there is that shortfall, you know who that is going to fall on the backs of? Every voter,

every resident out there, because these businesses, a lot of them aren't owned by people that live here, and so what happens is we burden our residents. And those are the people that vote. So if you want to go say to them, 'Okay, we are going to give these commercial businesses a pass, but you Mr. Harry Homeowner, you are going to pay for it.' That is your vote. But I will not burden the residents with that." DeRoche, "Are you running for office or something? And I am asking you this for this purpose. If you want to go and say, "Businesses you knew that if you were within the sewer district, you have to hook-up, that is different. But there is nothing in here that separates the residents from the businesses."

Moegerle, "Then your concern is not with the six months, but with the ordinance that doesn't specify between the residents and the businesses. And that is a real easy thing to do." DeRoche, "It is more than that. And as you always say, we have to talk to people. Well I have been down there talking to people. Have you been in there lately and talked to them and got a feel for what is going to happen?" Moegerle, "Which businesses?" DeRoche, "You go down there and talk to them." Moegerle, "Which businesses?" Ronning, "You don't have to highlight which businesses; there are a number of them. I have spoken with them too." Koller, "I have been down there and spoken with them too." DeRoche, "And the mind set is this; 'A few years back Bob, we had money in the bank, and business was good. And then it got to a point where we are running our business on working capital because there isn't enough money coming in. If this goes through, and we get assessed what we are looking at, we are going to have to leave.'"

Moegerle, "And have you looked at their financials and has that been proved to you? Because that is a great anecdote, and that is really easy to say, but if that is what it comes down to, then why aren't those people out here picketing us saying exacting those things?" Koller, "Because they don't trust the City Council anymore because we keep changing the rules. After I was out there being told three times myself that if they run the sewer down the road you won't be forced to hook-up to it." Moegerle, "And you are not going to be forced to hook-up to it." Koller, "It says right here I will be." Moegerle, "And that is a real easy thing to change, to put in that this is limited to businesses. That is real easy." Koller, "But it is not in there." Moegerle, "Okay, so where do you want to put it?"

Koller, "Personally, I don't like the mandatory at all. I have talked to business owners too, and I haven't found one that wants it." Moegerle, "It is not a matter of wanting it, it's here." Koller, "Than maybe it shouldn't be." Moegerle, "Than you take it out and your \$9,000,000 or \$50,000,000 to rip it out of there. It's yours." Koller, "I voted against it." Ronning, "That is very easy to say." Moegerle, "I did too." Koller, "I came up to the City Council and told them several times that I didn't want it. And the room was packed with people and not one of them wanted it. And it was pushed through." Moegerle, "Everybody that has been here has said exactly the same thing."

Ronning, "Once I was drafted, I wasn't going to not start it, I wasn't going to not finish it, but you don't say, 'I am not playing the game.' Once you are over there, you are over there. I understand what commitments are, I understand the person that made the commitment isn't always responsible, but the administration of the commitment is an open issue. I spoke against this last week when we were meeting, I intend to do it now and I intend to do it in an hour and a half again. When I look at, there were ten change orders for Weidema, plus a one year delay that cost us a bucket of cash. And if we are going to treat our residents and businesses worse than that, there is something wrong with us. I am looking for a more palatable way, easier way to swallow this thing. I suggested that and I don't know what it is. But, if we can bend over backwards for that (Inappropriate Language) we can do something for our own people."

Moegerle, "And, I don't think we ever did. When did we bend over backwards for the (Inappropriate Language)?" Davis, "In my opinion we never bent over backwards for Weidema. We were placed in a very difficult position. The change order that caused the most heartburn was

the one for the fuel adjustment and the adjustment for the increase in pipe. That was an approximately a \$330,000 change order split about halfway equal between both of those items. It was one of those things that were very difficult and we were advised that we didn't have a legal standpoint for denial on it. We could have chosen to fight it in court, but we felt it was easier and cheaper in the long run to go ahead and do it. The total dollar amount of change orders for the project has been less than \$300,000. Most of the change orders have been on the negative side. I understand where you are coming from."

