

CITY COUNCIL

7:00 P.M.

Tuesday, February 18, 2020

Present: Richard DeRosier
Carlene Perfetto
Dustin Goutermont
Mayor Scott Johnson (arrived late)

Excused: Shane Hoff

Lana Fralich – City Administrator
Teri Cadeau – Lake County News Chronicle
Chris Toal – Wilderness Products

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

Agenda – Motion by Perfetto, second Goutermont to approve the agenda as presented.
MOTION CARRIED.

Consent Minutes – Motion by Goutermont, second Perfetto to approve the minutes from the February 3, 2020 regular Council meeting. MOTION CARRIED.

Petitions, Requests and Communications

Daycare: Lake Superior School Superintendent, Dr. Crandall has informed the City that the school is moving forward with the daycare in the school. Thus, the City will not be needed to accept the donation of the Wells Fargo Building for this purpose.

City Administrator

Wilderness Products – Lease Agreement: Chris Toal of Wilderness Products, discussed the history and issues relating to his business. He has worked with his bank and found investors interested in the company. The investors (Wildly Organics, LLC) are willing to take over the lease pending rent abatement from February 2020 through the lease term which is December 31, 2020. A new lease would begin January 1, 2021 with rents collected, pending the company can make it through the transition. They plan to invest those monies into inventory and try to grow the business. The City has received rent payments through January 2020, but would not be receiving rents for the remainder of the term. That is a loss of \$70,950 for the remainder of the year. The City will also need to write off the outstanding past rent that will not be collectible. The original past rent adjustment for 2018 was \$31,250. The City has received \$11,900, leaving \$19,350 to be written off. The City will retain the security deposit that is equal to one month's rent to either offset the past rent due and/or damages to the building. Wilderness Products currently leases approximately 43% of the leasable square footage of the Mary Mac building and employs 15 people, both full-time and part-time, that will be affected if they close.

Toal clarified this is a new company/entity that will be taking over, so they feel the outstanding debt would not be passed on to Wildly Organics, LLC, but Wilderness Products does not have the money to pay that debt. DeRosier discussed his concern that the City is

not in business to subsidize companies. Toal reported that this request is not a way to pad or increase profits, it's a matter of survival and the viability of the company. This is their plan to re-invigorate and keep the business here and grow and use the workforce in Silver Bay. Toal does not believe that the investors will pursue the investment if the City does not approve abating the rents for February through December 2020.

The Council was presented with two options for approval; 1. Allow the lease to be assigned to the Wildly Organics, LLC company to continue to operate and abate the rents due for February 2020 through December 2020, plus the past due rent, or 2. Move forward with the company vacating the premises, thus leaving the space vacant until other businesses are found to rent the spaces. DeRosier suggested to add option 3. To have Wildly Organics, LLC pay for utilities estimated at \$1,500-2,000 per month at a minimum and create a first right of refusal agreement.

Mayor arrived late at 7:37.

The councilmembers are in support of helping the new company get through the transition period, but feel they should at a minimum pay for the utilities. Fralich stated that whether they are paying the rent or not, there are still fixed costs for the City owning the building. The councilmembers do not want the taxpayers to be burdened by this, thus the company should pay their portion of variable costs, such as utilities at a minimum.

It is not guaranteed the business will stay in Silver Bay and employ local residents. Toal believes if they can get the business to stay and make it viable, they will invest more and bring more into the city. The reason for the circumstance that Wilderness Products is in is because the business has been capital heavy since they bought the company. Then in 2019 they were awarded a large contract with a large food chain. They didn't have the capital to invest in inventory and keep the operations afloat. He stated the difference going forward, is that it's a release from the bank, a settlement with the bank, and a new company that will have a different capital structure that will allow itself to receive additional capital if needed.

