

EAST BETHEL CITY COUNCIL WORK MEETING

August 7, 2023

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

MEMBERS PRESENT: Kevin Lewis Brian Mundle Bob DeRoche
Tim Miller Jim Smith

ALSO PRESENT: Jack Davis, City Administrator
Mike Jeziorski, Deputy City Administrator/Finance Director

1.0 – Call to Order

The August 7, 2023, City Council meeting was called to order by Mayor Lewis at 7:00 p.m.

2.0 – Adopt Agenda

Mundle stated I'll make a motion to adopt tonight's agenda. DeRoche 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.**

3.0 – 2024 Draft Preliminary Budget

Davis presented the staff report indicating on May 10, 2023 the City Finance Committee met with City Staff to review and discuss the 2024 budget. The Finance Committee also discussed the City general fund balance, the actual City financial performance for the prior year and the City's debt service requirements. Concurrent to the Finance Committee meeting, the base budget was submitted to Department Heads for preparation of their individual department budgets. On July 5, 2023 City Department Heads presented their department budgets to the City Council.

Davis stated since the July 5, 2023 City Council work meeting, the Anoka County Sheriff's Department updated their 2024 Law Enforcement Contract estimate from \$1,275,158 to \$1,391,909 or \$116,751 more than what was initially provided. This new amount has now been updated in the preliminary budget. The 2023 Law Enforcement Contract amount was \$1,217,878 making the 2024 increase 14.3 percent. A representative from the Sheriff's Department is scheduled to present the Law Enforcement contract at the August 7, 2023 City Council Work Meeting.

Davis noted the preliminary 2024 general fund expenditure budget is proposed to increase by 5 percent or \$347,400. This expenditure increase would then result in a corresponding levy increase (general tax levy and debt service levy) of 6.1 percent or \$372,500 in order to balance the 2024 budget. Overall, the general tax levy, debt service levy, EDA levy, and HRA levy would increase by 5.9 percent or \$372,500.

Davis indicated the two primary open items as it pertains to the 2024 General Fund Budget are the proposal to add one FTE to the Fire Department and the potential use of fund balance to lessen the levy increase.

Davis stated the Fire Department has proposed to add one FTE to their staff in 2024—Outreach Coordinator. The amount allocated for this position is \$83,400, which includes salary and benefits.

Davis indicated the City has a fund balance policy that states that the City will maintain an unassigned fund balance in the General fund of at least 40 percent of next year's budgeted expenditures. In

practice, the City has historically maintained and targeted 50 percent of next years budgeted expenditures to ensure the general fund has adequate cash flow in order to meet operational needs.

Davis noted the City ended 2022 with a general fund balance of \$3,672,546. Given this amount and the proposed 2024 expenditure budget the City has roughly \$129,000 in unassigned fund balance above the 50 percent threshold that could be used to offset the proposed levy increase in 2024.

No use of fund balance = 5.9 percent overall increase

\$129,000 use of fund balance = 3.9 percent overall increase

Davis stated the remaining schedule for the discussion and consideration of the 2024 Budget is tentatively set as: Other Council Meeting agenda items as required prior to September 11, 2023; September 11 Council Meeting: Consideration of the Preliminary 2024 Budget and Levy; December 11 Council Meeting: Consideration of the Final 2024 Budget and Levy.

Davis requested the Council discuss the draft of the preliminary 2024 Budget and provide direction to staff regarding any adjustments to be made in the budget proposal.

Paul Lenzmeier, Commander of the Patrol Division, stated he had prepared the contract for this year and came up with a 3 percent wage increase, which was part of the deputy's union contract. He noted the City was looking at approximately 1.7 percent increase above the 3 percent increase for wages, for a preliminary number of 4.7 percent increase. He noted the County Board made the decision to give the deputies a \$5.00 per hour increase and in January, 2024, they will get an additional 3 percent increase. He stated the County Board saw that they were falling behind with hiring and retaining employees. He indicated the 1.7 percent for maintenance of squad cars, body worn cameras all remained the same. He stated the only increase was nearly a 15 percent increase in wages, with the final numbers of a 14 percent increase.

