

EAST BETHEL CITY COUNCIL MEETING

July 20, 2011

The East Bethel City Council met on April 20, 2011 at 7:30 PM for their regular meeting at City Hall.

MEMBERS PRESENT: Bill Boyer Bob DeRoche Heidi Moegerle
Steve Voss

MEMBERS EXCUSED: Richard Lawrence

ALSO PRESENT: Mark Vierling, City Attorney
Craig Jochum, City Engineer

Call to Order **The July 20, 2011 City Council meeting was called to order by Acting Mayor Moegerle at 7:30 PM.**

Adopt Agenda **Boyer made a motion to adopt the July 20, 2011 City Council agenda. Voss seconded; all in favor, motion carries.**

Sheriff's Report Lieutenant Orlando gave the June 2011 report as follows:

DUI Arrests:

There were 9 DWI arrests for the month of June. Two arrests occurred for traffic violations. Two arrests occurred as a result of "suspicious vehicles" – one where the driver claimed to have been the sober driver. Three involved property damage accidents. Two involved the same driver but two weeks apart.

Miscellaneous Reports:

There were 13 reports of damage to property. The majority of these reports involve damage that has occurred overnight, with no suspect information. It is important to call 911 if you see or hear anything suspicious.

Three juvenile males were caught burglarizing an attached garage by a homeowner. The three males were not from the East Bethel area. None of them would speak with the Detective, upon an interview attempt. Just a reminder to close and secure your garage and service doors, even during the day.

There were two incidents where arrests were made for possession of a controlled substance. One involved a juvenile male and one involved an adult male.

There were ten thefts from vehicles reported for the month. The majority involved items being taken from unlocked vehicles, while parked overnight in driveways. Items taken are GPS systems, iPods, cell phones and cell phone chargers, car stereos, and change. Many times car thieves will break windows to get items that they want so be sure to take your valuable items into your house.

Car Seats/Booster Seats:

If you or someone you know is in need of a car seat for an infant or a booster seat for a child,

please contact our office and speak with Laura Landes, she does have seats available at no charge. If you were involved in a car accident even if the car seat looks fine, it still should be changed out.

Boyer said he is looking at the year-to-date felony arrests and they are substantially higher this year and wondering do you have any insight on that. Lieutenant Orlando she can look at that. She said we looked at that a few months ago. Lieutenant Orlando said sometimes when an arrest takes place but they can end up having four felony arrests against them. Boyer said it struck him as odd because every where else there is a dramatic decrease but then he gets to felony arrests. Lieutenant Orlando said she will look at that and will get it to you next month.

Public Forum Moegerle opened the Public Forum for any comments or concerns that were not listed on the agenda.

Mike VanKirk, mayor of Ham Lake said he wanted to talk about the potential for the law enforcement district contract, there was talk at your last council meeting and he did want to clarify there was talk about the deal had been done. He said originally when Ham Lake had been looking at options he did contact the mayor of Oak Grove and the mayor of East Bethel, but that was only to see if there was enough interest to bring it to the Sheriff, to have him spend staff time on it. It wasn't a deal under the table or anything. VanKirk said there was some expression of interest and since then the Sheriff has put together a district concept. He said he is not here to sway you one way or the other, but he thinks with decreasing budgets this is one way we don't have to compromise a whole lot of active police coverage, because in essence we are already covering each other. He said with the district concept, when we are doing city by city, there is hesitancy to cross because if this car is seen in this city, and that car seen in that city, but if they worked it out, not going to tell them how to do their jobs, but guess there are areas they would stay in they could cover those better. VanKirk said our investigator is already the same for all three cities; we are just talking about dedicated service for all three cities. He said he knows East Bethel is a little lower in calls for service than Ham Lake, obviously yours have gone down, ours has gone down. He said we had less calls for service in 2010 than we had in 2001 when we only had 24 hours of coverage, but we aren't going to drop to 24 hours of coverage, obviously.

