

EAST BETHEL CITY COUNCIL MEETING

June 12, 2023

The East Bethel City Council met on June 12, 2023, at 7:00 p.m. for the regular City Council meeting at City Hall.

MEMBERS PRESENT: Brian Mundle Kevin Lewis
 Tim Miller Jim Smith

ALSO PRESENT: Jack Davis, City Administrator
 Eric Larson, City Attorney

1.0 Call to Order

The June 12, 2023, City Council meeting was called to order by Acting Mayor Mundle at 7:00 p.m.

2.0 Pledge of Allegiance

The Pledge of Allegiance was recited.

3.0 Adopt Agenda

Mundle stated I'll make a motion to adopt tonight's agenda adding Item 4.0 B, Resolution 2023-46, A Resolution to fill the Mayoral position vacated by the resignation of Mr. Tim Harrington. Lewis stated I'll second. Mundle asked any discussion? To the motion, all in favor say aye. **All in favor.** Mundle asked any opposed? That motion passes. **Motion passes unanimously.**

4.0 Presentations and Public Hearings

4.0 A Resolution 2023-38, Accept Resignation of Mayor Tim Harrington, Declaration of a Mayoral Vacancy on the East Bethel City Council

Davis presented staff's report indicating Tim Harrington submitted his resignation as Mayor on June 1, 2023 effective immediately. Unless the resignation expressly stated it is to take effect at a future date, the resignation would be effective when received by the Council. If the resignation stated it took effect on a specified date, the vacancy would occur on that date if it had been received by the Council or other official authorized by the Council to receive documents on its behalf, even if the Council had not formally accepted it at a Council meeting. To withdraw a resignation, the resigning officer must submit a written statement of withdrawal in the same manner as the resignation. In order to be effective, the withdrawal must be received before the Council accepts the resignation by Resolution or before an officer authorized to receive it has issued a written acceptance.

Davis stated Acting Mayor and Councilmember Brian Mundle has performed the duties of Mayor and would continue with these duties until a successor was appointed.

Davis noted resignations should be accepted by Resolution of the City Council and upon acceptance, the resignation could not be withdrawn.

Davis indicated as the Council must fill vacancies in elective offices, it must make a determination as to the vacancy. In this case, the resignation of Mr. Harrington supports the existence of the vacancy and Council should pass a resolution declaring the Mayor's seat vacant and then fill it as soon as possible.

Davis explained that State law provided that statutory City Councils make the appointment to fill a vacancy, except in the case of a tie vote when the Mayor makes the appointment. That means all

members of the Council, including the Mayor, can vote on the appointment. And as long as at least a quorum of the Council is present, a majority vote of those present is sufficient to make the appointment. State law does not place any limitation on a Mayor's ability to make an appointment in the case of a tie vote. As a result, the Mayor can appoint any qualified person willing to fill the vacancy even if that person was not the subject of the original appointment vote.

Davis indicated when the vacancy was for the Mayor's office and the Council casts a tie vote, the Acting Mayor should make the appointment. The Acting Mayor may not, however, appoint himself or herself. The Council may appoint any individual who is eligible for election to that office. Generally, to be eligible a person must be a U.S. citizen, a resident of the City, and at least 21 years old. The Council is not obligated to appoint any candidate previously defeated in an election for the office. A resigning Councilmember may not vote on the appointment of the successor to that vacancy. A Councilmember who is elected Mayor, however, may participate in the appointment vote to fill the vacancy in his or her former Council position.

Davis noted that Minnesota law was silent on the appointment process and, thus, the City Council may decide how it will go about determining persons to appoint.

Davis stated under certain circumstances, individuals appointed to fill Council vacancies serve on a temporary basis, and the City must hold a special election to elect a permanent replacement to fill the vacancy. Two factors determine whether an election is required: first, whether filing has opened for the next regular City election, and second, the length of the unexpired portion of the term at the time of the vacancy. If the vacancy occurs on or after the first day to file as a candidate for the next regular city election or if less than two years remain in the unexpired term, the City does not need to hold a special election, and the appointed person can serve out the remainder of the unexpired term. No special election is required in this case. (Source: LMC – Handbook for Minnesota Cities)

Davis recommended first to consider approval of Resolution 2023-38, accepting the resignation of Tim Harrington as Mayor of East Bethel, declaring a vacancy of this seat and upon this action filling this seat as soon as possible. If the seat is filled at the meeting, the new Mayor can take the Oath of Office and assume this position immediately.

Davis recommended second that should a sitting member of City Council be appointed to the Mayor's seat, Council is requested to adopt Resolution 2023-39, Declaration of vacancy of a Council seat and make an appointment for this seat as soon as possible. If the seat is filled at the meeting, the new councilperson can take the Oath of Office and assume this position immediately.

Smith stated I'll make a motion to adopt Resolution 2023-38, A Resolution Accepting a Resignation and Declaring a Mayoral Vacancy on the East Bethel City Council. Miller stated I'll second. Mundle asked any discussion? To the motion, all in favor say aye. All in favor. Mundle asked any opposed? That motion passes. Motion passes unanimously.

4.0 B Resolution 2023-47, A Resolution to fill the Mayoral Position

Davis stated should a Councilmember be appointed to the Mayor seat, Council is requested to adopt Resolution 2023-39, declaring the vacancy in the City Council seat and make an appointment for that seat as soon as possible. He indicated, however, before they act on this Resolution, the Council should approve to add the resolution to the agenda, Resolution 2023-46, that stated the special City Council, following prior precedence, will seek the nomination from its members, a Mayoral candidate followed by a vote to fill the seat from the nominees.

Davis indicated the Council was requested to nominate and vote for the mayoral appointment as a result of this Resolution and staff is requesting the Resolution 2023-46 follow the process of selecting a nominee for Mayor.

Mundle asked if they would take Resolution two now. Davis responded Council needed to do Resolution three first, the appointment of the Mayor. Then, after the Mayor was appointed from a member of the Council, there would be a vacant Council seat and the Council at that time would declare that vacancy.

Davis stated the normal procedure that the City had followed in the past was that Council decided to nominate one of their own for the Mayor and with that, there would be a vote on the nominees. He indicated whoever received the most votes would become the Mayor. He explained this had been done by voice vote in the past, but Council could hold a ballot vote also if they wanted. He stated staff was seeking a nomination from the Council to appoint the Mayor's position.

Miller stated I'll make a motion to nominate Kevin Lewis to be Mayor. Smith stated I'll second.

Larson stated the job of the Acting Mayor was to see if there were going to be any other nominations three times. After that, he noted they could have a vote or a discussion.

Mundle asked three times if there were any other nominations. Larson stated the nominations were closed and Council could have their discussion, or if there was no discussion, then they could bring this to a vote.

Mundle asked if it needed to be a roll call vote. Larson responded it did not need to be.

Mundle asked if there was any discussion.

Miller stated I'll make a motion to nominate Kevin Lewis to be Mayor. Smith stated I'll second.

Mundle asked any discussion? To the motion, all in favor say aye. **All in favor.** Mundle asked any opposed? That motion passes. **Motion passes unanimously.**

Larson stated Lewis had now been nominated as the Mayor of the City of East Bethel.

Davis stated now the Council needed to adopt Resolution 2023-46, appointing Lewis as the Mayor of East Bethel and once that had been done, the new Mayor needed to take the Oath of Office after which Lewis would take over the meeting.