DeRoche stated he had spoken with a couple of deputies and went over what happened. He indicated initially the 14 percent was a shock, but after talking with a couple of Commissioners he understood the need. He indicated it was tough to keep anybody, especially with some of the things going on and the deputies were almost fighting a losing battle.

Commander Paul Lenzmeier stated he described it as an arterial bleed and the County Board put a tourniquet on it. He indicated the County Board was trying to stop the hemorrhaging on the hiring issue they have been seeing.

DeRoche stated he had no problem with this.

Lewis stated this was a big surprise to them and a big budget item. He asked if their budget included Blaine and Coon Rapids, or were they separate budgets. Commander Paul Lenzmeier responded this was for the deputies and it did not include anybody that had their own Police Department.

Lewis suggested reducing the number of deputy hours from 36 to 32. Commander Paul Lenzmeier cautioned doing that as this was a large City with a major highway going through and that was a lot to ask of one Deputy. He noted last year the CSO had been removed from the budget and they had also reduced the cost of squad cars by extending the life of them. He stated they were trying to be fiscally responsible and help the cities handle the costs.

Davis asked if a 2-year contract was an option. Commander Paul Lenzmeier responded under their previous administration that had been discussed, but he had spoken with the Sheriff and Chief and asked them not to provide the options because the Deputy contract had a clause in it that the County Board could increase wages at anytime without any type of negotiation. He indicated if they had a 2-

year contract, it would be very tough for them to honor something like that and after 2 years, it would jump higher than 3 percent.

Mundle asked if there were any areas they could redo something without potentially affecting service. Commander Paul Lenzmeier responded they were down to the bare bones right now. He asked where the public safety money was going as that might be some kind of a lifeline they could use.

Davis stated the City had not received any public safety funds, or any notification on that. Commander Paul Lenzmeier stated \$515,000 was allocated to the City of East Bethel. He indicated those funds could not be used for buildings, but they could be used for hiring. Davis stated staff would follow up on this right away.

Council held a discussion on various budget items and requested additional information which Jeziorski responded to.

Davis stated they needed to try and get the preliminary budget approved at the September 11 Council meeting so it could be sent to the County for certification. He indicated staff was looking for some direction now on the levy increase of 6.1 percent for the general and the debt service levy with taking all of the levies into account it is 5.9 percent.

After discussion Council agreed to a 2.5 to 3 percent levy increase with a target of 1 or 2 percent. Davis indicated staff would come up with some proposals and suggestions on how they could do that. He indicated they could also lower the levy when they approve the final budget in December.

4.0 – Utility Extension – 184th Lane to Briarwood Lane

Davis presented the staff report indicating the owner of a 9 +/- acre parcel at the intersection of Hwy 65 and 181st Avenue is interested in developing this property as a commercial site. The site is not served by water and sewer. The City services terminate approximately 1,400 feet north of the site. Extension of utilities to serve this area are part of the Facilities Plan that was incorporated in the Comprehensive Plan and is inside the Metropolitan Utilities Service Area (MUSA).

Davis stated in order to maximize the use of this site for the city's benefit, extension of water and sewer service is essential to attract the retail and food related businesses that residents favor.

Davis indicated whatever option and whenever utilities are extended to this area, consideration needs to be given to a sizing that could accommodate service to other adjacent areas that have the potential for future residential and commercial development. There are several alternatives to service the site and are but not limited to the following:

