

CITY COUNCIL

7:00 P.M.

April 7, 2008

Present: Scott M. Johnson, Mayor
David Gustafson
Steven Marolt
Pat Kelley
Amber Dow
Wayne G. Johnson, City Attorney
Cheryl Marolt, Deputy Clerk-Treasurer

Also attending: Rick Goutermont, Tom Clifford, Scott Larson, County Administrators; Tessie Huset; Margie Porter; Mark Russell; Gerry Cheney; DuWayne Larson; Keri Goutermont; Marie Frey; Tracey Jacobson; Ken Fischer; Julie Berquist; Jeff Berquist Wayne Billings; Jack Swanson; Forrest Johnson, Lake County Chronicle

Mayor Johnson called the meeting to order at 7:00 p.m.

CONSENT AGENDA – Motion P. Kelley, second S. Marolt to approve agenda and the minutes from March 17 and 24, 2008 meetings. THE MOTION CARRIED

PETITIONS, REQUESTS & COMMUNICATIONS –

STATE OF THE COAST CONFERENCE, May 1 – the North Shore Management Board will hold a conference that is a one-day meeting in Duluth. S. Johnson is our board representative, but is unable to attend; D. Gustafson volunteered to attend the meeting. Motion D. Gustafson; second A. Dow to approve anyone from the council to attend the meeting with the usual expenses paid by the city. G. Thompson, Building Inspector and Planning and Zoning members will be invited to attend, as well. THE MOTION CARRIED

NOTICE FOR THE 2008 JOINT LEGISLATIVE CONFERENCE - The conference is April 9-10 in St. Paul and is concerning association for schools, cities, counties and townships. Registration is \$125. Motion P. Kelley; second S. Marolt for anyone from the Council to attend the 2008 Joint Legislative Conference with the usual expenses paid by the city. No one is able to attend due to short notice. THE MOTION WAS WITHDRAWN

STATUS OF FRANCHISE RENEWAL WITH MEDIACOM – Cable Commission is getting close to a finalized franchise agreement; within the month is anticipated.

DEPARTMENTS

CITY ADMINISTRATOR

Fireworks – Expense for fireworks last year was \$1,272; cost this year will be \$1,378 and is budgeted. Motion P. Kelley; second S. Marolt to proceed with the 4th of July Fireworks Display for \$1,378. THE MOTION CARRIED

North Shore Scene Ad - The City placed a 1/3 page ad for \$395 last year. Circulation is 25K and distribution is from Ashland, WI to Thunder Bay. The deadline is April 15; P. Kelley would like to proceed with the ad but redesign it to include more information about the marina, golf course, etc. to promote ourselves. Motion P. Kelley; second A. Dow to continue with the ad at a price of \$395 with P. Kelley making improvements to the content. Discussion: A. Dow suggested including the amenities of the surrounding areas in light of the high cost of fuel prices. S. Marolt suggested inclusion of the camp sites that J. Larson is working on, if appropriate and timely. THE MOTION CARRIED

Retaining SEH for IRRRB grants for Mary Mac Projects - S. Johnson stated that he has spoken to Mike Larson, SEH, and he is committed to this project and would like to have an architect determine firm cost estimates. He believes that we are working with “worst case scenarios” and that actual costs could be trimmed substantially.

S. Johnson, G. Brumberg, D. Gustafson, R. Goutermont and T. Clifford met with IRRRB representatives and Mike Larson, SEH, to discuss grants. M. Larson used to work for IRRRB. In the past, the City Administrator would request grants; with G. Brumberg’s interim status and short time left on the job, he recommends that we hire SEH, who would then assign the task to M. Larson to proceed. P. Kelley asked if approval would then give them a % of the approved grant funds; and what if it is unsuccessful. R. Goutermont said that it would be identified in the contract language; and is subject to negotiation. There are obvious advantages with M. Larson’s involvement. S. Johnson believes that would be money well spent and requests permission to retain SEH in this capacity. Motion D. Gustafson; second S. Marolt to retain SEH for obtaining grant funds for Mary MacDonald Center projects. Discussion: R. Goutermont said that the county would assist with cost sharing; the \$30K the county has for operational costs could be tapped into to offset the cost of an architect to assist with true costs. P. Kelley asked for clarification; S. Johnson said that the Council is being asked for permission to retain SEH with the opportunity to review the contract terms prior to signature. A. Dow pointed out that there are great advantages with having someone who knows how to write the grant properly. W. Johnson stated that he would like to review the contract upon its receipt. R. Goutermont said that it is imperative that they be provided the leeway to have an architect review/determine costs and actual square footage of the building. THE MOTION CARRIED

