

**APPROVED MINUTES
OF THE SPECIAL MEETING
CITY OF EAST GRAND FORKS
MONDAY, FEBRUARY 24, 2020 – 5:00 PM**

CALL TO ORDER:

The Special Meeting of the East Grand Forks City Council for February 24, 2020 was called to order by Council President Olstad at 5:00 P.M.

CALL OF ROLL:

On a Call of Roll the following members of the East Grand Forks City Council were present: Mayor Steve Gander (5:08pm), Council President Mark Olstad, Council Vice-President Chad Grassel, Council Members Clarence Vetter, Tim Riopelle, Tim Johnson, and Marc DeMers.

Karla Anderson, Finance Director; Nancy Ellis, City Planner; Ron Galstad, City Attorney; Paul Gorte, Economic Development Director; Mike Hedlund, Police Chief; Charlotte Helgeson, Library Director; Reid Huttunen, Parks and Recreation Superintendent; David Murphy, City Administrator/Clerk-Treasurer; and Megan Nelson, City Clerk.

DETERMINATION OF A QUORUM:

The Council President Determined a Quorum was present.

1. Consider adopting Resolution No. 20-02-16 approving the appointments of the election judges for the Presidential Primary Election.

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER DEMERS, TO ADOPT RESOLUTION NO. 20-02-16 APPROVING THE APPOINTMENTS OF THE ELECTION JUDGES FOR THE PRESIDENTIAL PRIMARY ELECTION.

Voting Aye: Vetter, Riopelle, Johnson, Olstad, Grassel, and DeMers.

Voting Nay: None.

Absent: Helms.

Mr. Murphy informed the Council he will be an election judge in Ward 1 because they were short a judge so he would not be attending the March 3rd council meeting. Council member DeMers asked if this would be for the general election as well. Ms. Nelson said it was only for this election. Council member DeMers asked if something happens with elections what would happen. Mr. Murphy said the election judge in charge would be making decisions which would be Ms. Nelson. Ms. Anderson said Mr. Murphy was needed, she could replace him as the election judge.

2. Discussion on the recreation facilities plan and consider the sales tax percentage.

Mr. Huttunen said information had been included in the packet about the different projects and the

different sales tax rates. He commented how a month ago a resolution was passed asking for up to a 2% sales tax, it was submitted to the tax committees by the deadline, but at this time no bill has been written. He stated there has been some hesitation to move forward after discussions with the local representatives and they are looking for a consensus from the Council on what percent they would like to try to move forward with. He added the deadline to submit a bill was February 27th to try to get a hearing in the committees. He stated the percentage will determine what projects can be done and he also handed out comments from the informational meeting that was held the previous week. He told the Council they handed out materials to help inform people, staff was available to answer questions, he thanked the council members that attended, and how there seems to be a lot of interest in the projects but some think more should be done and others think it needs to be downsized. He referenced the information that was handed out on other projects that have been done in recent years and what their costs are in today's construction dollars. He asked for questions. Mr. Murphy reminded the Council they need to keep in mind they are living on borrowed time with the ice plants so they will need a plan in place because parts for those plants are not available.

Council President Olstad said they had started out with the study of the arenas, once it came back they discussed including more than just the arenas, but now based on some information being received this may not even get a hearing. He stated they need to take a look at this, determine what needs to be taken care of, and asked Mayor Gander for his comments.

Mayor Gander explained he had reached out to Representative Kiel and Senator Johnson about the sales tax. He stated they both said they would try to move it forward as it is but in its current form it will not pass because the 2% was beyond what the State thought was appropriate. He added they didn't see the same effort that was done for the pool and he reminded them the process changed, this goes to the State before it can be voted on by the people, but they are still looking for the community support. He commented they need to come forward with a fundraising goal or plan along with adjusting the percentage that is being asked for. He said his preference is for a 1% sales tax over 15 years and if there was a longer time period they could anticipate paying it off soon due to increased sales tax collections over time.

Mayor Gander said 1% sales tax brings in approximately 1 million dollars per year, 2% would bring in 2 million dollars per year, possibly half would be covered by people visiting the community, and the individual family of four would expect to see \$240 per year if everyone pays the same amount. He commented that is a lot of money for each family, a 2% yearly sales tax is approximately 40% of the tax levy, the percentage of sales tax is not the same as a percentage of the city's levy, and even a 1% sales tax brings in a huge amount of money. He thanked Mr. Huttunen for being professional throughout this process by doing what is asked and representing the people but the proposed 2% sales tax along with the regular budget would be 4 million dollars for parks and recreation which is almost what is spent on police and fire combined. He said he struggles with that, 2% would put the City at a higher sales tax rate than Grand Forks, consumer trends could change, and this could make it harder to recruit businesses to move into the community.

