

**CITY COUNCIL WORK SESSION
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Ramsey City Council conducted a City Council Work Session on Tuesday, June 25, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Sarah Strommen
Councilmember Mark Kuzma
Councilmember John LeTourneau
Councilmember Chris Riley
Councilmember Jason Tossey (arrived at 5:45 p.m.)

Member Absent: Councilmember Randy Backous

Also Present: City Administrator Kurtis Ulrich
Finance Director Diana Lund
Parks and Assistant Public Works Superintendent Mark Riverblood
Public Works Superintendent Grant Riemer
Development Services Manager Timothy Gladhill
City Engineer Bruce Westby

1. CALL TO ORDER

Mayor Strommen called the City Council Work Session to order at 5:38 p.m.

2. TOPICS FOR DISCUSSION

2.01: Consider Letter of Intent from PACT Charter School to Enter into a Lease Agreement for Warehouse Space Located at 6701 Highway 10

Finance Director Lund reviewed the staff report and explained that Premier Properties, which now handles the property management for several properties on Highway 10 for the City, has received a Letter of Intent from PACT Charter School to enter into a lease agreement for warehouse space at 6701 Highway 10. The School would like to lease a portion of the back cold storage area to store approximately ten school buses. It was noted this item would be considered at the June 25, 2013, City Council meeting

Marty Fisher, Premier Properties, stated they met with PACT Charter several times at the site and a bus was brought to the site to assure they could park up to 10 busses. He explained they will take 3 sets of doors, coming in on the west side, park in a linear fashion, and then in the morning pull out on the other side. That space totals 5,000 square feet. The additional bay has been demised (sheetrocked), is heated, and about 420 square feet with a drive in door. In that space, they would like to store their theater materials. Mr. Fisher stated the School wants to keep the buses inside and if approved, would cover the cost to add electrical operators on each garage

door, additional electrical to power engine block heaters for the buses, and an electrical sub-meter to monitor electrical usage. There would be no further demise (walls or fencing) to separate the spaces. Mr. Fisher stated this has been approved by the School Board and they would like to start July 1 with a one-year lease. The School is willing to pay a security deposit equal to one month's net rent and is offering \$1 per square foot and their share of electric costs. In addition, they will be responsible for snow plowing. This would equate to \$5,040 per year.

Finance Director Lund stated when Sharp rented this space, he paid \$1.21 per square foot.

Councilmember Tossey arrived at 5:45 p.m.

Councilmember Kuzma asked if all electrical improvements would stay once they vacated.

Mr. Fisher stated they did not talk about improvements.

Councilmember Kuzma stated if they are getting a good deal on the rent, he would want the improvements and electric door operators to remain with the building.

Councilmember Riley asked if this is a portion of the cold storage area.

Mr. Fisher stated it is about one-third of the cold storage area and would not harm the rest of the space so the remaining cold storage space could be rented.

Finance Director Lund stated the total space is 18,360 square feet and currently tax exempt because it is vacant.

City Administrator Ulrich concurred that any improvements made, including the garage door openers should remain. He stated if rented to the school, this portion of the building would remain tax exempt so the City's expenses will be lower than when Sharp rented the space.

Councilmember Tossey agreed the improvements should stay if they vacate the building.

City Administrator Ulrich stated the Council case and resolution are written so the improvements remain.

Mr. Fisher stated he does not think it will be an issue for the School and this can be covered in the Lease Agreement that will follow.

Councilmember LeTourneau stated his support.

The consensus of the Council was to support approval of the PACT Charter School Letter of Intent subject to review and approval of the City Attorney.

Independent Auto Care Lease

Finance Director Lund reported that Independent Auto Care is two months (May and June) delinquent paying rent. She reviewed the rent rates and indicated the business owner has stated

he is not able to pay monthly rent of \$1,612 and asked that the City keep the rent at \$650 per month for six months (May to October) while he negotiates another possible deal with a car dealership.

Mr. Fisher stated he met with the business owner in the space a few weeks ago to address the delinquent rent status and he alluded to the fact he has had difficulty renting the space because the doors slide along the ground instead of rising so in the spring, they are difficult to open. Because of this situation, he is hesitant to lease out space but during the summer months, this is not an issue. Currently there are a few cars, boats, and trailers, which do not generate enough income to cover the rent. The business owner has requested the rent be reduced to \$650 for six months, through the summer. Mr. Fisher stated he is negotiating with a car dealership that is storing cars at the State Fair grounds, which have to be moved. If that proposal goes through, he would submit a new proposal to the City to lease the rest of the space in his current building and also lease the balance of the space at 6701 Highway 10.

Mayor Strommen suggested this issue come back to the Council once the business owner concludes negotiation with the car dealership.

Finance Director Lund agreed and indicated the Council will also have to address the request to lower the rent to \$650/month from May to October.

Mayor Strommen stated that item will be pulled from the Consent Agenda at the request of Councilmember Riley.

