

EAST BETHEL CITY COUNCIL WORK SESSION MEETING

October 13, 2010

The East Bethel City Council met on October 13, 2010 at 7:00 PM for their work session meeting at City Hall.

MEMBERS PRESENT: Bill Boyer Steve Channer Greg Hunter
(arrived at 8:20 p.m.)

Kathy Paavola Steve Voss

MEMBERS EXCUSED: None

ALSO PRESENT: Douglas Sell, City Administrator
Tammy Schutta, Asst. City Administrator/HR Director

Call to Order **The October 13, 2010 City Council work session meeting was called to order by Mayor Hunter at 7:00 PM.**

Adopt Agenda **Councilmember Paavola made motion to adopt the October 13, 2010 City Council work session meeting. Councilmember Channer seconded.**

Discussion of Municipal Utility Services City Administrator Douglas Sell stated that we will have a presentation from Kreg Schmidt, Bolton and Menk, Inc. The meeting was turned over to Mr. Schmidt.

Utility Services

Schmidt stated there will be a short PowerPoint presentation tonight. Schmidt stated he just wanted to focus on the cost element associated with the project. Schmidt stated that we've gone through the last two city council meetings reviewing improvements and the various aspects of the project. After the last meeting, there was still some confusion because we are presenting so much cost data. Schmidt explained that he was going to try to explain the costs several different ways. After the presentation, the meeting will be opened up for discussion with the property owners.

Schmidt began his presentation reviewing the map of Phase I, Project 1 parcel categories. Schmidt reviewed the 22 assessed parcels having 16 owners. Also there would be 10 availability charge parcels having 6 owners. There are three types categories. The three categories are summarized below.

Category 1 is property that is fully served including services by adjacent sewer and water lines. The charges for a Category 1 are the following:

1. Assessment for Sewer, Water and Restoration: \$8,000/ERU for Project 1 Area
 - Completion of project – Property Owner
2. City Availability Charges for Trunk Facilities: \$2,800/ERU
 - Time of Connection/Building Permit or Time of Development
3. City SAC/WAC Charges: \$2,800/ERU
 - Time of Connection/Building Permit
4. MCES SAC Charges: \$3,400/ERU
 - Time of Connection/Building Permit
5. Ongoing Usage Charges: Varies
 - End User

Category 2 property requires additional lateral sewer and water construction. Sewer and water is adjacent to the property. The charges for a Category 2 are the following:

1. Sewer and Water Availability Charge for Off-Site and Adjacent Pipe Improvements: TBD for Future = \$6,000/ERU for Project 1 Area
 - Developer at Time of Development
2. City Availability Charges for Trunk Facility: \$2,800/ERU
 - Developer at Time of Development
3. City SAC/WAC Charges: \$2,800/ERU
 - End User at Time of Building Permit
4. MCES SAC Charge: \$3,400/ERU
 - End User at Time of Building Permit
5. Ongoing Usage Charges: Varies
 - End User

Category 3 property requires additional lateral sewer and water construction. Sewer and water is not adjacent to the property. The charges for a Category 3 are the following:

1. Off-Site Improvements To Serve Site: TBD for Future
 - Developer at Time of Development
2. City Availability Charges for Trunk Facility: \$2,800/ERU
 - Developer at Time of Development
3. City SAC/WAC Charges: \$2,800/ERU
 - End User at Time of Building Permit
4. MCES SAC Charge: \$3,400/ERU
 - End User at Time of Building Permit
5. Ongoing Usage Charges: Varies
 - End User

Mr. Schmidt reviewed the following PowerPoint Presentation slides with the audience:

CATEGORY 1 UNITS – SEWER AND WATER CHARGES				
ASSESSMENTS (AT TIME OF PROJECT COMPLETION) – PAYMENTS BEGINNING SPRING 2013				
Sewer Assessment Per ERU	Water Assessment Per ERU	Financed	Financing Term	Financing Interest Rate
\$4,000	\$4,000	YES	20 - Years	Est. 5.5%
CONNECTION CHARGES (AT TIME OF CONNECTION) – 2013 OR 2014				
Met Council SAC Charge Per ERU		Financed	Financing Term	Financing Interest Rate
\$3,400		NO	N/A	N/A
Remaining City Sewer Connection Charges Per ERU	Remaining City Water Connection Charges Per ERU	Financed	Financing Term	Financing Interest Rate
\$2,000	\$3,600	Possibly / TBD	5 – Years	5.5%