VanKirk said he thinks in this day and age with budget issues, it can be let's try this for a year and see. He said we put together a law enforcement committee between the three cities and for the first time between the three cities we would be talking to each other, instead of finger pointing and who is covering what. VanKirk said the other thing is you are going to be getting a sewer district so your chances for calls for service are going to be coming up on the southern side of your border. The loop around Coon Lake would be quicker response if you take into consideration these things. He said the sheriff thought it would work good. VanKirk said he doesn't know about you but we are down \$600,000 to \$700,000 in our budget. He said when he knocked on doors last fall no one wanted a tax increases in this economy, not trying to put public safety under the bus, but this is a chance to potentially put together this district.

VanKirk said we are sharing fire departments, there are fire districts, he knows Ham Lake hooked up with East Bethel for a large piece of equipment for public works; it is kind of the way things are going. Boyer said we don't share a fire department, we have a mutual aid agreement, but we have a mutual aid agreement with every city in the State of Minnesota. VanKirk said he didn't mean you specifically, but there are other communities that are

sharing these services to help cut costs. He said he just wanted to come tonight to let you know that he didn't count anybody in, didn't cut a deal, nothing. He said he just had a consensus from the East Bethel mayor and Oak Grove mayor to have the sheriff go ahead and develop the concept. VanKirk said he is excited that he did. He said it might not be perfect and you might not want to do it, but he thinks collectively all three cities would benefit greatly.

Voss said just so VanKirk knows, the first East Bethel Council meeting in August we are having a public meeting on this issue. Van Kirk said he will be here for sure. He said he just wanted to be here because you thought at the last meeting there had to be a vote and that is not the case. He said he has been busy behind the scenes and you guys haven't really looked at it. VanKirk said you haven't had a chance to mull it over, and he didn't want you to think that his city or Oak Grove just wanted you to cut a deal. He said he doesn't want that. VanKirk said if this is going to work all three Councils and the law enforcement committee have to work together. He said otherwise we are just putting Band-Aids on it or labeling it something different and he doesn't want to do that, he wants to stay with a true district concept to open up dialogue between the three cities.

Voss asked out of curiosity what is your current coverage for 2011. VanKirk said we are at 36 hours. Voss asked and you would be going down to. VanKirk said it is not an hourly thing, he hasn't sat down with the Sheriff on that part, but he did definitely state that it is within his parameters for coverage for a district. DeRoche said he thinks he said it is not under 40% proactive time. Boyer said bigger thing is your calls are about 20% more than ours, and yet you are asking us to pay the same amount as you guys. He said which to me is just saying we are subsidizing Ham Lake. VanKirk said in order for you to get the \$850,000 all three cities have to play ball. Boyer said he can get that just by cutting service to 32 hours and we don't have to subsidize. VanKirk said at the time this was being put together there was no offer for the 32 on the table. He said you may go with your own, with the 32 and that is fine, he is not here to hustle the thing. VanKirk said but when he first heard about this there was no hour reduction on the table for you folks so it was a good opportunity at the time because it would have given you an opportunity to lower your costs.

Voss said what we are looking at is going from 40 hours to 32 hours, a 20% cut in our service and when we looked at the difference of cost between Oak Grove and Ham Lake and this is not to say we are in support of a 20% cut, but apples to apples you are not reducing your police coverage by 20% from 2011-2012. VanKirk said no we are not; we are reducing by 10%. Moegerle said but you reduced it last year, isn't that correct. Voss said but that was last year, not this year. Voss said but in terms of service, and that is Ham Lakes choice to reduce you proactive police coverage. VanKirk said our proactive goes up by default as our calls for service goes down. Voss said right, but you are at 40% and we are at 50% so basically what it does is cuts our level of proactive police coverage. He said it cuts our level of service by 20% and the reason the sheriff's office presented it to us is because as a stand alone contract at 32 hours it is literally a \$9,000 difference between sharing a police force and having our own police force.

VanKirk said at the time, when we looked at this the sheriff office said no one was getting cuts. Voss said you have to cut because you are cutting time and he thinks you are cutting six officers. VanKirk said some of the cuts were backup time because the cities have to have X amount of hours and if you take it with a whole district it is not that big of a deal. He said the other advantage with the district is if we increase coverage, say 8 hours with our three cities and say it is \$200,000 if we do this as a district we split that 40/40/20. VanKirk said it

is not so painful then. Voss said that is just an increment of coverage however you want to cut the pot; it is just 2-3 hours for us, 2-3 hours for you and so on. He said it is not eight hours. DeRoche said wouldn't the next meeting be a better forum for this discussion. Voss said he agrees but he brought this us. VanKirk said he agrees, but it is quiet tonight.