Smith stated I'll make a motion to adopt Resolution 2023-46, A Resolution Appointing Kevin Lewis as Mayor of the City of East Bethel. Miller stated I'll second. Mundle asked any discussion? To the motion, all in favor say aye. **All in favor.** Mundle asked any opposed? That motion passes. **Motion passes unanimously.**

Lewis stated so everyone knew, he only had two years left in his term, while the rest of the Council had four years. He indicated otherwise, the other Councilmember would be giving up two years of his term.

Lewis took the Oath of Office.

Davis stated the Council now needed to adopt Resolution 2023-39, a Resolution Declaring the Vacancy of the City Council Seat.

Smith stated I'll make a motion to adopt Resolution 2023-39, A Resolution Declaring a Vacancy of a City Council Seat. Miller stated I'll second. Lewis asked any discussion?

Mundle thanked Davis and Larson for doing all of this in a timely manner that was easy to follow.

To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes.

Motion passes unanimously.

Davis asked if Council wanted to set the application deadline for the vacant Council seat for the next Council meeting. Lewis responded yes. He stated they already had someone in mind to take the vacant Council seat. He indicated it was someone with a lot of experience in the City and instead of going ahead and appointing him, which they could do, they wanted to give a two-week period for anyone else who felt they were better suited to do the job than Bob DeRoche, the former Mayor, former Councilmember, and former Roads Commissioner, to submit their letter of interest and their resume for review and an interview would then be scheduled.

Lewis stated he wanted the process to be open the way it should be and they would name the new Councilmember at the next Council meeting and they would be deferring any major business until the Council was fully impaneled.

Davis stated they would put the notification on the City website, the City's reader board, and social media outlets. Lewis asked if the City bulletin was going to be out in time to make a difference. Davis responded it would be very close.

4.0 C Public Hearing: Nexus Conduit Bond Financing

Lewis thanked whoever was in attendance who wanted to speak on this and they appreciated everyone who showed up for this. He indicated whoever wanted to speak, even if it was not on the conduit bond financing, was welcome to speak.

Davis presented staff's report indicating at the May 1, 2023 Work Meeting, City Council received a presentation from the City's bond counsel, Dorsey and financial advisor, Ehlers, regarding a request for the City's participation in \$10 million in conduit bond financing for the proposed purchase of the Cambia Hills facility by Nexus Family Healing.

Davis stated the City of Ham Lake initially considered to partner with East Bethel to be a \$7 million bond issuer for the project but later declined to participate as a co-partner in the conduit bond issuance. However, the Anoka County Finance Committee, composed of Commissioners Matt Look, Julie Braastad, and Jeff Reinert recommended approval of the Nexus request to be the second bond conduit partner behind East Bethel. The Committee showed a high level of support for their service and understood the value the conduit bond program could bring to the project. The Committee expects their recommendation to receive all County approvals.

Davis noted ISD 15 School Superintendent, Karsten Anderson, spoke in support of the need for the service be provided by Nexus at the May 1st meeting, but had concerns regarding charges for rent, state re-imburement of the of ISD 15's cost for out of district students and staffing for district provided services. City Council Members questioned if there would be additional costs borne by the school district to support these services. Discussions are underway to resolve these matters.

Davis indicated from the presentation made to City Council on May 22, 2023 and further reviewed at the June 5, 2023 City Council Work Meeting, Nexus is coming to East Bethel either with or without the approval of the conduit bond financing. The difference between the two scenarios is that without conduit bond financing, Nexus would have a higher cost of borrowing of which a portion would be passed along to the school district in higher costs for classroom rental space and other chargeable expenses for the educational component of their service. Approval of the conduit bond financing would result in lower costs to ISD 15 as opposed to taking no action on or rejecting this consideration.

Davis noted the City may charge the borrower an issuance fee for its services in connection with bond financing. This fee is to be negotiated should the bonding be approved.

Davis stated if the City issues the proposed bonds, the borrower will be required to pay all direct and indirect expenses of the City and indemnify and hold the City harmless against any liability related to the issuance of the Bonds. As the City's bond counsel, Dorsey will prepare the bond documents and represent the City's interests in the financing, but the city's cost (as well as the fees of all other parties involved with the financing) would be paid by the Borrower.

Davis indicated the City of East Bethel will hold a Public Hearing at this meeting to take comment regarding the consideration of the issuing conduit bonds in the amount of \$10 million to Nexus Diversified Community Services (Nexus). Anoka County has agreed to partner with City and issue \$7 million in bonds to complement the City's proposed participation in the project.

Davis stated Nexus will be purchasing the Cambia Hills property and provide the same service as the previous operator, Cambia Hills of East Bethel, LLC.

Davis noted the bonds that would be issued pose no liability or expense to the city and qualify for tax exempt status that enable a lower payback of the bonds over conventional financing. The implications of these savings is a lesser impact on potential costs to the school district.

Davis stated conduit bonding is a means to issue tax exempt bonds to finance health care services (MN State Statutes 469.153, subd. 2). Again, this issuance would create no liability or expense to the City.

Davis noted the Public Hearing is only related to the issuance of the bonds. The educational component of the Nexus service is a separate matter with ISD 15 and these two groups are currently engaged in discussions to work out the details of their agreement.

Davis requested City Council hold a public hearing regarding the \$10 million issuance of conduit bonds for the Nexus for purchase of the Cambia Hills Facility to be operated under the terms of the Conditional Use Permit that exist for the use of this property, and at the conclusion of the public hearing, consider approval of Resolution 2023-40 as exhibited in Attachment 1 and documents relating thereto as exhibited in Attachments 2-5 in Council's packet. City Bond Counsel, Dorsey, developed these documents on behalf of the City and endorses the approval of the same.

Lewis opened the Public Hearing at 7:20 p.m.

Jeff Fry, 1635 207th Lane NE, asked if Nexus defaulted on this are the bonds going to fall back against the residents. Lewis responded the Council had been assured they won't and that is the nature of conduit bonding.

Larson stated Lewis was correct and this was not pledged as a credit of the City. He indicated what the City was doing as an issuer was serving as a conduit and allowing it to be tax exempt and as a result, that lowers the cost to the ultimate recipient who had to pay those bonds. He restated not one cent of the City would be pledged to payment of the bonds at any time, even in an event of a default.

David Kiefer, 19056 Jackson Street, asked what about the School District as the taxpayers who were the ones that paid for the School District. Larson responded he had dealt with a lot of general obligation bond financing, as well as revenue bond and conduit bond financing, etc., but when it came down to really what are the financial implications were with respect to the issue, he was going to defer that question to the bond counsel with the Dorsey firm. He noted he was not dodging the question, but he wanted it to be answered with the best person possible.

Ms. Rhonda Skoby, Dorsey and Whitney, stated she represented the City as bond counsel for this financing. She stated to answer the question about the School District, if the borrower defaulted on the bonds, it does not flow to the School District as there would be a mortgage on the property and that property would be used to pay the bonds.

Ms. Skoby indicated the reason the School District came in was because the students at the program were entitled to a free education, which meant the School District would provide that education and there would be an agreement. She could not speak in as much detail as the borrower could to the state of negotiations of that agreement, but the program costs were through the lease and that was why they the School District was involved. She noted if the bonds were defaulted on and not paid, that never went to the School District.

Mr. Kiefer noted the City did not have a good record when it came to this type of thing when they cosigned years ago for Castle Towers Mobile Home Park, and the owner went bankrupt with the City ending up owning the trailer park. He stated this was worrisome. Ms. Skoby responded that sounded like a different type of financing.

Mundle stated it was Court ordered that the City had to do that. Mr. Kiefer indicated that was still not a good thing to do as a City.

Lewis stated it was the Council's core responsibility to the residents who elected them do to the best due diligence they could before they made decisions, and the Council took that seriously.