Ronning, "I expect you are going to know more about it than I am. But, the number I remember sitting out there was \$300,000 for the fuel. It was close to 100,000 additional gallons of fuel. If he is in business for this stuff, he shouldn't underestimate this kind of stuff by 100,000 gallons." Davis, "Actually, the change order, only half was fuel cost, the rest was what he claimed pipe increased between when he bid the project and when he was authorized to start the project."

Moegerle, "Tell me about the issue of the word 'business' versus 'residents,' versus 'everybody' is not included in the changes we have in this ordinance." Is that because the possibilities of high density housing might go in?" Davis, "We can't limit this to businesses. I think the key on this is where it says service is assessable. Does that mean if we extend service up the corridor and there is a new residential development, do they have to hook on? If we go by somebody's home, it has always been the policy (it has been stated in minutes, etc.) that residents don't have to hook-up. Maybe that needs to be clarified." Ronning, "It is clarified in here. It says they will." Koller, "You are running a forcemain to Castle Towers and every residential property along that line will have to hookup." Davis, "That would be impossible unless you put a pump station in. If that is something we need to clarify, we can do that. If you are an existing resident, you are not required to hook-up." Koller, "It does not say that. Is that something we change?"

Moegerle, "Do we want to define Customer as 'businesses or developers of high density housing'? We can add that to the customer definition real easy. That is a real easy fix." Ronning, "Section 74-191 Sewer Availability Charges, subd. A, minimum charges for the availability for sewer service (new language) the city sewer availability charge (SAC) and the Met Council Environmental Services (MCES) SAC will be imposed for all premises abutting streets, or other places where City sewer pipe or lines are located." Moegerle, "Okay, so then this goes back to our definition section. Ronning, "And further, it is based on the smaller sized lot. If someone has ten lots, they are going to pay ten times. That is what it says in here."

Moegerle, "We also need to look at the assessment policy. But, let's go back to the definition for customer, 74-122 or do we want to have the change in 'real property'? We have this issue that we know we want it to apply to businesses and high density housing. That is very clear. So where do we add that? In the definition of 'customer,' or as a separate definition?" Ronning, "One thing I know about language, is that if it doesn't say it, it is excluded. It isn't there. It just says everybody." Moegerle, "And that is why I am suggesting we add a new definition so 'all' means 'businesses and high density developments.'"

Moegerle, "Do we have a definition of 'Sewer Availability District'? From a zoning standpoint?" Davis, "No." DeRoche, "I thought that was the ¾ mile on each side of Highway 65." Moegerle, "Right, but it is not in our ordinance."

Ronning, "Here is a real life example. There has been discussion about Our Saviour's connecting on Jackson. If it goes up and goes south past Bud Anderson and four other homes there, they then are connected to utilities." Moegerle, "We are talking about the language so they don't have to do that. I am saying 'How are we going to solve the problem so we don't have individual homeowners connecting up?' Let's focus on that problem." Davis, "Why don't you just put in there: 'Except for existing residents that occupy and set the date effective as of today's date.' So that anybody that is an existing residence as of today's date is exempt from connecting."

Ronning, "One of the hazards of that is when we go and change it, they say, "There they go again. The (Inappropriate Language) did the same (damn) thing they always do. They make it look good and then they stick it."

Moegerle, "Let's focus on the problem instead of politics." Ronning, "This whole thing is a problem." Moegerle, "Let's quit going back to December 2010 and go to the problem you have stated: 'Businesses versus residential.' Okay, let's do a definition. Is it a definition of an area? Are we talking about 'Real property for this section means commercial property?'" Ronning, "That is what you wanted in, real property."