Mark Korin, mayor of Oak Grove said he is here tonight to try to dispel rumors. He said we were proposed this by Sheriff Stuart. He said this was a way to look at a joint view, a first blush, for similar savings between our cities. Korin said we went to Sheriff Andersohn at the time and said we don't want that 60% increase. He said they wanted to bump us up to 24 hours and we didn't want it. Korin said so our council last year decided to look at options going forward. He said the one thing that is overlooked here is this is patrol, the sheriff is going to be in the area anyways. They are all Anoka County officers, and they are already covering our cities. Korin said there is not a day that goes by that he doesn't see Ham Lake or East Bethel cars in Oak Grove or vice versa. He said when he had a discussion with the sheriff he said when the cavalry is needed they will be there. Korin said so essentially you are going to get that patrol service from one city to the next anyways. He said you may decide to not go with the districting, but our city is looking at all options, not only how can we reduce police costs, but ways to reduce costs in our city and reduce those costs to our citizens. Korin said it isn't trying to force it down your throat, we want to work together and we want you to at least think about is it viable to work together. He said we already have Anoka County together so it kind of made sense.

Korin said he brought council member Dan Deno with him and they can get on the agenda at the next meeting. Voss said it is already on the agenda. Korin said he didn't know if we need to get put on the agenda. Moegerle said to make a presentation. Korin said all he is here to do is to tag on to what VanKirk said, but also to calm people down. He said we are just looking at ways to reduce costs and to keep the minimum percentages recommended by Sheriff Stuart and go forward with what works for all of our cities. Korin said Boyer brought up a good point that Ham Lakes call rates are higher than yours, well think about our position here; our call rates are way low. He said we are going to be subsidizing East Bethel and Ham Lake, but he doesn't look at it like that, he looks at it as a joint venture between all three of our cities in a way that we can cut costs. That is it. Boyer said he would be more interested to see you come up to our rate of proactive. He said that would be a lot better than some kind of race to the bottom. Korin said we have had 16 hours of coverage for 20 years we have never had a catastrophe. He said our call rates are going down, just like yours and Ham Lakes and if there is a way we can look at that and say does this work for all three cities, so be it. Korin said but at least we want to have an opportunity to communicate and work together, to say how can we work together. He said if you don't then Ham Lake and Oak Grove can at least look at our options and say does it work for us and does it work with another community. Korin said all we are doing is asking does it work looking at it from a cost savings standpoint.

Voss said part of the problem with this discussion, and it has been longer for your communities than it has been here, is everything is focusing on response to calls and how we handle calls and will it increase or decrease safety. He said that is not what this is about, not even close. Voss said what the cut in police coverage of 20%, it will affect our proactive coverage, it will go from 50% to 40% and that is what we are talking about, that is the decision our city needs to make. He said do we want the officers less in the neighborhoods, less patrolling, they will respond to calls, and it will take them longer to get to the barking dogs, locked cars, mailbox baseball it will take them longer to get there because there is less officers responding to higher priority calls. Voss said this is a direct reduction in our

proactive. Korin said the proposal came from the sheriff's office; it is his job to make sure we meet at least the minimums. Voss said right, he was asked; it was designed at the bare minimum of 40%. Korin said it is all a first blush of this, we don't have the details, but if you guys aren't absolutely interested we will go another way.

Voss said the other things that hasn't been discussed, the thing that concerns him the most that we are going to lose is the officers that are assigned to the cities who know our neighborhoods much better than if they had three cities and were spread around. Korin said we brought this up at one of our council meetings with Commander Podany who is our liaison officer and he said that typically happens anyways, the sergeants are responsible for creating the patrol routes and making sure that they are in their areas. He said but we are going so far forward anyways, all we are trying to do is look at our options. Korin said do we want to keep the police coverage we have, look at cost reduction with police districting, and he provided another option for us with reduced hours, we have three options now. He said in the past, a year ago, we didn't have any options, it was this is all you got, and you have to take it. Korin said well he is not taking it, he is going to ask the questions and is there something better, do we want to go with our own police force, all the questions, he is not going to be condemned for asking the questions. Voss said he is just trying to convey of the three cities we are the one it will have the biggest effect on. Korin said that is for your council to decide, think of this as patrol vs. what the sheriff's office is mandated to do. He said patrol vs. mandated coverage.

