

REGULAR MEETING OF THE CITY COUNCIL
CITY OF CALEDONIA, MINNESOTA
Monday, August 10, 2015

CALL TO ORDER: Following due call and notice thereof, Mayor Gran called the meeting to order at 6:00 p.m. in the Council Room, City Hall.

ROLL CALL: Members present: Mayor Joshua Gran, Council Members: Bob Lemke, and Paul Fisch. Absent: Members Bob Burns, and Dewayne Schroeder. City Staff Present: City Clerk/Administrator Ted Schoonover, Administrative Coordinator Mike Gerardy. Guests present: CEDA Representatives Don Farrow, and Sam Whitehead. Andy Allen, Matt Klug, and Mary Mell. Caledonia Argus reporter: Zach Olson.

AGENDA: Motion by Member Lemke, second by Member Fisch to approve the agenda as amended. All present voted in favor and the motion was declared carried.

CONSENT AGENDA APPROVAL: Motion by Member Fisch, second by Member Lemke to approve the consent agenda, which consisted of the regular meeting minutes from the June 27, 2015 regular meeting. All members present voted in favor and the motion was declared carried. Member Burns arrived at 6:13 p.m.

VISITORS AND COMMUNICATIONS: Kent Schultz was present to ask the council to forgive his reconnection fee after he was disconnected for failure to pay his utility bill by 9:00 a.m. on June 21, 2015. He arrived at City Hall to pay his bill at 12:30 p.m. but the utilities had already been disconnected. He felt that he should have been given the entire day to pay his outstanding balance instead of being disconnected at 9:00 a.m. and admitted that he didn't see the time listed on the door hanger that he received on June 17, 2015 at 11:00 a.m. Administrator Schoonover stated that he had two full days and the morning of disconnect to call and make an arrangement but failed to do so, he felt that it was the customer's error and the city should not have to forgive a fee that was rightfully collected in accordance with the Utility Policy of the City. Motion by Mayor Gran, second by Member Burns to amend the policy to read that if not paid by a certain date at 5:00 p.m. it will be disconnected the following morning. All members present voted in favor and the motion was declared carried.

ADMINISTRATIVE COORDINATOR: Administrative Coordinator Gerardy presented the council with a bid that was approved back in November of 2014, we have yet to receive the lawn tractor and he requested that we cancel the original order and wait until next year. Matt Klug from Caledonia Implement was present and stated that there is a software problem with the transmission of the new tractor and Case IH is working to resolve the problem. He has been assured the tractor will be here in August, but in the meantime he has a loaner that the city may use until that time. He also stated that the city is entitled to a \$20.00 a day penalty because the delivery date was to be April 22, 2015, so thus far the city has saved an additional \$2,200.00 on the price of the tractor, Klug also stated that Case IH and Caledonia Implement would give the city an additional period of extended warranty for bumper to bumper coverage. The consensus of the council was to keep the bid that was approved and if needed to use the loaner as offered by the bidder. No further action was taken.

CITY CLERK/ADMINISTRATOR:

Sam Whitehead and Don Farrow from CEDA were present to present to the council a proposal for incentives for Tactacam Inc. to relocate to the City of Caledonia. They would be bringing seven new full-time jobs initially with a projected four to five new full time jobs over the next two years and a potential to have up to at least 15 full-time employees. This is a fairly new company with a state of the art camera system specifically designed for hunters to mount on their bows and shotguns. The company has no debt and runs totally on a profit basis. They are in need of at least 4 acres of land and are looking at building an 8,000 square foot building to house their operations that will be moved from Indiana. Mayor Gran is adamantly against the city giving any company tax payers money and feels that is why this country is in the shape that it's in. He does want the company to relocate here but he feels the city doesn't need to give them anything. Member Burns stated that eventually we will receive a return on our investment and if something would happen to the company we have safeguards built into the agreement to protect the city's investment. The incentives offered are inserted below:

\$80,000 → City's contribution to land acquisition
\$54,757.50 → Tax Abatement (75% Abatement)
\$149,000 JCF → MN DEED incentives
\$85,000 → City's maximum contribution to utilities
Total incentive value: \$368,757.50