DeRoche, "Maybe what we need to do is I talked to the City of Andover and asked them how they work mandatory connections, how do they deal with that? Talked to Forest Lake, Anoka and Andover. Moegerle, "What expertise does he have about the City of East Bethel? And you didn't rely upon your City Administrator who knows about our situation?" DeRoche, "Sure, Jack and I have talked about this. You make the statement that, "You don't trust staff". We are coming into a new situation here that should have been taken care of before and it wasn't. We can't read a book and say, "Geez that is the way things are going to go." We need to feel off of other cities and say, "How do you do it, how does it work. Do you make it mandatory hook-up?" Moegerle, "And what did you find out?" DeRoche, "I found out that new developments will hook-up. They do not come up to Harry Homeowner because the sewer goes by his house and if his system works, they don't say, "I don't care if your system works, we are going to make you hook-up to this one because we are here." Moegerle, "That is exactly what we have been saying all along. What we agree is there is a deficit in what we are saying here. Why don't we focus on the problem at hand on getting the definition such as: 'Mandatory hookups will be for existing commercial businesses and all other developments'? Why aren't we focusing on that problem instead of making political statements?"

DeRoche, "We are Heidi. You know what else we need to focus on? Remember all the problems we sat in with meetings with people at Whispering Aspen who got stuck with those high water bills because of that?" Moegerle, "This is not on the agenda. On the agenda is this ordinance." DeRoche, "That is part of it, because the same thing could happen down here. We are going to have so many people and so many commitments and say, "Just because we don't have enough people we are going to sock you more for your rates." Ronning, "Our water estimates that Landform did a consulting thing. Blaine came in the cheapest, like \$47 a month and we were between \$115 to \$120 a month."

Moegerle, "Apparently we want to discuss about the philosophy of this and our unmet fees. So let's go around one by one and discuss this. How we are going to have these unmet fees and how we are going to pay for them and who is going to pay for them."

DeRoche, "I don't sit back and put my own philosophy in. I try to take the philosophy of all the people of the City. Because you know what?" Moegerle, "State the philosophy you support if short." DeRoche, "I understand there is a problem. But, I also have a problem with just coming down and saying, "You know what? A lot of the businesses if you recall spoke up and said they were glad the sewer and water was coming in because it was going to make their property worth more. It is not that I feel bad for them, because whatever commercial doesn't pick up, residential is going to have to." Moegerle, "I am going to have to ask you to answer my question." DeRoche, "I pass. Heidi, you are not going to be happy with anyone's answer because it's got to fit your vision." Moegerle, "What is the approach that you support? Not all of the background, because we have all of the background." Ronning, "I am going to interrupt. That is one of those, "Is it true you stopped beating your wife questions." Moegerle, "We have to solve this problem."

Ronning, "The answer is it is not going to happen, it can't be done." Moegerle, "So then let's

turn off the lights, let's all walk away and let the City go black." Ronning, "How much do we have to pay this fall?" Davis, "\$708,000." Ronning, "How many businesses would it take to pay that at \$50,000 per hook-up to connect?" Davis, "Fourteen businesses." Ronning, "We are looking to bring business in. If we run them out, a lot of them rent, when we are trying to get them back in. A lot of them are saying they recommend nobody comes here." DeRoche, "I thought we originally talked about helping the people on the east side that is why we ran stubs over there. And when the \$750,000 was coming back from the HRA finally, it was to help them hook-up, clean up the businesses, do whatever we have to, to has to, to get those ERUs. Now, what has been done to do that?" Moegerle, "At this point it is my understanding that the east side is not part of the initial hook-up? Is that correct?" Davis, "That is correct." Moegerle, "So we are just dealing with the west side of 65 today."

Koller, "Is Village Green involved?" Davis, "No." Koller, "Why not?" Davis, "They were not delineated as part of the initial sewer project area. You ask a great question. We all wondered why. Why wasn't Village Green required to hook-up? Why didn't this project incorporate all the businesses on the east side, on the west side?" DeRoche, "And the northwest corner of 22 and Highway 65." Davis, "But it wasn't listed as an assessable property. It will only be assessable when it is developed. The only people that were mandatorily required to hook-up and sent the 429 notifications were the businesses in Classic Commercial Park. The bank, Marathon, theatre, etc."