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

Consent
Agenda

Boyer made motion to approve the Consent Agenda including: A) Approve Bills; B) Meeting Minutes, July 6, 2011 Regular Meeting; C) Meeting Minutes, June 15, 2011 Regular Meeting; D) Meeting Minutes, June 22, 2011 Regular Meeting; E) Purchase Wheel Loader – Equipment Replacement Schedule. DeRoche seconded; all in favor, motion carries.

Planning
Comm.
Minutes

Moegerle explained that the June 22, 2011 Planning Commission unapproved meeting minutes are provided for your review and information.

Park Comm.
Minutes

Moegerle explained that the June 14, 2011 Park Commission unapproved meeting minutes are provided for your review and information.

Road Comm.
Minutes

Moegerle explained that the June 8, 2011 Road Commission unapproved meeting minutes are provided for your review and information.

Whispering
Aspen WWTP

Jochum explained that the City currently owns and operates a Waste Water Treatment Plant (WWTP) on the north end of the City. The main components of the WWTP were built in 1971 and are beyond their design life.

The main components of concern for the WWTP include the lift station pumps, the integrity of the treatment tank and its mechanical components, the treatment building, the polishing pond sludge, the sludge drying beds, and the chemical building.

We have two alternatives that seem viable to resolve the issues at the existing plant. Alternative 1 includes replace the WWTP at its current location and Alternate 2 decommission the plant and construct a forcemain where the plant will be available in the southern end.

We also reviewed an Alternative 2A that constructed the facilities from Whispering Aspen to the proposed lift station at 226th Avenue based on the Master Plan. This Alternative was approximately \$1.3 million more than Alternative 2. This alternative was not considered any further because of the cost/cash flow issues given the dire state of the cash flow of this system. Voss asked what portion of this alternative was road reconstruction, he assumes all the roads are being torn up and reconstructed. Jochum said basically we took this from Bolton & Menk’s report and they had it lumped together, it was just noted as road reconstruction. He said the only reason he thinks the forcemain follows this route is because they were putting gravity in here already, so he doesn’t think it would be any waste of money to follow the forcemain in the previous alternative, it doesn’t matter how the forcemain gets there. Jochum said the only reason he thinks it was in the master plan where it is shown here is because they were tearing up the roads anyways for gravity.

The City currently serves the Castle Towers Mobile Home Park and the Whispering Aspen development with sewer service. At full build of the Whispering Aspen development and the Castle Towers Mobile Home Park requires a capacity of approximately 90,000 gallons per day (GPD). The current plant capacity is permitted for 105,000 GPD (would never handle that in its current condition) therefore, there is an excess of approximately 15,000 GPD or 55 Equivalent Residential Units (ERU’s). Within the discussion of the Options below, when it refers to “new service areas” it is meant that areas outside the Castle Tower Mobile Home Park and Whispering Aspen development would be serviced with municipal sewer.

The following general assumptions were used for this analysis:

- Bond Rate 4%
- Bond Payment Period 20 years
- MCES Access Charge \$3,450 per ERU
- MCES User Charge \$2.25 per 1,000 gallons
- City Access Charge Varied - \$6,000, \$8,000, \$10,000
- City User Charge \$6.30 to \$8.08 per 1,000 gallons

Jochum said project is already in the deficit of 1.7 million. See attachment #7 in your packet.

Jochum said A, B and C options are the same, just different access charges.

A. Alternative 1

All Alternative 1 Options include the reconstruction of the existing plant in its current location.

Option A - Reconstruction of the plant with no new service areas and an access charge of \$6,000 per Equivalent Residential Unit (ERU).

A summary of the Capital Costs for this Option are as follows:

Year	Description	Estimated Cost
2012	Replace Lift Station Pumps, Treatment Tank, Building, Sludge Drying Beds, Chemical Building,	\$1,697,400

	and Polishing Pond Sludge Disposal	
2021	Polishing Pond and Sand Filter Replacement	\$253,000
	Total	\$1,950,400

Option B - Same as Option A with a City access charge of \$8,000 per ERU.