Councilmember Riley disclosed that his son had a part time summer job at Independent Auto Care so he will abstain from the vote on that issue.

Councilmember LeTourneau asked about the annualized cost for Independent Auto Care compared to the PACT School, noting one is \$1 per foot and the other is 69 cents per foot. He asked if the Council is willing to take whatever is offered.

City Administrator Ulrich noted this is a short-term consideration and the front space is rented at a higher market rate so the rent is lower for this accessory space.

Councilmember LeTourneau stated it appears the rents are randomly set.

Finance Director Lund stated this is the first time the City has been asked for a renegotiation because most times the tenant just says they cannot pay the rent and vacates the space.

Councilmember Tossey stated he does not know what the lease prices should be so he relies on the leasing agent.

Mr. Fisher stated the market for cold storage space is about \$1.50 per square foot. In Ramsey, the issue was raised whether the City was under cutting the market; however, these are unique buildings and there is no other property offering inside cold storage. He stated tenants usually make offers that are below market and the property owner negotiates, usually having to go lower

than asking. Mr. Fisher stated PACT Schools is a good tenant and this is the offer made by Independent Auto Care. He noted he would not argue that the doors are an issue.

Finance Director Lund stated the 6745 Highway 10 site also has very difficult access.

Youth First Lease

Finance Director Lund stated the Youth First lease is on tonight's consent agenda and consideration is to extend beyond 2016, subject to a 30-day written notice. She explained that when Premier was let go, the Council at that time had indicated that Youth First should cover the cost for utilities and maintenance, which is how tonight's case is written, to hold Youth First accountable for water and gas bills and to set a term.

Mr. Fisher stated all of the paperwork for Youth First has expired and they have been called to the site several times to resolve minor issues. He recommended that some framework be in place, even if it is "tenant at will" with a 30-day notice.

Councilmember Tossey asked about the City's contribution to Youth First.

City Administrator Ulrich reviewed the City's contributions, noting it is a significant amount. He stated staff is proposing the lease include payment of utilities by Youth First.

Finance Director Lund stated Youth First is currently paying 60% of one-half of the costs with the church paying the other 50%. The cost for utilities for the year is about \$5,000 so it will cost Youth First \$2,000 to \$3,000 for gas, electric, and water.

Councilmember LeTourneau noted that three to four years ago, Youth First asked the Rotary Club for support to pay the utility bill as it was quite significant in their operating budget.

Mayor Strommen stated there should be some responsibility for use of utilities and the City contributes to Youth First in other ways.

Councilmember Tossey stated he thinks Youth First staff will contact him about having to pay the utilities because they are in financial hardship; however, he thinks there should be some responsibility and accountability with the utilities.

Finance Director Lund stated Youth First is aware of this change to include utilities.

Mayor Strommen stated if it was a concern, they would probably have responded.

City Administrator Ulrich stated the Council will be addressing the 2014 budget in several months.

The Council agreed with the request of Mayor Strommen to next consider Case 2.03 since the auditor was in attendance.

2.03: Review 2012 Comprehensive Annual Financial Report (CAFR), Management Report, and Special Purpose Audit Reports

Finance Director Lund reviewed the staff report and indicated the 2012 Annual Report has been completed.

Aaron Nielsen, Malloy, Montague, Karnowski, Radosevich & Company (MMKR), presented the Comprehensive Annual Financial Report (CAFR), Management Report, and Special Purpose Audit Report on the Single Audit that is required since the City received in excess of \$500,000 in federal grant awards during a calendar year (parking ramp expansion). He stated a clean opinion has been issued on the City's report, there were no internal control findings or weakness or issues of noncompliance in the single audit. Mr. Nielsen described the seven areas of legal compliance they audited and one finding identified with a short-term investments not in compliance with requirements of State Statutes, an unrated mutual fund, and the other was an obligation that was rated high enough to be allowable but over time fell below the level it needs to be rated.

Finance Director Lund explained that the finding was based on a \$44,000 interest principal payment that came due on December 31, 2013. Since the City was changing banks, it was put into a non-rated account until January 3, 2013. That was the issue on which the auditor made a finding.

Mr. Nielsen completed overview of the CAFR, opinions, and findings.

Councilmember Riley thanked Finance Director Lund for explaining the finding, noting it does not involve a big issue. He stated Ramsey had a sizeable decrease in surplus funds and asked Mr. Nielsen if he has seen the same issue with other municipalities.

Mr. Nielsen stated he does not have that type of comparison, noting other municipalities may be using a different type of tool such as Tax Increment Financing.

Councilmember Kuzma commended Finance Director Lund and noted the City did change banks.

Councilmember Tossey noted it is more difficult to project revenues and stated the City was quite close to that projection.

Finance Director Lund explained that towards the close of the year, she does an amendment, which is why the revenue is so close. She explained monthly reports are provided so the numbers can be reviewed and the City is required to do this amendment.