Moegerle, "Can we send the 429 notices out now?" Davis, "You only get one shot at the apple. The only way to get this to pay for itself is to get a customer base established before you decide to spend the money. Then you can see what kind of revenue it will generate before you issue the bonds, so you know if you can pay it off. If you can't you don't do it. In this case it wasn't done." Koller, "According to Bolton and Menks feasibility study they gave to the Council, there is no way it is going to pay for itself." Moegerle, "We can keep fighting that, and it is absolutely true. But we have an opportunity here to start working towards paying for it so it is not on the backs of residents." DeRoche, "We are Heidi, but you have to understand that you and I and Richard have been at this for over two years. We have had a chance to vent, and work on things." Moegerle, "This doesn't move the City forward on what it needs to get done and makes us look like a bunch of yahoo's frankly." DeRoche, "That is your opinion."

Davis, "If you want to address the question of residents maybe this could be included in there: 'With exception of tax identified property owned as of [today's date]' or whatever date you want to put in there."

DeRoche, "You got the six months mandatory, I got to hope the banks are going to work with these people if we can't come up with a good enough program for these people. Moegerle, "You have to remember that our revolving loan program is designed to be a last resort program. Jack will you address the issue of what the local banks have said to you about helping with that?" Davis, "The local banks have indicated that they will be willing to participate at a very competitive interest rate. People will have to meet stricter requirements for a bank loan. That is why we want to have this City SAC and WAC Loan in place so that if you can't get a bank loan, then you have a last source of financing resort to go to. And then the security on the loan would be the tax assessment should they default. But, the banks are willing to consider loans for this. We don't want to compete with the banks on this." DeRoche, "Has this been discussed with the businesses so they know this option is out there? That the bank may work with them?" Davis, "It hasn't been discussed with the businesses because we don't know if we are going to be able to offer anything to them." Winter, "Peoples Bank and Village Bank are supportive of this, however, they have said that if it is part of something else they are doing with the business it will probably be easier for them to throw that financing in as part of whatever they are doing to the business. If it is just going to be for SAC and WAC, because of the regulations banks are under, it will be a little more difficult for them to justify for them to give people money for that part of

it. That is the other side of the revolving loan fund you have to look at. It's another option they would have to be able to go to get specific financing for that."

Moegerle, "Here is a proposal for 'real property' to be used only in this section: 'Real property means all real property except real estate owned by individual homeowners for residential purposes as of March 20, 2013.'"

DeRoche, "That is fine for a definition of real property, but the six months thing, I don't know if they can get it done in six months. I don't want to close someone down because they can't get it done in six months." Moegerle, "As a practical manner, in our experience working with homeowners that have blighted properties, have we jacked them around in six months? We don't have the reputation or experience in doing that." DeRoche, "We aren't always going to be here. We need to look in the future and how else many be sitting up here and taking their own interpretation of this. So to me, if it is not in writing someone can do whatever they want." Davis, "The six months is only applicable for the existing businesses that have been notified they have to connect." DeRoche, "I am looking out for the businesses that are here now. We have enough empty buildings. I understand the developers are going to know they have to hook-up. For right now, these businesses that are down there, the smaller places may have a tough time coming up with this in six months time." Moegerle, "So what is your proposal? Eight months? Ten months that the residents are going to support these people? They are going to be supporting the infrastructure, paying that debt."

DeRoche, "They are going to be paying it no matter what. I think the time limit is the problem. It depends on how much we are going to work with them. People were so distrustful of the old Council and administration that they don't understand that people are willing to work with them. I have dealt with this." Moegerle, "What is an appropriate time?" Ronning, "We will give them what Weidema got." DeRoche, "Six months to me, I don't know if they can do it. Maybe the banks can't deal with them because they aren't building anything else. Met Council has its own business down there. Do we know who the actual businesses are that own the actual properties down there?" Davis, "Met Council leases an office out of there. It would be easy to find out who the property owners are over there."

Moegerle, "What if instead of six months, let's give them through December 31, 2013? That gives them nine months. Then we would have the money in by the end of our fiscal year. Does that solve that problem?" Ronning, "I find it funny that we couldn't talk about this last week, it was shut-up and move on. And now it is okay to talk about it." Moegerle, "When someone comes, they are going to want to be in soon. All of our concern is getting these people hooked-up in a way that is comfortable for them and comfortable for us and we can pay our bills. Is that a compromise position?" DeRoche, "That is what we have been looking for anyway. I have a problem with slamming people."