Option C - Same as Option A with a City access charge of \$10,000 per ERU.

Option D - Same as Option A with 55 ERU’s allowed in new service areas between years 2026 – 2036. The 55 ERU’s represent the plant capacity after servicing Castle Towers and the full build out of Whispering Aspen.

Option E - Same as Option B with 55 ERU’s allowed in new service areas.

Option F - Same as Option C with 55 ERU’s allowed in new service areas.

Option G - Same as Option A with a plant expansion of 90,000 GPD in year 2026 and 300 ERU’s between the years 2026 – 2040 in new service areas.

A summary of the Capital Costs for this Option are as follows:

Year	Description	Estimated Cost
2012	Replace Lift Station Pumps, Treatment Tank, Building, Sludge Drying Beds, Chemical Building, and Polishing Pond Sludge Disposal	\$1,697,400
2021	Polishing Pond and Sand Filter Replacement	\$253,000
2026	Plant Expansion	\$1,000,000
	Total	\$2,950,400

Option H - Same as Option G with a City access charge of \$8,000 per ERU.

B. Alternative 2

All Alternative 2 Options include construction of a forcemain from the Castle Towers WWTP to the MCES manhole which is just north of Viking Boulevard. This Alternative includes the construction of a new lift station on 241st Avenue. The current lift station adjacent to the wellhouse would be abandoned. A new gravity line would be constructed from the existing lift station to the new lift station along Pierce Street.

Option I - Construction of the forcemain with no new service areas, no MCES access charges on existing hookups, forcemain constructed in existing City easement and Mn/DOT right-of-way, and a City access charge of \$6,000 per ERU.

A summary of the Capital Costs for this Option are as follows:

Year	Description	Estimated Cost
2012	Forcemain and Lift Station Construction	\$2,003,300
	Total	\$2,003,300

Option J - Same as Option I with a City access charge of \$8,000 per ERU.

Option K - Same as Option I with a City access charge of \$10,000 per ERU. Jochum said we didn't use this one, because it cashed flowed at \$8,000.

Option L - Same as Option I with 300 ERU's allowed in new service areas between the years 2026 – 2040. The 300 ERU's were used to compare this Option to, Option G.

Option M - Same as Option J with 300 ERU's allowed in new service areas.

Option N - Same as Option L with 400 ERU's allowed in new service areas between the years 2026 - 2045. The 400 ERU's are based on the capacity of the proposed lift station.

Option O - Same as Option M with 400 ERU's allowed in new service areas.

Option P - Same as Option L with the forcemain constructed outside the Mn/DOT right-of-way and MCES access charges on all existing hookups at the time of hookup.

A summary of the Capital Costs for this Option are as follows:

Year	Description	Estimated Cost
2012	Forcemain and Lift Station Construction	\$2,003,300
2012	Right-of-way and MCES Access Charges	\$1,034,350
Total		\$3,037,650

Option Q - Same as Option P with a City access charge of \$8,000 per ERU.

Option R - Same as Option P with a City access charge of \$10,000 per ERU.

A cash flow summary includes the capital cost of each Option, the City access charge, the total new ERU's assumed, and a cash flow summary. The numbers presented on the summary include all applicable costs including operations and maintenance. A detailed Cash Flow Analysis was completed for each Option. A detailed Cash Flow Analysis for Option A was included in your packet. This does pick up if you allow new service areas.

The Alternatives Comparison Cash Flow Summary includes a comparison of the Alternative 1 and Alternative 2 Options that have common data inputs. For example, the table compares Option A to Option I, both of which have the same assumed City Access Charge of \$6,000 and total new ERU's.

Conclusions

The information presented is the basis for the feasibility report the Council directed staff to complete. Prior to finalizing the report, the following items need to be resolved.

1. It is not known at this time if the City will have to pay for the MCES access charge for those units that are already connected to the City's system. Section 5.6.2 of the Metropolitan Council Service Availability Charge (SAC) Procedure

Manual indicates that properties being serviced by a local publicly owned treatment plant that is being phased out due to the MCES service area may be grandparented in and the City would not owe SAC for those properties. Staff has requested an official interpretation of this section from the MCES. The cost to pay the SAC charge for the existing hook-ups is \$576,150.