Mr. Kiefer stated the other issue was that Cambia Hills didn't even last a year and what happened if Nexus did the same thing and the City would have to sell the building to pay for the bonds.

Mundle stated it was his understanding that Nexus had a very different plan to achieve the same services and they would be starting off differently with different staff and a lower student population.

Mr. Kiefer indicated that was what the residents were told when Cambia Hills came in. He stated the City was told they would do a great job and it was going to be a great thing for the community.

Mundle stated and then it wasn't. He noted there was the pandemic that caused staffing issues.

Mr. Kiefer stated Cambia Hills had not followed State regulations to run the facility and there were young people who were injured because of it. He indicated there was a suicide attempt with a pair of scissors. He stated one of his concerns was if Nexus took over the building, were they going to have better guidelines for their staff than Cambia Hills did. He noted young people were in turmoil and needed guidance and they did not need somebody to just let them do whatever they wanted.

Mr. Kiefer indicated they had young people escape from the facility and one stole a vehicle and drove it down to Minneapolis. He stated when Cambia Hills came in, they asked if Cambia would have their own security but were told security was not needed. He noted the Sheriff's Department had told him they had many calls there, so then the cost of public safety went up too. He asked Council to inquire about Nexus hiring their own security so things like that did not happen again.

Lewis stated the City intended to do their due diligence and he had a thick folder with a lot of information on Nexus. He indicated he had been studying this with the help of a resident and had been doing research on the company and had a lot of information.

Mr. Kiefer stated the City did the same thing with Cambia Hills also. Lewis responded it took him 15 minutes of Google research and he could see something with wrong with the Hills Corporation. He indicated he did not know who was doing the research, but they were not digging very hard.

Mr. Kiefer stated he hoped the elected officials were doing their due diligence to protect the taxpayers and the residents around Cambia Hills because that was not done when Cambia Hills came in. He hoped Nexus would be a different treatment center because a treatment center was needed. He stated he did not want this to negatively affect the residents or the School District.

Sharon Johnson, 20241 Highway 65, stated she was speaking in favor of the conduit bond. She believed the State needed this facility and she was satisfied there was little to no risk to the City financially though the conduit bond from what she had heard in the presentation.

Ms. Johnson noted there had been some social media out there about lost opportunity in taxes, which she believed was very minimal. She understood the impact would be \$25 per resident and she was willing to pay \$25 a year for this facility, even if the City did lose tax funds.

Ms. Johnson stated with respect to the security issue, she did think that was a concern and needed to be addressed. She believed the City and Council was doing their due diligence. She stated this was a moral issue also for the City to try and help the youth with mental health issues and to her the money was not as important.

Mr. Reiter, 19207 Staples Street, stated he understood from the presentation that the community would pay up to \$130,000 per year to rent classroom space, which would all fall on the School District. He noted it was not known whether the School District would be reimbursed from the students' home districts either so there would be an additional cost for this also. He indicated from his research, the property should take in approximately \$2 million in commercial and property taxes. He stated this facility was a 501(c)(3) and there are three conditions which would qualify for it not having to pay property taxes including if it was a government or educational facility, or a charity. He did not believe this qualified for any of the three as it was a private hospital. He stated the pilot was possibly invalid.

Lewis responded to clarify, the pilot agreement was payment in lieu of taxes, so the entity that doesn't pay property taxes pays some money to the City to help defray the cost of providing City services to them.

Mr. Reiter noted the previous owner agreed to a pilot of \$4,500 a year if they made a profit, but he did not believe this organization qualified for the non-taxation rights to that property. He stated he had heard from residents that the previous owner agreed to pay sewer and water charges to hook up to it, and those might not have been fully paid for. Also, he understood the facility agreed to pay for the road to be built in front of the facility and he again did not believe that had been fully paid for.

Mr. Reiter stated he had posted on social media that this might increase taxes \$40 to \$50, but if it was true this property should be assessed at \$26 million, the opportunity cost was looking more like \$300 to \$400 per resident which was a very high cost of allowing a commercial entity not to pay their due taxes.

Davis stated all utility bills had been received and the special assessments on the road construction and water and sewer were up to date. He noted if the property were sold, that balance would be paid off in full time settlements.

Lewis asked what was still in arrears currently. Davis responded there were no arrears and everything had been paid the entire time. He indicated there were still \$243,000 owing on special assessments – another eight-year construction that counted the road and the water and sewer.

Miller asked if they were paying this the entire time. Davis responded they had and all payments had been made. He noted they got a special assessment twice a year on their tax statement and even

though they were tax exempt, they did receive a tax statement, which did have the special assessment amounts.

Ruth Larson, 18440 Jackson Street, stated they all knew there was a need for these kids, but she was also worried about the School District. She heard they would be hiring staff at \$20-25 per hour and she did not know if the staff at the School District were getting paid that so she was concerned this facility would be drawing more of the School District's special education staff over to that facility.

Ms. Larson inquired about the \$7 million from Anoka County. She asked if the City would be liable for that.

Ms. Larson believed everyone's tax statement in the City would also be going up and asked would the St. Francis School District go up as much as theirs was across the board. Davis responded it was the entire School District.

Ms. Larson stated she was concerned for the students and hoped they had well trained staff as mental health was a serious issue and if they did not have the right staff, it would fall apart.

Brian Bezanson, 22337 Quincy, stated he had heard a lot of rumors about how Cambia Hills went down and he believed that needed to be corrected. He noted because Cambia Hills had a bad business plan, was not necessarily a reflection on Nexus. He indicated he had doubts himself after sitting through the first Nexus meeting. He noted he had spoken with Superintendent Anderson also and he did not believe Mr. Anderson had any objection to this. He stated he personally did not see that there was a risk to the City and he believed this would be a benefit to the community.

Lori Dagle, 1913 233rd Avenue NE, stated she had a child who had significant mental health needs and was in District 15. She noted all three of her children went through that District and the middle child wouldn't be served by this District or by the St. Francis District so they had to go out of the District to get him the care he needed. She indicated they had to go to 916 and the St. Francis School District did pay 916 for that service. She stated not only did they pay for his education, but they paid for transportation of him all the way to White Bear Lake and back every day. She believed that cost a lot more than it would have if there had been a place in the local School District with local teachers teaching him.

Ms. Dagle stated when it got to the point where her son needed inpatient treatment, there was nothing around the State to help him and he had to go to a facility in Wisconsin. She stated this facility was needed in their community and she did not think there was any risk. She asked when Cambia Hills failed, did the City pay anything and did the taxpayers pay anything. Davis responded, no and that Cambia Hills was privately owned.

Davis stated there was some misconceptions that the City had some ownership in the building and property, but this was built privately and when the facility failed, it did not affect the residents financially.

Ms. Dagle stated it sounded like Nexus would not affect the City of East Bethel financially either. She thanked the City and Council.

Ruth Larson asked what benefit did the City get out of this program. Davis responded the City would get to reopen a vacant building. He noted one of the worst things a City could have for economic development was having the building vacant. He indicated they originally thought this might be the beginning of trying to develop some type of a medical base segment for the City. He noted this was a beautiful facility and it did facilitate their economic development program and marketing. He

indicated it also showed the City was trying to have progressive top facilities in the City. He believed these were good for the community.

Davis stated they did not pay taxes because they were tax exempt. He noted Cambia Hills had entered into a pilot program, which they started out with an agreement to pay \$4,500 if their revenues were 103%. However, they never reached that because they were only open for 9 months. He stated as far as revenue, the City didn't get anything from Cambia Hills, but the City did receive other things that were of a benefit to the community.