Ronning, "You almost have to have an exception and the people that are required for such and such time." DeRoche, "Is there any way we can put a definitions paragraph in the beginning?" Moegerle, "We have to come back with a definition for initial customers, real property to exclude homeowners and a section to explain homeowner's exceptions." Ronning, "That is a little too quick. What you have to do these types of things is you have to put them down and come back and look at them, digest them." Moegerle, "This is what the work is for staff to bring back to us in two weeks." Ronning, "We have not given them the information that this will affect everybody." Davis, "We have done this with everything. Financing this is going to fall on every taxpayer in East Bethel."

Moegerle, "What other issues are there that we need to discuss?" Ronning, "Well in 74-191 it basically says if the pipe runs in front of your property you are going to get a SAC charge even if you don't hook-up." Moegerle, "But we just redefined 'Real Property' so that should take care

of this issue. I do think we need to make sure when we re-define 'real property' that is one of them." Ronning, "The Sims Road example I gave the other day, they would have to do it. They would have to connect." Davis, "No. The forcemain is not available. The only way that will be available is if you go in and put in a pump station and then also a gravity system. A forcemain does not mean available service. You cannot go and do individual services to that line." Ronning, "For an information sense, how much of that will have to be done in the future?" Davis, "Connection to the forcemain? One at Sims, 221st and 241st. Then a little subsystem for development." Ronning, "To me it would be helpful how much will the future costs be?" Moegerle, "It would be nice to have some of this at the Town Hall meeting."

DeRoche, "In 74-125 I have a lot of concerns. There are issues that have happened in cities. We are telling people they can have a well for doing landscaping, but 'Sorry happens to the City water we don't know what you are going to do. But we are not responsible for it.'" Davis, "That is a standard phrase that is in every city's ordinance. If there is a watermain break and you are out of water, then that is something you deal with when you have to hook-up to city water. Almost akin to what happens when you are pumping your well and a pump goes out. You are out of service until repairs are made. If for some reason there is a watermain break and the City has to shut the water off, then they are not liable for anything that would happen during that period." Moegerle, "Is this city attorney approved language?" Davis, "He has looked at this and has no issues. One example is if you had a watermain break and the City had to shut water off to work on a problem. Sometimes you can have hot water syphon out or backup and their hot water tanks burn up." Ronning, "Like when you sign a waiver when you go on a carnival ride, you cannot sign your life away."

Koller, "On Jackson, a guy sells his land off to a land developer and they run the sewer pipe down the road; who pays for the sewer pipe?" DeRoche, "The developer." Koller, "But according to Phase 1 of the original plan." Davis, "We eliminated those phases." Koller, "The trunk line goes through a ¼ mile of my property to get to Jackson Street." Moegerle, "And you get paid." Koller, "I don't want to get paid. I don't want all my trees to get cut down." Davis, "We, by resolution, eliminated all those phases." Ronning, "So a developer will have to pay to develop all of those lines that aren't there?" Davis, "That is right."

Ronning, "My experience, when you do this type of thing, is you change the language, then you get back together and you decide, this doesn't do it, or this is perfect." Moegerle, "And I am just asking is there anything else we need to ask to have changed. This is thirteen pages. Koller, "If we give them so many months to hook-up and they just can't get the money, what happens?" Davis, "With this loan program, as long as they paid their taxes and they don't have any other outstanding debts with the city, we will loan them the money." Koller, "What if they haven't paid their taxes and they don't fall under those provisions to get a loan from the City?" Davis, "Well, if they haven't paid the taxes and such, I don't think we would want to give them the money." Koller, "So we just kick them out?" Davis, "We wouldn't kick them out." Koller, "Hate to put them out because they had a bad year." Davis, "This group will be here while we are working on this and we will do whatever we can to make sure we can get the businesses through this; not only Council, but also staff will do whatever we can."