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CATEGORY 2 UNITS – SEWER AND WATER CHARGES

AVAILABILITY CHARGE (AT TIME OF PROJECT DEVELOPMENT)				
Sewer Availability Charge Per ERU	Water Availability Charge Per ERU	Financed	Financing Term	Financing Interest Rate
\$3,000	\$3,000	Possibly / TBD	TBD	TBD

TRUNK AVAILABILITY CHARGES (AT TIME OF PROJECT DEVELOPMENT)				
Sewer Trunk Availability Charge Per ERU	Water & Water Facility Trunk Availability Charge Per ERU	Financed	Financing Term	Financing Interest Rate
\$1,000	\$1,800	Possibly / TBD	TBD	TBD

CONNECTION CHARGES (AT TIME OF CONNECTION / BUILDING PERMIT) – SAC / WAC				
Met Council SAC Charge Per ERU	Financed	Financing Term	Financing Interest Rate	
\$3,400	NO	N/A	N/A	
Remaining City Sewer Connection Charges Per ERU	Remaining City Water Connection Charges Per ERU	Financed	Financing Term	Financing Interest Rate
\$1,000	\$1,800	NO	N/A	N/A

CATEGORY 3 UNITS – SEWER AND WATER CHARGES

OFF-SITE LATERAL COSTS (AT TIME OF PROJECT DEVELOPMENT)				
Off-Site Sewer Costs Per ERU	Off-Site Water Costs Per ERU	Financed	Financing Term	Financing Interest Rate
TBD	TBD	Possibly / TBD	TBD	TBD

TRUNK AVAILABILITY CHARGES (AT TIME OF PROJECT DEVELOPMENT)				
Sewer Trunk Availability Charge Per ERU	Water & Water Facility Trunk Availability Charge Per ERU	Financed	Financing Term	Financing Interest Rate
\$1,000	\$1,800	Possibly / TBD	TBD	TBD

CONNECTION CHARGES (AT TIME OF CONNECTION / BUILDING PERMIT) – SAC / WAC				
Met Council SAC Charge Per ERU	Financed	Financing Term	Financing Interest Rate	
\$3,400	NO	N/A	N/A	
Remaining City Sewer Connection Charges Per ERU	Remaining City Water Connection Charges Per ERU	Financed	Financing Term	Financing Interest Rate
\$1,000	\$1,800	NO	N/A	N/A

CATEGORY 1, 2, & 3 UNITS – ONGOING USER CHARGES

USER CHARGES (ONGOING BASED ON USAGE)				
Sewer Base Charges Per ERU	Water Base Charges Per ERU	City Sewer Gallonage Charge Per Kgal	Met Council Sewer Gallonage Charge Per Kgal	Water Gallonage Charge Per Kgal
\$5.00	\$15.00	\$2.75	\$1.98	\$3.00

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Schmidt opened it up for questions and discussion. Mayor Hunter invited property owners to come to podium to ask their questions. Councilmember Voss reminded everyone that the intent for this meeting is to have a discussion with the current property owners. This is a work session, not a public hearing. It's to give a more one on one discussion with the property owners in Phase I Project 1. To give them a better understanding of the project. Also for the Council as they move forward in their decision making. It's been a week since the Public Hearing.

Ms. Heidi Moegerle, 179 Forest Road, ask for clarification on cost. Schmidt stated that it would be \$17,000 per ERU. Schmidt explained that presentation and handout explained the costs in two different formats. Schmidt want to demonstrate how the costs flowed through the system as development occurred.

Pat Sprague, 525 159th Ave, Andover, also with S&S Industrial Supply, 18541 Hwy 65 NE. Name asked for if it's \$17,000 per ERU, would it be twice that if you had two ERUs. Schmidt stated yes, the cost would be \$17,000 per ERU. So for two ERUs it would cost \$34,000. Name asked why it appears that future developers will be paying less than the current property owners. Schmidt explained that as you go from Category 1 to Category 2 and 3, is there is a different level of service. Category 1 is fully served. Property owners will have a water and sewer stub at their property line. Category 2 requires more additional lateral work and Category 3 requires even more lateral work. There is even adjacent lateral work near Category 3 properties. All the connections charges are the same. All the SAC and WAC fees are the same. What is different are the offsite improvements that has been made. For Category 1 properties, they have brand new water and sewer in front of their streets that they are ready to hook to.

