

Minutes – City of Delano
City Council/Economic Development Authority
Tuesday, January 16, 2024, 7:00 PM

1. Call to Order

Mayor Holly Schrupp called the regular meeting of the Delano City Council/Economic Development Authority of Tuesday, January 16, 2024, to order at 7:00pm

2. Communications and Announcements

Robert Hopwood from the Delano Herald Journal provides community updates. He says that the Wright County Sheriff's Office is investigating a burglary at Flippin' Bills. A security camera image will be featured in Friday's paper. Bill Hanson has been named Citizen of the Year by the Wright County Economic Development Partnership. He will be recognized at their annual meeting at 7:30am on Friday at the Wright County government Center. Bill Hanson was also named 2023 Citizen of the Year by the GFWC (General Federated Women's Club). They will be honoring him on an undetermined date this spring.

Puck in the Park will take place Friday, January 19 through Sunday, January 21. The Ice Palace will be opening this Sunday, January 21 at 5pm and will be open from 5pm – 9pm on Thursdays, Fridays Sundays and 2pm – 9pm on Saturdays.

The Delano Area Council for Arts and Culture is soliciting artist to be featured in the Delano sculpture park. Sculptures that are chosen will be given a \$600 reward. January 28 – February 3 is National Catholic schools week. Delano Herald Journal will be featuring photos from St. Maximilian Kolbe. Delano Calico Quilters and the Friends of the Delano Library will be putting on their annual quilting event from Tuesday, February 6 – Thursday, March 21. St. Mary of Czestochowa catholic church and the Knights of Columbus are hosting a French toast and waffle breakfast from 9am – 11am on Sunday, January 21 in the church basement.

3. Roll Call and Approval of Agenda

Members Present: Mayor Holly Schrupp; Councilmembers Becky Schaust, Mike Mathisen, Jeremiah Hawkins

Members Absent:

Also Present: Phil Kern, City Administrator; Brian Bloch, Finance Director; Shawn Louwagie, City Engineer; Paula Bauman, Administrative Service Director; Bryce Borland, Deputy Clerk.

Borland recommends the following changes:

Remove the following items:

8B1 – Consider approval of River Waters final plat

Add the following items:

4A – Update from Wright County Commissioner Mike Kaczmarek

6H – Approve the gambling license request from the Delano Lion's Club for their bingo event on February 24, 2024

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Supporting document for item 6G – Crow River Villa Procurement Policy

Supporting document for item 8B2 – Construction and Financing Agreement

Supporting document for item 8B2 – Operations and Usage License Agreement

Supporting document for item 8B2 – Assignment, Assumptions and Amendment of School Ground Lease

Supporting document for item 8B2 – Change Order Contract

Supporting document for item 8B2 – Standard Form of Agreement Between Owner and Construction Manager as Constructor

Motion by Schaust, seconded by Mathisen to approve agenda as with these changes; motion carries.

4. Speakers, Presentations and Awards

A. Update from Wright County Commissioner Mike Kaczmarek

Kaczmarek introduces himself and explains the role he plays and who he represents. He says he recently talked at the senior center about road projects. He notes that Delano currently has an advantage in this regard with Kern being the chair of the Highway 12 Safety Coalition. He lists some of the upcoming road projects that Wright County is planning for. In 2024, there is a pavement reconditioning project on County Road 17 south of Delano. In 2025, there is a pavement reconditioning project on County Road 30 and County Road 139 (County Line Road). In 2027, there is a planned roundabout for the intersection of Highway 12 and County Road 14. Also in 2027, there is a proposed pavement reconditioning project on County Road 30, west of Delano. County Board meetings take place on the first and third Tuesdays of the month at 9am, and workshops will take place on the second Tuesday. Meetings can be viewed virtually. Kaczmarek talks about Wright County's role in adopting and incorporating the new state flag and seal. He says he is trying to determine if the County must make these changes which are costly. He also wants to know what the penalty is for not doing it.

5. Minutes

A. December 19, 2023 – Special Workshop | Summary Minutes

B. January 2, 2024 – Regular Meeting

C. January 8, 2024 – Special Workshop | Summary Minutes

Motion by Hawkins, seconded by Schaust to approve minutes A, B and C; motion carries.