Mayor Gander continued saying the vast majority of recent arena projects have been paid for through donations, naming rights, sponsorships, and other funds. He said there really hasn't been an arena in the area to be paid for by tax dollars, in most of these communities' people have stepped up to make these projects happen, and he would like to be a part of the fundraising effort. He added it would be appropriate to revise the wording of the bill to give it a chance to succeed, they need to be intentional about fundraising,

they will need to bring in a professional to help, and a fundraising goal will need to be set. He said he is trying to put something together that can be approved by the Legislature, by the voters, and get something built. He commented he may look like an obstacle but he is one of the strongest supporters of this effort. He stated he would like a new boat ramp but that will need to be removed, he uses the trails several times a week but that also needs to be removed, and he would like to see the Stauss Park renovations included but he doesn't want confusion with two questions or items on the ballot. He thanked everyone that had worked on this to get things to this point, they will have to revise what the priorities are because not everything can be done, and there is still time to do that.

Council President Olstad asked for clarification on the due date of February 27th. Mr. Murphy said the 27th date was what he was given from Representative Kiel and this date gave her enough time for the bill to be jacketed and sent on. Ms. Lisa Brown, 2225 9th St SE, said she was confused because at the last meeting the percentage was going to be up to 2% and it was up to the community to decide what was going to be funded. Mayor Gander said that is what the process was but the City has received information from the Legislature is not okay with the City's ability to have up to a 2% sales tax even though they were going to try and work it down. Ms. Brown said this new process is not going to work because they want all of the work done up front like it was for the pool but it cannot be done that way and it does not make sense. Mayor Gander said he agrees because they reversed the process and it is no longer a logical process.

Council member DeMers asked if anyone knew how the Moorhead hearing went earlier in the day. Mr. Murphy said he did not listen. Mayor Gander asked what they were proposing. Discussion followed about how Moorhead was asking for a half percent to raise \$130,000,000 for a variety of projects and to cover the bonding costs. Council member DeMers asked what the State was opposed to for the City's request. Mr. Huttunen said he has a feeling it is the 2% rate because it would be the highest they had ever seen. Mr. Murphy added this has never has been asked before so it is an unknown. Mayor Gander commented the closer people get to a number like that the less successful they are and he was told 1% was consider high.

Mr. Huttunen informed the Council there were 20 cities asking for sales tax increases this year. Mayor Gander asked what the highest ask was. Mr. Huttunen said the City of Hermantown is asking for a half cent increase, they already have a 1% sales tax in place, and if it passed they would be tied with Duluth for the highest tax in the State. Discussion followed about other cities were asking for and how some already have a local sales tax in place. Council President Olstad stated it was frustrating the City is following the rules for this process, the last time things were different, and the change in the law makes it State govern instead of local governing. Ms. Anderson said a city like Hermantown can do a half percent because they have the big box stores but if the community is willing to pay the 2% they should have a chance to vote on it. She added she was speaking as a resident who lives at 1609 8th St SE and if they want to see community support residents can start sending emails.

Council President Olstad said if they want to change anything it needs to be done this week or they need to let Representative Kiel that no changes are going to be made so they need to decide what they would like to do. Council Vice-President Grassel stated he was afraid that if they do not make a change and it dies they will have to wait another two years and will only increase costs. He asked if they changed it to a 1% for 15 years if it would cover the costs of fixing the Civic Center and VFW Arena including the parking lots, locker rooms, and everything else. Ms. Brown asked if it would cover the ADA compliance. Council Vice-President Grassel commented how every time they try to do something they get close but

then find a way to pull back and this is why things are at where they are at. He said they need to decide if they are going to go for it, revamp it, or gamble and wait another two years and maybe have to add this to the tax roll which could really bring people to meetings. Ms. Brown said they cannot afford for their property taxes to go up any more and their house is assessed for more than it is worth.