- Option 1, Service to the Commercial Site Only - the site could be served a private water system, sewage lift station and force main with capacity only to serve the 4-6 potential commercial lots on the site. The cost for this option would be the responsibility of the owner. This option would provide no service extension potential beyond this point and could delay or limit the owner's ability to attract the type of development preferable for this section of the Hwy 65 Corridor.
- Option 2, Service Area Would Include the Commercial Site and a Potential 53 Acre Residential Property. The cost to extend city water and gravity sewer to serve these 2 properties is estimated to be \$650,000.
- Option 3, Service Area Would Include the Option 2 Service Area but with Upsized Line Sizes to Align with the City Comprehensive Plan for Future System Extension – this option is only included as it is part of our comprehensive plan. However, the plan for sewer service beyond

the Hwy 65 Corridor, if ever implemented, would most likely be altered from the general design proposed in the Plan. The estimated cost to extend a 24” gravity sewer and 16” water line to service the commercial site and provide capacity for future extensions is estimated at \$1,000,000.

Discussion of donation of easements for the utilities with Osborn Development have been favorable and all properties serviced by any of the extensions shown in Attachment 2 and 3 to Council’s packet are in the MUSA.

Davis stated the following is one summary of the how costs for Option 2 could be assigned and recovered:

General Scenario Option 2 – extend 10” water service and 12 “gravity sewer service to the site at a cost of \$650,000. As it would cost a minimum of \$200,000 to serve the site with private well and septic service (does not include the acreage loss for well protection area and primary and secondary drain field area requirements), the assignment of the cost could be as follows:

- Developers upfront costs*\$200,000
- City costs for line oversizing** \$150,000
- Assessed Developer Cost for proportion of project cost*** \$ 90,000
- Trunk Charges for service to 53-acre site east of Osborne site***\$210,000

*Cost that would be incurred to install private well and septic applied to municipal project cost

** Costs recovered by City when 53-acre site exhibited in Attachment 1 is developed

***Developers percentage of total project SAC units 50/170

****Onetime trunk sewer extension charge when development occurs on 53-acre site.

Davis noted under this scenario, the developer of the commercial site would pay \$200,000 of the upfront project cost and \$450,000 from the City Water and Sewer Fund could be used for any city obligations and the short-term balance recovered by assessments or direct payment from the developers.

Davis indicated for the Osborne Commercial Site it is estimated that approximately \$60,000 in annual property taxes and up to \$280,000 in SAC and WAC fees would be generated at buildout. The area identified on the Location Map as “Future Development Area” could generate approximately \$133,400 in property taxes and \$672,000 in SAC and WAC fees at buildout. The estimates for the residential development are based on densities for the R-1 zoning.

Davis stated use of city water and sewer funds could be used to cover any city obligations and upfront costs for this project. Our recoverable costs could be secured in part or in whole through assessments and trunk charges with no use of city general funds. These would be our short-term opportunity costs to stimulate a needed type of development with no use of city general funds and with a payback of these monies over a period of time.

Davis requested direction from Council as to the City’s commitment level to participate in the service extensions to this site and funding the upsizing of facilities to serve future growth with recovery of these costs collected from future trunk sewer charges and/or assessments.

DeRoche asked if Coon Lake was a pipe dream. Davis explained they had to get it out there with potentially 240 customers. He indicated unless they develop a system that served all the way around

the lake and served the Ham Lake area and over into Columbus, they still have to have a lot of grant money to cover a lot of the cost and make it feasible to do to pay for itself.

DeRoche noted they initially said they were going to run it across the channel and the DNR said they would not get permits for that, but there was somebody recently in office that finally admitted to put the sewer/water around Coon Lake really wasn't going to happen. Davis noted there were several problems with which he pointed out linear distance and there was only so much they could assess the property. He indicated getting assessments was going to be a very difficult thing to do. He pointed out this was also in a tight, restricted area and whatever was done, they were going to have to do a complete street reconstruction and with storm drainage, the water and sewer was going to be very expensive.

DeRoche pointed out that in 2011 or 2012, they had discussed putting a central station over on Coon Lake Beach on a piece of property the City owned and trying to work with it from that. However, he noted there has been name people that have moved up into the neighborhood were told to put in tanks because sewer would be coming in 5 years, so now those neighborhoods were pumping. Davis indicated this proposal was not related to Coon Lake Beach because he did not think this was a solution to serve it to run a bigger line down there at this time. He stated he was looking to see if the Council wanted to do this.

Davis stated the benefits to this are mostly for Mr. Osborne on the commercial development and he explained the two ways that could be done with a lift station and force main. He stated his question was if the City did this, or if Mr. Osborne wanted to go through with this, it would probably cost Mr. Osborne a minimum of \$200,000 to put in his own well and septic system and to serve the commercial side, maybe more at this time. He indicated Mr. Osborne would also probably be expected to pay that up front. He asked if the City also wanted to assess Mr. Osborne for this, for the remainder of the cost and if the City wanted to upsize the line to service.

Mundle asked if the proposed developable area also be commercial. Davis responded he doubted that because of its location. He pointed out an area that might be a possibility for commercial. He indicated Mr. Osborne had hired an engineer to do some type of a concept plan for this property, but he was hoping to do the commercial segment first. He noted Mr. Osborne did not have any dates on anything and the City had not received any proposals from him.

DeRoche stated he was not a fan of, "you build it, they will come". Davis agreed they didn't want to get caught up in something that never paid off. However, he noted if something was not there, then nobody would come. He indicated the one that that makes this interesting was that it is a short extension and there are ways to recover the cost.

Mundle noted right now they were still essentially talking hypothetically and once they get Mr. Osborne's serious intentions, then the City could look at it more seriously. He stated from his viewpoint, if Mr. Osborne was serious and they actually did get something put together, then it would be a discussion as to how to get sewer and water put there.

Davis stated in staff's report, it did not include the cost of land for putting in the private system, which could be half an acre to an acre, depending on the sizing of it and what the secondary drainfield area would be. He noted the cost to do that though was a million dollars, so it would not be feasible for the property owner to have that assessed back to him. He stated staff has had one discussion with Mr. Osborne and staff told Mr. Osborne this would be brought before the City Council to get some direction.

DeRoche asked if there was any timetable set up. Davis responded they initially wanted to be in the ground by fall to do their first phase, which would be 55 units, the clubhouse, and pool. Once that was finished, they would start on their second phase.

Mundle stated his opinion was that they should open talks with Mr. Osborne as to what could be brought forward and that could be planned. Davis responded that would not commit them to anything to see what his next steps would be and what he was willing to do about this.

Miller stated he didn't think they should talk about any future development and anybody who wanted to come and purchase land like that it would be a part of the City, they should talk to. Davis stated whatever they did, staff was always going to show Council there was a way to recover cost.

DeRoche noted they were going to have a new Public Works building there.

Miller asked why was sewer and water system costs so different in the different areas. Davis responded it was built under two different things. He noted Whispering Aspen's water rate was much higher than the water rate down there. He indicated this was because they had initially more customers. He indicated they were trying to equalize those rates.

Miller indicated he wanted to see the narrowing of the gap with the higher ones coming down to the lower ones, and not the lower ones inching their way up. Davis responded the 3 percent covered their cost to provide the service, but he agreed with Miller's comments.

Lewis agreed they should sit down and talk to people about their plans. He noted he was not interested in pouring out a bunch of money hoping on something eventually. Davis agreed. He noted the important thing was that while Mr. Osborne did not live in the City, his father did and did a lot of things. However, they had somebody that was essentially local that was interested in doing this and he believed at least they could sit down with him and discuss this.

Lewis agreed. Davis stated staff will continue to meet with Mr. Osborne to see what they could come up with.

5.0 – Staff Report

Davis presented the staff report indicating in 1988, there was a group of volunteers from Oak Grove St. Francis in East Bethel, it formed the North in Oakland County arena committee to investigate the possibilities as funding for an ICER and to serve that area.

Davis noted in 1989, there was five acres of land donated to this committee, which is the site for the Ice Arena. And this made the selection of East Bethel, the site for the arena between those three cities.