City Loan. The loan presented here would operate a bit differently from the loans that the city regularly uses. This loan would present itself as a means to essentially gift land to Tactacam while ensuring that the company has a

vested interest in staying in the city. The ten year loan would be made for half of the purchase price of the land, which for this illustration is \$160,000. The EDA could provide an \$80,000 loan amortized at 10 years at 2%. **After 2 years, the EDA would be willing to forgive \$10,000 a year as long as the criteria has been met in regards to job creation.** Payments would be deferred for 2 years, and then for every year in which the job creation requirements have been met. Tactacam would be responsible for the other half of the land acquisition payment. The 2 year period of deferment would be given to allow Tactacam time to construct their new facility and hire employees to meet the requirements of the Job Creation Fund (JCF) incentives described further in the package. Then, the loan would require annual reporting to ensure that these employment numbers remain consistent with the JCF. This would result in additional years of deferral on payments and interest, and forgive \$10,000 of the loan balance every year. This is done to give an incentive for Tactacam to stay in Caledonia for at least 10 years. Tactacam would walk away from the deal having acquired the land to build their facility at no cost, and the City of Caledonia would have ensured that Tactacam stayed in the city for at least 10 years. If Tactacam were to leave before the 10 years were up, any remaining unforgiven portion of the loan would then be due.

Tax Abatement

Calculated figures for tax abatement have been attached. Breakdown as follows:

City of Caledonia (75% abatement for 10 years) total: **\$25,275**

Houston County (75% abatement for 10 years) total: **\$29,482.50**

Total potential value of tax abatement: \$54,757.50

Job Creation Fund

Alluded to above, the **Job Creation Fund** is a Minnesota State Department of Employment and Economic Development program designed to help employers looking to hire. The program credits the business with a rebate for every employee hired and the amount of the rebate scales dependent upon three different wage targets as detailed below:

\$1000 per year per job created for jobs paying at least \$26,335 in cash wages

\$2000 per year per job created for jobs paying at least \$35,450 in cash wages

\$3000 per year per job created for jobs paying at least \$45,579 in cash wages

These rebates are granted annually for up to seven years, and in order for a business to qualify they must have hired 10 new employees within the first two years of signing up for the program. This could be tied into the loan agreement as mentioned above. In addition to hiring 10 employees, **the business must also invest \$500,000 in real property improvements over 6 years (after being designated).**

Business Development Public Infrastructure Program (BDPI)

In addition to the Job Creation Fund, MN DEED also has a program that is designed to assist the city with financing the infrastructure necessary for Tactacam's proposed facility. The Business Development Public Infrastructure Program (BDPI) is a one-to-one matching grant for 50% of the cost for installing public infrastructure, up to \$250,000. This process is similar to the JCF process and requires the city to fill out DEED's BDPI Application. DEED will then review the application for approval or denial. If approved, a grant agreement is drafted and the project moves forward. This could cut the infrastructure cost from \$170,000 to \$85,000. Either the city, Tactacam, other funders, or any combination could be used to come up with this \$85,000 match, so long as the funds are committed.

USDA Rural Economic Development Loan and Grant Program (REDLG) Finally, there's an option for financing the remaining infrastructure costs by requesting a partnership with AcenTek. The **USDA Rural Economic Development Loan and Grant Program (REDLG)** is a lending program by which cities and units of local government partner with a utility company in order to finance business expansion and similar projects. AcenTek would apply for the REDLG grant, which does require a 20% match on the part of the city. In this case, the 20% the city would need to provide would equal out to \$17,000. In return, AcenTek receives the grant funds and creates a Revolving Loan Fund with the granted money. This can be loaned to finance infrastructure, construction costs, etc. AcenTek must pay the 20% match (the \$17,000 owed by the city) back to the USDA during a 10 year period at 0% interest. After that, the granted funds become a new Revolving Loan Fund that the utility provider can lend to its clients.