Council President Olstad said information had been included on different percentages over different periods of time and asked if they ever looked at 1% over 20 years. Ms. Anderson said they have the information for 1% over 30 years and that was \$17 million and they don't have the information for 20 years. Council President Olstad said if they consider 1% over 15 years just looking at one the project they will still need to raise \$9 or \$10 million to reach the \$24 million. Mr. Huttunen said \$11 million would come from the sales tax so and additional \$13 million would need to be raised. Mayor Gander asked if there was a way to bring the costs down. Mr. Huttunen stated yes there should be ways to bring down the costs, he gave an example of the cost to replace the boilers at the VFW Arena in the feasibility study he thought was around \$200,000, and the it was replaced for \$90,000 last year. He added they won't be able to cut the costs in half but when they eventually get to the design phase they can make considerations to help reduce costs. He explained Baudette built an arena for \$6.8 million, they built it for much less than others, but the building is a pre-fabricated concrete shell for the building that has no design features, no extra amenities, it is not heated, and there is some seating for around 400 to 500 people. He said he does think there are considerations that can be made to reduce costs if this gets to a design phase.

Mayor Gander stated the City should be able to come up with 20 million dollars between the sales tax and fundraising and the challenge for the Council is to come up with a plan that includes a new ice sheet attached to the Civic Center, to convert the VFW Arena, and fit this into \$20 million dollars. He then asked what the total dollar amount has been spent on arenas since they were built. Ms. Anderson said these amounts were not in today's dollars, \$3.18 million had been spent on the Civic Center, and about \$1.5 million had been spent on the VFW Arena. Mayor Gander said the City has only spent approximately \$5 million on the arenas. Ms. Anderson said it hasn't been enough. Mayor Gander said they are now considering a \$20 million expenditure which is four times the amount that has been spent on the arenas. He asked how spending that kind of money would be consider doing it on the cheap side which he doesn't understand. Ms. Anderson stated the arenas are 30 and 40 years old. Mayor Gander said there has been lot of maintenance done on these buildings.

Mr. Murphy said if the City moved forward with 1% for 15 years they would be fixing what is there, there would not be the additional ice sheet added, and they would need to do fundraising. He stated the major changes that would be seen would be the parking lots because most of the other changes will be to the ice plant systems and flooring. He added when these ice arenas are built there seems to be one major donor so they will need to see if that can happen for these projects because that has not been explored. He said if they want the second ice sheet it would require an unprecedented fundraising effort. Mayor Gander stated they will not be retrofitting the VFW Arena to stay an arena, they won't need as much parking when it turns into a fitness center because it won't be an arena any more, and there is a way to rework things to that is money saved and can go towards a second sheet of ice at the Civic and to the locker rooms.

Council member DeMers asked what happens in October if the ice plants don't start up. Mr. Huttunen said at this time he is not sure, he does not know how much it would cost, and they would find a way to get things up and running. Mayor Gander asked how many council members have reached out to the business community and what their response was. Council member DeMers said the people he has talked

to can see it both ways, they understand there are needs, but there are concerns. He stated there was an Economic Development Authority Board meeting last week and Mr. Gorte was asked to push this through his channels to find the sales tax capacity before starting to meet with the business community. He added there are lots of comments being said and he does not know what the ramifications of a 2% sales tax would be. Mayor Gander told the Council he had not had a single conversation with any businesses that said they would support a 2% increase and around 90% of them ask that this doesn't happen. He said he has to look at everything when considering this, at least half would be carried by the residents, he knows people have chosen to live in the City because of the amenities that have been provided, but they should be able to get something really good for \$20 million dollars.

Mr. Gorte told the Council he had contacted a company that may help with determining the sales tax capacity but it may not be simple process because of all of the different aspects that need to be considered. Council member DeMers said they think of retail for sales tax but an example of something else is if American Crystal does a \$5 million project some of the items needed could have sales tax which would increase their costs. Mr. Gorte stated some capital improvement items are tax exempt or they can request an exemption from the State. Ms. Anderson stated the comparison of sales tax and property tax is not apples to apples, how if the \$15 million was added to property tax a house valued at \$250,000 would pay an additional \$335 in property taxes per year for the next 20 years, and a family of four would need to spend over \$16,000 each year to pay that much in taxable sales in a year. Mayor Gander said they are estimating half of the 2% sales tax is coming from the community so \$1 million is coming from the community. Ms. Anderson said they are getting a service. Mayor Gander said they are still paying it. Ms. Anderson stated they are either purchasing a good or receiving a service with the sales tax. She added there are restrictions for fundraising and if a person wants to give to only to a specific project those funds cannot be used for a different project. She said they are not asking for money from the State but they need to be given the means to do this.

