

**WORTHINGTON CITY COUNCIL
SPECIAL MEETING, TUESDAY, APRIL 26, 2011**

The meeting was called to order at 7:00 a.m. in City Hall Council Chambers by Mayor Alan E. Oberloh with the following Aldermen present: Lyle Ten Haken, Mike Kuhle, Scott Nelson, Ron Wood, Mike Woll. Honorary Council Member: Martin Rickers.

Staff present: Craig Clark, City Administrator; Brian Kolander, Finance Director; Brad Chapulis, Director of Community/Economic Development; Janice Oberloh, City Clerk; Jim Laffrenzen, Public Works Superintendent (7:13 a.m.) and Dwayne Haffield, Director of Engineering (7:13 a.m.).

Others present: Jim Bunner, KWOA.

EVENT CENTER UPDATE

Council reviewed a draft agreement presented to Cornerstone last month that was structured around comments staff received from Council at a previous work session, and heard comments that staff received from Cornerstone regarding the document. Craig Clark, City Administrator, told Council the biggest hold up was the operations agreement with Central Group Companies (CGC). Mr. Clark identified the last issues to be resolved were insurance, long-term maintenance, FF&E replacement and management fees. Brad Chapulis, Director of Community/Economic Development, those issues with Council:

Insurance - agreement stated the Manager would be responsible for keeping the facility insured as well as listing the City as additional insured. They felt this was technically a lease situation and therefore the City, as owner, should carry the insurance on the property. Staff found in checking that if the City would assume the insurance the cost for property, liability and casualty would add approximately \$1,300 per year to our premium. Council noted the amount was minimal and agreed that the City would provide the property, liability and casualty insurance to the facility.

Maintenance - The draft states that all maintenance, be it day to day or long term, is the responsibility of the manager. As with the insurance issue, they came back and said the long-term maintenance or capital expenditures is the responsibility of the owner. They would take the day to day maintenance. Financing of long term maintenance will depend on the Management Fees. Alderman Ten Haken suggested the Hotel/Motel tax may be another source of revenue for operation and maintenance.

Furniture, Fixtures, and Equipment (FF& E) - The draft Indicates the City shall purchase, furnish and install all of the FF&E required for the operation of the Facility. It also states that if damage should occur prior to the "expected" life, the replacement cost is theirs. Otherwise, the City will provide replacement based on a schedule, which is not yet complete. They would like further negotiations on this regarding normal wear and tear and to break down how this is defined.

Management Fee - The management fee as established by the agreement to be paid by the City to the Manager is 90% of the annual gross sales of the facility. The agreement also states that the City

agrees to budget certain dollar amounts for the first two years of the operation, in a reserve account to be maintained by the City, which may be accessed in the event the facility revenues are not sufficient to meet the operating expenses for the facility. These funds are separate from the \$65,000 committed by the City for pre-opening operational expenses. Mr. Chapulis pointed out that prior understanding was that there would be real estate taxes that would need to be paid on the facility, however, it has since been determined that the City can apply for an exemption from real property taxes levied by the State of Minnesota, or any subdivision thereof, with such application to be made to the responsible officer of Nobles County. The exemption (available on the Event Center portion only) could save \$30,000/year. Mr. Chapulis noted they have indicated they are looking at more of a “net” situation instead.

Mayor Oberloh said staff has done a good job negotiating to this point and would like them to continue with these items. Mr. Chapulis said he would get confirmation on whether the insurance estimated was for the shell only and not the contents. Staff is expecting a response with to the draft agreement within the week. Mayor Oberloh suggested that rather than waiting for their response, staff give them a call immediately.

LEASE AGREEMENT FOR CITY OWNED PARKING LOT

Council discussed the lease agreement presented to Nobles County for the City-owned parking lot, which was rejected by Nobles County. The agreement called for an annual lease fee of \$1,000 in addition to an annual escrow amount of \$3,000 for future repairs and maintenance, and the County would be responsible for any amount over that for reconstruction. The decision on reconstruction is at their discretion. Nobles County is not required to provide off street parking for their employees under an ordinance change in 1966. Council was not interested in selling the lot at this time. Craig Clark, City Administrator, provided information on establishing a market rate appraisal and some comparable figures for reconstruction of the parking lot based on information obtained on the construction of the new Sterling Drug parking lot.

Following discussion, Council consensus was to send Aldermen Kuhle and Ten Haken and Craig Clark to a Nobles County Commissioners meeting to discuss the lease with them.

ADJOURNMENT

The motion was made by Alderman Wood, seconded by Alderman Woll and unanimously carried to adjourn the meeting at 7:55 a.m.

Janice Oberloh
City Clerk