Additional Financing:

In addition to the funding opportunities presented by the city, there is funding available through SBA in the form of the 504 Loan Program. This program is designed entirely for use by expanding businesses, with a few conditions:

- The net worth of your company must be below 15 million dollars
- It must have had a net income below 5 million dollars a year (after taxes) for the last two years
- Your projected cash flow must allow for on-time loan payments

In addition to the conditions governing the eligibility of your company, there are stipulations for the use of the funds acquired as well. The funds provided by this program could be used to pay for land acquisition, purchasing existing buildings, purchasing machinery, constructing a new facility, and paying for improvements (utilities, street improvements, landscaping, etc.). The funds could not be used for working capital, inventory, repaying or refinancing debt, or investing in real-estate. The amount provided by the loan varies by project, and the term is set at 20 years (10 years for machinery).

Total Cost to the City

In total, the city would be spending \$165,000 on this incentive package. \$80,000* would be spent on the city's half of the land acquisition, and \$85,000 would be spent on the match for the BDPI. However, the chance for a REDLG from AcenTek would lower the total cost to \$97,000, as the city would then be responsible for only 20% (\$17,000) of the match for the BDPI as well as the \$80,000* for their half of the land. Any cost of utilities above the \$170,000 mark would be Tactacam's responsibility. *Contingent upon Tactacam meeting JCF requirements

The incentives discussed above are based on general assumptions about the project derived from information included on requests for assistance and are subject to approval from the appropriate governing authorities.

With the consideration and stipulation that this new business is thriving and has great potential, and it does not have an adverse effect on any other current businesses in Caledonia or Houston County, Member Burns made the motion, seconded by Member Lemke to approve the incentive package as presented by CEDA to Tactacam Inc. Discussion. Again Mayor Gran wanted to go on record that he feel this is a poor example of using tax payers dollars and stands against the city doing so, but also he wants the company to move here without incentives being offered. Roll call of votes: Yes: Members Burns, Lemke, Fisch. No: Gran. The motion was declared carried.

Administrator Schoonover then asked the council if they would consider collaborating with the Houston Commissioners on a project that has the potential to allow the city to purchase land off of County 12 to build a wastewater treatment plant and would also have enough room to allow the county to build a county highway facility. It would basically be a swap of acre for acre. Schoonover mentioned that four of the six EDA members present at a meeting today were in favor of looking into the project. Member DeWayne Schroeder was not present and members Craig Schroeder and Matt Schuldt were against it because they feel the county can build at the location they are currently located. No further action was taken when a consensus could not be obtained.

Schoonover presented the council with a request for a block party from Van Ravenhorst. The location would be on S. Badger St – E. Madison St. on September 5, 2015. The Police and Fire Chief both had no concerns about blocking the street for the party. Motion by Member Burns, second by Member Lemke to approve the request. All members present voted in favor and the motion was declared carried.

Motion by Member Lemke, second by Member Fisch to approve the Ambulance Contract with Crooked Creek. All members present voted in favor and the motion was declared carried.

Motion by Member Fisch, second by Member Lemke to approve the soft drink license to the Houston County 4-H club for the County fair August 17, 2015 – August 24, 2015. All members present voted in favor and the motion was declared carried.

Motion by Member Fisch, second by Member Lemke to approve the gambling permit for the American Legion to conduct Bingo at the Houston County Fair August 20, 2015 through August 23, 2015. All members present voted in favor and the motion was declared carried.

Schoonover stated that the federal grant that the police department had originally been accepted and expected to receive was not appropriated and that we would not be receiving that funding and we are currently approximately \$4,000 short of what was budgeted for to purchase the laptops and printers for the patrol vehicles. The council wanted Schoonover to get some quotes and bring them back to the council for consideration. No action taken.

Motion by Mayor Gran, second by Member Burns to set a public hearing for a Conditional Use Permit for Julia Crawford-Ingvalson to operate a business in her home for August 24, 2015 at 6:15 p.m. All members present voted in favor and the motion was declared carried.

Motion by Member Burns, second by Member Lemke to approve the claims as presented. All members present voted in favor and the motion was declared carried.

