

**APPROVED MINUTES
OF THE WORK SESSION
CITY OF EAST GRAND FORKS
TUESDAY, JULY 24, 2018 – 5:00 PM**

CALL TO ORDER:

The Work Session of the East Grand Forks City Council for Tuesday, July 24, 2018 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, Council President Mark Olstad, Council Members Clarence Vetter, Mike Pokrzywinski, Tim Riopelle, Henry Tweten, 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; Gary Larson, Fire Chief; David Murphy, City Administrator/Clerk-Treasurer; Megan Nelson, City Clerk; and Jason Stordahl, Public Works Director.

DETERMINATION OF QUORUM:

The Council President determined a quorum was present.

1. Review of the 2017 Comprehensive Annual Financial Report (CAFR) – Tracee Bruggeman

Ms. Anderson welcomed Ms. Bruggeman from Brady Martz and stated she was going to give an update on the 2017 Comprehensive Annual Financial Report. Ms. Bruggeman thanked the Council for hiring Brady Martz and thanked city staff for their assistance during the audit process. She started on page seven which explains how the City received an unmodified opinion which was the same as the City had received the prior year. She said it was their opinion the financial statements present fairly the financial position of the City as of December 31, 2017 and along with the financial changes, position, and cash flow in accordance with the accounting principles generally accepted within the United States. She continued on page 22 which was the statement of revenues, expenditures, and changes in fund balances for the governmental fund. She stated the general fund balance increased \$835,516 and ended the year at a balance of \$5,431,535, the capital project fund balance increased \$1,288,509, and ended the year with a fund balance of \$344,130. She continued with the current city project fund balance which decreased by \$64,875 and ended the year with a fund balance of \$79,928.

Ms. Bruggeman told the Council the 2017 assessment fund increased by \$379,908 and ended the year with a fund balance of \$536,077. She stated the sales tax pool fund had no change and ended the year at a deficit of \$1,956,389, the nonmajor governmental fund balance increased by \$1,171,316, and ended the year with a fund balance of \$6,021,305. She continued with information from page 27 which is the statement of revenues, expenses, and changes in fund net position for the proprietary funds. She reviewed the changes and end of year fund balances for the electric, water, sanitary, storm water, and commercial properties, refuse, and internal service funds. She continued on page 37 which was the page that contained

the notes for the cash, cash equivalents, and investments. She explained that cash and investments were approximately \$3,200,000 more than the prior year and the end of the year balance was \$30,523,864. She stated on page 121 is the report for internal control over financial reporting and on compliance and other matters. She told the Council there were no instances of noncompliance. She went on to page 123 which addressed compliance for each major program federal program, they tested the capitalization grants for clean water program, and there were no instances of noncompliance. Ms. Bruggeman told the Council they had issued a management letter on uniformed guidance and at this time they are recommending the City update its procurement policy.

Council President Olstad asked if there were any questions. Council member DeMers asked about the \$11,000,000 that were listed in the cash and cash equivalents if that was business type and government type activities. Ms. Bruggeman said was all of the funds. Council member DeMers asked when looking back at the statement and net position where it lists government and business activities if that was the same number and asked what number was referring to the reserve balance. Ms. Bruggeman said the general fund balance was listed on page 20 which was the first column showing a balance of \$5,407,286. Council member DeMers asked what was needed and if that was reserve to expenditure. Ms. Anderson said sometimes they look at reserve versus expenditure and other times they look at revenue. She stated on page 22 the fund balance is shown as \$5,431,535 and revenue shows approximately \$10,500,000 so it at about 50%. Mr. Murphy said the Council could look at either one, the one he looks at more is expenditures to make sure there is enough to cover the expenses. Discussion followed about how State use to base things on expenditures and now they are looking more at revenues and how the Council would need to decide on which way they would determine the fund balance. Ms. Bruggeman said the recommendation from the OSA is either 35% to 50% of revenue or five months of expenditures for a fund balance and again the Council will need to decide what tool they would like to use to determine the fund balance.

Council member DeMers said it looks like the City is at the 50%. Mr. Murphy said the last few years the Council has done a very good job to get the reserves to where they need to be. He explained he was very comfortable with where they are at and at this time they just need to maintain where things are at. Council member Pokrzywinski said to simplify the fund balance finally been restored to a healthy level after a lot of pain and they can tell the public they are back to a sound footing so any increase to the levy will be contributed to the goods and services that are being provided and no longer restoring the rainy day fund. Mayor Gander commented how they are at a place where there will be normal inflationary increases to the levy, they are no longer trying to catch up, and this is a good place to be. Mr. Murphy said he agrees with that but reminded Council there are some serious capital improvements that will be included in the budget discussion. Discussion followed about the yield the City is currently receiving on its investments, how the City is limited on what it can invest in, and the investments are staggered so if interest rates change they are able to possibly re-invest at a higher interest rate. Council member DeMers said they should review all of the funds and make sure the City isn't over-reserving funds. Mr. Murphy said he agreed since the fund balance is now where it should be. Council President Olstad thanked Ms. Bruggeman for her report.