6. Consent Items

A. Authorize requested engineering rate increase of 3.5% for Stantec

B. Approve Pay Request No. 3 to G4 Construction Management in the amount of \$70,458.79

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- C. Switch phone providers from Frontier to Telecom Broadband Solutions and upgrade necessary hardware
- D. Approve the 2024 General Depository Agreement HUD-51999 Form
- E. Authorize staff to begin the bidding process for the Heritage Center elevator installation project
- F. Approve the liquor license request from Mike Mulrooney, Whiskey Jar, located at 260 River Street North, for an On-Sale Liquor and Sunday On-Sale Intoxicating Liquor License
Schaust asks for confirmation of the location of 260 River Street North. Kern says it is on the corner of Elm Avenue and River St.
- G. Execute Crow River Villa Procurement Policy
- H. Approve the gambling license request from the Delano Lion's Club for their bingo event on February 24, 2024

Motion by Mathisen, seconded by Schaust to approve Consent Items A, B, C, D, E, and H ; motion carries.

Motion by Schaust, seconded by Hawkins to approve Consent Item F; motion carries.

Motion by Hawkins, seconded by Schrupp to table Consent Item G; motion carries.

7. Public Hearing

8. General Business

A. Administration

B. Community Development

~~1. Consider approval of River Waters final plat~~

~~i. Consider RESOLUTION approving River Waters Final Plat~~

2. Consider Community Activity Park

Kern says that this is the project that was formerly known as the "Ice Park", but this name does not reflect the multi-seasonal uses that the facility will provide. For the time being, the City will refer to the facility as the Community Activity Park and intends to have the Park and Recreation commission recommend a new name at their upcoming meeting.

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Kern says that the Council has four bundles of actions for the Council to consider. He says that staff would recommend approval of each action contingent on approval of all other recommended actions. The first action is to consider approval of construction bids for construction of the Community Activity Park. The second bundle of actions are to approve the Purchase Agreement and related agreements between the City and Delano Public Schools. The third bundle of actions are to authorize agreements pertaining to the future relationship between the City and Delano Hockey, which refers to DASA (Delano Area Sports Arena) and DAYHA (Delano Area Youth Hockey Association). The fourth action bundle would authorize the preparation of bonds for the project. Kern introduces Doug Green from Baker Tilly, who has prepared a brief presentation on this process. Again, staff would recommend that the Council either approve all of these actions or none of them.

Hawkins says that he is concerned he has not had the opportunity to go through the construction documents that were added to the agenda, and requests that staff takes time to adequately explain the documents being considered for approval.

Louwagie says that in the fall of 2023, the City went through the second round of the public bidding process. He shows the Site plan that was bid in the Spring of 2023. He then shows how that Site Plan changed when the project was rebid in Fall of 2023. He shows the overall project costs of the project including construction costs, apex costs, construction contingency, and other owner costs. He shows how the itemized construction costs changed from the Spring 2023 to Fall 2023. Louwagie talks about the tax credit that this project would be eligible for as part of the Inflation Reduction Act of 2022. This is eligible for tax exempt entities who make qualifying clean energy investments. By using a geothermal chiller instead of an ammonia chiller system, the City would qualify for this credit and save about \$330,000 after substantial completion. Louwagie says that he would recommend that Council approve the construction documents contingent on the City attorney being able to review and approve them.

Hawkins says he is concerned because he did not have ample time to read through the construction documents before the meeting, and asks if the City Council should have better working knowledge of these documents before voting on them. Kern says yes, the documents should be in the packet for Council further in advance of the meeting. He says that the City uses very standard documents for projects like this, and the typical process is to point out where the documents deviate from the norm. Hawkins asks for clarification that the City attorney has not reviewed the document yet. Louwagie says that the City attorney has reviewed the original contract, and this change order just breaks out the refrigeration portion of the contract. Louwagie says that APEX had to make changes to the contract over the weekend, and he received the documents back today.

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Mathisen asks about the timeline of the applying for the geothermal tax credit. Louwagie says that the City could apply once it has been substantially completed or when the refrigeration system is up and running. With the current timeline, this is expected to take place in March 2025. Mathisen asks if this is applied to the bond payment. Louwagie says that it is much like a tax return.

Doug Green with Baker Tilly presents next. Green talks about City's ability to incur debt, which is the same thing as issuing bonds. State statutes outline what cities can borrow money for. He says that cities have statutory authority to incur debt. He talks about the different types of General Obligation (G.O.) bonds and how each type is used. Equipment bonds and Abatement bonds are the bonds that would be used for this project. He says that the geothermal chiller will be covered by an Equipment bond, and the rest of the project through an Abatement bond. He notes that there will be two public hearing processes.