Finalize Loan for Liquor Store Project - Loan options were discussed. The city is considering a loan for \$500K from The Lake Bank in addition to the \$438K available in the Liquor Fund. G. Brumberg recommends a ten-year schedule with annual payments. P. Kelley is concerned about a 10-year loan with only five years of it with a fixed rate. C. Marolt explained that the rates have experienced tremendous fluctuation and they are unable to commit a rate for the full ten years; they have assured G. Brumberg that they will provide the best possible rate for the second 5 years. D. Gustafson stated that the 4.25% rate we have been quoted is very favorable. Motion D. Gustafson; second S. Marolt to authorize the \$500K financing through the Lake Bank for the Liquor Store Improvement Project for a 10 year term with annual payments, which will save us about \$2K. Discussion: A. Dow questioned the significance of the last two years of income before transfers, which were substantially higher than the previous eight years. P. Kelly and D. Gustafson agreed that the large festivals contributed significantly to this growth. S. Johnson stated that the liquor store manager is confident that sales are increasing. He is confident that improvements will increase patronage. THE MOTION CARRIED

CITY ATTORNEY

Title to Shop Road Status – A detailed land description was prepared and submitted to the County Attorney several months ago. A month ago, he replied stating that registration for title for the deed would be filed recommending that we submit to the examiner of titles who approved descriptions before documents are filed. Opinion was received last week approving the descriptions that were submitted. Description was resubmitted to the County Attorney's Office for deed preparation. Russ Conrow's assistant is handling the matter. The original description was complicated due to use of metes and bounds; the examiner of titles recommended a registered land survey (plating of the property). There has been no response regarding cost for a survey; a bill of \$450 was received from the examiner. We were advised that we could not file any more documents until the recommendation for survey of that property was complied with. Since the examiner has approved the description, there should be no reason that we would not receive a deed from the state. There is a small section of it that is owned by North Shore Mining(NSM); once we settle this with the state, we will have to go the NSM to attempt to acquire the other parcel of land. About 1/3 of the shop and all of the road is on state and NSM property.

Liquor Store Contract Omission – There is a seminar being held 9 a.m. – 5 p.m., May 21, in Mpls at a cost of \$245 concerning recent developments and the standard form of construction contractors. There have been major revisions in the American Institute of Architects contracts including the one used on this building. Discussion ensued about who should pay the seminar cost vs. benefits. Motion D. Gustafson; second S. Marolt that we allow one attorney to attend with the usual expenses paid considering the volume of construction currently in progress and planned. Discussion: A. Dow stated that it is not a budgeted expense and is concerned not only about this expense but other expenses which have not been programmed. W. Johnson stated that there are very few expenses outside of his contract that he requests the city to fund and would not charge the city for mileage. S. Marolt stated that failure to approve this expense could result in greater expenses to the city than funding it. THE MOTION CARRIED- Members P. Kelley and A. Dow voted naye.

