

BAXTER CITY COUNCIL MINUTES
Work Session
September 19, 2017

Mayor Darrel Olson called the Work Session to order at 5:45 p.m.

COUNCIL MEMBERS PRESENT: Mayor Darrel Olson, Council Members Quinn Nystrom, Todd Holman, Steve Barrows, and Mark Cross.

COUNCIL MEMBERS ABSENT: None.

STAFF PRESENT: City Administrator Bradley Chapulis, Police Chief Jim Exsted, Community Development Director Josh Doty, Assistant City Administrator Kelly Steele, Finance Director Jeremy Vacinek, IT/GIS Director Todd DeBoer, Assistant Finance Director Susannah Jensen, and Public Works Director Trevor Walter.

UNITED FUND PRESENTATION BY BLAEDC EXECUTIVE DIRECTOR SHEILA HAVERKAMP:

Sheila Haverkamp introduced several board members and BLAEDC staff in attendance at the work session. Ms. Haverkamp addressed the council about a BLAEDC initiative to bring enhanced economic development opportunities to Crow Wing County through the establishment of a business financing capital pool for entrepreneurs, existing businesses and new companies that locate in our community.

There are nearly a dozen funding pools currently in Crow Wing County from various original funding sources. The total amount of money includes more than \$3 million, of which nearly \$2.5 million is in cash accounts. These funds are restricted and could only be used for specified purposes such as community/economic development.

BLAEDC frequently has the opportunity to assist companies in securing financing to help make their projects a reality. There are a variety of private sources and economic development funds to support business growth. However, the local revolving loan funds are frequently not used by companies due to a variety of reasons including the relatively low balances in each pool, complicated or confusing public processes, lack of marketing, and unknown outcomes.

BLAEDC's vision is to assemble the funding pools into a BLAEDC Unified Fund that will coordinate market and management processes in order to streamline customer friendly access to financing for businesses and result in the funds being invested in development projects in Crow Wing County.

The proposed Unified Fund would benefit businesses by providing an enhanced understanding and knowledge of available local resources, a one-stop approach to securing financial resources at a local level, and access to BLAEDC support staff. Communities would benefit from the Unified Fund by promoting and marketing of the funding pool, project vetting, loan management, ease of process, investing diversification opportunities, greater likelihood of funds being invested in private sector business projects, and enhanced ability to secure additional resources for economic development.

To move the Unified Fund concept forward, a legal opinion was attained, draft documents and agreements were prepared and the program was vetted. It has been determined the city is eligible to participate in this process. According to the State of Minnesota, the City can designate BLAEDC as their local development organization and appropriate their funds to the BLAEDC Unified Fund. BLAEDC will utilize the funds by the city and others to create the BLAEDC Unified Fund and offer loans to local and regional businesses. A public hearing process is required to name BLAEDC as the local development organization and agree to participate in the BLAEDC Unified Fund program.

Tom Haglin explained the ease of having a one-stop shop for financing is beneficial to prospective applicants.

Jerry Sinner, executive of Stern Companies, and Brainerd EDA member, explained to be competitive and attract more companies, the first things considered by prospective companies are the site, infrastructure, transportation, employees, and finally how can the company apply for financing.

Baxter's funds were from federal funds and federal dollars come with rules and restrictions. Ms. Haverkamp explained Crow Wing Power, CTC, city of Brainerd, Lake Edward Township, Crow Wing County, city of Deerwood, Crow Wing County HRA, and the City of Baxter currently hold pools of funds. Each participating entity or local unit of government will receive one BLAEDC Unified Fund board seat, an annual report, marketing and project vetting, and loan processing.

Council Member Holman inquired how the board determines the criteria and ranking for which projects receive funding. Ms. Haverkamp explained the Initiative Fund would provide underwriting and she does not foresee multiple loan requests at the same time. Each loan would have a bank loan as well. Banks would receive a first position.

The Initiative Fund would assist with delinquent loan collection. Loan interest would be distributed at 1% to BLAEDC, 1% to the Initiative Fund, and 2% to replenish the fund. The BLAEDC has contributed significant funds to date for the development of the Unified Fund, and would not expect to break even with receiving 1% of the interest.

Ms. Haverkamp explained the city would need to hold a public hearing and adopt a resolution that would then be forwarded to the state. City Administrator Chapulis explained the next steps would be to schedule another work session to provide the council with an opportunity to ask questions and further discuss.

Tax Forfeited Parcels – Evergreen Drive

City Administrator Chapulis explained the city received notice from Crow Wing County of its intentions to auction certain tax-forfeited property located in Baxter unless the City expresses interest in acquiring the property. Two tax-forfeited parcels are located adjacent to the City's industrial park. The 38-acre parcel is located directly northwest of the intersection of Evergreen Drive and Highland Scenic Road. Most of the property is low-lying and likely classified as wetland. This parcel has an assessed value of \$32,800.

Engineering staff reviewed this parcel as it relates to stormwater concerns in the area. Currently stormwater generated in the Industrial Park and surrounding area discharges to a retention basin located in the northeast corner of College Road and TH 371. The pond soil characteristics and bottom elevation (close to groundwater) inhibit discharge resulting in stormwater backing up into private property. Staff currently pumps the pond during high water condition to alleviate these concerns. For many years, the City has been considering a regional stormwater management plan for the area that would encompass properties lying southeast of the intersection of TH 371 and TH 210 corridor, all the way to the Mississippi River. The goal of the plan is to design a long-range managed stormwater system to handle stormwater discharge from the area. The parcel in question offers many advantages, as follows:

This parcel is ideally situated to become an integral part of a regional stormwater management plan for the area. With the low-lying parcel being southwest of the Industrial Park, the location is in a corridor currently being considered as a likely route for stormwater discharge.

The parcel is limited for development purposes due to the number and size of anticipated wetlands. Utilization of the area as part of a regional stormwater management system is potentially one of the best uses of the property. Additional stormwater holding areas could be constructed on the property and the existing wetlands utilized as an integral part of the conveyance route.

Municipal ownership of the parcel saves time as further identification of a regional stormwater discharge route continues. With the parcel under municipal control, one critical component of the discharge route is established and no further investigation is necessary. In addition, time is saved when the City is ready to proceed with the project and needs to gain control of the outlet route via purchase or obtaining easements.

Purchase of the parcel from the County will be considerably easier and likely cheaper than trying to purchase the property from a private entity in the future when a regional stormwater discharge route is needed to take care of future development along with fixing existing issues on College Road.

The second parcel is a 20.23-acre upside down L-shaped parcel is located directly southwest of the intersection of Evergreen Drive and Hastings Road. The property is subject to an assessment levied in 2012 for the Hastings Road Improvements. The \$313,552.75 assessment has been deferred until the property is platted, or a building permit is applied for, or until 2023, whichever occurs first. Physical challenges/limitations/barriers to the development of the parcel is the lack of adequate depth of land along Hastings Road, need to maintain ingress/egress for the parcel located directly to the southwest, and the lack of urban infrastructure along Evergreen Drive.

It should be noted that the storm water system described in this memo may require some upgrades to the stormwater system designed for the development of this parcel to serve as an outlet connection between the existing stormwater basin directly south of Hastings Road and the regional basin to be developed on Parcel A. This will be addressed in a development agreement with the party who develops Parcel B.

According to Minnesota Statute 282.01, the County must offer local units of government the opportunity to acquire tax-forfeited property for a public purpose before it is made available to the public. If the local government elects to pass on the acquisition of such property, the County would then be required to sell the property to the public through an auction. Regardless of the purchaser,

the County is obligated to sell the property for the assessed market value for tax purposes at a minimum. If at the end of the auction no bid has reached the minimum assessed value, the County shall continue to maintain the property until such time a person/party makes an offer equal to the minimum assessed value.

Staff has reviewed both parcels extensively and would recommend the purchase of Parcel A only for the purposes previously described. While Parcel B could be purchased for economic development purposes, staff believes that the Parcel would be properly addressed in the open market. With the end goal of creating a regional storm water management plan, staff would recommend the use of storm water funds to cover the cost of acquisition of Parcel A.

City Administrator Chapulis explained staff is seeking direction from the Council on these parcels. Should Council concur with Staff's assessment and recommendation, we will notify the County of the City's interest in Parcel A and commence the necessary steps to bring the acquisition of the Parcel for formal action at a future date.

Mayor Olson inquired the process for storm water to move through the properties if parcel B was not acquired. City Administrator Chapulis explained the storm water management for the area.

The Council consensus was to support staff's recommendation. City Administrator Chapulis will notify Crow Wing County of the council's consensus and will schedule to take action at a future council meeting.

City Council Budget Work Session to Review and Discuss 2018 Governmental Fund Budget

City Administrator Chapulis summarized the items identified during the previous council budget work session requiring further discussion. Finance Director Vacinek has provided a memo prepared by public works regarding the snow blower purchase. After completing further analysis, public works has recommended waiting one year for the purchase of the snow blower. Staff recommended reducing the \$85,000 allocation for the potential equipment purchase to a \$30,000 allocation to the Capital Equipment Fund in 2018. The 2018 contribution will provide a portion of the funding for the future equipment purchase with the balance funded in 2019 and future budgets.

City Administrator Chapulis explained not all requested information regarding the new public works position has been prepared for tonight. The information that has been prepared has been included in the memo provided this evening. The information includes the general responsibilities of the position, current engineering contracts, future engineering expenditures related to MPCA mandates, the financial break down for the position whether it be an assistant engineer or engineering tech position, and a response to the NJPA funding inquiry. The City is currently spending approximately \$55,000 per year on pavement management. Having an assistant engineer would allow some of the pavement management work to be completed in house and would reduce the consulting engineering expense to \$30-35,000 per year. State aid reports could also be done in house. It is anticipated the MS4 permit requirements would be met by having an assistant engineer. Consulting engineer contracts expenditures are approximately \$75,000 per year, so the wages and contracts could net each other out leaving the cost of the benefits. A finding of the financial audit is more staff helps stabilize and if not offset direct contract costs.

As indicated at the last meeting, the additional \$4,000 requested for striping has been determined not to be needed. Finance Director Vacinek explained with the changes, the levy has been reduced to \$192,000.

Council Member Holman looked at the street signs at night and found the reflectivity to be good. The City could consider replacing the street signs at the same time as the pavement management zone is being improved to spread out the expense. Staff will provide a plan to break down the replacement schedule and reduce the annual expenditure.

Council asked staff to provide specific tasks that would require the professional engineering designation. Some of the tasks specified in the job description should include contact administration and design components.

Staff will continue to review the budget to soften levy.

ADJOURN:

MOTION by Council Member Cross, seconded by Council Member Holman to adjourn the council work session at 6:31 p.m. Motion carried unanimously.

Approved by:

Respectfully submitted,

Darrel Olson
Mayor

Kelly Steele
Assistant City Administrator