Davis indicated with respect to jobs, if people work in the City, they were going to stop at the convenience stores for gas, etc., or they might stop by a restaurant for lunch. He noted this also had a potential multiplier effect in the community to take those dollars and put them in local hands so they could turn over more than one time.

Dr. Michelle Murray, CEO Nexus, and Scott McGuire, CFO Nexus, approached the podium.

Dr. Murray congratulated Mayor Lewis on being elected Mayor. She thanked everyone for their comments. She stated she wanted to address some of the concerns that people had expressed. She stated this was a difficult business with youth with serious mental health issues who had a lot of traumas. She noted sometimes brain issues got in the way of effective functioning and this was challenging. She indicated this was a hard business and they were not going to promise that it would always be smooth sailing as they were going to have challenging kids as well as staffing issues at times.

Dr. Murray stated they were responsible for training their staff, which they would do, but this was a hard job. She indicated for staff to learn how to do it took a lot of time when they were dealing with human lives. She acknowledged this was not a perfect science.

Dr. Murray indicated Nexus had been in business since 1972 providing these type of services. She stated this was the backbone of their business and what they did. She indicated they would partner with any business, entity, or stakeholder to ensure they were good neighbors in the City.

Dr. Murray wanted to make it clear that the kids they were serving were not in detention and if the youth were in the Court system, then they went to juvenile detention, which was not what this was. She stated juvenile detention was a locked facility and this was a mental health arm. She indicated the kids could be very challenging and it did not change the issues of what they would have to address, but these youth were not juvenile Court ordered kids. She stated these kids were in need of mental health services and they were there either voluntarily or because the Counties in the State need to help the families get the right help.

Dr. Murray stated she knew there were concerns about them taking staff from the other schools, but they were not going to be running a school; the School District would be running the schools and it was up to the School District to figure out how to do that. She indicated they would not be competing for teachers unless they wanted to stop teaching and wanted to become mental health counselors, which was very different than teaching, and also had lower pay than what a teacher would make. She stated it was not their intent to come to the City and take other workers away.

Dr. Murray noted it was a very different lifestyle to be a mental health counselor compared to a teacher or a paraprofessional.

Dr. Murray stated with respect to Cambia, Cambia did the best they could to build this facility. She noted Minnesota had never seen this level of care and the last 5 years had been a learning curve for the State. She indicated Cambia promised a lot of things about how the State would back them up.

She noted Cambia was operating at a very different time than now and they had learned a lot about the psychiatric residential treatment facility in the last five years, and that was the reason they had not come into Minnesota previously, because the State did not have things figured out yet. But they had come a long way now and the State had been a good partner in learning from past mistakes.

Dr. Murray stated their rate was significantly higher than what Cambia had because they had now lifted the cap on the rates and now they were able to charge a rate that actually paid for the direct allowable expenses where Cambia was not allowed to do that. She noted the other thing that impacted Cambia was that they wanted PRTs to follow and the reason they were following that was because the State was still learning and they did not know if they should be following the Department of Health regulations or the Department of Human Services regulations, but the State had now figured that out for providers so there was a lot more clarity about what regulations they were accountable to.

Mr. Murray noted with respect to insurance, the providers were told that insurance would pay for the kids, which was not the case. Because a PRTF was different than other residential treatment in the State because the State wasn't used to the PRTF, but now with legislation that just passed, insurance had to pay for this level of mental health care and it could not be denied. She indicated this was not how it was when Cambia started.

Dr. Murray stated with respect to staff, this was always an issue with any business and it was difficult to get staff, but they were going to have the same challenges and they were going to have to work hard on that.

Dr. Murray stated with respect to the hold harmless with the school, there were still a lot of uncertainty from the St. Francis School District about how they were under a grandfathered billing and they were worried that they would not be able to build the home school district.

Lewis requested a further explanation on the hold harmless thing.

Dr. Murray noted she was not an educator, but it was her understanding that there were different ways the school districts billed for students based on the State, and St. Francis School District was still a part of the hold harmless billing. She believed rather than being able to build new revenue coming in, they had to spend down what they already had in order to build new, so they were worried that by bringing more students in, they would not be able to build the home school district to bring in revenue and they would have to pay out of pocket.

Dr. Murray stated St. Francis already had done with another residential entity through VOA where they had a program that they billed for the regular education students and they are able to bill the home school district for those charges. So, it was not a cost to the School District to educate the regular education students. She indicated they were projecting approximately 50 percent of the kids would be regular education and the other 50 percent would most likely be special education. She noted the amount they had potential to bill for the regular education could offset the special education, so it was not a drastic cost to the School District that they had initially thought. She indicated with Cambia they were projecting 60 plus kids, but with Nexus there were going to be less students and they would have a different agreement. She believed there would be a drastic reduction from what they had experienced with Cambia.

Scott McGuire stated the payroll was \$20 million, which was a considerable amount of money that was going to be coming into this area.

Dr. Murray stated the kids would stay in the facility for school along with the teachers, but they don't have to do it that way and it was up to the School District decision as to how they wanted to do this. She indicated the School District had the option of paying for a lease and keeping the kids there and bringing the teachers in. They also had the option of bussing the kids out elsewhere. She indicated it was their understanding they did not have the facility to do that and they would prefer to do it there. She stated they knew the District would prefer to have a co-op do it and that was why they were talking to other partners.

Dr. Murray indicated they had this building, which they had not built, that had 10 classrooms in it and those classrooms would not be a part of the treatment program, but they were in the same building for safety reasons. She indicated when the School District came in to operate the classrooms the students would get the same education that they would legally anywhere else.

Jordan Lahti, 22713 Palisade Street, asked with respect to the lease, would the School District be paying it as well as bringing in staff and they have to pay to use the facility.

Dr. Murray stated this is the same for the School District right now and if they had to go somewhere to educate, they have got to pay. She noted they either have to buy a building or pay a lease. She noted they had looked at the space and indicated they could use the space. She indicated the School District could also use the space for other reasons also not necessarily having anything to do with the kids. She stated they were looking at the space now because they needed the space for their education. She indicated they could go anywhere and just lease space for the school and then they build that as part of their charging back the home districts coming out of there. She noted it was no different than how they are doing their building costs now.

Mr. Lahti stated the costs they were incurring, were going to be incurred for these children to come in to be educated and the taxpayers of East Bethel were going to be picking up those costs. Ms. Murray responded it depended on the child, the school, and the funds that they had. She indicated regular education students were coming from the taxpayers, but they could bill outside of the County for those kinds. She indicated the County was not paying for regular education of the students that came from another school district. She stated the School District would bill that home county for that education and they are supposed to get reimbursed.

Mr. Lahti inquired about special education. Ms. Murray responded special education had to go into their hold harmless, but the revenues that they brought in for the regular education could go towards that, or they could use their billing mechanisms that they had now for that.

Mr. Lahti asked where the billing for the special ed came from. Dr. Murphy responded that came from the State formula. She noted special education had a State formula. She noted they were billing the State, but with their hold harmless the school would be a little more worried about this because they have a hold harmless. She noted they already had pockets of money to spend in this District, so they cannot get new revenues until they spend it and that has to do with special ed.

Lewis requested more clarification on the hold harmless. He indicated the reason he was asking was because there was another hold harmless phrase that was applied to the bonds and if they use the City's \$10 million per year bond limit and the City wanted to do anything else, then they have a higher interest rate. He stated that was about as confusing as this one.

Ms. Skoby stated there was a hold harmless in the bonds. She explained the bonds would be issued as bank qualified bonds, which meant banks in particular could invest in this type of bond at a tax - exempt rate. She indicated this type of bond was only available to small issuers, and it defined a

small issuer as a municipality that issued less than \$10 million in a year, so this issuance would use the full East Bethel \$10 million amount.

Ms. Skoby indicated as far as she knew, the City had no plans to issue any other bonds in 2023, but if something happened and the City needed to redo all of the road, or a situation where the City needed to issue bonds, the City's emergency bonds could not be issued as being qualified. She stated they would be issued at a higher interest rate than they would otherwise be issued.

Ms. Skoby stated the bond documents did include hold harmless language, so any difference any increase in interest rate that the City had to pay because it could not issue its bond on a bank qualified basis, that cost also got passed to the borrower. She indicated her fees, if there were any City audit fees, or if the IRS said there was a problem, all of that would get passed to the borrower (Nexus).

Mr. McGuire noted someone had asked what were the benefits to the City for this project, and Davis had done a nice job of articulating it, but there was one thing left out and that was that the borrower could pay up to \$100,000 to the City for them being the conduit of this deal. He indicated that was a fee they could charge up to \$100,000 to them that they would then pay to the City of East Bethel.

Ms. Larson asked if there was more money coming in from the special education from the State than there was from the regular. Dr. Murray stated she was not an educator and she believed it would be better for the School District to talk about this, but schools really struggle with special education even though there was a high rate and the way it came in did not always work penny for penny. She indicated the special education rate had more to do with the hold harmless and the funds of the District.

Ms. Larson stated she knew the only School District for special education was a lot higher than the regular education. Dr. Murray that was correct, but they could not bill back to the home school district for the special education the way they could for the regular education, so what they did was they could bill the home school districts of these kids and get that revenue so they were not taken out of their own packet. She noted they do that right now with the VOA.

Dr. Murray stated they were here today to seek a positive City Council vote for their loan from the City being a bond conduit, so that they could acquire a reduced interest rate when they purchase the building. She stated the vote today was not about them coming in and the City and doing the programming or how this was going to impact the school, but about them getting the City's support to do the conduit bond financing so they could get a lower interest rate.

Dr. Murray indicated the City in 2018 already supported the building of this site to be built specifically to provide mental health services to youth and the building had already been built. She noted the City had many investors and invested in the City to build this building. She stated at that time the City issued a CUP, which was attached to the land and the building to be used for a designated purpose. She noted they had every intent to follow all the rules and regulations regarding that conditional permit, but that was already in use and connected to the building.

Dr. Murray stated Nexus was pleased to be able to continue the mission that was intended when the building was built to provide much needed medical health services for the youth in Minnesota. She wanted to make it clear to Council, the vote tonight would not affect any part of the plans to restore the building to its intended use and those plans would proceed. She indicated they had every intent to purchase the building and return the building for its purpose to serve kinds with mental health.

Dr. Murray indicated the vote had nothing to do with them coming in buying a building or to provide services; it was only about saving them money. She stated their target date for accepting the first youth was by December 1 and that process was unfolding according to plan was unrelated to the questions in front of the Council tonight. She noted all of the necessary permits and applications were submitted and were in place for them to proceed.

Dr. Murray stated when the program was restored, the local School District would need to provide the education and they had said that they would provide that or they would find another District to provide the educational services per State education law.

Dr. Murray indicated Nexus was working in partnership with Superintendent Anderson and his staff to find the best option for this educational program, but this was completely unrelated to the matter in front of the Council tonight. She stated the School District understood they would be operating in a program with or without the Council's vote; they would be operating this program, and they were committed to providing the education and working with them to find all of the possible solutions.

Dr. Murray stated there was no financial risk to the City and voting no meant that their costs increased by \$3.5 million, which would result in higher costs to the education system – it would make their lease go up, because they had to have a way to pay that 3.5 million. She noted it would also increase the taxes of the State because the taxpayers of the State and not just the City would pay for the services to be done.

Dr. Murray indicated a positive Council vote was not a vote to endorse them coming; they were going to run the program and they had every intent to purchase the building. She noted the vote had nothing to do with them coming or not coming and they would be providing the service. She stated the vote of a positive was about endorsing the City to receive up to \$100,000 cash payment in fees to sue however the City wanted, and it was about taxpayers in the State saving tax dollars as well as having a more reasonable lease cost to the school to provide the schooling.

Dr. Murray stated the conduit financing allowed Nexus to pay lower interest and it would lower everybody's cost, including how much the lease for the educational space would cost the District. She noted the savings did not go into their pockets and they were not asking for this reduction because it was going to be more money for them.

Dr. Murray noted they would not make a profit on this business and they were not allowed to make a profit because of Federal and State dollars that got used – it was simply going to turn into more of the State having to pay for this and their tax dollars paying for it. She indicated the only entity that would make money on this were the banks and the vote was about saving taxpayers money.

Dr. Murray stated one of their concerns was somewhere along the way when word got out that they were planning to come in, people seemed to have intertwined the District's concern about educating the youth and finding staff. She acknowledged it was hard to find staff, but they seemed to have intertwined that problem with the purpose of this vote. She encouraged everyone to not combine issues or concerns that did not actually have anything to do with one another.

Dr. Murray stated they hoped the City would partner with them and the City would accept them and in return they would try to be good stewards, neighbors, and partners. She asked the Council to please help them make this more financially viable as they were a non-profit.

Brian Bezanson stated Dr. Murray had not spoken about security to keep the children safe and contained at the facility. Dr. Murray responded they could hire security as they were not regulated by the State and the State would not allow it because this was a treatment center for mental health

and they did not want any kind of co-mingling and mixing of any kind of security presence with mental health. She indicated they would train their staff to follow the proper procedures and they would work with the Police Department about the impacts that they had. She noted they would have 24 hour a week staff to watch the kids and those ratios had a lot to do with security also, which would be three kids to one staff. She noted they would only have 38 kids in the program versus the 60 that the building was originally designed for. She stated most of the kids would also have their own single room, which also helped with security as well.

Mr. Murray noted she was not discussing security in the classrooms though, as they were not in charge of the classrooms, but the actual hours when they were doing the treatment. She stated the 3 to 1 ratio was not the people in the building either, but the actual staff hired to be working and supervising the kids directly.

Paula Marsh Geurts, 4356 200 Lane NE, stated she was a former Cambia employee from the beginning and there were some things that absolutely happened, but it was unfortunate they did not hear about the good things that had happened. She indicated there were many stories about children that suffered and came out better children after treatment. She stated the staff cared about the children and the children did well, even though it was challenging. She noted there were many wonderful things that happened at Cambia Hills. She noted working at Cambia Hills was the best job she had ever had.

Joe Reiter, 19207 Staples Street, believed there was a disconnect about what was being talked about with one being the compassionate services that Nexus provided and the other was how was it going to get paid for. He noted he was only speaking for himself, but his concerns were that the CUP on the facility would need to be completely revised as it was written for Cambia Hills.

Mr. Reiter stated the normal course of action was a CUP would go before the Planning Commission to be considered and advice would be given to the City Council, but this had not been done yet. Additionally, he pointed out that the facility sat on a 40-acre section of prime commercial land and taxed at a correct rate, it would bring in the City about \$2 million.

Mr. Reiter indicated this was the largest facility in the City and by not paying any taxes, it was going to leave a big gap in how the City funded other things. He asked if Nexus planned to pursue continuation of the current payment in lieu of taxes, or would they operate as a regular commercial facility. He stated he would prefer that it was not borne on the residents, but rather the State agency that was paying for them.

Ms. Johnson stated the vote tonight was on the conduit bond and it was not about whether the CUP was valid or not and she believed that was what they should be thinking about right now.

Davis stated with respect to Mr. Reiter's comments, he had discussions with Nexus and they were working on revising the pilot program and also making those modifications to the CUP.

Davis stated he did not think the property was ever rezoned commercial. He indicated the previous owners wanted to sell the property and retire. He noted the City had informed the previous owners if they were ever interested in selling to contact the City and when Cambia was looking, he directed Cambia to the owner of the property. He noted the building was currently in receivership and the City was never involved in the ownership of the building – it was totally privately owned. He requested Mr. Fuglie of Certas Financial to explain the receivership process.

Robert Fuglie, Service Financial, stated they were the Court designed receiver. He noted receivership was a special case of ownership whereby the default was set aside to have the property returned to a

use for its highest and best purpose. He indicated Service Financial represented all of the creditors and they are agnostic in this process.

Mr. Fuglie indicated their role was to preserve the building and to make certain the payments were paid as they should be, and to act as a proxy for an owner. However, he indicated the building was technically not owned by anybody right now and it was a special place similar to bankruptcy, but without the bankruptcy protection.

Lewis closed the Public Hearing at 8:31 p.m.

Mundle stated I'll make a motion to adopt Resolution 2023-40, Resolution Relating to a Financing Under Minnesota Statutes, Section 469.152 through 469.165, As Amended, on Behalf of Nexus Diversified Community Services; Authorizing Execution and Delivery of Documents Relating Thereto. Miller stated I'll second for discussion purposes. Lewis asked any discussion?

Miller stated he had never heard of a company coming in without a Conditional Use Permit in place with this kind of money involved. He indicated he was not saying it was not done, but he had never heard of it.

Miller stated he did not feel comfortable doing this. He indicated he did not like the idea that the City would get \$100,000, but Nexus was going to have \$3.5 million savings over the life of the loan. And if the City did not do it, then Nexus would not save this money and it would cost the residents more.

Miller indicated there are too many open holes. He realized they were talking about a conduit bond, but they did not know the actual impact. He acknowledged places like this facility were needed, but he didn't feel comfortable voting in favor of the bond given a "if you do or don't situation".

Miller stated CUP's were put in place to prevent things from coming in that the residents did not agree with and that was the reason CUP's were important and required. He noted the current CUP had not been looked at in three years and it was not up to date. He indicated the CUP was supposed to be looked at annually, which had not been done and it had Cambia Hills written all over it. He stated they could not fill in the blanks or start crossing out names. He noted this had not been sent to the City Committees either and that was why they had the Committees. He stated this was his opinion.

Miller stated there are too many openings to say, "Yes, let's do this". He indicated it was going to cost people more money if they don't and that was how he felt about it.

Smith stated he agreed with Miller, and to him it looked like they were "putting the cart in front of the horse". Smith indicated they still need questions answered (especially with Superintendent Anderson). He noted other people were making answers for Superintendent Anderson and he was not at this meeting to answer questions. He stated he wanted to hear from Superintendent Anderson soon.

Smith stated he definitely agreed with Miller that residents looked out for other residents. He indicated Cambia Hills was a disaster, and they have to be very careful so that doesn't happen again.

Mundle asked how much time was needed for this to be passed and what was the timeframe looking like. Mr. McGuire responded if they were not on pace to close on this by August 1, they would have to delay their first client into March, 2024. He indicated the reason for this was because they did not want to try and hire staff over the holidays. He asked if the City was talking a couple of weeks.

Davis responded if they wanted to have another public hearing, it could come up at the June 26, 2023 Council meeting.

City Attorney Larson stated the Council had closed the public hearing which indicated that the public hearing process for this particular bond consideration on that particular component had been met. He indicated Council could table or continue this for further discussion and deliberation if they wanted. He stated if the Council tabled this, it could be back on the next Council agenda on June 26th.

Lewis stated with respect to the research he referred to earlier, there were issues in the past about negative things that Nexus facilities and other people's facilities, and given the business they were in, it did not surprise him in the least. But he noted there was one thing that surprised him and that was at Nexus' operations in Austin and Onamia, they were paying property taxes. He asked what was the reason why they would pay property taxes on those two facilities and not this facility when they were in the same State.

Mr. McGuire responded they are not certain yet whether or not they qualify for it. He noted they were a 501(c)(3).

Mr. Fuglie explained that in the State of Minnesota, the tax exemption was issued under an IPPC, which was an institution for a purely public charity. He noted there was a series of tests that were required for that, that was approved by the County. He stated the PRTF program in the State, was by its nature, a zero-gain provision in care. So there was no profit motivator for the care provider, which directly meant that in Minnesota PRTs would be run by not-for-profit organizations. He indicated based on their discussions with Anoka County, and then also as precedent in other operations and St. Peter, in Nicollet County, and in Duluth, in St. Louis County, those PRT apps were classified as tax exempt. Lewis thanked him for the clarification.

A member of the audience asked what PRT stood for. Mr. Fuglie responded it was Psychiatric Residential Treatment Center.

Mr. McGuire noted with the three and a half million dollars of savings to them, that was just mentioned, they did not make profit on it. He indicated they had zero profit potential, the three and a half million was actually savings to the taxpayers in Minnesota, not to them. He stated that was not savings to them because they were reimbursed by the taxpayers of the State of Minnesota.

Mr. McGuire stated with respect to Mr. Anderson, he had been invited and was aware of these meetings, so he was not sure why Mr. Anderson had not shown up to give the Council an update.

Mr. McGuire stated he knew the Council wanted to hear from Superintendent Anderson and he would like to hear from him also in front of this audience.

Smith noted all he heard was from Nexus, saying what Superintendent Anderson had said and he wanted to hear directly from Superintendent Anderson.

Mr. McGuire understood Smith's concerns and that this was hearsay. He indicated it would be great if they could get Superintendent Anderson to come to the June 26, 2023, meeting.

Miller asked if that delay still applied for reimbursement they were talking about on how the State paid it back. Mr. McGuire responded that would be best answered by Superintendent Anderson as it was not in his "wheelhouse."

Mundle stated I'll make a motion to table this to the next Council meeting. Miller stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

Lewis noted again that no major decisions would be made until they had a full Council.

4.0 D Public Hearing: Off Sale Liquor License – Bethel Liquor

Davis stated that staff is recommending that Council conduct a public hearing regarding an Off-Sale Liquor License for Bethel Liquor, LLC as required by East Bethel City Code, Article III, Intoxicating Liquors, Section 6-55. Per notification requirements, the public hearing for this date was published in the *Anoka County Union*.

Davis indicated at the conclusion and close of the public hearing, Council will be requested to consider the approval of an Off-Sale Liquor License for Bethel Liquor LLC, dba: Snak Atak #4 located at 23733 Highway 65 NE.

Davis stated the applicant is the new owner of the property, which previously held an identical license. All application materials, completed background checks, and fees have been submitted for the Off-Sale Liquor License.

Davis noted final approval of the license would be contingent on approval of State Commissioner of Public Safety. Approval of Council is required prior to action by the State.

Davis recommended conducting the public hearing to receive comments on the Off-Sale Liquor License for Bethel Liquor LLC, dba: Snak Atak #4. Once the public hearing is closed, and if there are no reasons to deny the license, staff recommends Council consider approval of an Off-Sale Liquor license for Bethel Liquor LLC, dba: Snak Atak #4 located at 23733 Highway 65 NE, East Bethel, MN 55011.

Lewis opened the Public Hearing at 8:47 p.m.

Jeff Fry, 1635 207th Lane NE, asked if the City could fill the pothole on Eveleth Street just south of 209th. Lewis asked how did this relate to the liquor store. Mr. Fry responded it did not relate to the liquor store. Davis stated he had noted this.

Lewis asked if anyone wanted to say anything about the liquor store.

Lewis closed the Public Haring at 8:48 p.m.

Miller stated I'll make a motion to approve an Off-Sale Liquor License for Bethel Liquor LL, dba: Snak Atak #4 located at 23733 Highway 65 NE, East Bethel, MN. Smith stated I'll second. Lewis asked any discussion?

Miller asked if Council could get these permits or forms for things they were approving filled out. He understood if there were a couple of things scratched out, but he wanted things to be more precise so he didn't have to look all over the place. He stated he did not have a problem approving this though. Davis responded if they wanted to copy the application, staff could certainly provide that.

Miller stated he did not want to change a copy of an application, he just wanted it filled out a little bit better so there was more information.

Smith stated he understood this had to be approved by the State. Davis stated Council approved it now and then the final approval was done by the State. He noted once it was approved by Council, then it was sent to the State for them to issue their final approval.

To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

5.0 Public Forum

There were no comments made.

6.0 Consent Agenda

~~Item A: Approve Bills~~

~~Item B: Approve Meeting Minutes May 22, 2023 City Council Meeting~~

Item C: Resolution 2023-41 Juneteenth Holiday

~~Item D: AHS Impound/Kenneling Contract~~

~~Item E: Overlay Project Bids~~

Item F: 2023-2024 Liquor Licenses

Item G: Resolution 2023-42, Cedar East Bethel Lions Temporary One Day Liquor License

Item H: Resolution 2023-44, Allowing Route 65 Temporary Liquor Sales in a City Park for Booster Days Event

Item I: Resolution 2023-45, Allowing East Bethel Booster Days Inc. to Conduct a Raffle for Booster Days Event

Miller stated I'll make a motion to approve the Consent Agenda. Smith stated I'll second. Lewis asked any discussion? Smith requested to pull Item A. Lewis requested to pull Items B, C, and E.

To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes.

Motion passes unanimously.

6.0 A Approve Bills

Smith asked under the Fire Department, Metro Garage Door, what was that for. Davis responded that was part of the result of an OSHA inspection and they had to replace the closure sensors and the control boxes in all three fire stations.

Smith asked what the Eckberg Lammers charge in the amount of \$9,975.75 was for. Davis responded that was their prosecution fee. He indicated this was their flat fee that they charge for doing essentially, code enforcement cases.

Smith asked what the other Eckberg Lammers charge in the amount of \$6,428.00 was for. Davis responded that was for the civil services. He indicated they had some unusually high interactions with the City Attorney involving some of the code enforcement cases. He indicated he had a copy of the bill if Smith wanted to look at it.

Smith asked what the third charge for Eckberg Lammers was for in the amount of \$864.00. Davis responded that was the cost for the Prairie Hill Subdivision but that was paid from their escrow account.

Smith asked what was the NACA County charge in the amount of \$1,000 for. Davis responded that was for the updates annually the City paid every two years for the updates for the aerial photography that they did countywide as part of our GIS system.

Smith asked if this \$1,000 was for them to fly a drone. Davis responded they did overflights with an airplane.

Lewis asked under assessing, he assumed the \$14,008.28 was a quarterly payment for next year's assessments being done this year. Davis responded that was the quarterly payment for the first quarter of this year for next year's assessment.

Lewis inquired about the elections charge. Davis responded that was part of the JPA agreement that the City paid Anoka County for the servicing and maintenance of the election machines they had at the City. He noted there were six election machines that were stored at the City. He indicated the City had a JPA agreement where the County maintained and serviced those machines.

Lewis asked under payroll what was MSRS/H.S.A./HCSP. Davis responded that was for the municipal state retirement system. And the HSCP was the hospitalization plan the City had. He indicated the City matched employee contribution to that MSRs system which was done on a monthly basis.

Lewis stated I'll make a motion to approve Item A of the Consent Agenda. Smith stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

6.0 B Approve Meeting Minutes May 22, 2023 City Council Meeting

Lewis requested on page 3 of 15, Line 9, change Marie to Murray.

Lewis requested on page 14 of 15, Line 29 through 31, insert the word "by" after "businesses".

Lewis stated I'll make a motion to approve Item B of the Consent Agenda. Smith stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

Reconsideration of Consent Agenda

Lewis noted Item D was the Animal Humane Society. Larson stated Lewis had pulled Item C, not D. Lewis indicated he had misspoken and intended to pull Item D and not C.

Larson stated Lewis should move for reconsideration of the prior approval and move that for reconsideration to approve C and pull Item D from the Consent Agenda.

Lewis stated I'll make a motion for reconsideration of the prior approval and move that Item C be approved and Item D be pulled from the Consent Agenda. Smith stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

6.0 D AHS Impound/Kenneling Contract

Lewis asked on the Animal Humane Society impound kennel contract, was that a change in the procedures. Davis responded the City had the contract with Animal Humane Society before it was approved. He noted last year the Animal Humane Society had a quarantine of their facility temporarily for eight weeks and did not take any animals. He stated it was then the City entered into that temporary contract with our Isanti County Animal Control, and this was just a renewal of the contract the City was previously working on.

Lewis asked if Coon Rapids was a drop off location. Davis responded that was correct.

Lewis stated I'll make a motion to approve Item D of the Consent Agenda. Smith stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

6.0 E Overlay Project Bids

Lewis noted the Resolution needed to be changed to reflect him as Mayor.

Lewis stated I'll make a motion to approve Item E of the Consent Agenda. Miller stated I'll second. Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

7.0 New Business. Commission, Association, and Task Force Reports

No reports given.

8.0 Department Reports**8.0 A Community Development**

None.

8.0 B Engineer Report

None.

8.0 C City Attorney**8.0 C.1 City Attorney Report – Cannabis Bill, HF100A**

Davis presented staff's report indicating City Attorney Eric Larson would review the provisions HF100A Bill which contained the rules and regulations for license issuance for a cannabis business. The effective date of the most of the recently passed cannabis legislation was August 1, 2023. Before this date, cities needed to take action on where, when, and how these types of businesses could operate within the municipality.

Mr. Larsen would review: What options did cities have for regulation; What obligations did cities have under Cannabis Bill HF 100A; Did the Cannabis Bill only create new laws for Cannabis businesses or do cities had to amend or adopt other ordinance or policies.

Davis recommended Council discuss this item for a response to this legislation.

Larson stated in light of fact that cannabis marijuana had been unlawful and illegal in the United States and the State of Minnesota for a long time, to make it legal opened up a number of issues both on a personal level, but also most importantly, for governmental bodies as far as oversight, regulation and what it meant with respect to the impacts on the community, and how best to essentially navigate those particular impacts.

Larson indicated right now, that piece of Legislation was 155 pages in length and it made sense given the fact that now they are looking at regulating something that had been overall strictly prohibited. He noted it meant that municipalities, counties, and the State, as well as the elected and appointed officials, and their attorney such as himself trying to assist them was really having a heavy lift.

Larson stated it was going to be an overall learning curve that they would have for a few years before they actually had to get their feet so solidly under them.

Larson explained the cannabis legislation was effective August 1, 2023. Cannabis, also known as marijuana, would be legal which meant that the possession of cannabis use, manufacturing, and sale of particular cannabis products would be legal in the State of Minnesota. He noted as a result, the State of Minnesota in this legislation was going to be forming a new office to oversee and regulate this new legal substance and that was going to be the Office of Cannabis Management.