City Vehicle and Equipment Policy - This is an amendment to the personnel policy manual adopted at the last meeting, with changes. Motion S. Marolt; second A. Dow to amend the personnel policy manual to include section 13.4, 13.5b. Discussion: P. Kelley questioned Marina transportation of customers, "sentenced to serve workers", volunteers for the fishing contest, parks department volunteers with equipment, etc. as well as vehicle parking during the winter. W. Johnson said that the Mayor can approve any of those examples and the examples given are not exceptions to the policy on the table. S. Marolt asked if the City Administrator is holding regular meetings with department heads and are these types of issues addressed; the answer from S. Johnson was yes, and the next meeting is on Wed. THE MOTION CARRIED

POLICE DEPARTMENT

Consider hiring Noel Lillis as new full-time Police Officer - Vacancy was posted internally, per the Union Contract. There was one applicant; he is currently a part-time employee with the qualifications and licensing required for the position. This item was placed on the agenda requesting approval by the Council.

S. Johnson stated that It is our city policy that qualified full time city employees can apply for jobs within the city; that has been our practice and if they qualify, they get the job. In this case, we have a part-time person, so we are not obligated under that policy to offer the job to that person. The question to the Council and Chief is: we are free to advertise outside in this situation, do we want to do so? Discussion was that in the past history, the part time officer was hired into the full time position; the only time it went to the personnel committee was when there was more than one part-time officer applicant. There are concerns about part-time officer retention, if there is no future promotion potential. The state licensing requirements, training hours,, physicals, etc. are costly and are amortized over the employment of the individual, which is impossible without retention. S. Marolt asked for a recommendation and Chief Billings stated that he and Ron Jonson, Asst Chief believed the applicant will do a fine job and their recommendation is that he should get the job. D. Gustafson asked if he lived within a 15-minute response time; the answer was that he lives near the airport. Motion P. Kelley; second S. Marolt that we offer Noel Lillis the full-time police officer position effective Wed, April 9. The practice of hiring part-time vs. outside advertisement was discussed and clarified further. Discussion was not specific to this position but to vacancies in other departments and consideration for hiring within the applicable department. THE MOTION CARRIED

At the Council's direction, advertisement was made for part-time applicants; 14 applications have been received. Three are local residents; the remainder are from other parts of the state. Applications will be reviewed; R. Jonson will be on the Personnel Committee with D. Gustafson and S. Johnson. Efforts will be made to identify applicants for interview by Friday.

OLD BUSINESS

MARY MAC BUILDING SITUATION - S. Johnson presented a brief update of recent discussions with County Commissioners R. Goutermont and T. Clifford. There will be a substantial investment with the issues needing to be addressed.

Fire suppression system is required in order to obtain a certificate of occupancy for the occupants. Approval will be asked tonight for approval for the 6:" line from the street to the building, which is a requirement to support the fire suppression system; the road to the proposed loading dock; and the loading dock. All these items are eligible for grant funding.

Lake County has offered a commitment to participate in capital improvements to the building. No one is sure how to commit to \$500K-\$1M. S. Johnson has been communicating with Senator Bock and Representative Dill about accessing "The Nickel Fund" which is funding administered by IRRRB. There will be no further discussions until after the current legislative session is over; plan is to request \$1M in grant funds. R. Goutermont stated that his communication efforts with Senator Bock and Representative Dill has resulted in their being committed to assist with funds; meetings have been set up for Wed, April 16 in St. Paul.

T. Clifford, County Commissioner, stated that his perception is that it makes sense to try to keep the building open; the repairs being discussed are long term. Compared to the cost to demolish the building, the repairs make sense.

S. Johnson stated that this issue will remain on the forefront until a decision for action is made. We have all come to the realization that any action is going to cost a lot of money. The Nickel Fund needs to be pursued; in addition to grants being requested from IRRRB, which would provide substantial coverage of the items discussed earlier tonight. R. Goutermont said that the county is willing to provide \$60K budgeted now; proceeds from the building sale on Outer Drive will help repair the county occupied end of the building. Additional funds will be included in next year's budget, as well. The City can rest assured that the county will help cover costs which are unable to be covered with grant requests.