DeRoche, "Section 74-153 I have the same concerns. If the water goes by their business they are going to pay whether they hook-up or not." Moegerle, "If we change that definition it should cover that one too." Ronning, "No one wants to be part of the shell game." Koller, "No matter what we do; we are going to make people mad." Moegerle, "Do we have a policy on how this should be applied?" Davis, "No, the city attorney did recommend we draft a policy by resolution." DeRoche, "Division 2 on the water, number 6, 'ERUs will be established for non-residential users. The numbers will be established by current version of Met Council Environment Services SAC Procedure Manual.' I don't know if you have been out to their website and read that and read their projections and what not. It is not a reality check." Davis, "It

has to do with their population base numbers. It just says that we will base SAC changes based on what Met Council has established for these. They have historically tracked these in the past. It is the best baseline we have to use something that is established and accepted in the metro area.” DeRoche, “Anyone that is involved in this knows the numbers don’t jive.” Davis, “This is just water use for businesses. I will be happy to see how Aggressive Hydraulics fits into their schedule.” Moegerle, “We looked at lowering ERUs for water usage. I guess you could offer a scheme to substitute for this. Don’t know how we can say, ‘We are not going to use it.’ Do we have something that we can trust more?” DeRoche, “I don’t know, that is why I am going to do some research.” Moegerle, “What we do know is what we have to pay. What other things need to be brought back next time?” Ronning, “Like to see the ones we have now.”

DeRoche, “In reading through this, are we going to be billing whoever the lessee is, or the person who owns the property?” Vierling, “Normally most of the communities will bill whomever the owner and the occupant agree should be billed. But regardless of that, under all ordinances the owner is ultimately liable and remains liable. There are commercial lessees that take over the bill, most communities work with the property owner. But understand that the property owner will get a lien on the property if the bill is not paid.”

Loan Program for City SAC and WAC Charges

Davis explained that at a work meeting on March 6, 2013 the City Council received information regarding a Loan Program for sewer and water access charges. The concept was to provide low interest loans to those businesses that would be impacted by having to hook up to the City’s new water and sewer systems. At that work meeting staff presented information regarding a possible loan program. This information was based on recommendations from the EDA and the basic framework was as follows:

The basic framework of the program is proposed as follows:

- The City HRA by resolution would loan the City \$XXX,XXX as seed money to create the loan fund. The city would repay the HRA as loan repayments were collected. The loan could be no interest or at a rate established by Council.
- Businesses that met the requirements of the loan policy could finance up to 10 SAC and WAC assigned units over a period of five years. The loan would subject to an upfront payment of 20% of the charges and at an interest rate to be determined by Council.
- Businesses would be required to apply for the loan, meet loan policy requirements and pay an application fee of \$XXX. The application fee would cover the cost of staff time for processing the loan and discourage those that did not have a legitimate interest in the program. The loan would be approved by Council based on requirements of eligibility.
- The program could be utilized for other businesses as utilities are extended through the Hwy. 65 Corridor or it could be restricted to those existing businesses that will be required to connect to utility services as defined as the current assessable properties within the boundaries of the Phase I, Project I Municipal Utilities Project.
- The owner of record would need to execute an agreement and waiver wherein the amount of the loan shall be recorded and assessable to the property in the event of default according to the terms of the agreement and payment of all property taxes or any other fees owed to the City must be current.
- This program would not be available to the construction of single family homes.

We are here to see if you want us to continue working on the loan program.

Koller, “Is this just for existing businesses, not for new ones coming in?” Davis, “We can do it either way. But then in five years when all the businesses have paid, it just goes away.” Moegerle, “Should there be a Sunset Clause?” Davis, “I don’t think it is needed. If we cross the highway, we can develop a whole new program for them too.” Ronning, “What if you define a time window? At the end, the City Council may consider a resolution to identify future events.” DeRoche, “How is this going to be financed?” Davis, “Transfer or internal loan from HRA to

EDA. We gave an example of what amount would be needed. There maybe not be anyone that takes advantage of it.” Koller, “Proceed.” DeRoche, “Would there be a cap on number of ERUs?” Davis, “Ten ERUs is what we initially thought. Here is the kicker; the East Bethel Theatre is the only one that has more.” DeRoche, “I am still thinking back to what we said we were going to do with the HRA money originally, on the other side.” Davis, “We can still do that.”

Adjourn

Moegerle made a motion to adjourn at 7:22 PM. Koller seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk