



South St. Paul

MAYOR/COUNCIL WORKSESSION
SSP City Hall
125 3rd Avenue North

Monday, March 13, 2017
7:15 p.m.

AGENDA:

1. Continued discussion - Water service issues at 2441 Francis Street
2. Continued discussion – Purchase of 2017 Pick-up Truck for Public Works Department
3. Update and discussion – 380 Airport Road (BRS)
4. Sister City relationship(s) and possibilities for reinvigoration spurred by the 2017 Super Bowl



COUNCIL WORKSESSION REPORT

DATE: MARCH 13, 2017

DEPARTMENT: Engineering

ADMINISTRATOR: SPK

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AGENDA ITEM: 2441 Francis Street Water Service Issue Claim

ACTION TO BE CONSIDERED:

Information item only; staff is requesting input and direction.

OVERVIEW:

In 2016, the City completed the annual Mill & Overlay and Bituminous Removal & Replacement project, which included Francis Street from 23rd Avenue South to Anthony Street (City Project No. 2016-007C). Portions of the existing watermain were replaced due to a history of watermain breaks from deteriorated pipe and corrosive soils on Francis & Anthony Street as part of the project. In order to maintain service, temporary watermain was constructed to each of the properties affected by the watermain replacement including the property at 2441 Francis Street. Once the temporary service lines are constructed and the water is tested to be potable, the standard practice has been for the City's contractor to request entry into the home, close the valve for the service leading from the watermain to inside the home, and connect the temporary watermain to the outside spigot to the home.

The property owner located at 2441 Francis Street experienced leaking through the packing nut from the water service valve after operation of the valve by the City's contractor. Oftentimes, the packing material in these older style valves will get brittle with age and crack when they are operated (Attachment A – Leaking Water Valve). The property owner discovered the leak approximately a month after the construction of the temporary watermain and took action to remove carpeting & paneling damaged by the water leak. The property owner received an estimate of the repair to the home from the insurance provider. The total cost for the repairs is \$5,488.53 (Attachment B – Insurance Estimate).

The property owner filed a Notice of Claim with the City and the City Clerk forwarded the claim to our insurance provided by the League of Minnesota Cities (LMC). After an investigation, the LMC denied her claim on the basis of the "hold harmless" clause in the City's construction contract with the Contractor. The claim was turned over to the City's contractor for an investigation into their liability. The Contractor's insurance has denied any liability because there was no evidence that the City's contractor was negligent in performing his actions (Attachment C – LMC & Contractor's Insurance Liability Determination).

The property owner has requested the City help pay for the damages incurred from the water leak. On February 13, 2016, staff presented the property owner's claim to the Council for input and discussion. Staff from the Engineering Department, Public Works Department, and the City Attorney's Office carefully reviewed and considered the property owner's request. At that time, staff recommended concurrence with the LMC opinion of liability determination. The property owner has requested to present new information to the City Council at the March 13, 2016, City Council Work Session prior to formal action by the City Council.

Pending receipt of any new information, the staff recommendation will be as follows:

- In accordance, with City Ordinance (Sec. 62-27), the property owner is responsible for maintaining and repairing the water service line from the main into the building. In this case, the property owner's water service valve had a packing nut that leaked when operated by the contractor and city staff was not negligent in the performance of their work. If desired, the property owner could continue to seek remedies from the contractor for the performance of their work through Conciliation Court.

SOURCE OF FUNDS:

No fiscal impact at this time.

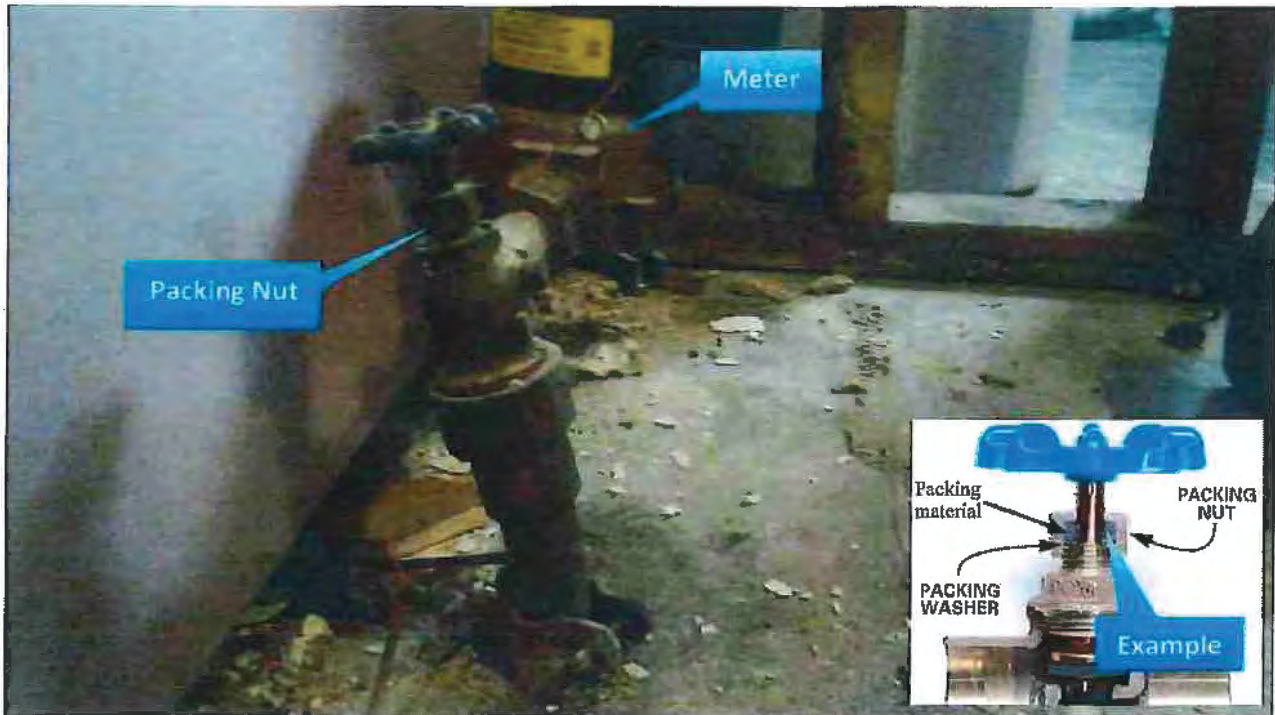


Figure 1 - Side View of Water Service Line Valve



Figure 2 - Overhead View of Water Service Line Valve



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Recap by Category

Items	Total	%
ACOUSTICAL TREATMENTS	111.37	2.03%
CONTENT MANIPULATION	215.25	3.92%
GENERAL DEMOLITION	670.11	12.21%
DRYWALL	513.95	9.36%
FLOOR COVERING - CARPET	2,099.96	38.26%
FINISH CARPENTRY / TRIMWORK	200.05	3.64%
INSULATION	156.59	2.85%
PANELING & WOOD WALL FINISHES	540.72	9.85%
PAINTING	377.57	6.88%
WATER EXTRACTION & REMEDIATION	422.01	7.69%
Subtotal	5,307.58	96.70%
Matl Sales Tax Reimb	150.88	2.75%
Cleaning Sales Tax	30.07	0.55%
Total	5,488.53	100.00%

Depending upon the circumstances of your loss, our estimate may or may not include an amount for general contractor's overhead and profit. If you have questions regarding general contractor's overhead and profit and whether the services of a general contractor are appropriate for your loss, please contact your claim representative before proceeding with repairs.

A person who files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime. Specialized skill, licensing or certification may be needed of any contractor(s) that you retain, for instance, to identify the presence and nature of any potential contaminants, toxins, pollutants, or other hazards that may be encountered during the course of the work, or to utilize appropriate work practices and procedures during the course of the work. Check with your local or State public health or environmental agency regarding potential hazards, including contractor qualifications and other requirements. For your safety, it is prudent to avoid areas where damaged structures, materials or unknown substances may be present, and to not disturb such structures, material, or unknown substances until your contractors have inspected the work site. The suggestions above are provided only for your consideration. They in no way supplement, alter or modify your existing coverage. Your insurance policy is the legal contract that contains the terms and limitations of your coverage. If you have any concerns about the grade of flooring on your estimate, you may take advantage of a free service that will provide you with a more specific analysis. To use this option, please keep a 12" x 12" sample of your damaged flooring, and notify your Encompass adjuster that you would like the additional analysis.