2. The Phase 1, Project 1 Utility Construction Project will include the construction of a MCES forcemain from Viking Boulevard to 229th Avenue. The MCES started the planning process for this project about a month ago. We have had one meeting with the design engineer to discuss the possibilities of a joint project. One of the main factors in the decision of a joint project is whether the Minnesota Department of Health will allow the City's sewer forcemain to be adjacent to the MCES effluent discharge line. There may be a minimum separation distance of 10 feet. A future meeting is expected with the MCES once the separation distance is determined. This is how the forcemain idea started.
3. The forcemain cost estimates assume the pipe will be installed with an open cut trench. It may be possible to construct a large portion of the forcemain with a "tile" type machine. The savings in excavation and dewatering could be approximately \$200,000 – \$300,000. The feasibility of the "tile" type construction is based mostly on the interference of existing utilities. Also, as discussed in the Options, the forcemain could possibly be constructed in the Mn/DOT right-of-way. Again, this possibility would partially depend on the location of the existing utilities. Constructing the forcemain outside the Mn/DOT right-of-way would add approximately \$500,000 to the project.

If the City is considering the forcemain option, it would be recommended that a preliminary investigation be performed along the TH 65 right-of-way to detail the location of the utilities and the groundwater.

4. As shown on the Cost Summary, the City would need to promote new service areas sometime in the future to cash flow either Alternative. Options that consider ERU's in new service areas use the Year 2026 as a start date.
5. The City Attorney is currently reviewing the potential for accessing a portion of these costs within the current service area.

Boyer asked first of all can you generate the cash flow so it is readable, something in bigger type. Voss asked can you send this electronically. Jochum said he can send it electronic. Boyer asked what absolutely needs to be replaced, what is non-functioning. Jochum said the tank, the building and the pond is full of sludge. Boyer asked can we get a cost on just doing those. Voss said he thinks he presented this a few months ago, so just add this in. Jochum said you could just knock a hole in the building and try to put a new tank in. Voss said if you knock a hole in it, the whole building is going to fall down. DeRoche asked isn't that more like a Band-Aid. Jochum said to make that plant work the sludge should be cleaned out and the tank needs to be replaced. He said if that tank bursts he is not sure what you are going to do, you are going to be pumping, with trucks and hauling. Boyer said he doesn't think we are suggesting that, but there is an opportunity cost here, two million dollars is two million dollars. Jochum said you can shave some off the two million. Moegerle said one of the things she noticed with the SAC charges is as a practical matter they go up 3% a year, does that have any affect on your projections. Jochum said it was kind of assumed in the

cost projections that everything will go up 3% a year so we didn't inflate anything, your user fees will go up, your costs will go up, and everything will go up.

Voss said you mentioned the attorney is looking at SAC charge issue. He asked Vierling if he had anything to report now. Vierling said no, we don't. He said it is a rather convoluted history, we are pouring through there now. Voss said the big question then is how is this going to pay for itself if we can't assess existing users. He said it is one thing to look at whether we can do it or not, but have we figured out what we are going to do if we can't, have we had those discussions. Jochum said no, we have not. He said each one of these includes cash flow in the options. Jochum said attachment 5 shows what it is in the deficit or to the good by 2046, but it also tells you what year the maximum deficit is also. Voss said but this is assuming we can assess the charges. Jochum said no, none of this assumes we can assess the people that are hooked up today. He said this is new ERUs. Voss said but he thought some of these didn't include new users. Jochum said you are talking new service areas. He said they all include new ERUs. Jochum said none of these options include assessing the 42 in Whispering Aspen or 120 in Castle Towers.

