

* * * * *

December 14, 2020

Special meeting of the City Council of the City of Two Harbors, Minnesota, held on Monday, December 14, 2020, at 7:00 p.m. via zoom video conference.

The meeting was called to order by President Glaser.

Members present, Councilors: Woodruff, Redden, Rennwald, Swanson, Erickson, Glaser. 6.

Members absent, Councilor: Jussila. 1.

Others present: Administrator Walker
Finance Director, Pietila
City Clerk, Nordean
City Community Development Planner, Sterbenz
Water, Wastewater Treatment Plant Superintendent Heikkila
Gas, Water & Sewer Utility Superintendent, Johnson

President Glaser announced that the purpose of the special meeting was to discuss the Wastewater Treatment Plant Project.

Administrator Walker previewed items to be discussed during the meeting, which include walking through the beginning when the project was proposed until where we are now, funding considerations and the items that remain to be done to make the project a reality. He reminded councilors that the discussion began in 2014, and that during this time period, members have come and gone from the Utility Committee and the Council. In addition, the scope of the project and associated costs have changed over that time.

Water, Wastewater Treatment Plant Superintendent Heikkila was present and addressed the Council providing a timeline of events beginning in January of 2014 and leading up to this point. He noted that the intention for this meeting is to provide an educational piece so that Councilors can be comfortable with the process. He reviewed the facility and site plans for the building and showed cost comparisons on which options were viable for the facility. He reviewed funding and finance options and responded to concerns about the increase in the estimated cost of the project advising that the State of MN adds 14.92% to any proposed bonding project as a matter of practice to account for inflation, and that with a project this size, that amount is substantial. He responded to Councilors concerns regarding responsibility for fiscal oversight and making sure we get the best value for the community by assuring them that the project is not excessive or extravagant, noting that plans include repurposing pumps and buildings.

Utility Superintendent Johnson expressed that he understands the concerns of the Council but that he believes that Heikkila has done his homework on this project and he believes it to be in the best interest of the City to move forward with it.

Heikkila expressed that the Utilities Committee reviewed options of completing the project in separate smaller phases versus going after the big project as a whole and determined that it would be best to move forward as one whole project. He noted that the tanks, buildings and structures planned with this project are anticipated to last fifty years.

He reported that the majority of the engineering work for the project has already been completed and the plans have been reviewed by the engineers at the Pollution Control Agency and approved. He noted that the majority of the remaining engineering costs would be for construction engineering and expressed his opinion that it would be in the best interest of the City to have the engineer who designed the project provide these services to avoid errors.

Councilor Erickson expressed that the reason we're able to have this conversation is because of the Bonding Bill and Mary Murphy who championed this project. She noted that the project was contingent on multiple levels of funding. She noted that there was a potential that we may have to modify what we were going to do if we didn't get all of the funding.

Finance Director Pietila reviewed timelines for the funding for this project, starting on February 25, 2019, when the City Council authorized administration to submit a loan application to PFA, then the application was submitted on March 25, 2019, at that time the estimated cost of the project was at \$20,010,983. She pointed out that the 14.92% of this figure brings the total to the current \$22.9 million figure. She noted that on May 28, 2019, the Council authorized administration to submit an application to the State Capital for bonding and on June 14 of 2019, the application was submitted. In 2019, the legislature didn't pass any of the bonding, so we looked to October of 2020, the bonding bill passed and the City was awarded the \$11.5 million in direct appropriations and on November 23, 2020, the Council approved the submittal of the bonding application, and on December 7, that bonding application was submitted to the PFA.

She provided an overview of recommended sewer rate structures which include an approximate 2.5% annual increase which for the duration of the loan.

Heikkila reported that June 1 is our goal to be breaking ground so we can utilize three construction summers if necessary. To accomplish this, it will be necessary to meet to discuss aesthetics and landscaping, go out for bids, award the bids.

Heikkila addressed concerns that Castle Danger Brewing was being asked to participate in the cost of the project by explaining that it is in Castle Danger's best interest to own a part of the plant, or at least a part of the BOD credits associated with the plant. As a significant industrial user, they would want to purchase credits toward our BOD because they are contributing to our plant's BOD, they should want to be guaranteed the ability to those BOD credits. He further explained that this is industry standards for a significant industrial user to own BOD credits, that is how they are guaranteed that they will continue to utilize a portion of those credits for our plant. Some businesses cut a flat check, some split it up in their monthly payments. They would want some security that we weren't going to allow another industry to come along and use the credits that they had been using when we are only permitted for so many.

Heikkila offered to provide the Council with an educational piece where councilors could receive additional information as to how other communities deal with this type of situation.

Swanson reported that when they went down to the legislature, he specifically asked for an additional \$1.5 million for landscaping and that he was told that the estimates for the landscaping that they had reviewed would cost that much.

Glaser noted that since there was no objection, the project would proceed as planned and that staff would work closely with the Utilities Committee on the final details

Motion by Rennwald and Erickson that the meeting adjourn. Carried.

Robin M. Glaser, Council President

Patricia D. Nordean, City Clerk.