Mayor Strommen asked about the percentage of unpaid taxes.

Mr. Nielsen stated that figure is in the audit, Page 139, showing that in 2011, the City collected 93% and in 2012, it collected 98%. He referenced Page 51 indicating revenues were within \$4,000 after amendment but the original was very close in projecting revenues.

Finance Director Lund explained that with expenditures, there is usually an asset to balance it, such as when TIF was used for Flaherty & Collins and the parking ramp. She stated when the City goes out for bonds, it will be asked about those types of assets.

Mayor Strommen noted the CAFR contains a lot of interesting information, particularly when compared to prior years. She asked staff to pull out some of those key trends, such as percentage of taxes collected, to provide context during the budget process.

Finance Director Lund stated the tax capacity value is also impacted by changes made by the Legislature.

Councilmember LeTourneau suggested the Finance Committee schedule a meeting to address the outliers, opportunities, and relationships so that can be used moving forward with the budget discussion and assure transparency.

Finance Director Lund asked who will be the third member of the Finance Committee, noting Mayor Strommen is the alternate.

The consensus of the Council was to support the suggestion of Councilmember LeTourneau and for Mayor Strommen to attend as the alternate.

Mayor Strommen thanked Finance Director Lund, her staff, and Mr. Nielsen, for all of the work that went into this report.

2.02: Review Draft Contract for City Attorney Services

City Administrator Ulrich reviewed the staff report and changes made to the draft contract with Joseph Langel, Ratwik, Roszak & Maloney, PA, for City Attorney services. He noted staff is recommending a new paragraph detailing the responsibility of attorney and staff, severability, and that the City expressly reserves its right to hire independent counsel on matters it determines requires an attorney with more expertise or expertise in a particular field.

Councilmember Riley asked about non-retainer items that are not covered, such as property and development matters.

City Administrator Ulrich stated that relates to contested matters and if a property matter that is a specific real estate transaction it will be billed hourly. He stated this is consistent with what the City has been paying and if it is a fee that can be charged back to the developer, it is charged at \$185/hour.

Councilmember Riley noted reimbursable costs (Section 2.2) are laid out but it had been stated at both interviews that the City would not be billed for mileage or their drive time to/from the City Hall.

City Administrator Ulrich indicated that was also his understanding and stated at the interview. He agreed the wording does not clearly spell out that issue and stated he will check with Mr. Langel about that issue.

Councilmember LeTourneau suggested adding to Section 1.1, Retainer Matters, indicating: “L. Mileage expense to and from City Hall office.

The consensus of the Council was to support the draft contract for civil legal services with Ratwik, Roszak & Maloney, PA as revised and presented by staff. It was noted this item would be considered on the June 25, 2013, City Council Consent Agenda.

2.03: Review 2012 Comprehensive Annual Financial Report (CAFR), Management Report, and Special Purpose Audit Reports

This item was considered prior to Case 2.02.

3. FUTURE TOPICS FOR DISCUSSION

3.01: Game Fair Sign Request

City Administrator Ulrich stated last year, Game Fair asked for signs along Highway 10 and the Council did give a variance for a billboard-sized sign in the proximity of the City’s sign. He explained that Game Fair is making the same request as well as for a temporary sign by the Youth First building. City Administrator Ulrich asked if the Council supported staff issuing the sign permit and variance or if it preferred to wait until the request is formally considered at the July 9, 2013, meeting.

The consensus of the Council was to not object to staff issuing a sign permit and variance for Game Fair to install temporary signage.

3.02: Update on Lower Rum River Water Management Organization (LRRWMO) Assessments

City Administrator Ulrich reported on the LRRWMO meeting, during which the funding formula was discussed. It was noted that at this time, Ramsey pays 49% of the funding for the LRRWMO and Coon Rapids will be withdrawing. City Administrator Ulrich stated the LRRWMO agreed to divide funding equally between the remaining three cities.

Councilmember Kuzma stated this will result in an annual saving of \$7,000. He recommended that consideration of the Stanley Consulting study on the Rum River Dam and potential future dam projects be considered as separate issues. He explained the LRRWMO is asking for a written request at this time because the other two cities (Andover and Anoka) will need to consider that their level of funding will increase from former years.

City Administrator Ulrich stated the next LRRWMO meeting is July 18 and this matter will come before the City Council at the July 9, 2013, meeting.

The consensus of the Council was to support the new funding formula of the LRRWMO with Ramsey paying one-third and that staff prepare a letter making a formal request to the LRRWMO. The letter will also indicate Ramsey's support to keep decisions involving the Rum River Dam as a separate issue.

4. MAYOR / COUNCIL / STAFF INPUT

None

5. ADJOURNMENT

Mayor Strommen declared the Work Session of the City Council to be adjourned at 6:53 p.m.

Respectfully submitted,

Kurtis G. Ulrich
City Administrator

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.