2. Marketing Plan Update & Branding Discussion – Paul Gorte & AE2S

Mr. Gorte introduced Ms. Andrea Boe and Ms. Taylor Corbett from AE2S. Ms. Boe stated this information had been presented to the EDA Board earlier in the day, they were going to go through the presentation for the Council, and reviewed what branding is. She explained how a brand is more than a logo, a logo is a visual identity but a brand is more than that because it is the personality and culture of a

community. She stated how a brand appeals to all senses, it is how the community feels, and the experience of the community. She said this is trying to clearly communicate who East Grand Forks is, to make sure it is focused on economic development, but could also make it synonymous with the City as a whole. She explained the importance of making sure the brand is authentic to the community, the community will have to recognize the brand, and how everyone will be spokespeople for this brand so they will need to identify with it. She added this will build confidence in the people looking to move or start a business here because the community is authentic. She reviewed the brand development project, how they interviewed people in the area, a survey was completed, and options were sent to a focus group which narrowed it down to three options. She referenced a researcher who is studying population and how this research shows there is growth in rural areas and smaller communities with the largest age group being 30-49 which is the target market.

Ms. Corbett reviewed the information the focus group received and the people who made up the focus group. She stated three messages came to the top, all were positive, and all could be used for branding. She said they were going to be showing the messages and then would review the information from the focus group so the results did not influence the Council. She added that during the creative process they wanted to use fonts that were simplistic and distinctive but easy to read and to make sure they could be used anywhere. She told the Council this examples were done in black and white in order not to influence the Council's choice. Ms. Boe revealed the first option which was "Our Roots Run Deep". Ms. Corbett reviewed the reasons for coming up with this choice and showed examples of items that could be used for this brand. She continued on with the second option which was "Live Simple, Look North". She reviewed the reasons for this choice and again showed examples of items that might be used for this brand. She continued on with the third option which was "Life Connected" and showed examples of possible items that could be used for this brand. Ms. Boe said they would now like to discuss each option and things to consider is which option is if it would reach the City's goals, which one has the broadest appeal, and which one they could be proud of.

Mayor Gander said he liked the options, they were Midwest humble, and didn't proclaim East Grand Forks as the best city was a very good thing. He commented they need to pick something that the locals will own but also something that will appeal to those outside of this area. He stated the roots option is good for the locals but may not appeal to those outside of this area and continued saying based on the other two he liked the "Life Connected" option because of all of the connections that can be made to the community, the greenway, or many other things. He added he was a little hesitant about the "Look North" option because some of the people we are trying to appeal to may need to look a different direction instead just north to come to the community. He thanked them for the hard work they had done and commented they are on the right track.

Council member DeMers thanked them for their work, commented how the City has needed a brand, and they have done a great job of going through this process. He stated that he gravitated to the roots option, understands this could seem exclusive, but the City is agriculturally based and they could do something like give a new tree to people who are new to the community. He added he understood the hesitance towards this because of other brands that have used this before. He continued saying the Up North option had an active look to it but when people think north they might also think cold. He stated he did like the connected option because it is more fluid so it depends on what they want to be.

Council President Olstad said he has seen the roots before, he liked the design of the Look North option, but the Life Connected option can be used in everything, and he liked this option the most. Council member Tweten commented how they need a broad picture, there is continuous growth on all levels, the

schools are expanding, and the City is keeping up infrastructure and appearance. Council member Vetter stated the roots option does not target the audience outside of the City, there were too many names with the word North in it already, and the Life Connected option appeals to the target group. Council member Pokrzywinski stated he heard the same comments at the EDA meeting earlier in the day. He said he thought the roots option was too exclusive which is a reason not to use it, the North option seems to be pointing out a target, and the City might be trying to attract people from Winnipeg so that might not work. He stated that left the Life Connected option which he does like, it can tell people who we are, and there are a lot of ways to be connected. Council member Riopelle said the Life Connected option can be used in every department so the entire City could use the same brand.

Mr. Gorte informed the Council the EDA Board like the second and third option and asked they be combined so AE2S was going to be bringing another option back which will be discussed at a meeting on August 7th which will also be shared with the Council. Council member Pokrzywinski reminded the Council that all options could be rejected. Discussion followed about a combination of Living Simply instead of Living Simple and adding Life Connected as a possibility, waiting a couple weeks to consider another option will delay the launching of the brand, and how if the brand is right everyone will buy in and support it.

This item will be brought back to a future work session.