Name asked the Council if they knew what the average monthly cost would be for sewer and

water. What are the average gallons used by an individual. Mayor Hunter stated it's going to be different for businesses. There is one business where they only have one or two employees. Then there may be another business with ten employees. Sprague asked if there was an average cost per person. Schmidt estimated that for 1 ERU it would be \$43.00 per month and for 2 ERUs it would be \$86.00. This is based on 3,000 gallons of water used for 1 ERU and 6,000 gallons for 2 ERUs.

Councilmember Voss explained that when a Category 2 or Category 3 hook-up, they will be paying more. It just won't be to the City. It will be through the developer's costs when the property is developed. It's not the City's cost. The total cost probably equals out. Schmidt explained that was the intent. It wouldn't make the development of property prohibited. It would be a fair process. The City related charges variable is in where is the property, how much offsite sewer and water needs to be constructed to get there.

Donna Dingmann, River County Co-op stated that she sees the charges would begin spring of 2013, but when would the actual construction start. She is concerned that there is one-way in and one way out of their property. Is there is going to be special conditions to get these people in and out from their business, the Theatre and the businesses behind the gas station. Schmidt stated yes there will be. Provisions are being made either through temporary roads or construction through alignment of the sewer and water, traffic will be able to get in and out at all times. Schmidt stated from a timing stand point, with the approval process of this project. The desire because of soil conditions, if all goes ahead, some of the deep sewer along Hwy 65 would be constructed over the winter months of this year. Start to finish, including the water towers and treatment plant, is a two year process. That is why some of these payments would begin the spring of 2013.

Donna asked what how many ERUs are assigned to the gas station. Schmidt explained there are 4 ERUs because of the car wash. Donna stated the car wash has been closed since April of 2009, because of the current water conditions. If they were to reopen the car wash, they would have to replace the whole thing. It's currently being used for a storage area. Schmidt explained the car wash was figured into the equation. Schmidt stated they would take a look at it. The ERUs are based on the square footage of a building. Schmidt explained that prior to doing any assessments; there will be an assessment hearing over the course of the next couple of years as they work through the final numbers for ERUs.

Gordon Hoppe, 18530 Buchanan St NE, asked why the SAC and WAC charges are higher than in Andover. Andover is \$2,275 per ERU. Schmidt explained it's entirely possible. It's very hard to pick just one component of a charge system out of any city and compare them and say that you have apples to apples comparison. You have to look at the entire system. What you are looking at is the end user; you're at the point of the SAC and WAC charge. In this case, we have the Met Council charge. In this case it's 55% is SAC and WAC is Met Council that the City can't do anything about. Schmidt explained that we want to keep that number at a reasonable level, which is why we have various input points. To sit and look at one charge and to it's bad here and good here. It just so complicated to make that comparison. Schmidt stated that if the Council wants me to look at other charge systems, he would be happy to do that, but it really got to be the whole flow through the whole system from start to finish. Because you don't know what the developer paid for the area charge or the availability charges all those sorts of things. It just so happens in East Bethel's case, if you want to set up a nice balanced system, you have those various components that make sense and you want to keep all in balance so that each step along the way people are reasonably satisfied with what they have to pay. Hoppe commented that it's not reasonable;

you're not the one writing the check.

Mayor Hunter stated that Met Council's charge in East Bethel is \$1,300 more. Sell explained the Met Council SAC charge is predicated on the waste water treatment plant being exclusively used by the City of East Bethel. We are not hooked on to the big pipe. By Minnesota Statute, Met Council is required to recoup those costs dedicated to this waste water treatment facility from the area that it serves. Met Council has determined through their analysis that if you are hooked up to the big pipe, its \$2,100 and for the City of East Bethel it's \$3,400 because we have exclusive use at this time of their waste water treatment facility. For Met Council, this will be a regional system that will potentially serve Andover, Ham Lake, and Oak Grove. When other cities connect to the system, they will be paying the same connection charges.

