

Exec. Session 11-03-09

Administrator Wyntergreen - if you wanted to get a CUP, you'd have to rezone it.

Councilor Schatz – which bank is handling that estate, is that US Bank or Sterling?

Administrator Wyntergreen – you know, I don't know if we know that, did he mention who his trust officer was?

Chief Towe – no, not that I recall. Our contact was the real estate agent and so he was the guy I asked if it would be possible to get the appraisal (inaudible). I don't think he ever mentioned who the bank was.

Administrator Wyntergreen – no it doesn't mention who.

Chief Towe – he just sent an email telling us if we were interested they'd like to know ASAP. As Paul mentioned, the median seems to be in that \$260ish range. Speaking with a couple other real estate people around town, they felt like we might be able to do a little better than that for that property, looking at it interior wise, a little pick up here and there that they'd have to do to get it ready to go.

Councilor Doderio - this might be crazy, but how about what we did just recently borrowing from yourself and paying yourself the interest.

Administrator Wyntergreen – and that's the other option. As you look at Sterling, you're looking at a rate of about 4.75 that you'd be paying to them in addition to any fees . If you could do an internal financing the most probable pockets of money would be to use the Public Safety fund loan against the unappropriated ending fund balance which is about \$200k, the water fund has a reserve of about \$300k, you could loan against those probably securing it with Urban Renewal or Public Safety fund repay. So you'd have to basically set aside repayment systems. But you can do that internally without a budget.

Councilor Becker – you're talking about borrowing from PS and others, borrowing. The reason I'm asking is when the Econ Comm. suggested putting \$100k into a bldg fund, no one on that Comm., inc myself, was thinking that money, by doing that, was designated for capital expenditures and I don't think the surcharge can be used that way.

Administrator Wyntergreen – the surcharge can be used for capital expenditures

Councilor Becker – well, you have a \$100k there, you can take it if you want it.

Administrator Wyntergreen – yes, you could that or you could loan against your unappropriated balance with is \$200k and make payments within that fund or from another fund like water.

Councilor Meyers - so if out of the UR (inaudible)

Administrator Wyntergreen – it is in the Urban Renewal district, so you could use UR to help make payments. It operates just like a contract. You would set up a contract with yourself and like any contract you must honor that. It must be paid back to the water fund if you take it out. So that would give you two advantages; 1) you could give yourself a lower interest rate, 2) but at the same time, you'd give yourself a higher interest rate than if you kept it in a reserve. You could probably come out well by doing that, but

Councilor Becker – what is the schedule or timeframe for paying it off?

Administrator Wyntergreen – I haven't done an amortization. That would be up to the Council what kind of amortization you want to do, 10 year, 5 year.

Councilor Becker – we can do 5.

Administrator Wyntergreen – you can do 5, but you're going to get higher payments. If you want to pay it off in 5 years, that's great, but you have to make sure you budget that payment every year. That is an option John; you don't have to go to a commercial lender. You may still, under public law, get an appraisal, so that you're paying fair market value.

Councilor Meyers – Can we consider borrowing from the historic preservation fund, rather than public safety?

Councilor Becker – you can, but I would argue that, supremely. There is already enough debate about the use of historic preservation fund, currently going on without introducing this.

Councilor Meyers – but we'd be paying it back with interest.

Councilor Becker – we are, but at this point Paul and the historic committee are talking about who actually controls that fund. That question is coming up.

Councilor Meyers – so let me just get this right, we're going to lower the surcharge and we're going to borrow money from the PS, am I correct?

Councilor Becker – yes.

Administrator Wyntergreen – yes, those are all the things you have to weigh out, all the checks and balances, so you have to weigh them all at once because they do interact. Yes, and actually the HFP fund has been discussed before as a loan source and that was for the cemetery property.

Councilor Becker – right, that's right.

Administrator Wyntergreen – which has more of a direct relationship to Historic Preservation which is why I recommended the other two funds of either PS or water. Water obviously has no relation, but it has money. What source you use is up to you, but those are the ones that are the most viable.

Councilor Gilman – UR fund, we were talking about not paying back what we borrowed already, so I'm a little bit concerned about that, but I know there is some money in there that we could use, how does that also affect the potential property up on the cemetery. Since we're looking at this stuff all together.