Council member Vetter said they are here to determine if a change needs to be made or if they want to keep it the same. He proposed adjusting this down to 1%, leave all of the projects included, and stress to the Legislature they are the first step instead of doing the work ahead of time including fundraising. Council member DeMers asked what the package look like with 1%. Council member Vetter said the sales tax would not be the only thing paying for projects, set 1% for 20 to 25 years, and fundraise for the remaining costs. Council President Olstad asked how much would be raised in 25 years with a 1% sales tax. Ms. Anderson said at 30 years they could take out a bond for \$17.7 million. Council President Olstad then asked what it would be at 25 years. Ms. Anderson said they would have to ask. Mayor Gander asked how long it would take to pay off if they went for 25 years with expected growth over time. Ms. Anderson said she had no idea, they can only bond for what is expected to be collected based on the current sales tax collection, and based on that they expected to pay off the 30 year bond in 25 years. Mr. Murphy said 15 versus 30 years only adds approximately \$6 million because more of it goes to paying interest.

Mayor Gander explained the City would borrow money or bond for these projects, the interest rate is around 3.5%, and the sales tax collected would be used to pay off the bond. He stated doubling the term does not double the amount because of the increased amount of interest. Council member DeMers said 1% for 15 years gets them almost the total for replacing the ice plants, the HVAC systems, and repaired parking lots.

Mr. Huttunen told the Council he had talked with some business owners and one conversation gave him the most to think about. He explained the business owner started by saying if there were twice as many businesses the City could be at a half percent like other communities instead of what 1%, the City is trying to attract more businesses, the current businesses have been able to handle 1%, they could continue with it, but they fear 2% because it will scare away any new businesses and could cause more to leave the community. He continued saying if they were going to continue with 1% he would like to see it for a term of 30 years and he understands it would be paying in more interest. He asked to find the number where they feel is the right point, they are completing the projects wanted, and let the community know what they have to work with so they can determine what can be accomplished. He asked to continue the conversation and determine how to find the additional funds needed so they have a direction to go with this to help give answers at public meetings.

Mayor Gander thanked Mr. Huttunen for his candor, he thinks \$5 million is doable if they bring in a professional, and it is evident there is a need which helps people step up. He added these projects are for everyone in the community. Council member Vetter said they can still work through the process by adjusting down to 1% with keeping all four projects for the residents to vote on them in the fall. He stated if they vote out the arenas but keep other projects those are the projects that will be completed or they all could be voted in so then they will know how much they will need to fundraise so they should let the process work. Council Vice-President Grassel asked if the process will get vetoed if all four projects are listed since Mayor Gander only wants one question on the ballot. Mayor Gander stated he didn't veto the resolution with the four projects at 2% for 30 years because the intent was to bring it down and he doesn't intend to veto this because the conversation will continue. He said the Council has decided it is time to fix the arenas, which was the priority, and they will find ways to fix these other items. He added he does appreciate the consideration of 1% and the conversation will continue.

Council President Olstad said the comment has been made by Mayor Gander of not waiting four questions on the ballot so it was asked for clarification if there would be a veto for 1% for all four projects. Mayor Gander said he would not veto the effort and hope it passes. Ms. Brown asked who was going to veto this because at the last meeting they were moving forward with up to 2% and 1% only fixes what is already there. She asked what it costs to fix the arenas. Council Vice-President Grassel stated \$13 million to fix the arenas. Mr. David said they moved forward with 1% at 15 years they would come up short for fixing the arenas. Mayor Gander commented they still need to talk about fundraising and not rehabbing the VFW Arena. Council President Olstad asked if they make a motion for 30 years would that commit them to that time frame. Mr. Huttunen stated as far as he knew it was based on the amount they wanted to borrow and it will be finalized when they prepare the question for the ballot. Discussion followed about just changing the percentage and leaving the 30 years, how Mayor Gander would rather see a term of 15 or 20 years, and how 13 million would fix the ice systems, parking lots, the mechanical systems, fire systems, some of the ADA issues but not the locker rooms, and it does include an elevator at the Civic Center.

Council member DeMers said he has concerns with the 30 year term which is why they were trying to get these things done. He added he would like to fund the trails a different way. Council member Vetter said there were other sources for all of these projects which is why they should all be listed, the sales tax is just one piece to pay for these project, and they need to work up the whole package after the vote by the citizens. Council President Olstad asked if they only want to change the percentage. Mr. Galstad said he was speaking as a citizen and asked what happens when the arenas aren't included and the compressors

go down. He asked where they will be coming up with \$13 million. He said the arenas need to be done and the rest of the projects are gravy, they have been elected to make these decisions, and leaving that to the citizens could be a mistake. Discussion followed about how difficult fundraising could be, 1% will be helpful for the business community, and what the percentage should be changed to and submitted to the State.