A1 Precision Pumping, Inc.	Sewer-jet out lines	535.00
Ability Building Center, Inc.	Rec park-ground keeping crew	115.50
Abrams & Schmidt LLC	Consulting attorney-labor	4,599.00
Acentek Ascending Technology	Comm exp	1,139.61
All Star Engines, LLC	Street equip-truck 2006 labor	99.00
Artic Glacier USA, Inc.	Ice	452.00
Auto Value Parts Store	Aud-exhaust fan belt	24.26
Baker & Taylor Books	Library-books	1,046.15
Becker & Stemper Electric	Aud-repairs/labor	243.89
Blue Cross Blue Shield of MN	Sept 2015 PD-health insurance	1,525.42
Bonanza Grain, Inc.	Maint mtl	507.60
Bound Tree Medical, LLC	Amb-misc	174.13
Buttell's Lighting	City hall-ballasts	53.00
Caledonia Implement Co	Street equip-tractor parts	108.90
Caledonia Lumber Co, Inc	Misc	109.25
Caledonia Oil Co	Misc	218.86
Caledonia Ready Mix, Inc	Storm sewer mtl	90.25
Caledonia Wheel Alignment	Street equip-welding supplies	84.29
Carquest Auto Parts Store	Misc	16.74
City of Caledonia – Utilities	Utilities sewer, water, electric	10,197.10
Continental Research Corp	Light-misc	219.32
D S Electric Supply Inc.	Light-inventory	229.25
Dakota Supply Group	Misc-hh data collector	10,509.45
Dalco	Amb-vehicle wash	62.26
Davy Engineering	Stp-kraus pressure sewer ext	389.43
Davy Laboratories	Stp-lab	1,744.73
Demco	Library-misc supplies	100.67

E O Johnson Company	Copier agr	480.38
Earl F. Andersen	Traffic eng signs and playground equip	5,878.96
ECM Publishers, Inc	Misc	1,968.17
Ed's Tents	Rec park-tourney tent rental	130.00
Electric Pump	Stp-lift station maint	1,263.75
Farmers Coop Elevator Co	Storm sewer mtl's grass seed	219.70
First Supply LLC	Water-parts	230.63
Falgship Recreation, LLC	Park area-swing seat replacement	143.00
Fleet Paint & Body Repair LLC	Street equip-location notifications	2,860.00
Gopher State One Call	Light-location notifications	50.85
Hammell & Murphy, PLLP	City of Cal-prosecution matter	2,247.75
Hawkins, Inc	Stp-misc	30.00
Hoskins Electric Co	Stp-repair monitor system	2,299.44
Houston County Treasurer	April 2015 Florescent Bulb	837.59
In the Swim	Pool-chemicals	344.86
Innovative Office Solutions	Office supplies	186.97
Iowa League of Cities	Light dept-employment ad	65.00
Jeff's Automotive Repair	Light-van maint	38.11
Kittleson Masonry, Inc	City hall block grout ext.	792.00
KLM Engineering, Inc	Water tower-rov & dry tank evaluation	4,400.00
La Crosse Truck Center, Inc	FD-pumper 1420 transmission fl	1,132.80
Lackore Electric Monitor Repair	Repairs	455.43
Mathy Construction Co	Streets-2015 patching	13,697.34
Menard's	Street-wasp spray & tools	20.93
Minnesota Energy Resources	Nat'l gas	1585.74
Mississippi Welders Supply Co	Amb-oxygen	147.09
MN Public Facilities Authority	Stp-debt svce/MN PFA loan	101,920.03
Moss & Barnett	Mediacom franchise renewal	204.50
Paradise Pool & Spa	Pool-chemicals	397.32
Pioneer Manufacturing Co	Ballpark-marking chalk	57.50
Quillin's	Pool-misc	16.96
RDO Equipment Co	Street Equip-2015 JD 544K	25,538.00
Reinders, Inc	Ballpark-marking chalk	105.90
Richard's Sanitation, LLC	Refuse Disposal	294.00
Schilling Supply Company	Misc	259.03
Schulze Plumbing & Heating	Drinking fountain repair	400.27
SE Libraries Cooperating	Library-auto fees	917.14
Sema Equipment	Street equip-fluids and grease	50.02
Semnit	Tech services	440.00
Sherwin-Williams Co	Traffic eng-crosswalk paint	389.93
Star Energy Services	Light-project	1,248.38
Storlie's Portable Pit Stops	Rec park-toilet rent	90.00
Tri County Electric Co-Op	Elec energy	214,638.19
Water Systems Company	Clerk's office-drinking water	7.36
Yaggy Colby Associates	Final pay eng fees	7,118.33
Zarnoth Brush Works, Inc	Street equip-disp gutter broom	215.00
Zenke Incorporated	Reapirs/labor	14,745.00
Grand Totals:		445,603.56