Administrator Wyntergreen – and that's good. And that would be my concern is that the UR fund, as I've said before, is still ramping up in terms of its receipts and as we noted with our audit, it fell a little short, so your revenues are not climbing as fast and probably, due to this economy, for an extent as projected. So UR receipts are down, you can use them to pay off these properties, both cemetery and the purchase of the Hinger property. So technically they qualify. Now, you look at making your payments and scheduling that in, I think the UR is going to be hard pressed to handle two purchases and make payments for both of them, which is why I suggested that with the Hinger property we probably would want to pay that out of PS, at least in the beginning and you could switch to UR over time when you have more receipts. But I think it's going to get pretty tight if you load 2 property purchases onto the UR.

Councilor Gilman – do we have to take it all out of one?

Administrator Wyntergreen – no, you can split it. You can have several different agreements.

Councilor Gilman – since this a benefit for the City to gain both of these properties, whether it be historical, whether it be PS, whether it be UR, I think that it might show a better face value to us if we sanction so much from each of the categories.

Councilor Becker – and as Linda said, it really is only a loan.

Councilor Gilman – exactly, instead of taking \$200k out of the historical, we take \$75k, it's still a hit, but it's all going for the good of the cause.

Councilor Meyers – you're not going to have an emergency that's going to have to come out of the historic preservation, you always have the potential of having an emergency come out of the PS, and we're already cutting the fees down to \$15.

Councilor Dodero – we are?

Councilor Meyers – well who knows, but that's the proposal and if it comes down to it, that's one year, six months of reserves, and now we're going to borrow from it. In my opinion, it's not the place to borrow.

Mayor Garrett – could you wait till you're not at a Council meeting to make that decision, I'm just kidding.

Administrator Wyntergreen – so yes, they're all interrelated and how we structure our internal loans, we can discuss.

Mayor Garrett – are there other funds available other than PS?

Administrator Wyntergreen – the ones with the best reserves are those that I've listed; PS, Water and HPF.

Councilor Becker – how much is the reserve in water right now?

Administrator Wyntergreen – \$300k

Councilor Becker - you could take a hundred out of that.

Councilor Meyers – what if a water line breaks, you'd probably spend half a million if a water line breaks.

Councilor Winterburn – if you're going to live on worries, you might as well go home.

Councilor Dodero - let me ask you this though, let's say you did have a water break

Councilor Winterburn – worry, worry, worry

Councilor Dodero – and you had to borrow that money, is there a place you could borrow from at a less interest rate because it's a municipal service?

Administrator Wyntergreen – if you're talking about an emergency, probably not, but yes, there are water loans offered through the state. So if you had something you could deal with within a 6 month to one year period, you could probably organize a loan through the state.

Councilor Dodero – but you could do a bridge loan probably before that, to get you to where the other numbers would come?

Administrator Wyntergreen – yes. Water is probably one of the infrastructures with the most pots of money.

Councilor Dodero – that's what I was, at probably a pretty low interest rate, right?

Administrator Wyntergreen – yes, if you get it from farmers home, they're pretty good.

Councilor Dodero – 1 or 2 percent

Administrator Wyntergreen – I couldn't quote you they're current rates. I don't know, sorry.

Councilor Becker – so what are we saying after the conversation between the two of you?

Administrator Wyntergreen – he's debating why you could possibly take it out of water without jeopardizing the system.

Councilor Dodero – you're compromising the city so if there was a break, you can get a loan at a lower rate than if you go to a bank to get the money for the house.

Councilor Becker – you're answering Linda's objection here.

Councilor Dodero – well, you know it throws it into the mix.

Councilor Becker – so what I'm hearing is that the water fund reserve could be used for this.

Councilor Dodero – yes. And not compromise the City; you'd just have to get a loan to get that money.

Councilor Winterburn – We couldn't get a loan from a bank to buy the cemetery property probably.

Administrator Wyntergreen – no.

Councilor Winterburn – in all likelihood we could get it from an actual house that has a value.

Administrator Wyntergreen – residential purchases are vastly simpler than a commercial cemetery vacant land purchase.