3. Request for Amendment to Border Cities Tax Agreement – Paul Gorte

Mr. Gorte told the Council the original agreement the City made with Proll, LLC which is the Fairfield INN was for up to \$100,000 in tax credits to be used over a two or three year period. He reminded them how businesses can either use the disparity tax credits program or the border cities tax credits program, but not both at the same time. He explained that Proll used between \$61,000 and \$62,000 in the first year, he had been working with the State and County to determine exactly how this program works, and he has been working on trying to determine what is needed for them to get the full tax benefit for two years. He said the estimate they have shows they will need approximately \$72,000 in tax credits for the second year.

Mr. Gorte asked the Council to approve the amendment to the agreement allowing for an additional \$33,500 for the second year of the agreement. He added he had already talked with Proll about this, shown them how things will be using the disparity credit program, and this will allow the City to do what it said it was going to do in the first place. Council member Vetter asked if the maximum benefit they would be receiving was \$130,000. Mr. Gorte said yes. Council member Vetter asked why when the original agreement was for \$100,000. Mr. Gorte said the difference between the two different tax credit programs was about \$4,000 and the way he reads the materials the City committed to at least two years and the addition of the \$33,500 to the \$38,000 fulfills that agreement. Council member Vetter said the second year they would still be receiving \$38,000 in tax credits allowing up to the \$100,000 in the second year which was originally agreed to which he didn't have a problem with that.

This item will be referred to a City Council Meeting for action.

4. Request to Approve Three Border Cities Tax Agreements – Paul Gorte

Mr. Gorte reminded the Council about the program that was created for businesses to provide for additional benefit if they make improvements. He said there were three businesses that qualify for this program and explained that Jay Holms applied for the program before the rules were adopted. He stated

Mr. Holms was asking for five years which would be approximately \$5,000 a year for a total benefit of \$25,000. He continued with the second business which was Todd's Trailers who would be receiving a \$5,000 benefit for the new building and jobs they added. He said the third business was Lumber Mart who asked for three years for a benefit of approximately \$80,000. He informed the Council this was discussed in great length by the EDA Board on the Lumber Mart and Todd's Trailer Sales agreements on why being handled differently and they reached the decision approve a one year benefit of approximately \$27,000 of tax credits for Lumber Mart and one year benefit for \$5,000 for Todd's Trailer Sales.

Mayor Gander said initially it was going to be for three years and asked if now the recommendation was for just one year. He asked to go through the discussion that brought that change. Council member Riopelle said under the old program there was an option for up to five years but it was changed to just one year period. Mr. Gorte said they added potential recipients at one year if they made improvements such as the improvements made at Holms Auto. He added they requested the five years before any changes were made to the program which is why the agreement for them was five years. He stated the discussion about the request for \$80,000 for tax credits over a three year period caused concern about the credits that were going to be used versus the investment made compared to a property owner down the road that made a bigger investment and was only going to see a \$5,000 benefit. He explained they can tie it to a particular parcel for a one year period for less than \$27,000 and the EDA will be getting statements showing the property owners are current on taxes. Mayor Gander asked if the recommendation from the EDA Board would be fair and equitable to any business similarly situated. Mr. Gorte said yes. Council member Riopelle said that is why the program was changed.

Council member Vetter asked if he understood correctly Holms will be receiving \$25,000, Lumber Mart will be getting around \$20,000, and Todd's Trailer Sales will only be getting \$5,000. Mr. Gorte said yes. Council member Vetter asked if that sounded equitable to everyone. Mr. Gorte explained he asked Mr. Gregoire if he wanted to wait until the building came up to full value before utilizing this program and would receive a larger benefit at that time. He stated that Mr. Gregoire said he would prefer to utilize this now. Council member Vetter suggested to keep it in writing that Mr. Gregoire was talked to about this.

These items will be referred to a City Council Meeting for action.

5. Request for Catch Basin and Manhole Repair – Jason Stordahl

Mr. Stordahl reminded the Council that each year funds are budgeted for manhole and catch basin repair work. He explained quotes were requested from seven contractors but only two contractors submitted quotes up to 20 sites that are in need of repair and are being prioritized based on need of repair. He recommended awarding a total of five repairs totaling \$24,686 to Opp Construction and a total of three repairs totaling \$23,676 to Higher Ground. Mayor Gander asked if this was down from the 20 sites because of the budgeted amount available. Mr. Stordahl said that was correct and how they will keep this list and continue to add to it.

This item will be referred to a City Council Meeting for action.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER POKRZYWINSKI, SECONDED BY COUNCIL MEMBER TWETEN, TO ADJOURN THE JULY 24, 2018 WORK SESSION OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 6:07 P.M.

Voting Aye: Olstad, DeMers, Vetter, Pokrzywinski, Riopelle, and Tweten.
Voting Nay: None.
Absent: Grassel.

David Murphy, City Administrator/Clerk-Treasurer