Council President Olstad said they need to make a decision. Council Vice-President Grassel stated he was worried if they stick with the bare minimum they will not be able to fix the locker rooms. He said they need to figure out if they can get the locker rooms done. Mayor Gander said they need to bring common sense into the design process. Discussion followed about what projects should be left in and what should be taken out, what some of the differences were in the cost estimates for the ball fields, how the poles need to be taken out of the main ball field, and what would be included in the proposed \$2.5 million. Mayor Gander said he would like to see where they could get for \$1 million at the ball fields.

Mr. Huttunen said he needs direction on the percentage and what the Council would like to see. He explained he would take that information to the public forums, and determine what can be done with the funds available. He commented this needs to keep moving forward and if this doesn't move forward what is their Plan B.

A motion was made by Council member DeMers, seconded by Council member Grassel, to move forward with a 1% sales tax for 15 years or up to \$15 million to cover the current issues at the Civic Center, VFW Arena, and Stauss Park.

Mayor Gander asked if this leaves room for improvements through fundraising. Discussion followed about how the information needed has to include a percentage, the term, and specified what the funds will be used for. More discussion followed about how the term determines the amount that can be bonded for, how the expected bond costs were included in the information sent to the State, and the bond could be paid off sooner. Mayor Gander asked if they would consider 1% at 20 years which could be paid off sooner. Council member Vetter commented how the State accomplished taking off two projects by the City having to make a change. Mayor Gander stated there would be other ways to fund those projects and asked if the motion was going to be changed. Mr. Huttunen said there are legacy dollars but there is also a required local match. Council member Vetter stated the sales tax could have been the local match.

Council President Olstad asked if they were going to include the use or change how they could add improvements. Ms. Nelson repeated the motion to the Council of 1% over 15 years or up to \$15 million to cover the current issues at the Civic Center, the VFW Arena, and Stauss Park. Mr. Huttunen suggested to change the wording to cover repairs and improvements. Council member DeMers said he would also move it to 20 years. Council Vice-President Grassel stated he agreed. Council member Riopelle asked to have the motion read again.

Ms. Nelson stated the motion was now for a 1% sales tax for 20 years or up to \$15 million whichever comes first for repairs and improvements for the city ice arenas and Stauss Park.

Discussion followed about how \$15 million would be the bond amount and if that was enough to go on. Ms. Anderson said they could run the numbers the next day and they will need to figure out what the pay back would be. More discussion followed about what is being proposed, they can only use the current

collection figures, at 30 years it is expected to collect \$17.7 million, and they need to include a dollar amount for the maximum amount they expect to collect. Ms. Anderson said the laws have changed and things have to be specific, they can include on the resolution the City expects to collect donations to cover the additional costs, and staff will need to know what projects to include. Council member DeMers said it is at 1% at 20 years or up to \$15 million. Mr. Murphy said the Council can vote on the motion, staff can draft a resolution, and it would be considered voted on. Mr. Galstad commented that they should include any additional improvements will be paid for through fundraising. Mayor Gander said they need to let the legislators know the City is committed to fundraising.

Council member DeMers asked if they need to decide on the ratio for each project or if that will be deferred to staff. Mr. Murphy said it can be set at a later date. Council member DeMers said the dollar amount needs to be included in the resolution. Mr. Huttunen stated none of the projects are fully funded so the Council would need to decide. Council President Olstad asked if that needed to be designated tonight. Mr. Huttunen read the information from the League of Minnesota Cities of what is needed in the resolution which required the designation. Council member DeMers said if this was based on the \$15 million and not knowing anything else he would designate \$13 million to the arenas and \$2 million to Stauss Park. Council Vice-President Grassel seconded the designation of funds. Council President Olstad asked to have the motion again.

Ms. Nelson stated the motion from Council member DeMers, seconded by Council member Grassel was for a 1% sales tax over 20 years or up to \$15 million for repairs and improvements for the city ice arenas and Stauss Park with \$13 million going to the arena project and \$2 million going to the Stauss Park project.

Voting Aye: Riopelle, Johnson, Olstad, Grassel, and DeMers.

Voting Nay: Vetter.

Absent: Helms.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER DEMERS, TO ADJOURN THE FEBRUARY 24, 2020 COUNCIL MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 6:48 P.M.

Voting Aye: Vetter, Riopelle, Johnson, Olstad, Grassel, and DeMers.

Voting Nay: None.

Absent: Helms.

David Murphy, City Administrator/Clerk-Treasurer