Mayor Garrett – anybody else?

Administrator Wyntergreen – I guess what we need to do, cause the realtor was calling me again today saying we need some sort of commitment, the question before us tonight is, are we committed to proceeding, do you want to authorize an appraisal and do you want to pursue outside financing or inside? We can have further discussions about inside and how to structure that if that's the path you wish to go.

Mayor Garrett – OK, so do we want to go ahead and move forward on this?

Councilor Schatz – um hmm

Councilor Becker – if we don't know, we never will.

Mayor Garrett – so we got that and then the financing inside or outside, do you want to look at both options?

Councilor Becker – why not explore both?

Councilor Dodero - seems like the inside.

Mayor Garrett – the inside is probably better.

Councilor Dodero - I mean if you have to invest the money, you're getting 1%, but you can get 2 or 3%. I mean the city's coming out ahead.

Mayor Garrett – but that doesn't address Linda's concerns.

Councilor Meyers – don't worry about mine.

Councilor Dodero - Ah, come on.

Councilor Meyers – no, no, I bring up a point because I was at the EOP meetings and I know what the emergency thing was, I listened to those procedures and I understood that you have to have money in the reserves. He said don't worry about emergencies just go with (inaudible).

Councilor Winterburn – you're over worrying, I think.

Councilor Becker – what Dan?

Councilor Winterburn – we need to use logic a little bit and not the right side of the brain.

Councilor Gilman – I think Linda makes a very good point.

Mayor Garrett – so we've got a direction to go ahead and proceed?

Councilor Becker - it's fine I think

Mayor Garrett – go ahead and get an appraisal and then look at funding options.

Councilor Dodero - I think we should make a decision whether we want to go in or out.

Administrator Wyntergreen – I think that would help because

Councilor Becker – ok, let's make a decision

Mayor Garrett – is the consensus to do it internally?

Councilor Becker – aye

Mayor Garrett – is that head nodding?

Councilor Dodero - I don't want to complicate it, but I do agree with Linda that PS is not the place to go. That's already a critical place.

Mayor Garrett – well, let's go ahead and decide if we're going to do it internally. If that's a yes, we can look at where we'd make the least impact.

Councilor Gilman – ok

Mayor Garrett – I'm hearing internally funded?

Councilor Gilman – un hm

Councilor Winterburn – un hm

Mayor Garrett - and then secondarily, to consider where it's coming from?

Administrator Wyntergreen – and I can draft up a proposal as to how to structure it internally if that's what you'd like to do.

Mayor Garrett – I think that the majority

Councilor Becker – and proceed with the appraisal?

Administrator Wyntergreen – and we'd have to proceed with an appraisal.

Councilor Becker – yes.

Councilor Dodero – it wouldn't be a commercial appraisal, right?

Administrator Wyntergreen – no we would do a residential appraisal. If they don't sell to us, they will market this residentially. So for fair market value purposes we would offer what they would market it at.

Councilor Becker – sounds good to me.

Councilor Dodero – or eminent domain

Administrator Wyntergreen – well, even if you go eminent domain you still have pay fair market value.

Councilor Becker – yes, but then you get into a real battle as to what that was.

Administrator Wyntergreen – yes, then you have arguing appraisal.

Mayor Garrett – ok, are you good with the direction?

Administrator Wyntergreen – I am clear, we'll probably in our figures when we bring them back to you, bring a rough estimate as to retrofit costs, we do have the floor plan, David has worked up a sketch and we can keep refining that but at least we'll have some ballpark figures for retrofit costs that will also tack into this. They won't probably be huge, a couple walls added, maybe one removed who knows, but we can bring that back to you for further discussion.

Councilor Becker – so you have a preliminary layout of all the office and storage space?

Administrator Wyntergreen – yes, we have their existing floor plan, David's worked at least one scenario up that could work.