Motion by Member Fisch, second by Member Lemke to approve the pre-paid claims as presented. All members present voted in favor and the motion was declared carried.

Beardmore & City, Beth	Meter deposit refund	250.06
Blue Cross Blue Shield of MN	PD-health insurance	1,525.42
Bubbers, Gary F	Park areas-labor/svces	247.50
Busta, Jim	Music in the Park-July 28	550.00
Busta, Mollie	Music in the Park-July 28	300.00
Caledonia Bakery	Election-refreshments	18.00
Cody, Joe	Music in the Park	200.00
Daley & City, Chad	Meter deposit refund	250.10
Houston County Treasurer	Misc.	1,070.18
Lambert & City, Shawnadee	Meter deposit refund	250.39
Meyer Brothers, Inc.	Curb repair	1,184.00
Skadsen & City, Skylar	Meter deposit refund	250.06
Becker & Stemper Electric	Aud - exhaust fan repair	69.19
G & F Distributing	Liquor store inventory	510.90
Houston County Treasurer	Election exp-pool ref	1,310.76
New Albin Summer Rec	Rec dept-tourney reg fee	60.00
Northern Beverage Dist	Liquor store inventory	1,186.90
Peter, Laura	Amb-emt training reim	600.00
R & B Foods, LLC	Liquor store inventory	45.00
Schott Distributing Co, Inc.	Liquor store inventory	1,984.40
Short Elliot Hendrickson, Inc.	Shared use path-Caledonia	246.50
Spring Grove Soda Pop, Inc.	Liquor store inventory	130.30
Theobald, Jacob	Amb-EMT training reim	600.00
Wabasha, City of	Semlim mtg	50.00
B & M Service Center	Misc-fuel	180.60
Business Financial Planning	Plans payday	456.60
Caledonia True Value	Misc	325.96
Civic Systems, LLC	Semi-ann support Jul-Dec 2015	2,471.00
Commissioner of Revenue	State w/h-payday	1,695.55
G & F Distributing	Liquor store inventory	41.50
Gavin, Patricia	2015 uniform allowance	60.00

Hawkins, Inc.	Stp-repair parts	4,673.14
Itron, Inc.	Util readers software maint	1,104.00
Kraus Oil Co Inc.	Misc-unleaded	1,282.50
Merchnat's Bank	Fed/FICA/Med-payday	9,771.41
MN Benefit Association	MBA payday	45.77
MN child Support Payment Ctr	Case ID 001471764201	200.73
MN Municipal Beverage Assn	Annual Assn Dues	560.00
MN State Retirement System	MNDPCP/roth-payday	560.00
NCPERS Minnesota	NCPERS payday	80.00
Principal Life	Misc-life/ad&d/dep	424.55
Public Emp Retirement Assn	PERA payday	6,882.88
Southern Wine & Spirits of MN	Liquor store inventory	1,785.43
Houston County Treasurer	Ho Co coll site	4,011.00
Klug, Anthony J.	Consulting services	800.00
Nelson, Craig T.	Personal phone stipend July	25.00
Rask, Nicholas D.	Animal control-rent/misc	75.00
Caledonia Conv & Tour Bureau	Tourism	668.89
Northern Beverage Dist	Liquor store inventory	2,016.95
Schott Distributing Co, Inc.	Liquor store inventory	6,175.70
Spring Grove Soda Pop, Inc.	Liquor store inventory	127.75
Bratland, Samantha	Reim - rec park supplies	15.79
Goodview Sandlot Baseball	Refund ball reg fee	75.00
Holmen Youth Baseball	Refund ball reg fee	75.00
Jack Neumann Trucking	Liquor-freight exp	76.00
Johnson Brothers Liquor Co	Liquor store inventory	1,170.37
Lind Awards & Engraving	Rec park-tourney medals	236.25
Phillips Wine & Spirits Co	Liquor store inventory	1,398.25
Vinocopia, Inc.	Liquor store inventory	268.33
Ziebell's Hiawatha Foods, Inc.	Liquor store inventory	34.75
Commissioner of Revenue	State w/h-payday	225.00
Merchant's Bank	FED/FICA/med-payday	3,907.30
MN Rural Water Assn	Membership July 2015	275.00
Ness, Paul	Personnel administration	333.00
Resco	Light-inventory	3,865.15
Richard's Sanitation, LLC	Recycling-collections	6,728.30
Schwartz, Dan	Street dept-2015 uniform allowance	125.00
Sherwin-Williams Co	Street dept-paint sprayer	3,450.00
G & F Distributing	Liquor store inventory	102.95
MN Dept of Revenue	Sales/use tax	17,496.00
Northern Beverage Dist	Liquor store inventory	2,432.00
Spring Grove Soda Pop, Inc.	Liquor store inventory	211.75
Vonderohe, Brandon	Reim-bb equipment	242.91
Wirtz Beverage Minnesota	Liquor store inventory	1,454.14
Bellboy Corporation	Liquor store inventory	304.00
Betz, Mark G	2015 uniform allowance	125.00
Caledonia Oil Co.	Misc-diesel	1,043.75
Diersen, Lynette	Election Judge	112.00
Gensmer, Ethelyn	Election Judge	112.00
Grippen, Lee	Election Judge	105.00
Hayes, Jane	Election Judge	66.00
Houston County Treasurer	Recording fees	92.00
Jack Neumann Trucking	Liquor-freight exp	15.00
Kaufmann, Patricia	Election Judge	64.00
Mulvena, Iyla	Election Judge	120.00
Noel, Rita	Election Judge	64.00
Schieber, Katie	Reim-misc pool supplies	18.61
Schott Distributing Co, Inc.	Liquor store inventory	3,321.20
St. Mary, Lolita	Election Judge	122.50
Ziebell's Hiawatha Foods, Inc.	Liquor store inventory	18.75
Business Financial Planning	Café plan payday	384.60
Caledonia Police Association	PD assn dues	70.00
Commissioner of Revenue	State w/h-payday	1,923.22
IUOE Local # 49	Union dues	435.50
Merchant's Bank	Fed/FICA/med-payday	11,440.85
MN Child Support Payment Ctr	Case ID 0041470764201	200.73
Public Emp Retirement Assn	PERA payday	7,507.34
IUOE Local 49 Benefit Fund	Misc-health insurance	15,260.00
Evans, Tim	Refund Emp Share Health Ins	26.40
League of MN Cities Ins Trust	Light-claim #0026030	1,000.00
Northern Beverage Dist	Liquor store inventory	938.95
Schott Distributing Co, Inc.	Liquor store inventory	5,270.10
Spring Grove Soda Pop, Inc.	Liquor store inventory	132.75
Grand Totals:		154,036.06

Motion by Member Burns, second by Member Lemke to accept the letter of resignation from Tim Evans, Journey Lineman but not to approve his request for his vacation pay out. Roll call of votes. Yes: Members Burns, Lemke, Fisch. No: Mayor Gran. Motion was declared carried.

Motion by Member Burns, second by Member Lemke to approve the 4 liquor license to the Caledonia Rotary for their annual Brew Fest on September 19, 2015. All members present voted in favor and the motion was declared carried.

Schoonover presented the employee overtime report and the police August shift report Member Burns stated that the National Night Out was a gigantic success with a very good crowd. No action taken.

The next regular meeting will be on Monday August 24, 2015, at 6:00 p.m.

ADJOURNMENT: There being no further business before the Council, A motion to adjourn was made by Member Lemke second by Member Fisch. All voted in favor and the motion was declared carried to adjourn at 9:00 p.m.

Ted A. Schoonover
Clerk-Administrator

Joshua D. Gran
Mayor