Davis stated they determined that project funding was to come from income volunteer labor, and services fundraisers. They were looking at a potential grant from the County and it was proposed to the City issue bonds to finance the construction wasn't covered by these other income sources. During this period Anoka County approved a grant of \$225,000 for the project.

Davis stated there was an interesting stipulation in that grant is three cities and they all agreed to it. They would never come to the County and ask for another grant for an ICER anywhere in this area. With that, the City agreed to issue \$640,000 in bonds with the bonds to be paid from revenues from the arena. In order to issue the bonds and receive the grant, the committee had to dedicate this site to the City so they would be the eligible applicant.

Davis noted to repay the bonds the City leased the proposed facility to the committee, and the lease payments would amortize the bonds. Construction of the project occurred during this period from

1992 to 1993. Along with continued numerous fundraising activities, East Bethel Lions donated \$20,000 to the project.

Davis stated he did not know exactly how much they raised but it was a fairly significant amount. The facility started construction in 1993. It was opened February 12, 1994. And it was operated and managed by North Anoka Arena Committee in the period from 1994 to 1997. There were claims of unpaid bills from contractors due to construction issues that surfaced after the opening of the building. This led to the threat of liens and lawsuits that could be filed on the building. Also during this time, there appears to have been some issues of cash flow and revenue projections that were not met.

Davis indicated this appeared to have been a problem that became more of a problem for the end of this period. In 1998, the issues service to 1996 in 1997, led to lease payments to the City that were unpaid. And the City eventually terminated the lease with the North Anoka Arena Committee and took over the facility. So at that time, that's when the City actually acquired it. When they did that the North Oakland County Arena Committee turned over all their assets to the City including all cash.

Davis stated an arena manager was hired and the City ran the arena with part-time help and assistance from public works programs needed between 1998 to 2006. The City operated in magisterial during this period solely and exclusively. From 2006 to 2008, the City contract the management of the operations of the arena to the super rink in 2008. When their contract expired, the ice rink declined to renew their contract and the management was through Gibson Management for a one-year period.

Davis indicated since 2009, Gibson has managed the ice arena. During this period, the City has bid this contract twice and both times received no qualified responses. The contract with Gibson Management expires on July 31 2024, and the City will seek proposals for this service in March or April next year.

Lewis asked if the facility had even been put up for sale. Davis responded no, and there was a long-term lease with the Park 'N Ride also that would need to be satisfied. He indicated the Park 'N Ride had received a grant on this, so they would have to look into this to see if it would have to be repaid. He noted they had at one time discussed this as a Public Works building, but it might take more to repurpose that as Public Works. He indicated there have been a lot of improvements made recently though, but in the long run the future was going to depend on how good the management of that facility was and what kind of relationship they have with their only two customers (ISD 15 and St. Francise Youth Hockey Association). He stated the building also had limited use for as there was no air conditioning.

Davis stated maybe somebody could market it a little better and there might be some chance for some revenue from those sources, but he didn't expect them to be too significant.

Davis updated the Council on long-range solutions to traffic in the corridor between 181st Ave and Viking Boulevard and the possibility of getting a dual grant to finish some of the gaps in the service road and then connect to Crosstown which would give a signalized intersection on the north and the south for people to access Hwy 65. He showed on the map what he was talking about asked Council if they want staff to pursue and bring back additional information.

Mundle and Lewis said yes.

Davis stated since they had a good relationship with MnDOT, he suggested at least exploring this to see what the interest and possibilities were.

Davis stated he had one more item. He noted last week they had a meeting with Sunrise River WMO and Ham Lake might be interested in still continuing with the organization.

Mundle noted elected officials from Ham Lake actually showed up, which was very helpful, because apparently there was some miscommunication between their representatives and their elected officials.

6.0 – Adjourn

Mundle stated I'll make a motion to adjourn. DeRoche 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 9:02 p.m.

Submitted by:

Kathy Altman

TimeSaver Off Site Secretarial, Inc.