Chief Towe – and when working that scenario, part of my thought process was to keep the cost as low as possible. So minimal impact on the building as possible as far as adding walls or taking out walls, so that we keep the cost low. I think you'll find that when we're done, it needs new carpet, it needs a wall added here, secure doors, that type of thing a pd would need. To give you an example, the kitchen in that bldg sits dead center in the middle of the house and PD doesn't need a kitchen cause we don't cook that often. My thought was to secure that in, make that a secure room, and that's where my evidence would go, it would be the most secure point in the bldg. It has a bathroom off the master bedroom that would be ideal for the guy's locker room and give them someplace to go shower and get ready for work, isolated to the back of the house. So really the footprint of the bldg, as it sits today, wouldn't take a lot of modifications to make it work for our purposes. And then there is a large bedroom up on the NW corner of the bldg that could be used as shared space for meetings for Admin next door. And then we'd just put a secure door, because it has an outside door where a person could access, so there's some benefits to that.

Mayor Garrett – did you have a question?

Councilor Meyers – does any notice have to take place to the surrounding properties, because you're changing

Administrator Wyntergreen – when you go for a CUP we will notice 200 ft.

Councilor Meyers – so in other words, you want to make the commitment to buy it before you do that? You feel comfortable it's going to be fine.

Administrator Wyntergreen – you're going to have to actually make a sound offer. A CUP process will take a minimal of 3 to 4 months and the trust won't wait for you to go through that process. They'd actually have to sign the application anyway because they're the present owner. So I don't think you could do a CUP first,

Councilor Meyers – you're pretty comfortable with the people around?

Administrator Wyntergreen – yes

Councilor Meyers – I guess the police are actually already there.

Chief Towe – we're always there.

Councilor Becker – yes, that's right.

Chief Towe – inaudible

Councilor Becker – I have a shocking, I have a different (inaudible) since you're already taking an existing framed house and you're putting in practically a Police dept that will be there for a long time come, are you satisfied with the security arrangements that you can make for that building?

Chief Towe - well that's part of the, part of that will be replacing the doors, the exterior doors. The sliding glass door in the back for example

Councilor Becker - inaudible

Chief Towe – the upside is, we have essentially answered the bullpen issue with the garage. We can put one extra patrol car and the jeep inside that garage. The on duty patrol car will be the way I envisioned it currently is there is a back patio area plenty large enough for a car to back into. We would eliminate that fence that separates our property and that prop currently, back the patrol car in there and enter through the back door.

Councilor Dodero – that garage is like the bat mobile garage.

Councilor Meyers – then you wouldn't have any more issues with people parking in front of that driveway.

Chief Towe - so when you see the lights in the sky, you know to stay away from that driveway cause something about to come out of there.

Councilor Dodero – do we need to have a house inspection by one of these people that look to see if it's a sound building?

Councilor Becker – for termites?

Councilor Dodero – that goes with the (inaudible)

Councilor Becker – that goes with the sale, you'd want that.

Administrator Wyntergreen – due diligence, standard. We'd treat it just like a residential purchase with all the typical affiliated costs, which are usually that sort of inspection; a real estate appraisal, well have to talk about the title fees. But those are all things we can get to with the next round.

Chief Towe – I do know it's not as old as you would think. It was built in the 70's and Ester was pretty meticulous about that house, so when things broke, she fixed them. If things were in disrepair, she fixed them and I don't know if any of you knew Ester, but I've known Ester for years, and she was a quite a meticulous individual.

Councilor Meyers – Ester would want you to have it.

Chief Towe – you know, I probably should have talked to Ester before.

Mayor Garrett – any other questions for the Chief?

Administrator Wyntergreen – so he's going to be our point man on this, he and I will work together.

Chief Towe – and I appreciate you all taking this step, this will go a long ways with, I know on the PD side of things, it will go a long ways with correcting some of the morale issues we've had, we are heading in a direction that, things are turning for the better. (inaudible), it will mean a lot to them.

Councilor Becker – thank you

Mayor Garrett – thank you

Administrator Wyntergreen – we'll bring back a report on the financing at your next meeting.

Chief Towe – Paul, you and I will talk tomorrow?

Administrator Wyntergreen – yes. Thank you

Chief Towe - thank you.

Administrator Wyntergreen – I want Linda here for the cemetery, so why don't we skip to the other one.

Discussion of Galpin Property continues.

Councilor Winterburn - so where's the money going to come from for this?