Moegerle asked theoretically, this could be financed through the bonds that we already have. Jochum said that is his understanding from Davis, from the bond counsel is those can be used for any sewer and water type project. Voss said the question he has and it doesn't need to be answered now is, with the bond repayment structure we have right now and that hasn't been changed yet, with the reduction in cost to the water treatment plant, assume the cost to those users will go down because a portion of that will be used here and repayment of this will be assessed to a whole separate set of users. Jochum said right and he talked to Davis about this. He said there are two ways of looking at this, either this is a separate set of users or it is all wrapped together as one whole city. Jochum said he doesn't think because the bonding came from a certain point you have to separate them. Voss said he can see what you are getting at, these 80 acres whatever it is, north part of city collectively as this sewer district, Project 1, Phase 1, that is the way the bond is set up for those users and now we are adding more users to the whole system. Jochum said this was not discussed, it was just in passing. He said that is the positive there is no more cash outlay, just using the savings from the treatment plant. Boyer said except you could pay the money back on the bonds, he thought you could in five years.

Voss asked where does this go from here, what is the next step. Jochum said he would like to resolve the five items he has in his conclusion and then present it in conclusion. He said one of his hopes tonight was to get some input, and then we won't waste our time in pursuing some of these options. Voss said we have a pending serious problem, and we need to find a way to deal with that. He said this is one of the ways to deal with that and he would think at the very least we want to continue the process and report and then council can decide to do nothing, or maybe do something, but at least then we have the analysis and it is out there. DeRoche said this was submitted a few months ago, is there anyway we can get those minutes/reports telling us what is going to fail in a certain amount of time. Voss said that is what Boyer was referring to that we should have in the final report. He said a timeline. Jochum said we can break the 1.6 million down and Davis can send that out in his update.

US
Cable/Midcont
inent
Acquisition

Vierling said this is more of an informational item than an action item. He said the city received notice from US Cable of proposed sale of assets to MidContinent Communications. Vierling said we provided counsel on this matter with some of the initial detail we had. He said we are still trying to gather data back from US Cable as well as MidContinent. Vierling

said if the council members have any questions; please forward them on to his office so he can forward them to MidContinent. He said he can tell you initially our recommendation on their proposal, should you agree to the transfer will be under no circumstances to release US Cable from their obligations to the city, we want them to remain as a guarantor in performance to the City. Vierling said especially since we have had some issues with their payments in the last quarters. He said but from what we can see initially MidContinent is an experienced provider of cable services, this city though in your ordinance does reserve the right to purchase the cable system at a time if you wish to, you don't have to do it now, you don't have to do it as part of this proceeding. Vierling said one of the questions they had is does the city want to exercise this right sometime in the future and that is one of the areas of inquiry we certainly had with the council as well.

Steve Johnson, manager of US Cable said he is here to answer any questions you may have. He said MidContinent has been in business for 50 years, 40 some in the cable industry and from his prospective as a future employee of MidContinent this is a great opportunity for the communities we serve. Johnson said basically this strengthens our service by ten times from completely including infrastructure from South and North Dakota to Minneapolis as well as a number of other systems including in the last couple years they have acquired an number of systems in northern and southern Minnesota. He said this makes our network really tie all together. Johnson said this takes our 330,000 customers and adds about 250,000 more customers which brings a lot of opportunity to residents and businesses. He said they just announced last week that all their customers will be offered internet service up to 100 bps speed. Johnson said US Cable was 49% owed by Comcast and they asked to end the partnership last fall. He said we were not actively marketing, but MidContinent did end up being a high bidder, very much to our joy, from the existing group because they are a very well run company. Johnson said he manages 110 communities and he won't probably be able to attend the next meeting. Boyer said he doesn't think he is in a position to ask any questions now. Johnson said he respects that position. He said Cambridge has approved this, Isanti has it on their agenda for approval next week, and a number of communities have already approved it.

DeRoche asked what will happen to fee structure. Johnson said the fee structure by contract is guaranteed to stay the same. DeRoche said for how long, a year and then they are in here and they jack it up. Johnson said the internet is growing and growing and they have increased the speed. He said the video increased cost is from programmers; have to pay for pro sports and others. Johnson said all of our fees on the video side of this are dictated by the cost of programming, we have to pass fees on. DeRoche asked who sets up these packages, you get two or three channels you like and the rest is useless. He asked is this set up by the industry. Johnson said each company is different, MidContinent is a little different. He said some of them you are forced into. Johnson said a lot of channels want carriage; want eyeballs. He said which means they give us a right to provide them to you for a fee or they attach a sister channel. DeRoche asked the question has been why a customer can't pick and choose what you want without picking a package. Johnson said this has been a question we have posed to the federal government, but it is all in advertising. He said advertising is one way for channels to make revenue.