September 19, 2016

Stacy Maier
2441 Francis Street
South St. Paul, MN 55075

LMCIT Claim Number: GL19961
Trust Member: City of South St. Paul
Claimant: Stacy Maier
Date of Loss: July 20, 2016

Dear Ms. Maier:

As you know, I am investigating your claim regarding water damage sustained to your property during a road construction project in your neighborhood. As a result of the loss, you filed a claim against the City of South St. Paul, but the city was not performing the work. We are denying your claim and have contacted the general contractor who was performing the road work.

The City of South St. Paul signed into contract with Bituminous Roadways, Inc. for this work, and Bituminous Roadways, Inc. is contractually responsible for handling this loss. We are not determining if Bituminous Roadways, Inc. is liable or not, we're simply saying this is their claim to handle based upon the contracts and details of your accident.

Based on the terms of the contract, I have tendered your claim to the contractor. In the event you wish to pursue a claim against Bituminous Roadways, Inc., you will need to do so directly with them. They will conduct their own investigation into liability.

Bituminous Roadways, Inc. can be reached at 651-686-7001 and contact is Kevin Frey. 1520 Commerce Drive, Mendota Heights, MN 55120

If you have any additional concerns or questions please don't hesitate to let me know by calling 651-215-4077.

Sincerely,

Scott Scherer
Claims Adjuster

Cc:

Christy Wilcox, City of South St. Paul
Marsh & McLennan Agency
Matt Hanley, LMCIT



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September 28, 2016

Ms. Stacy Maier
2441 Francis Street
South St. Paul, MN 55075

RE: Insured: Bituminous Roadways
Claim #: 46536
DOL: 07/20/2016

Dear Ms. Maier,

We are a Third Party Claims Administrator currently handling liability claims on behalf of Bituminous Roadways. Please take this as formal notice of our liability denial with regards to the above referenced claim.

There is no evidence to confirm negligence on behalf of our insured. Our insured indicates the water was shut off by a subcontractor and per the City Engineer, a faulty valve at your home was the cause of the water.

Our investigation has determined that our insured is not liable for any damages. As a result, we must respectfully deny any liability on behalf of our insured. You have the option of forwarding a copy of this letter to your insurance for handling.

Sincerely,

Jeni Rose, AIC

Liability Claims Specialist II

Creative Risk Solutions

Zurich American Insurance Company

515-974-5993

Fax 515-974-4682

jrose@creativerisksolutions.com



COUNCIL WORKSESSION REPORT

DATE: Date of Meeting

DEPARTMENT: Department Name

ADMINISTRATOR: SPK

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AGENDA ITEM: Continued discussion – Purchase of 2017 Pick-up Truck for Public Works

DESIRED MEETING OUTCOMES:

- Sufficiently respond to questions about the proposed purchase

OVERVIEW:

In advance of the March 6th Council meeting, Mayor Francis emailed me with advance notice of his intent to remove an item from the Consent Agenda (i.e., Purchase of 2017 Pick-up Truck for Public Works) for separate consideration. In response, I provided background information about the proposed purchase to the Mayor and Council members. At the consideration of the Consent Agenda, the matter was removed and routed to this Worksession for further review and discussion. The following paragraphs restate and also provide additional information for consideration.

Truck details and proposed uses.

- 1) The proposed new unit will be a small pickup (Chevy Colorado 4x4). The unit is expected to have a useful life of seven (7) years.
- 2) The new truck can be seen as a replacement for a 1997 Ford F150 previously used by the Park Patrol and which is now scheduled for auction in Fall 2017. The Ford will be retained through the summer for the use of the seasonal staff. The Park Patrol function was eliminated in the 2017 Budget and its responsibilities are being absorbed by the enhanced Police CSO program, which grew from 2 to 4 part-time members in the 2017 Budget. No additional vehicles were required for this expansion of the CSO corps and therefore, the purchase of the new pick-up does not result in a growth of the fleet count.
- 3) The unit will primarily function as a mobile office and work base for the Public Works Director. He spends considerable time in the field on a daily basis, monitoring projects and personnel. He will not be using the vehicle for daily commuting to/from his home. When not being used by him, other Public Works employees, particularly the Assistant to the Director (Deb Krier), would make use of it. Pat has historically maintained mobility through a combination of personal truck use and periodically available Department vehicles. The ready availability of 'spare' trucks has lessened because the fleet has been pruned and seasonal staffing has grown. The competition for vehicles will likely grow this year because another full-time employee has been

- added in anticipation of the opening of Kaposia Landing, but no corresponding vehicle was added.

Truck price and purchasing process.

- 1) The pricing of \$28,000 includes all applicable fees and charges.
- 2) Payment of the purchase price will come from three distinct funding sources: \$14,000 will come from the property tax supported General Fund (Parks Maintenance and Streets Maintenance programs); \$7,000 will come from the utility fees paid to the Water Fund and \$7,000 will come from the utility fees paid to the Sewer Fund.
- 3) The unit is proposed to be purchased through a “State Contract”, which is a collective program wherein unit prices for vehicles and many other items are solicited on a large scale basis using professional bidding processes that meet State law requirements. The provider of such services can be the State or it could be some other entity acting on behalf of a joint powers consortium. This approach is usually regarded as the ‘best practices’ and industry standards for public purchasing. The use of the approach generally means purchasing of recommended makes/models, the best prices, the best warranties/guarantees and compliance with required State law processes. At a minimum, it generates baselines for use if a community seeks to negotiate its own selection and pricing.
- 4) The request for authorization of the proposed purchase is the last step of a process that tracks back to Summer 2017. The recommended purchase started as a concept in the initial phases of the 2017 budget process (when staffing decisions and other reorganizational considerations began to take shape). ***Attached is an August 2016 memo on this purchase.*** The item also was included in the preliminary 2017 budget adopted in September 2016 and was also included in the final 2017 budget adopted in December 2016
- 5) This purchase process is a good example of how the City’s multi-year Vehicle replacement program works. City Staff annually review and updates a comprehensive vehicle replacement schedule (inventory list). The review process includes careful ‘useful’ life analysis; service experience/trends with a vehicle; opportunities for repurposing; optimal resale considerations; and modifications to the original mission purpose for each vehicle. The process includes the Finance Director, the Public Works Director, the Garage Mechanics, and other employees with management and/or operational relationships with particular vehicles in our schedule. (For example, our Police have specific expertise as to many of the vehicular and equipment needs that need to be addressed in their vehicles).
- 6) Like the City’s other capital improvement and acquisition Funds/programs, the Vehicle Replacement Plan is adopted as a component of the overall annual City Budget in December. It is explicitly understood, however, that even though an item is listed in this Vehicle Replacement Plan, each item will be offered for separate Council approval when the time for purchase arrives. Staff therefore requests permission to proceed with this recommended purchase.

Memo

To: Steve King, City Administrator
From: Pat Dunn, Director of Public Works
CC: Michelle Pietrick, Finance Director
Date: August 2, 2016
Re: 2017 Public Works Vehicle Request Consideration

The Public Works Department is respectfully requesting the addition of a new pickup truck to be used by management staff. Currently management staff has been using personal vehicles in order to perform their duties or have taken a vehicle from the fleet, making it difficult to provide maintenance staff with the means to get equipment and personnel to job sites. Management staff spends a considerable amount of time attending meetings, meeting with residents about concerns, working with contractors, and ensuring maintenance activities are progressing.

The 2017 budget reflects the elimination of the 1997 Ford Park Patrol pickup truck, which was scheduled to be replaced in 2017 will be sold at State Auction in the fall of 2017. With the additional CSO staff allocated to the Police Department and taking on duties of the Park Patrol, the Park Patrol pickup is no longer needed.

With the elimination of the Park Patrol vehicle and the addition of a vehicle for Public Works management staff, the number of vehicles within the fleet will not be increasing but will remain at current levels. This will have little effect on the overall central garage replacement budget and over time would decrease the equipment repair budget due to keeping vehicles beyond their useful life.

The estimated purchase price, utilizing the Minnesota State Contract, for the vehicle request is \$28,000 and would be divided 50% between the Streets and Parks Maintenance budgets. The useful life of the new vehicle should be 10 to 12 years.

Thank you for your consideration. If you have questions or concerns, please contact me at 651-554-3245 or pdunn@sspmmn.org



COUNCIL WORKSESSION REPORT

DATE: March 13, 2017

DEPARTMENT: Administration

ADMINISTRATOR: SJK

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AGENDA ITEM: Update and Discussion - 380 Airport Road (BRS)

DESIRED MEETING OUTCOMES:

- Staff will provide the Council with an update on the status and currency of BRS rent payments, as we've been operating under a revised monthly lease schedule which has left a significant amount (+\-\$85,000) of deferred rent.
- Anticipating that BRS will advise that they are not in a financial position to meet its ongoing and back rent obligations, staff is seeking direction from the Council with respect to whether/how to move forward with BRS, suggesting the following options:
 - **Change nothing** – keep the provisions of the lease as executed in 2007 intact, and assess tenant for deferred rent on an amortized payment schedule.
 - **Renegotiate lease w/ BRS, keep them as sole tenant** – work w/ BRS to renegotiate the terms of the lease that would be intended to overcome their consistent difficulty/delinquency with respect to paying their rent.
 - **Renegotiate lease w/ BRS, reduce their footprint, and attract additional tenant** – “shrink” the amount of space BRS occupies in the building, logically some or all of the office space, and renegotiate their lease accordingly. Engage a professional leasing agent to market the space for an additional tenant.

OVERVIEW:

Ballistic Recovery Systems, Inc. (BRS) is a manufacturer located at Fleming Field, occupying all of a roughly 20,000 square foot industrial building at 380 Airport Road. The South St. Paul HRA financed approximately \$1.8 million for the construction of the building through tax-exempt airport revenue bonds in 2007, and owned the building from that time until very recently, when the City Council approved transferring ownership from the HRA to the City of South St. Paul (by paying off the original debt). In any event, BRS has occupied the building since 2007 as its sole tenant.

BRS' primary line of business is the design and manufacture of whole-plane parachutes, and historically they've held large contracts with Cirrus Aviation and the United States Military. At its peak (2012), BRS employed over 100 and had an annual revenue of approximately \$10.4 million. In addition to its South St. Paul Facility, BRS is a tenant in a manufacturing building located in Moore County, North Carolina. Since the building was financed and constructed in 2007, the City of South St. Paul has served as BRS' landlord at the South St. Paul location.

The company has experienced periods of financial instability over the course of its tenancy and the City has accommodated the company in down times through a series of lease amendments intended to temporarily lower BRS' monthly rent payment and “weather the storm”. Most recently, Amendment 3 (September 2015) and Amendment 4 (September 2016) provided that a

flat monthly rate of \$10,000 would be assessed to BRS, with the most recent amendment expiring on March 1, 2017. These amendments were at the request of BRS, in order to allow them time to consolidate their operations into one facility (in South St. Paul), to reduce their operating expenses until an anticipated new contract was finalized, and to provide BRS executive team to put together an entity that would purchase the building from the City. As we understand it, the company continues to operate out of two facilities (here and in North Carolina), and continues to wait for the resolution of contracts in order to provide steadier financial footing. On January 30, 2017, BRS' executive team confirmed that a purchase was not feasible at this time. In other words, there has been little to no progress from the tenant to resolve the issues that were reportedly keeping them from being able to pay the full lease payment.

As of March 1, 2017, BRS' monthly lease payment is \$16,920.68. This amount is in keeping with the executed, original rental agreement and includes amortization of the deferred rent over a 5 year period at 3% interest. In a March 6 conversation with BRS' CEO, Enrique Dillon, staff was notified that BRS continues to experience financial difficulty and may not be able to meet its monthly lease obligation. They have asked for consideration of further reduction of the monthly lease rate, indefinitely.

The City has taken steps to reduce its debt obligation for the building, and transfer ownership to from the HRA to the City. Nonetheless, a reduction in monthly income for the building – even at the previously agreed-to amount of \$10,000 - does not cover the City's monthly debt service nor incorporate land lease charges and Payments in Lieu of Taxes (PILOT) for which other Airport tenants are assessed.

Staff is seeking a discussion of potential solutions to the ongoing challenge we are facing with keeping BRS "current" in their tenant obligations at 380 Airport Road. We offer the following alternatives for consideration and further discussion:

1. **Change nothing.** BRS is party to a sublease agreement with the City which runs through September 1, 2029. This agreement identifies a lease payment schedule structured with increases of roughly 0.6% per year. The 2017 rent, per this schedule, is \$179,496 (\$14,958/month). In addition, because we "deferred" rent from September 2015 to March 2017, BRS has an additional obligation totaling \$86,924.72. We have a range of options for addressing this component of the obligation, which might include full forgiveness of deferred rent, or setting up a separate payment plan with or without interest. Given BRS' track record and their implied financial straits, the "change nothing" approach should be expected to at least result in continued delinquencies, if not default, of their rental obligations.

2. **Renegotiate lease – BRS as sole tenant.** Technically, the existing lease agreement is a sublease because at the time of execution, the HRA owned the building, leased it to the City, and the City subleased to BRS. The City could take this opportunity to accurately reflect this change in ownership and to revise the lease schedule. BRS has asked for a reduction in monthly rent to a total of \$7,500. This should be an absolute non-starter, as our debt service alone is estimated at approximately \$10,377/month (this does not include PILOT or land lease payments).

3. **Renegotiate lease – attract additional tenant.** One option staff has discussed proposes revising the BRS lease to reduce their "footprint" in the building commensurate to a reduction in their lease rate, and attempt to market a portion of the building to a second tenant. The most

practical way to pursue this approach would be to have BRS vacate some or all of the office space. In correspondence from the FAA, the Airport Manager has been made aware that tenants in the building would not be required to be “aviation related” industries.

We will be prepared to discuss each of these alternatives in greater detail at the work session, at which time we expect to have further information from BRS as to their position (they’ve asked to have until Friday, March 10, to examine their options.

SOURCE OF FUNDS:

Airport Fund



February 11, 2016

To: Mayor Francis and City Council Members
Re: Sister Cities Initiative

Steve King asked for information related to Sister Cities Initiatives as the Mayor expressed interest in revitalizing our relationship with Chengde County, China. I reached out to several Minnesota cities that have sister city relationships to see how they are set up and what is/isn't funded by the City.

The majority of cities who have a sister city relationship have set up a separate commission or a non-profit entity which is responsible for soliciting donations to fund various costs related to the program. Some cities do provide a small budget from non-tax dollars, but many do not fund the activities of the sister city program and rely on their separate entities to come up with the resources. The types of costs that may be involved depend on the key mission behind the creation of the sister relationship. Some cities use it as a student or teacher exchange program which involves their school districts as well. Some cities use it as a cultural exchange with regard to art, music and festivals. Other cities have used the relationship based on unique industries within the sister communities, example nuclear power plants.

Some of the costs that are involved related to transportation, entertainment, city to city gifts, interpreters and translators, food for delegates and host families, etc.

Some of the types of fundraising or non-city sources used by various cities to support their programs have come from grants from local foundations, local legion events, membership fees, chamber contributions, support from local businesses, host families in the community who open their homes to delegates, one city's commission holds an annual brat sale.

Red Wing has recently gone through the process of reinvigorating their sister city relationships and has assigned a staff person to coordinate and help get members on their commission.

Some cities do provide a small budget for the commission but most do not provide funding. The data that was shared by a couple of cities indicates that the main points are to define expectations of the sister city relationship, get support from local businesses, chamber and service/fraternal organizations and then set up a non-profit or separate commission to fund raise to support the activities that are anticipated based on what you want to accomplish with the relationship.

(item 5 on the March 13, 2017 Council Worksession)