The Council feels that with this type of commitment from the City, they will need to see more information from Toal and the investors before making a decision. Council asked for information such as a business plan and an alternate proposal other than abating the rents for 11 months in 2020 such as partial utility payments, first right of refusal agreement, and the possibility of reducing the number of rooms that are currently listed on the lease in a way for the City to generate revenue by renting space to other companies.

Motion by Johnson, second Perfetto to table the topic until all councilors are present and more information is presented to make an informed decision. A Special Council meeting will be scheduled for Monday, February 24th 2:00 p.m. to review and make a motion on the Lease Agreement. MOTION CARRIED.

AWAIR Training: The Annual AWAIR Training has been scheduled for Tuesday, April 14, 2020 and quoted at \$990.00. Invites to the training will be extended to the City of Beaver Bay and the MN Vets Home like we've done in the past. Motion by Johnson, second Goutermont to approve Advanced MN to conduct the annual AWAIR Training on Tuesday, April 14, 2020, extending invites to the City of Beaver Bay and the MN Vet's Home to share in the cost. MOTION CARRIED.

Business Park Appraisal: The Business Park Board is recommending to move forward with obtaining an updated appraisal of the Business Park lots. Appraisal proposals were reviewed with the lowest responsible from Twin Ports Appraisals. They provided the original appraisal back in 2004. Motion by Johnson, second Goutermont to approve Twin Ports Appraisals to provide an updated appraisal for the Business Park not to exceed \$1,500. MOTION CARRIED.

Resolution 2020-#21 PFA Grant and Loan Documents for Wastewater Treatment Facility: The PSIG grant is in the amount of \$732,824, the WIF grant is in the amount of \$1,390,340, and the loan amount at 1% interest for 20 years is \$2,509,295. One requirement of the WIF funding is that \$.50 per 1,000 gallons of wastewater flow must be set aside for future capital improvements, must be approved by PFA to use, during the term of the loan. Water/Sewer rates will not be increased for 2020. Motion by Perfetto, second Goutermont to adopt Resolution 2020-#21 2020 as presented.

Mayor Johnson - Aye
Member Perfetto - Aye
Member Hoff - Excused

Member Goutermont - Aye
Member DeRosier - Aye

RESOLUTION 2020 - 21 WAS ADOPTED: 4 aye, 0 nay, 1 excused

FEMA Grant Purchase for Fire: Council reviewed quotes obtained for the thermal imaging camera and the extrication equipment that has been awarded by a FEMA grant. Alex Air Apparatus was the low bidder in the amount of \$39,352.00. All members must be present to vote. This item will be brought forward at the next regular council meeting for approval.

City Attorney

OLD BUSINESS

DeRosier requested to add the Mayor to the agenda to report on the meeting he just attended for the Silver Creek Township regarding the township taking over the airport. Motion Perfetto, second Goutermont to add the Silver Creek Township airport discussion to the agenda. MOTION CARRIED.

Johnson reported on the meeting he was invited to with the Silver Creek Township, that was held tonight, which is the reason for his late arrival to the Council meeting. He stated the township is doing their due diligence on researching the airport. They have interest from 10-11 pilots and 2 businesses. They requested that the City financially participate for 5 years. They've projected there will be a deficit at the new airport. The township recognizes that someone owes the FAA and if they take over the airport from the City, they think the City should contribute approximately \$200,000 over five years. A written request from the township will be submitted to the City.

NEW BUSINESS

Silver Bay Firefighters Relief Association Bylaws Change: The Firefighter's Relief Association voted to amend the bylaws using the League of MN Cities template and the Two Harbors Relief Association Bylaws as guidance. No action was taken as all members must be present. It will be presented at the next regular council meeting.

Claims – Motion by Goutermont, second Perfetto to approve payment of \$109,167.91 in unpaid claims and \$97,857.21 in paid claims. MOTION CARRIED.

Motion by Pefetto, second Goutermont to adjourn at 8:28 P.M. MOTION CARRIED.

Minutes taken by Lindsey Klemmer

Attest:



Scott M Johnson, Mayor



Lana Fralich, City Administrator