Johnson said the issue at hand is MidContinent and US Cable in conjunction, the question is MidContinent has to show the have technical wherewithal and financial wherewithal to run the system, to do this. He said they are going to bring a lot of synergy. Johnson said to answer your question on pricing; he thinks this will bring a bigger pie, so it won't have to be so drastic for growth. DeRoche said this map is mostly North and South Dakota. Johnson

said they are moving into Minnesota. He said US Cable is about 1/3 to 1/4 size of MidContinent. DeRoche said that is what scares him. Johnson said this is still a small company compared to Charter or Comcast who have millions of customers. He said it will be a lot bigger, but will still be able to give good customer service. Voss asked with this ownership change basically will there be a difference in services, in terms of how they are offered. Johnson said probably not, may be some channel changes, but will definitely connect infrastructure. He said they have a much better marketing department and much better staff support. Johnson said Little Falls will be our meet point. He said they have 100 channels in HD. Johnson said they have a video on demand product; we didn't have the scalability to make this an option. He said they have drastically increased the internet options, offering 30 bps. Johnson said we had 8 and 12. He said they are their own telephone company. Johnson said it is really exciting; he has been in the industry over 30 years.

2012 Budget
Work
Meetings

Moegerle said on Wednesday, July 6, 2011, staff provided Council with a proposed 2012 Budget. Staff is requesting Council set a work session(s) meeting date(s) to review the proposed 2012 Budget.

Council discussed different dates to meet. After much discussion, Wednesday, July 27, 2011 and Monday, August 1, 2011 at 6:00 p.m. to 7:00 p.m. were scheduled as work sessions to review the proposed 2012 Budget.

Council
Member
Report – Boyer

Boyer said he wanted to thank everyone that worked hard to make Booster Day a success.

Council
Member
Report - Voss
Council Report
- Moegerle

Voss said yes, it was a joy, as hot as it was, it was good.

Moegerle said she can't wait to see the parade video and the special guest, the deer. She said she has been working on EDA, we have been brainstorming Jack and Richard and I, and we have things soon to be announced. Moegerle said we met with Metro North Chamber of Commerce about a membership; it seems like an interesting endeavor.

Moegerle said we have this issue with the Sunrise Water Management Organization plan. She said if we allow the change to go through the total amount to be saved would be \$9450 and since we pay the majority of it, it would be a savings to our City.

Closed
Meeting –
MBI Contract

Vierling said at this time staff and the city attorney is recommending the council go into a closed session to discuss the MBI contract negotiation regarding MBI, Inc. and the City of East Bethel. For the members of the public the matter will be closed under attorney client privilege. The council will go into closed session and then will be returning to open session to review or take any actions from they closed session.

Voss made a motion to go into closed session to discuss the MBI contract negotiations. DeRoche seconded; all in favor, motion carries.

Vierling explained that for the public record, the Council went into closed session with regard to the contract dispute with MBI, Inc. The closed session was attended by Council Members Moegerle, Voss, Boyer and DeRoche, city engineer Craig Jochum, Deputy Clerk Wendy Warren, and myself. At the present time staff is recommending to Council that they authorize a settlement to MBI, Inc., in the amount of \$123,917, less the amount of \$63,574

that has already been paid to them, for a balance due of \$60,343. That would be a final payment to them for complete and final release and settlement between all parties, with documentation to be signed as authorized by our office. Vierling said he would ask for a motion authorizing that and, as part of that motion, authorizing that the city finance department be authorized to cut that check tomorrow.

DeRoche made a motion to authorize a settlement with MBI, Inc. in the amount of \$123,917 less the amount of \$63,574 for a balance due of \$60,343. This would be final payment to MBI, Inc. and a final release and settlement document prepared by Eckberg, Lammers, Briggs, Wolff, & Vierling, PLLP to be signed by all parties. Also, authorizing the city finance department to prepare the check for payment tomorrow.

Motion failed for lack of a second.

Adjourn

Boyer made a motion to adjourn at 9:00 PM. Moegerle seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk