

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY BOARD

A meeting of the St. Cloud Economic Development Authority Board was held on Wednesday, September 7, 2011, at 11:30 a.m. in City Hall Conference Room 1. Members present were Euerle, Gruenes, Lawson, Lenzmeier and Libert. Siyad had an excused absence, and Johnson resigned. Staff present were Cathy Mehelich, Matt Glaesman, Matt Staehling, Mike Williams, John Norman, Tammy Campion and Ruth Wipper. Tony Goddard representing St. Cloud Opportunities and Stacie Kvilvang of Ehlers & Associates were also present.

Approval of Minutes: Lenzmeier moved approval of the August 3, 2011 minutes. The motion was seconded by Libert and carried unanimously.

Discussion of City Ethics Policy & Conflict of Interest: Chairperson Gruenes explained that this discussion is prompted by a question raised by Board member Euerle. Matt Staehling, City Attorney, stated that he distributed a memo to the Board in August outlining MN State law relative to conflict of interest and ethics issues, particularly regarding contracting. He pointed out that the City has its own ethics policy adopted by the City Council in 2000. That policy is more restrictive than the State law. The City's policy addresses both actual conflict of interest and the appearance of impropriety. The City Charter and State law are very compatible. If the City were to reconsider its ethics policy to make it comply with State law, it would require a resolution be adopted by the City Council with a majority vote. Chairperson Gruenes stated that State Statute states that if a Board member has business interests from which they can benefit financially, the member should not participate in any decision making on the issue. The Charter states that the Board member should not do any business with the City unless the City Council has full knowledge of that interest and has approved of the contract by unanimous consent. Staehling stated that is consistent with State law with an additional provision that the goods and services could not be obtained at a reduced cost due to the Board member's interest. Chairperson Gruenes noted that Section II.B, Conflicts of Interest, of the City policy states that the Mayor, any City Council member or member of any City board,

commission or committee in such a situation must make known the interest involved, refrain from voting or otherwise participating in the transaction or the making of such contract or sale. It also states that "...your business cannot sell goods and services to the City---even if you do not participate in the process." Chairperson Gruenes said that is a confusing comment. He cited the example that his employer, Stearns Electric, serves the City of St. Cloud and asked if that provision means he would be prohibited from being on a City board or commission. He stated he does not believe that is the City's intent. Lenzmeier stated that she does right-of-way work for the City and asked if serving on the Board would preclude her from bidding on a job in the future. Mike Williams, City Administrator, explained that the key is to have fair, transparent transactions. The State law is fairly restrictive and imposes a strict process for contracting with someone who is a final decision maker. He stated that the City Ethics Policy will be reviewed for possible clarification amendments. Euerle pointed out that the policy as written would prohibit him from submitting a bid for any City contract in the future. He stated that he would have to resign from the board if it would cause his company to lose business. Chairperson Gruenes asked that Administration bring back to the Board some possible amendments (clarification) of the intent of the City's ethics policy.

Consideration of Revised Development Agreement for the St. Cloud I-94 Business Park:

Cathy Mehelich, Economic Development Director, stated that the Board previously reviewed the status of the City's Business Parks and the relationships between the EDA and St. Cloud Opportunities (SCO). She stated that a number of development agreements need to be revised to reflect the transfer of powers from the HRA to the EDA. The development agreement for the I-94 Business Park was revised to change references to the HRA as well as deleting the 10% administrative fee to the HRA. It also allows for a listing agreement. The revised development agreement would also require City Council approval. Staff will meet with the respective business park partners in the next month for an update following the transition of power from the HRA to the EDA. Libert moved to approve the revised agreement. Euerle seconded the motion, and it carried unanimously.

Consideration of Proposal by Brimeyer Fursman LLC for Strategic Planning Session:

Cathy Mehelich noted that in August the Board discussed completion of the Strategic Plan for the EDA. A subcommittee was formed to discuss options and determine what should be included in the Plan. The desired outcome is to have a clear organizational mission statement, vision and goals. It is important to align the Strategic Plan with City Council goals for the EDA, recent planning studies, and with the Greater St. Cloud Development Corp. (GSCDC). One of the options discussed was facilitating the strategic planning process in house. Mehelich noted that there is an existing proposal from Springsted Advisors which was reviewed by the Board in January, and a proposal was requested from Brimeyer Fursman. The subcommittee believes that the Brimeyer Fursman proposal provides what the EDA needs. In addition, Brimeyer Fursman has a great deal of knowledge and background with the City as a result of interviews with the City Council regarding their expectations of the EDA. The anticipated cost of the Brimeyer Fursman proposal is \$5,900. The subcommittee is recommending that the EDA enter into a contract with Brimeyer Fursman to complete the Strategic Planning process. The proposal includes two facilitated meetings with the EDA. Libert emphasized the importance of hiring a consultant to facilitate the process and keep the Board focused and on task. Lenzmeier asked who would participate in the two facilitated meetings. Mehelich stated that it would include the EDA with the option of including up to 20-30 total participants such as the City Council representatives, staff, local business leaders, a representative(s) from the GSCDC, Chamber of Commerce and Planning Commission. She added that the focus should be on key stakeholders in the economic development process. Euerle asked for a review of Springsted's proposal. Mehelich stated that Springsted proposed a three month process consisting of six EDA meetings at an estimated cost of \$18,000. They proposed a roundtable discussion with public participation and completion of a background analysis. Mehelich stated that the background analysis could be done in house using existing resources. Euerle commented that he was impressed by the work done by Brimeyer Fursman in the Economic Development Director hiring process. Chairperson Gruenes questioned how the process would be structured to involve the public. He assumed one possibility

would be to hold a public hearing on the final product prior to adoption. He believes the public should have a stake in the Strategic Plan. He suggested that Brimeyer Fursman comment on that issue. Chairperson Gruenes asked Mike Williams to explain the process for the City's Strategic Plan. Williams responded that the annual process does not pursue public input. However, the City's Strategic Plan considers public input from other plan and study processes, e.g., the Comprehensive Plan update process. Lawson suggested that the general framework for the Plan be formed followed by an input process by various groups. Chairperson Gruenes stated that the Subcommittee focused on the need for the Plan and the goals and objectives of the Plan. Mehelich informed the Board that Brimeyer Fursman had suggested that the two meetings be held as close together as possible for the best results. She added that Brimeyer Fursman stated they would be available the end of October and the first week of November. Lawson suggested that the first session be held from 4 to 9 p.m. Libert said his preference would be to wrap up the second session by noon. Chairperson Gruenes suggested that the EDA have information prior to the meetings. Libert moved to enter into a contract with Brimeyer Fursman for the Strategic Planning process. The motion was seconded by Lenzmeier and carried unanimously.

Director's Report: Cathy Mehelich informed the Board that she is working with four development prospects. Currently, one of the companies is located out of state while three are located in state. The prospects range in job numbers from 20 to 700. St. Cloud is on the short list for one prospect; another is postponing until next spring; another is evaluating existing buildings, and the fourth has submitted a site proposal. Mehelich noted that Dubow Textiles is working with Benton Co. on a revolving loan fund. There are five new business expansion and retention projects to which the City is responding regarding financing assistance as well as zoning and building issues. Mehelich stated that all five expansion/retention projects are for manufacturing. Lenzmeier said she believes it would be beneficial for the Director to share the company names of the prospects. Libert was opposed to making the name public during the negotiating process. Mehelich stated that divulging the company's name is a sensitive issue for the prospective companies during preliminary discussions.

Libert encouraged information regarding business expansions to come from the Economic Development Dept. for the purpose of positive public relations. Euerle said he is encouraged by the number of companies considering expansion. Chairperson Gruenes asked Mehelich what her biggest challenge is relative to prospects and expansion projects. Mehelich answered that it is probably financing resources and quantifying a skilled work force. She said she is in communication with SCSU Continuing Studies about job skills partnership applications which would be a 50/50 grant with the State and the company to provide specific training. If a development prospect removes St. Cloud from consideration, Libert asked Mehelich if she discusses the reason(s) with the prospect. Mehelich answered that she will. Libert then asked Mehelich to keep the EDA informed of prospects that leave the market.

TIF and Tax Abatement Overview: Cathy Mehelich welcomed Stacie Kvilvang of Ehlers & Associates. She gave an overview of tax abatement and TIF financing. She stated that it is important for the City's financial policy to be detailed so that prospective developers can determine whether they qualify for various financing options. Mehelich stated that the MN Jobs Bill that was adopted in 2010 provided greater flexibility in the use of available tax increment balances on districts and asked Kvilvang for a summary of what is available in St. Cloud's districts. Kvilvang explained that in 2010 the MN legislature wanted to do something that would stimulate job growth. The legislature informed the cities that they would allow greater flexibility in the use of cash balances remaining in TIF districts in order to promote development projects that would create jobs. The bill requires that the projects must commence construction by July 1, 2012, and the dollars must be expended by December 31, 2012. An additional restriction is that the dollars can only be used for private facilities and not public facilities. The Jobs Bill has resulted primarily in senior housing and medical office construction. Kvilvang stated that the City has approximately \$600,000 to \$1.7 million in TIF district cash balances available for those projects under the MN Jobs Bill. Chairperson Gruenes asked if there is any risk in accessing those dollars, and Kvilvang responded that there is no risk. Lenzmeier asked why the City doesn't have a revolving loan fund. Mehelich responded that one of the financing

tools used for Microbiologics was the application to the State of MN for money from the MN Investment Fund. The intent of the Fund is that the City can keep a portion of the funds to be used as a revolving loan fund. In discussions with the State DEED office, past loan (grant) applications were structured as forgivable loans or grants so that the HRA and City did not keep the dollars to create a revolving loan fund. Libert requested that a plan to use those TIF District cash balances be available to the EDA for an upcoming meeting. Euerle commented that the MN Jobs Bill could be a tool to make companies seriously consider moving ahead with a project. Mehelich explained that in order to utilize this financing tool, a spending plan must be in place that has been approved by the City Council. The Board needs to discuss whether they would prefer that the dollars be used for a greater impact or whether they want to support more small and medium size businesses. Libert stated that he would want to use it to stimulate job growth. Euerle suggested targeting medium to large businesses. Lenzmeier said she would hope that this tool would be sustainable. Lawson said this would be a good opportunity to assist businesses and show what is important to the EDA and who they want to help. Mehelich said she will bring forward tax increment and tax abatement policies to the Board for its consideration.

Adjournment: There being no further business, the meeting was adjourned at 1:00 p.m.

Vicki Perske, Secretary