S. Marolt stated that we need to look at Mary MacDonald Center as keeping businesses in the community; but we should not burden our tax payers with that amount of money. The grants will help, but there are also day-to-day operational costs for the building. He thinks that going forward with projects should be conditional upon receipt of funds. We also need to look at the individual leases to ensure that the bills are being supported by the tenants. S. Johnson stated, "Where we sit today, it does not matter how we got here. Today we are in that building for \$500K whether we close it, or keep it going. We can not condition what we do there on money coming in. We have to do our best to bring outside money in, because it's going to be spent". S. Marolt replied that a demolition is a one-time payment for the taxpayers, vs. many payments throughout the life of the building (i.e. roof, boilers, windows, etc.). The grant funding will keep us going for quite awhile; but doesn't think that taxpayers should be paying for the benefit of private industry. The lease agreements allow for renegotiation of utilities, trash, etc.; and warrant review. We are currently close to the break-even point; if a major tenant were to vacate, we would no longer be even close.

W. Johnson, City Attorney stated that the projected cost would be greater than the \$500K to demolish the building; the city has contractual obligations to the tenants. If the lease agreements are terminated, there are substantial damages to each of the tenants. One tenant has five years remaining on the lease; it will be very costly.

S. Larson, County Commissioner, provided assurance that Lake County has a partnership with the City of Silver Bay and has no intention of pulling out of this partnership. They are looking forward to this continued partnership and are willing to leverage IRRB money; working together we are in a good position to move forward on this building. He stated that it will cost the taxpayers more money, if we have no businesses in this building. Business are putting families to work in our community; they are jobs that keep families in town because they are supportive incomes. The cost of moves out of Lake County are much greater than our investment in this structure. S. Larson strongly encourages looking at this as a partnership with Lake County. If a decision is made to demolish the building for \$500K and displace the tenants, it includes the county as well. That decision will shift the burden for taxpayers as well, a community presence by the county would then require tax dollars to build an office; which would cost as much as fixing the existing building.

S. Marolt expressed appreciation for the support of three commissioners and stated that it shows that they are committed to Silver Bay with fund support as well.

CITY ADMINISTRATOR POSITION – G. Brumberg's last day as Interim City Administrator is Thursday, April 17; to our loss. He has given the city 5 months of valuable service to the City of Silver Bay; one month longer than he originally planned.

An interview was conducted on April 2, with a person who may not have met minimal qualifications; S. Johnson was not available for the interview, but listened to the taped interview and would be willing to recommend offering a contract position to this applicant. A. Dow, S. Marolt, and P. Kelley understood that more than one applicant would be interviewed and expressed concerns about the interview process. Discussion whether to interview additional applicants from existing applications or readvertise followed; decision was to interview three more from the existing applicant list. Minimum qualifications were changed from "required" to "preferred". All applications will be scored with the relaxed criteria prior to Thursday, April 17, 2008. M. Frey asked about length of probationary period and contract: the probationary period is 6 months, contract length is negotiable.

G. Brumberg is willing to provide City financial information to the Council prior to the end of his time as interim administrator. Motion, P. Kelley; second S. Marolt to schedule a Special City Council Meeting 3:30 p.m. Thursday, April 17 for the purpose of reviewing City Administrator applications and financial conditions from G. Brumberg. THE MOTION CARRIED

P. Kelly reviewed Northland Connection.com. Our business information needs to be updated and a plot map with costs should be included. P. Kelley will take for action.

M. Guzzo and P. Kelley met with representatives of NSM concerning the campground. They asked for a letter of request including maps that Dave Johnson would take with him to review with Cleveland Cliffs. Visitor Center location close to the highway was also discussed. NSM was recruiting in the cities this past week; P. Kelley gave them a copy of our video for use in future promotional opportunities.

A. Dow asked about status of removal of underground fuel tanks. Information will be in the upcoming newsletter.

CLAIMS – Motion D. Gustafson, second S. Marolt to approve payment of unpaid claims. THE MOTION CARRIED

ADJOURNMENT - Motion S. Marolt, second A. Dow to adjourn at 8:35 p.m. THE MOTION CARRIED

Minutes taken by Mabel Tarlton

Scott M. Johnson, Mayor

Gary Brumberg, Interim City Administrator