Administrator Wyntergreen – my initial proposal was to borrow against the HPF for this one, because you are protecting a valuable resource

Councilor Schatz – exactly

Administrator Wyntergreen – but to make payments from the UAR fund this will require an amendment to our UR plan. This property is in the boundaries, but the acquisition of it wasn't necessarily called out in the plan, so you'd to add that to the plan. Not a major thing, but there are some hearings involved in it. So what I'll do is have Kurt draft this up and have Mr. Galpin review it and then we will bring that final contract back to a full council meeting for authorization, you'll have to take a formal vote on the final contract.

Mayor Garrett – everybody good with that?

Councilor Gilman – I'm ok with, I'm actually thinking about the \$35,000, 5% though, due to the fact that we are removing \$260,000 out of accounts for the property over here, um, just food for thought.

Administrator Wyntergreen – you could do that, you could take advantage of it initially, just put the \$35k down and pay the interest only payments until you've got your UR plan amended and you feel comfortable with the rest of your transaction.

Councilor Becker – that might be prudent.

Councilor Gilman– I just don't want to dwindle everything down.

Administrator Wyntergreen – ok? Last one is Mr. Romero's property. This is the property behind the fire station, it's a very small parcel but it does give the ability to expand the fire station in accordance with the Fire Chief's conceptual layout at least that would turn the doors towards 3rd Street rather than C Street. As you know we looked at several 1031 exchange possibilities, Brunner bldg, Scheffel Park, none of that worked for the City or Mr. Romero, so we'd probably be looking at some sort of structured sale purchase where we buy from a third party and he then receives revenue. In order to do that, it essentially, from the City perspective, it looks just like an outright purchase. So you're going back to a similar situation like you talked about with Hingers, except for in this one, there is no doubt that you'd have to get a commercial appraisal, which is going to be \$2 to \$3k and a fairly long period of time, a month, 2 months before you'd have that back. So this one has a little bit more lag time to it and those various concerns, right now Mr. Romero is out of town for a week or so but he is in contact via email and he is interested to see if we wish to proceed further with our interest in that parcel. So this one again gets back to the question of, do we want to proceed any farther down, if not, Mr. Romero can market it on the open market and do what he wishes with it, he gave us the first right of refusal and so we could refuse or we could proceed further, but again, there are costs.

Councilor Becker – what is he asking for it?

Administrator Wyntergreen – he didn't give a precise dollar figure, he simply pointed to his real market value that comes off the tax rolls at \$112k and says here's a starting point.

Mayor Garrett – he wouldn't like a nice church would he?

Administrator Wyntergreen – I did think about that, but maybe it is income producing. So there's an idea.

Councilor Gilman – my (inaudible), to this are if we take on this property, yes it could set us up to build on the Fire dept that could actually stay in the City. Also if we bought this property and decide to put the fire department in JK-5, or 7, or 10 or wherever we decide to put it and sell that piece of property, we'll be able to sell it for a much larger chunk of change with a full lot and so, I still say we need to buy it.

Councilor Becker- well for all those who (inaudible).

Mayor Garrett – well, are you biting your tongue?

Councilor Schatz – it will be interesting to see what the appraisal comes up with.

Councilor Gilman – I have no idea.

Councilor Becker – ya you wouldn't .

Administrator Wyntergreen – Scheffel park, he'll probably end up paying in a trade like that because Scheffel Park is bigger, so he doesn't want to get into an upside down relationship. Brunner bldg he was interested in but Council was not interested and the church, I didn't talk to him about that.

Councilor Gilman – is he (inaudible)?

Mayor Garrett – it has a rose garden.

Councilor Gilman – no I haven't made it to that church yet, so we can't tear it down.

Mayor Garrett – no, it's the first church, so you can't tear it down. Ok, so are we wanting Paul to go ahead with this?

Councilor Schatz –yes

Councilor Becker – yes

Mayor Garrett – probably the first step would be to get an appraisal?

Administrator Wyntergreen – correct

Councilor Gilman – yep

Administrator Wyntergreen – ok

Councilor Schatz – march on

Administrator Wyntergreen – those are my 3 properties.

Mayor Garrett – any questions on those 3 properties?