

**City of Sheldon  
City Council Report for 4/17/2019  
Regular Meeting at 4:30 p.m.**

**3d. Pay request #11 for Waste Water Treatment Plant.**

Attachments: Pay request #11.

Background: This is a routine pay request in the amount of \$527,272.61. The approximate balance to finish, plus retainage is \$3,481,234.55. This does not include any uncompleted change orders such as Change order #8 which is on this agenda.

The project is going well and is on budget and slightly ahead of schedule. At the latest, the following facilities will be demolished and removed by July 1, 2020 per contract: RBC (rotating bio cylinders) building, four clarifiers, the digester and chlorine contact basin. The main part of the original facility will be utilized as a training facility for the Fire Department.

**3e. Change order #8 for Waste Water Treatment Plant.**

Attachments: Change order #8.

Background: This is a small change order in the amount of \$5,952 for fencing modifications requested by the City – mainly to accommodate the Fire Department’s future use of the old plant.

**4a. Update on H.C. Lane Building.**

- i. Update on alley closure behind 324 – 326 9th Street.**
- ii. Status of dangerous building process.**

Attachments: April 9 notice and cover letter; Photos from March 29 Fire Marshal Inspection.

Background: At the April 3 Council meeting, the City authorized a two-week alley closure. The City’s expectation is for the property owner to make enough progress to allow the alley to be reopened right away. If further closure is needed, your authorization will be required.

**5a. Presentation from Utility Service Partners - Ashley Shiwarski.**

- a. Discussion and direction.**

Attachments: Endorsement letter from Iowa League of Cities, information sheet from Utility Service Partners.

Background: State and City codes make clear that water and sewer service lines (between the main and the structure) are the responsibility of the landowner. This is often a frustrating surprise for property owners who find themselves facing thousands of dollars in unplanned expenses for a water or sewer service line failure in their yard. Some private insurers cover service line breaks, however, gaps in coverage are common.

Utility Service Partners (USP) is an organization endorsed by the National League of Cities and Iowa League of Cities. USP fills an important gap for citizens, private insurers and cities by offering insurance coverage of water and sewer service lines for a reasonable price. The cost is paid by the property owner, and not the City. The City receives a small commission on the sales; the main benefit for the City is the ability to provide preventative options to landowners to help cover the expense of a service line failure. There is no cost to the City of Sheldon for enrolling in this service. Enrollment mailings would have the City's logo and endorsement, and the mailings would be paid by USP. USP does use local contractors for the repairs.

#### **5b. MidAmerican Gas and Electric Franchises.**

- i. Review draft ordinances and set public hearing and first readings for May 1, 2019.**
- ii. Consider Resolution approving and adopting a revenue purpose statement for the use or expenditure of fee revenues from proposed electric and natural gas Franchise Fees.**

Attachments: Draft ordinances, hearing notice and revenue purpose statement.

Background: During the budget process, it was realized the City of Sheldon has many unfunded needs when it comes to Emergency Services. On January 30 and again on February 6, the idea of a gas and electric franchise agreement and related fee was discussed. Sheldon has had a cable franchise agreement since January 3, 1996 (Chapter 27 of the City code). Chapters 110 and 111 in the City code were also established many years ago with the wording "reserved for future use".

On February 6, the City Council requested a workshop be held on February 20 to hear the priorities of our four emergency service departments. On April 3, 4 and 12, there were open houses held for

the community. Representing MidAmerican at the open houses were Mark Reinders, franchise manager, and Craig Van Meeteren, local operations manager. In total, the cost averages \$443,800 of unfunded needs per year for the next 15 years.

As for the fee itself, here are some points to consider:

1. The full exploration of a franchise agreement and fee has been established as a priority by the Council per the 2017 goal setting meeting on December 13, 2017. The priority was emphasized again in this year's individual goal list from the elected officials.
2. In your packets is the listing of the other 170 communities in Iowa with gas/electric franchise fees, and below are some of the other communities near Sheldon. Sheldon does have a franchise fee for cable TV.
  - MidAmerican renewed the Hull electric and natural gas franchises in 2011 for 20 years – with no termination or reopener language – so it is a straight 20-year agreement. They have 5 percent fees on residential and 1.5 percent on non-residential (to help the Cheese plant).
    - a. Note: Hull lost out on creating a municipal utility in 1990 - the same year as Sheldon.
    - b. Additional note: Agricultural Processors are mostly exempt from Local Option Sales Tax (1%) so for them a Franchise Fee is a new cost altogether.
  - Boyden was renewed in July 2010 for 25 years. No reopener or termination language. Initially, they set fees at 5 percent for residential and 3 percent for nonresidential. In December 2015, Boyden raised the nonresidential to 5 percent. The City limits of Boyden include Demco Manufacturing.
  - Sutherland was renewed in April 2017 for 25 years; fees are 3 percent for all customers. No reopener or termination language.
  - The Inwood City Council approved new electric and natural-franchise in July 2012 for 25 years. No reopener or termination language. They set franchise fees at 5 percent for residential and 3 percent for nonresidential.
  - Ireton renewed the franchise there in 2014 for 25 years. No reopener or termination language. They have 3 percent franchise fees on all electric customers. Ireton DOES exempt the schools.

- Cherokee has 25-year agreements in place for gas and electric, with a 5% fee for all customers. Cherokee is served by MidAmerican for electric, and Alliant is the gas provider. No reopener or termination language.
  - Rock Valley has had franchise fees for the longest time in the examples shown. They set fees at 5 percent for all electric and natural gas customers when the agreements were approved for 25 years in 2004. No reopener or termination language.
3. MidAmerican is offering a 15-year agreement to Sheldon, with negotiated “re-openers/outs” available at 5 and 10 years. Mark Reinders with MidAmerican informed me they not offered such a short agreement to anyone else.
  4. To reduce the impact on the commercial and industrial “classes” (which is the term used in the code), you may want to have a lower fee of 2 - 3% instead of 5%. Most properties in this class are paying 1% (Local Option Sales Tax) now.
  5. Of the 56 communities MidAmerican serves and where franchise fees are in place, eleven do exempt schools: Ackley, Council Bluffs, Des Moines, Early, Hastings, Ireton, Lewis, Perry, Pleasant Hill, Sergeant Bluff and Windsor Heights. The draft ordinances exempt Schools (including private and public, and post-secondary). Churches cannot be exempted, but the entire class they are in - “commercial” could be adjusted to a lower percentage than the 5% maximum. Here is the list of exemptions:
    - Northwest Iowa Community College - 600 College Dr and 603 W Park St
    - Sheldon High School - 1700 E 4th St (bus barns will be removed too)
    - Sheldon Middle School - 310 23rd Avenue
    - Sheldon Elementary School - 501 Normal College Ave
    - Sheldon Christian School - 1425 9th St
    - St. Patrick’s Catholic School - 1020 4th Ave
  6. MidAmerican is helping us with the ThermoCel building at 300 Iselin Avenue, and Mark Reinders made it clear he didn’t want it to be viewed as a quid pro quo, because they continue negotiating to acquire and demolish the ThermoCel building, and a completely different division of the company is involved in the ThermoCel discussion. With that proposal, the title of the ThermoCel property would be transferred to MidAmerican, and they would clean up the property in exchange for the land itself. The land would be beneficial to their operations.

10. In addition to the budget workshops, three open houses and tonight's meeting on this important topic, there could be up to six ordinance readings – three each for gas and electric. There would also be a “revenue purpose statement”, implemented by resolution. A public vote is also possible.
11. The revenue statement can be approved now and is to be published prior to first reading of the ordinances.

MidAmerican recommends the broadest possible language for the revenue purpose statement. Here is their recommended language:

Pursuant to the provisions of Section 364.2, subsection (4)(f) of the Code of Iowa, the City of Sheldon hereby establishes the following purposes allowed under Iowa Code Section 384.3A, subsection (3)(e), (f) and (g) for which franchise fee revenues from its natural gas and electric franchises with MidAmerican Energy may be used or expended, said purposes which may be narrowed after public hearing: Public safety, including the equipping of fire, police, emergency services, sanitation, street, and civil defense departments; property tax relief; the establishment, construction, reconstruction, repair, equipping, remodeling, and extensions of public works, public utilities, and public transportation systems; and the construction, reconstruction, or repair of streets, highways, bridges, sidewalks, pedestrian underpasses and overpasses, street lighting fixtures, and public grounds, and the acquisition of real estate needed for such purposes.

The draft presented at the open houses is narrowed down to cover emergency services and tax relief (which essentially means backfilling the local option sales tax portion that had been going to reduce the property tax levy) – the paragraph below is what is in the resolution on today's agenda for your consideration and approval:

Pursuant to the provisions of Section 364.2, subsection (4)(f) of the Code of Iowa, the City of Sheldon hereby establishes the following purposes allowed under Iowa Code Section 384.3A, subsection (3)(e), (f) and (g) for which franchise fee revenues from its natural gas and electric franchises with MidAmerican Energy may be used or expended, said purposes which may be narrowed after public hearing: Public safety, including the equipping of fire, police, emergency services, and civil defense departments; property tax relief; and the construction, reconstruction, or repair of public grounds, and the acquisition of real estate needed for such purposes.

**5c. Approve plans/ specifications and authorize bid solicitation for Crossroads North Phase 1.**

Attachments: December 28 memo from Curt Strouth, SCDC.

Background: This is the next step in moving forward on the public improvements necessary to prepare Crossroads North for

development. The Council authorized the process to begin on January 16. Here are the relevant minutes:

**January 16, 2019 City Council meeting:** Strouth reviewed the Crossroads North Business Park. After meeting with staff, they recommend developing it in 2 phases. Phase 1 is estimated to cost \$868,000 and would install infrastructure to the north side of lot 1, as well as the IA DOT recommended turning lane. He is hopeful to continue with phase 2 within a year. Mayor Meendering asked if the speed would be addressed in that area? Kooiker and Uhl stated that the DOT will be conducting a traffic study and we are scheduled to have traffic counts conducted this summer as well. A motion was made by Eggers and seconded by Hamill to approve the recommended phase 1 of Crossroads North Business Park in the estimate amount of \$868,000, installing the IA DOT recommended turn lane and infrastructure ending north of lot 1. Roll call was taken. Ayes, all. Motion carried.

We anticipate the Plans and Specifications being ready by meeting time. If the Plans and Specifications are not ready, we will have an update for you on the status of the design phase for this important project. If all goes well, we plan to have an action on the May 1 agenda to set the hearing for May 16.

#### **5d. Set public hearing on Maintainer Contract for Development and Minimum Assessment Agreement.**

Attachments: None.

Background: This is to set a hearing for May 1, 2019. The Council authorized the drafting of the TIF incentive agreement on February 6. The next step is to set a hearing on the agreement.

#### **6a. City Manager's Report.**

- Two large building permits have recently been received and are pending consideration by the Zoning Board of Adjustment, which is scheduled to meet on Wednesday, April 24 at 4:30 PM in Council chambers. Maintainer is seeking a variance for their stack height for their \$1.7m expansion on S. 2<sup>nd</sup> Avenue. Sheldon Christian School is planning on a \$1.987m expansion at their current location at 1425 E. 9<sup>th</sup> Street. Schools can expand in residential zoning with a "special exception" from the Zoning Board of Adjustment.
- Our liability insurance renewal with Iowa Community Assurance Pool (ICAP) is underway, and the actual renewal costs will be available to us soon. The City departments recently completed an update of our assets. The new Airport building has also been recently added. We are reviewing our

- deductibles – we currently have a \$200 Comprehensive and \$350 Collision deductible on our vehicles. Many cities have increased this deductible, and we are exploring this idea.
- City Attorney Micah Schreurs is in the process of drafting the following items for consideration at a Council meeting prior to July 1:
    - RIDES and Golf Course agreement per the City Council’s request during the budget workshops. Both organizations have been budgeted to receive Local Option Sales Tax funds. The agreements help affirm the “public purpose” for distribution of these monies and become the basis for formalizing these important relationships.
    - Health Insurance amendments to the Union Contracts per the recent budget workshops.
  - Fireworks for Crossroads Pavilion events were discussed at the April 11 Pavilion Board meeting. The Board opted to initially support the idea continue the exploration to the May 8 Pavilion Board meeting and asked for a policy to be brought forward for their consideration. They unanimously support the concept of fireworks and recognize there is concern at the City Council level. If the Board ultimately approves a policy, it will need to come to the City Council for approval.
  - The property at 810 Washington Avenue is being sold at a Sheriff’s Sale on May 1, 2019 at 12:15 PM at the O’Brien County Sheriff’s office. I am hopeful it is purchased by a responsible landowner. This is a nuisance property; the sidewalks were not scooped most of the winter. Here is the weblink to the sale information.  
<http://www.obriencountysheriff.com/2019/03/05-01-2019-at-1215-810-washington-ave-sheldon/>.
  - The utilities for the trailer at 907 Western were shut off on January 17, 2013. The mess includes an abandoned Chevy Lumina with a shattered back window. The utilities for the trailer at 911 Western Ave have been off since January 4, 2017. There are three parties involved: The two trailers are owned by two different people, and the lot which both trailers are sitting on is owned by an individual who lives in Hospers. The owner of the lot stopped by to see me on April 10, and said he plans to clean up and sell the properties. He also plans to work with the owners of the abandoned trailers to have them removed from the property.

- We have had good success with encouraging people to remove vehicles from lawns and rights-of-way. We will continue to work on this.
- The house at 727 5<sup>th</sup> Street has not been occupied in nearly a decade. The utilities were shut off on April 28, 2010. I am in contact with the owner, who lives in Paullina.
- The property at 1023 Garfield Avenue has been empty for nearly five years. The utilities were shut off on August 28, 2014. Both owners have passed away, and the contact for the deceased's estate lives in Ireton. I received confirmation from the contact on April 10 that the property is being turned over to State of Iowa's Estate Recovery Program as monies were owed to the state.

Micah Schreurs and I are working with Tim Willcockson with the State to help ensure the property is ultimately transferred to new ownership. It is possible that a petition for ownership may be submitted to you for consideration, although our preference is to simply help facilitate a transfer by the State without the City needing to become the property owner.

- The property at 721 8<sup>th</sup> Street has been a challenge for some time. The utilities have been off for so long we aren't sure when they were turned off (at least 8 years ago). The snow wasn't scooped most of the winter. The property does have a mortgage and I have reached out to the bank which holds the note, and they are assisting me with resolving this issue.
- The City currently has 21 bank accounts with three local banks. The following factors have combined to make this an excellent time to proceed with a request for proposals for banking services:
  1. The prospect of receiving higher rates of return.
  2. Competitive nature of Sheldon's banking environment.
  3. The City's financial situation.
  4. The recent success by the Northwest Iowa Community College and the Sheldon Community School District in achieving higher interest on taxpayer funds by going out for proposals.

Customer service is important, and all five local institutions have demonstrated the ability to provide good service. Therefore, our main motive is financial – we desire interest rates which are commensurate with the market and adjust automatically over



time. For example, automatically adjusting rates tied to a market index such as a T-Bill rate ([www.treasury.gov](http://www.treasury.gov)) or Iowa Public Agency Investment Trust ([www.ipait.org](http://www.ipait.org)) are desired. Some indexes are better than others, and the competitive process will be good for the taxpayers. The draft proposal is being reviewed by the City Attorney and will likely be on a May or June Council agenda for consideration.