Schmidt explained that this is a rural center. It's not part of the Metropolitan service area. Councilmember Channer stated that the sewage will not end up in Stillwater.

Schmidt explained that this is a new policy for Met Council and rural growth centers. Sell explained that explained that East Bethel is the second city to be tasked for a Rural Growth Center. Elko-New Market was the first. They are attached to Empire Wastewater Treatment Plant by a pipe. The basis remains the same.

Councilmember Voss asked so this is Met Council cost of what they are building. Schmidt stated correct. Voss stated that it's safe to say the one different thing Met Council is doing is they are recharging the water back into our ground water. Because of new environmental laws, the water cannot be discharged to surface water. The system is recharging back into the ground and there is a cost associated with it. There is a lot of pipe to put in the ground. If other cities would be required to do the same, there is an added cost to their system.

Channer asked can you explain that fact that you cannot dump water back into water. It's the law. Voss explained that it's been Clean Water Act for the past 30 years. Voss explained that in the past 10 years, it's being enforced. Coon Creek, Crooked Creek, and Rum River are restricted from receiving new discharge just because of the current pollutant levels. Until the watersheds are cleaned up, there can't be anymore discharge to them. Surface water discharge.

Voss explained because of the system that Met Council is building; the treated water from these plants has to be very stringent standards. The water has to be cleaner going back into the ground. That's the way the law is written. It meets drinking water standards.

Curt Strandland, 18542 Ulysses Street, owner of parcel 24 and 35, a piece of raw land. Why parcel 24 would be receiving assessments right away and parcel 35 isn't. Schmidt stated that parcel 24 will have sewer and water stubs installed to it. Strandland asked why would you stub it, when we don't even know what we are going to do with it. Schmidt explained that parcel 24 is on that is a little tricky, but sewer and water studs would be installed for whatever development would go on that piece of property in the future. There wouldn't necessary have to be any lateral service construction associated with that. There would be end user buildings verse parcel 35. Parcel 35 would require main lateral sewer and water that would have to run up to serve it. As you recall, this is the distinguishing characteristic between Category #1 parcel and Category 2 parcel. In this case, you wouldn't have a situation where you would have to run sewer and water up to it. Parcel 24 would have end users that would come in propose a building on that site that is already platted. Strandland

stated it's not platted its 20 acres that I'm not able to anything with at this time with City standards. Strandland stated that he can't even store stuff out there. Strandland commented that he's going to have a pipe run by and have an assessment of \$32,000 a year. Voss stated he thought that lot was platted. Schmidt explained that it was part of that plat for the development. Strandland explained it's an outlot that he can't do anything with. Voss stated it's developable as a 20 acre piece as long as you don't subdivide. Voss if 200,000 square foot building on it. Strandland asked where was he going to find someone to put a 200,000 square foot building on it. In these times, it doesn't make sense. Strandland isn't able to anything with that piece of property.

Voss ask about property number 17. It's not a whole lot different than property 24. Schmidt explained parcel 17 and parcel 35 are Category 2 units. Parcel 24 is a Category 1 unit. It part of the plat for the overall development. It's going to be fully served. Parcel 35 and Parcel 17 will have to be developed in the future. Parcel 35, the developer will have to go through a process. There will be streets constructed. There will be sewer and water constructed. All those things will have to happen internally to make that work. Same with parcel 17. It will be part of a subdivision process. Parcel 24, that not the scenario for this piece of property.

Schmidt explained that with parcel 24, a number of service stubs along the way that can be hooked to. Strandland explained they don't even know what they are doing there. Schmidt explained that as you are doing the street, that's the economical time to install the stubs. Strandland asked so you're going to run a stub out when you don't even know if there is going to be a street there or where there's a future building. Voss stated he interpreted right; you want to install the stubs, you may not use all the stubs. Schmidt stated that was right. Strandland stated he didn't want to pay for stubs if he wasn't going to use the stubs.