Next, Green explains where the funding for the project will come from, what it will be used for, and how much money the City and Hockey (DAYHA and DASA) will be responsible for annually. He shows the historical revenues and expenses for both DASA and DAYHA. He shows the historical cash position of both entities together. He then shows the potential levy and tax impact of the project for properties based on property value. Schaust asked how the residential market values were arrived at. She says she would believe that most homes in the community are worth \$400,000 to \$600,000. He says she is right and he should have included higher home values in his examples.

Next, Green talks about the current Bond Issue timeline which he notes can be changed. On February 6, 2024, the City would consider a resolution calling for public hearings for tax abatement and TEFRA. Public hearing notice would be published by February 16, 2024, and the public hearings would take place on March 5, 2024. Also on March 2024, City Council would consider authorizing the issuance of bond. If approved, a credit rating call would be scheduled with Standard & Poor's. Finally, the bond sale would be brought before Council for consideration on April 2, 2024. If approved, the City would receive its bond proceeds later that month.

Hawkins expresses concern about DAYHA meeting their debt obligation considering their historical net income. Kern clarifies that there are two organizations, DASA and DAYHA that are on the hook for the same obligation. They will be able to use both income streams to pay their obligation.

Kern says that the cost is \$5.9 million for the project. Green says the City can either cash flow it for a year, or choose to have higher principal payments. Kern says this decision does not need to be made tonight, it can be made at the Council meeting

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on Tuesday, March 5. Mathisen asks if the election could impact the ability to have those funds. Green says that that is a potential risk.

Kern talks about the Agreements with Delano Public Schools. He says that the City Attorney has reviewed the Purchase Agreement with the District Attorney and the title company is recommending the adoption of the. Next, he talks about the Assignment, Assumption and Amendment of the School Ground Lease document. This document gives the land currently owned by the school to the City. He explains this document in detail.

The document notes that the most updated Ground Lease was recorded in 2008. The Ground Lease provides a parking easement to DASA in order to support activities within the arena. The parking lot is not part of the land that DASA leases. The document says that the City, DASA and DAYHA agree to work together, and that the School conveys the land to the City for this project. However, this does not include the land on which the parking lot easement is located. The document says that the School gives all rights and obligations to the land to the City. The School retains the right to use the facility for physical education classes. The School has placed certain restrictions on the land, and these restrictions must stay in place. The Parking Lot remains the fee owner of the parking lot. Schaust asks if there is ever a time where the elementary school uses the parking area that the City is taking over. Kern says this would best be addressed by reviewing the next document

Kern next talks about the Cross Access and Parking Easement Agreement. He says that the School has priority for parking during school hours. Schaust asks if this applies to extracurricular activities. Kern says historically hockey has been able to coexist with the school's extracurricular activities. Hawkins says he thinks there is ample parking to handle multiple events occurring at the same time. Mathisen says that the hockey arena can only seat so many people, so the parking lot does not get very full. Brian Roers from Delano Hockey (DASA and DAYHA) says that there historically has not been an issue with inadequate parking. Kern talks about which parking lots will be conveyed to the City as part of the new agreement. Anytime when school is not in session, parking is shared by both entities.

Next, Kern talks about the easement agreement for the locker room building. He says that the School would like to continue to own and maintain the locker room which will continue to be used for other school-sponsored activities.

Next he talks about the District facility use agreement. He says that this agreement lets the School use the new Community Activity Park facility for their physical education classes and other uses as they see fit. The agreement plans for a usage

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fee that will be there to offset the maintenance costs incurred by District programming.

Kern next talks about the agreements with Delano Hockey. The first agreement is the Construction and Financing Agreement. The agreement is based on a \$2.5 million commitment from the City, and a \$3.4 million commitment from Hockey. Each entity is committing \$1 million in cash contributions. The City's \$1 million has been budgeted within the Park Dedication Fund. The agreement lays out a timeline during which Hockey's \$1 million in cash will be paid. Section 4 identifies what default, or what happens in the event Hockey cannot meet its obligation. The security for this is that if Hockey cannot make its payments, the City would have the ability to shut off the chiller for both the inside ice and outside ice, which serves as leverage. Hawkins says that this leverage seems to impact the City just as much as Hockey, and does not seem like strong leverage. Kern says that the City could continue to operate the facility that they would now own. Kern says that the significant change in this document is a saving clause that says that if one part of the agreement is invalid or illegal in some way, it doesn't invalidate the whole agreement.

The second agreement is the Operations and Uses Agreement. He says that the agreement identifies indoor ice time in the ice area. He says that one of the recent changes to this agreement was adding the provision of scheduled indoor ice time for the City. Schaust asks if the current rink becomes part of this new Community Park. Kern says it will be a privately-owned part of the park. Schaust asks if the City would be obligated to rent the indoor facility. Kern says they would not, and nothing really changes with the indoor arena. He does say that the City could do this with the outdoor facility. Schrupp mentions the other rinks that the city will have available and Kern clarifies that these will always be open for community use. Kern says that the agreement also states that during months when the chiller is chilling both rinks, the payment will be split between both entities. The agreement also says that a financial analysis will be done in two years to determine if the existing agreement is unfair to one party or another. The only other modifications to this document are regarding the indemnification and savings clause.

Mathisen asks if all the documents need to be reviewed by the City Attorney. Kern says no, only the construction documents. Schaust asks if the School Board has voted on this. Kern says that his understanding is that the School is comfortable with all the documents.

Hawkins asks representatives from Hockey to talk about the "line of credit if needed" line of the document and what the likelihood is that Hockey would need to draw on a line of credit. Roers says it is likely. Troy Malo with Delano Hockey says

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that the he numbers they have listed in the agreement are a worst case scenario. Schrupp asks what time they would look to proceed with the existing building.

i. Authorize Construction

- a. Approve construction contracts with Apex Construction and related sub-contracts for construction of facility**

Motion by Hawkins seconded by Schaust to approve construction contracts with Apex Construction and related sub-contracts for construction of facility; motion carries

ii. Purchase and Agreement with Delano Public Schools

- a. Authorize closing on Purchase Agreement**
- b. Approve assignment and assumption of DASA Lease**
- c. Approve Cross Access and Parking Easement Agreement**
- d. Approve Locker Room Easement Agreement**
- e. Approve District Facility Use Agreement**

Motion by Schaust seconded by Mathisen to approve the purchase agreement and related agreements with Delano Public Schools; motion carries.

iii. Authorize Agreements with Delano Hockey

- a. Approve Construction and Financing Agreement**
- b. Approve Operations and Use Agreement**

Motion by Mathisen seconded by Hawkins to authorize agreements with Delano Hockey; motion carries.

iv. Authorize Financing

- a. Approve preparation to issue \$4.0 of GO Tax Abatement and/or Equipment of Certificate Bonds**

Motion by Hawkins, seconded by Mathisen to approve preparation to issue \$4.0 of GO Tax Abatement and/or Equipment of Certificate Bonds; motion carries.

Roers thanks Kern and city staff for their work on the project and says he is excited about the project.

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- C. Community Enrichment
- D. Engineering and Public Works
- E. Finance and Business
- F. Public Safety

9. Updates from Commission Liaisons

A. Fire Relief Association

Schrupp says they will be working on a new set of bylaws on Sunday night.

B. Highway 12 Safety Coalition

C. Park and Recreation Commission

D. Planning Commission

E. Public Safety Commission

F. Spirit of Community Commission

Schaust says that they talked about the sesquicentennial, the Spirit of Community Breakfast, and having it be a quarterly thing, the Citizens Academy, and the importance of the commission openings. They also spent time with Grace Ballalatak about marketing. Hawkins notes that Ted May will be leaving the Commission after this term and commends him for all he has done for the commission.

G. Water, Light and Power Commission

Mathisen says that there was a budget meeting where electric was raised 6% and water was raised 4%. Hawkins asks what the reason is for the raise. Mathisen says they haven't been raised in a long time and the cash reserves have been falling. He says they are still far below surrounding towns.

10. Claims

A. City Claims

1. Claims listing for January 3, 2024 – January 16, 2024

Motion by Mathisen, seconded by Schaust approving Claims listing for January 3, 2024 – January 16, 2024; motion carries.

B. EDA Claims

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1. Claims Listing for August 2023 – December 2023

Motion by Schrupp, seconded by Mathisen approving Claims Listing for August 2023 – December 2023

11. Close/Executive Session

12. Adjournment

There being no further business to discuss, the regular City Council meeting of Tuesday, January 16, 2024 was adjourned at 8:49 pm.

Signed:

Holly Schrupp, Mayor

Paula Bauman, Administrative Services Director

Attest: Bryce Borland, Deputy Clerk