Larson stated what was helpful was that the Office of Cannabis Management would be doing the licensing of any retail sale as well as the licensing of any businesses engaged in that particular process of growing for retail use all the way up to the retail sale itself, was not going to be up to counties or the cities to oversee the licensing and that licensing would not actually occur, it would not occur on August 1, 2023.

Larson indicated it was not until the Office had actually been created and had put together guidance, regulations, a license application, and overview process until the actual sale occurred in the State or even in East Bethel.

Larson stated what it did mean that was as of August 1 any person at the age of 21 or older, may use possess or transport cannabis paraphernalia; may possess 12 ounces or less of cannabis flour in a

public place; may possess two pounds or less of cannabis flour in a person's residence; and may possess or transport eight grams or less of adult use cannabis concentrate.

Lewis noted the prosecution and law enforcement was being handled by prosecutors, the County Attorney's Office, the State Public Enforcement, public safety personnel, as well as the Court system and the attorneys.

Larson stated he wanted to focus on what it meant as far as municipal regulation. Because when the City did get into the Office of Cannabis Management, looking and being prepared to provide licensing in place, then they were requiring that local municipalities have a registration process and actually register.

Larson noted that gets in that traditional time, place, and manner regulation, and zoning and land use oversight that municipalities do for all businesses. He noted that gets into if they are going to allow for retail sale of cannabis in the City and under what zoning such as distance restrictions, etc.

Larson stated they are going to need to determine what they are going to do as far as what information they are going to ask within their registration in order to help inform how they are going to go through that administrative oversight, and what fees they are going to impose noting there was a cap on those fees as far as what they could impose.

Larson stated they would have to make sure those fees were related to the administrative oversight that they are going to engage in, and they are going to have to look at what resources the City had in terms of the overall employment and human resources because the City could not refuse as of August 1, 2023.

Larson noted employment was based upon cannabis use, except for some particular excluded areas of employment where they could still have cannabis being a filter for particular types of employment, so it raised those type of issues. He indicated the Council had to be aware that people were going to be able to engage in home growth, but there were limitations with respect to that home growth of cannabis.

Larson asked how would the City regulate this and make sure that they have code enforcement, clear regulations, and a clear understanding by the residents of the community as to what they could legally do it with respect to home growth, and then the City's code enforcement and City Code itself.

Larson noted there was still a lot to be investigated, and this raised more questions than answers. He stated one of the things that they were lucky in the State of Minnesota was that we had the League of Minnesota Cities to collectively help try to essentially provide answers, templates, and guidance.

Larson stated one of the things that was available in the Legislation was that municipalities could impose a moratorium. He indicated a moratorium could be in place up until January 1, 2025, and that was the direction that at least at this point. He believed the City should at least look into a moratorium, but that did not mean the City had to keep that moratorium in place all the way until January, 2025. He indicated if at an earlier point, the City felt that it had a good grasp of the situation they could lift the moratorium before then.

Larson stated since licensing was not going to occur for some time, why would the City need to rush into a moratorium and that was one of the things he needed to research to see if it's necessary for the City to consider adopting a moratorium before August 1, 2023.

Larson stated he did not want any unintended consequences as well. He noted there were creative people out there that looked for loopholes, as well as for soft spots within a city and he did not want East Bethel to be a science hotspot, so he was thinking about that as well.

Larson indicated he gave his report verbally because he was still trying to get more of a command of this and intended to revisit this issue under the City Attorney report at the June 26, 2023 Council meeting. He stated he might have a recommendation for additional action steps to be taken on June 26, 2023 or possibly sometime in July.

Lewis stated he looked forward to Larson's report.

Mundle suggested this could be brought up at the July Work Meeting. Larson stated he believed this was going to be an ongoing kind of discussion and he felt they were going to be layering on as far as what steps they take and how they took those steps as well as in what order. He believed that this was going to be an ongoing discussion for 2023 and throughout 2024.

8.0 D Finance

None.

8.0 E Public Works

None.

8.0 F Fire Department

None.

8.0 G City Administrator Report

None.

9.0 – Other Items

9.0 A Staff Report

Davis noted due to Mr. Harrington's resignation, the Council needed to appoint a Councilmember to the City's EDA. He noted the City was required to have two Councilmembers on that Committee and Councilmember Mundle was presently on the EDA. He recommended the Council appoint another person to the EDA.

Lewis asked if he could appoint himself. Davis responded it would be best to have somebody else.

Mundle stated I'll make a motion to appoint Mayor Lewis to the EDA. Miller stated I'll second.

Lewis asked any discussion? To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

Davis stated on Wednesday, June 21, staff had called a special meeting with the Planning Commission and Council to receive a presentation from Capstone development. He indicated they want to show what their plans were for the Viking Meadows Golf Course property.

Lewis asked why that was necessary and why couldn't this be done at the Planning Commission meeting. Davis responded it was because they were very serious about doing this, and they wanted to give some background information to both bodies so when it came up at a Council meeting, there would be more time focused on the details.

9.0 B Council Reports

Smith stated he has had a lot of people calling him and saying they thought the Nexus thing was a done deal. He asked if the City had received any calls. He stated he did not know where people were getting their information, but he wanted to put on the record that it is not completely done yet.

Lewis requested that staff try and get the packets out before Friday afternoon so the Council had time to review everything and ask staff questions. He recommended getting them on Thursday

afternoon. Davis responded they would try to do their best to get the packets out earlier and that is always staff's goal, but lately, they've been a little short-handed.

Lewis stated he would appreciate that. He asked if they could just get the agenda beforehand so they could work collaboratively on the agenda.

Mundle stated he had no report.

Miller stated he had no report.

9.0 C Other

None.

10.0 D Closed Session

10.0 D.1 Purchase or Sale of Real Property – Minn. Statute Section 13.D.0 subd. 3(c); Easement Acquisition for the University Avenue Street Reconstruction Project

Larson stated thank you Mr. Mayor. For the benefit of the public, we'd note that at this time the Council's about to go into Closed Session to review an easement acquisition for the University Avenue Street Reconstruction Project.

This Closed Session will be tape recorded as required by Statute with that tape being maintained for a period of two years. The Council will come back into Open Session after having concluded its Closed Session and announce if there are any actions taken during the course of the Closed Session. With that being said, Mr. Mayor, I recommend that a motion be made to go into Closed Session for the purposes I've indicated.

Mundle stated I'll make a motion to go into Closed Session at 9:20 p.m. for the purposes that City Attorney's indicated. Smith stated I'll second. Lewis asked any discussion? All in favor say aye? **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

(Council moved into Closed Session.)

(Council reconvenes Open Session.)

Larson stated thank you Mr. Mayor. For the benefit of the public and for the record, we note the Council is back in Open Session after having concluded a Closed Session. The Closed Session was attended by the entire Council, City Administrator Davis, and himself.

Larson stated with respect to the decision made by this body the body had under the closed session, authorized purchase with the not to be disclosed purchase price at this time since that had not been secured and was still a confidential negotiating item for Eastman acquisition for the University Avenue Street Reconstruction Project. The actual purchase price itself would become public once that purchase agreement had been entered into between the city of East Bethel and the private property owner. Larson stated that was the end of his report.

11.0 Adjourn

Mundle stated I'll make a motion to adjourn. Miller stated I'll second. To the motion, all in favor say aye. **All in favor.** Lewis asked any opposed? That motion passes. **Motion passes unanimously.**

Meeting adjourned at 9:20 PM.

Submitted by:

Kathy Altman

TimeSaver Off Site Secretarial, Inc.