Voss explained the alternative would be to tear up the road, which would be at a much high cost in the end, then to install the stubs at this point along Ulysses. Strandland stated we aren't talking about Ulysses, we are talking about Buchanan. Parcel 24 doesn't about Ulysses. Voss, you also have 187th Lane going east west. Strandland stated asked if they were going to ghost plat it, just stick some stubs in here and there. Schmidt explained that he envisions. This is done often that stubs are installed in these larger parcels as you go by. In this case where you would, no doubt, you would be making an educated guess to where the stubs would be placed and they may not be in the exact perfect spot. But in the long run, that's by the far, the most cost effective way to do it. Some may or may not be used in the future. Some may used for looping water mains. Some may not be used. For this particular piece, this process that would you use typical use in order to serve that parcel as construction is happening for sewer and water as you go by it. Certainly it's a large piece. Strandland asked if there was a way of doing one stud for that whole piece. Schmidt stated that you could. However, Schmidt doesn't envision this piece having one end user, but there would be multiple end users on it. Strandland envisions residential development with 20 -40 lots and hook up in one stop.

Voss stated looking at the map, it seems that a couple of lots on the east side are theatre lots, but seem like lot 24, essentially the only lot in Category 1 that's not developed. Voss asked are there lots along Ulysses and Buchanan that aren't developed yet. Schmidt there are a number of empty lots that do not have an end user yet. But it is true to say that lot 24 posses the most difficulty relative to that. Because of the fact that it's such a large piece. Parcel 6, which gives you a feeling of magnitude. It's a 40 acre parcel. It's not developed. There are things that have to be done. It could be argued that it could be either a Category 1 or Category 2. Voss stated if there are other lots, 18 through 29, that aren't developed. He can

understand stubbing them in. We know development is going to happen. It started back in 1994, talk about development of lot 24. It's not developed yet. At some point it will. Strandland agreed at some point it will. Voss, we have to find that balanced. He doesn't want to tear up these roads we are rebuilding. Strandland doesn't want to pay for stubs he's not using or pay assessments that might be considerably down the line. Voss said in terms on how we set policy. There is a construction cost to get that stub in there. Schmidt said to distinguishing factor would be if that was an outlot, it a large piece that could have future subdivision; you could draw that line at that point. Schmidt stated that right now it's an outlot, it's in a platted area. That's where the line is drawn. It may make some sense to roll that into a different category. It may have some effect on revenues, but it's not going to be a deal breaker kind of thing at all. Hunter stated that we have to put a stub in on a 187th Ave and one off of Ulysses. It would be imperative not to put them in. We are going by with the pipe. What's the real cost of putting that pipe in? Stubs would have to be installed in both locations. Strandland asked would it be assessed. Schmidt stated that's not what's going to determine what the assessments are going to be, the question is it going to be treated as a Category 1 or a Category 2 property. To Schmidt that is the question. We would still do the same things that make some sense. Strandland doesn't see a user coming in for awhile.

Schmidt explained that there will be at least two water connection locations. Strandland stated that could be done on Buchanan. Voss stated if we are going up Ulysses past the bank, it's going to have to be looped. Hunter stated that this will give you an option that if a Burger King want to come in, you wouldn't have to develop the whole property and extend the pipe up to Buchanan. There are some options and the there wouldn't be the need to tear up the road.

Voss stated that looking at property 24 talked about sustainably amount of its added to the cost of the land. The point that Voss is making, depending on what happens there. We are going to be rebuilding both of those roads and the City and Category 1 properties are paying for this. That's not recaptured from a Category 2. Voss in terms of fairness, it seems a little bit. Your cost to provide sewer service to the property would probably be less then property 17. Strandland doesn't see anything happening in these economic times coming to my piece of land that I'm going to pay \$32,000 a year in assessments waiting for something to happen. Voss agrees and see Strandland's point. Schmidt stated there could be another option that can be considered too, in that you may consider it a Category 1 parcel, have the same charges, but the Council could consider deferring as well. Deferring the assessments for parcels that are undeveloped. The downside is they are usually deferred with interest. A deferment with interest. But that would be a way that you wouldn't have to levy initially if you didn't want to do that. From Schmidt perspective, parcel is #24 is a challenge. All the other parcels, it pretty clear, that they are going to get buildings that you can predict the size of the building.

James Saenger, 446 Cedar Road NE, asked about Coon Lake Beach area. The Council reiterated that Project I Phase 1 doesn't affect the Coon Lake Beach area. Schmidt showed a copy of the project map to the resident.

Hunter asked a question about the design. How will the services be determined into the properties? Schmidt explained because they are commercial service, they need to actually have 6-in stud; some may even require an 8-in stud because of the property size. It will be valued and then capped and plugged. The value will be at the back of the curb. It will be at the right-of-way line. A kicker is added to keep the plug on. It could be moved to the street. Hunter and Schmidt discussed the elevation of the sewer.

Sprague inquired if commercial businesses will have the option of not hooking up? Schmidt explained that in 2013/2014 hooks would be required. Sprague stated a lot of the buildings are fairly new and have newer septic systems. They have already paid for them. Sprague also inquired about the assessment. Schmidt explained that \$8,000 per ERU would be levied the fall of 2012 for payable beginning in 2013. The bank would be 4 ERUs. Schmidt reviewed the financial information and what would be required over 20 years.

Voss asked about Met Council's connection fee. Will they do an assessment? Sell responded no. Voss asked if the connection fee could be finance through the City. Sell responded that there is, but he believes that it wouldn't cash flow at the time. Schmidt stated Met Council would need a check for \$6,800. Sell stated that Metropolitan Council will not allow the City to finance that. It's not a feasible option.

Roger Ricky, Roger's Rod and Custom, 18689 Buchanan stated that this is a great system that is designed to go to people that need it. Like the theatre. Restaurants. Why not design the system to go to that area right now. What about the buildings on the other side of the street. The buildings have been around for at least thirty. Voss explained that there is benefit to the existing buildings on the other side. However, we haven't spent the last 10 years trying to work something to serve the businesses in Soder's park. Voss explained that the system is slated to start on the west side of Hwy 65. The City has identified this area. There is over 100 acres of developable land. The reason it hasn't developed is because there isn't water and sewer. The Theatre is on their second system.

Voss explained over the past several years, there have been a number of businesses that have wanted to come in, but can't because of no water and sewer. This is where businesses are. Commercial has already started there. Part of the vision on the east side is that it will look a lot different over the next 20 years when the area really starts to develop.

Ricky asked why isn't the system going to start on the other side of Hwy 65. Schmidt explained it's because of the City's land-use concepts; the early growth opportunities. As the City develop, where the facilities are going to be. The logical reasons. Where treatment plants are set. All the factors combined, from Viking to 185th.that makes the most sense of the system. If you look at how the truck lines lay out. All of the large system piping ends up here.

Ricky can't understand why he has to hook up. The building is only 7 years old.

Dan Richarson, Northway Sports, 24129 Ulysses St NE, asked how the ERUs are figured out. Schmidt explained ERUs are based on square footage and usage types. The Metropolitan Council Reserve Capacity/SAC manual. The manual is used across the metro area.

Voss asked how you would figure the ERUs for a change in the usage of the building. Schmidt explained that is why Met Council uses square footage, because it's not going to change. Schmidt continued to explain how ERUs are calculated.

Sprague ask if this a community project, why isn't the community paying for it. Voss the easy question to ask to have people read the City's comprehensive plan. It's the objectives and goals of the City. It's to encourage business development. Provide jobs. City Council was very careful to balance the objectives of the Comprehensive Plan with the goals and

objectives of others that live in the rural area of the City. We worked to find that balances. We aren't going to get grocery; We're not going to get big boxes without water and sewer. To build a Fleet Farm 20 years ago, water and sewer was needed. In terms of business development, we have to have sewer and water. Voss explained that Met Council is a partner in this project.

There was a lengthy discussion on the timeliness of this project and the current economic conditions. It's a tough decision. Voss stated he's on the front end of development and he's busy. The easy thing would be to put it off. However, would Met Council be here? Costs will never be cheaper. Hunter stated that we are taking steps to improve property right now. The more commercial business you have in the area, the value of property will increase. It's a hard first step.

The various business owners in attendance discussed their current challenges with property taxes and the current value of their property. There were concerns with the proposed assessments.

Voss explained that the City works hard to communicate with the community. There is information available on the City's website and quarterly newsletter.

The Council continued to have a discussion with property owners present at the work session regarding the sewer and water project and the overall cost of the project (The audience did not use microphone during this part of the discussion and it was difficult to record their comments).

Adjourn

Boyer made a motion to adjourn at 9:20 PM. Paavola seconded; all in favor, motion carries.

Submitted by:

Tammy Schutta
Assistant City Administrator