

**CITY COUNCIL MEETING  
CITY OF FRIDLEY  
FEBRUARY 25, 2019**

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The City Council meeting for the City of Fridley was called to order by Mayor Lund at 7:01 p.m.

**ROLL CALL:**

**MEMBERS PRESENT:** Mayor Lund  
Councilmember Barnette  
Councilmember Tillberry  
Councilmember Eggert  
Councilmember Bolkom

**OTHERS PRESENT:** Wally Wysopal, City Manager  
Daniel Tienter, Director of Finance/City Treasurer  
Deb Skogen, City Clerk  
Jay Karlovich, City Attorney  
Dongfa Zhou, Attorney  
Catherine Gray, MorningStar Chiropractic and Wellness Center

**APPROVAL OF PROPOSED CONSENT AGENDA:**

**APPROVAL OF CITY COUNCIL MINUTES:**

- 1. City Council Meeting of February 11, 2019.**

**APPROVED.**

**NEW BUSINESS:**

- 2. Claims: (184069 - 184177).**

**APPROVED.**

**ADOPTION OF PROPOSED CONSENT AGENDA:**

**MOTION** by Councilmember Barnette to adopt the proposed consent agenda. Seconded by Councilmember Eggert.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**OPEN FORUM, VISITORS:** No one in audience spoke.

**ADOPTION OF AGENDA:**

**MOTION** by Councilmember Bolkcom to adopt the agenda. Seconded by Councilmember Eggert.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**PUBLIC HEARING/NEW BUSINESS:**

- 3. Public Hearing Considering Denial of a Massage Therapy Business License Applicant for Tuina Massage, LLC, d/b/a Moore Massage, Denial of a Massage Therapist License for Julia Wang; and Denial of a Massage Therapist License to Yafang Zhan;**

**and**

**Resolution Denying a Massage Business License to Tuina Massage, LLC, d/b/a Moore Massage, Denying a Massage Therapist License to Julia Wang, and Denying a Massage Therapist License to Yafang Zhang (Ward 2).**

**MOTION** by Councilmember Eggert to open the public hearing. Seconded by Councilmember Barnette.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE PUBLIC HEARING WAS OPENED AT 7:02 P.M.**

**Deb Skogen**, City Clerk, stated in May of 2018 Fridley City Code Chapter 125 was entitled, "Saunas and Massage Parlors." It exempted the massage therapy businesses from having a business license, but it did require that massage therapists register with the City at no fee.

**Ms. Skogen** stated a May 10, 2018, police investigation found alleged criminal activity in two business locations in the City which were then closed; and the registrations of the massage therapists in those locations were suspended. As a result, on August 22, City Council adopted Ordinance No. 1356 which repealed the saunas and massage parlors and created new language creating the massage therapy business and massage therapist licensing and requirements.

**Ms. Skogen** stated letters were mailed to all massage therapists regarding the new regulations with an October 1 deadline to file the applications for the massage therapy business and massage therapist licenses. All but one business met the deadline requirements and were licensed.

**Ms. Skogen** stated the City received applications for a massage therapy business and massage therapist licenses for Tuina Massage, from Julia Wang, and Yafang Zhang on October 23. After

initial review, additional information was requested and provided. On October 30, 2018, staff forwarded the application to the Police Department for the background investigation.

**Ms. Skogen** stated a thorough background for a business license on Julia Wang found the following information:

1. There was falsification of information on the license application in violation of City Code Section 125.05.1.A.(7)--specifically the failure to disclose Julia Wang's ownership and/or operation of five massage therapy businesses in the cities of Blaine, Minneapolis, Columbia Heights, Rochester, and Spring Lake Park.
2. Failure to disclose the revocation of a massage therapy business license in Rochester and the denial of a massage therapy business license in Minneapolis.
3. Fraud, deception, or misstatement on the license application in violation of City Code Section 125.10.6, specifically failure to disclose the ownership and operation of the five therapy massage businesses in the five cities.
4. Revocation of the massage therapy business license in Rochester and denial of the massage therapy business license in Minneapolis.
5. Multiple massage therapy businesses owned or operated by Julia Wang have been investigated for suspicious activity which includes: evidence of residential habitation within commercial properties, employing unlicensed therapists in the business prior to application of license or approval of license, one massage therapist was cited for prostitution while working in a business owned or operated by Julie Wang, and the employment of a massage therapist who had been cited for prostitution in another jurisdiction. In addition, Julia Wang has acknowledged illicit sexual activity has occurred in her massage therapy businesses.

**Ms. Skogen** stated the massage therapy businesses have presented an ongoing issue for many local jurisdictions. Police departments in at least two jurisdictions have indicated the living and working conditions in massage therapy businesses owned or operated or related to Julia Wang have raised questions and concerns of human trafficking and/or illicit commercial sex. Based on this information, granting a massage therapy license would be a menace to the safety, health, morals, or welfare of the public in violation of City Code Section 125.10.12.

**Ms. Skogen** stated the investigative findings for the individual therapy licenses of Tuina Massage, LLC, is no longer the real party in interest of the enterprise in violation of City Code Section 125.10.14 on the basis that Tuina Massage, LLC, sold its interest to Dynasty, LLC and/or Shan, LLC, on August 25, 2017. Therefore, it would not have the ability to have a license under this name. City Code Section 125.05.02.J(1) requires a massage therapist license to be affiliated with, employed by, or own a licensed massage therapy business within the City. If a business license is denied or withdrawn, the therapist would not qualify for a license.

**Ms. Skogen** stated on February 15, 2019, letters providing information of the public hearing and denial of the massage therapy business and massage therapist licenses were mailed to Julia Wang, Yafang Zhang, and their legal representative.

**Ms. Skogen** stated on February 21, 2019, an e-mail was sent to the City by Julia Wang and Yafang Zhang's legal representative requesting their applications be withdrawn from the agenda. Because of the nature of this license and the nature of the non-disclosure and fraud, staff felt the public hearing should be held to allow the City Council to determine the outcome.

**Ms. Skogen** stated City staff's recommendation is the City Council hold the public hearing and decide whether they will (1) allow the withdrawal of the license application, or (2) adopt a resolution denying the massage therapy business license to Tuina Massage, LLC, d/b/a Moore Massage, and massage therapy licenses to Julie Wang and YaFang Zhang.

**Ms. Skogen** stated today they received a letter from the applicants' legal representative that requested the license applications be withdrawn. Staff emailed it to Council.

**MOTION** by Councilmember Eggert to receive into record an e-mail dated February 25, 2019, from Ryan L. Kaess and Dongfa Zhou. Seconded by Councilmember Barnette.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**Councilmember Bolkcom** asked the City Attorney as staff has presented two different options for the Council tonight, if they allow the petitioner to remove their request for a license vs. denying it, does that change anything in the future if they were to come back before them for a license.

**Jay Karlovich**, City Attorney, replied, it does not. After this proceeding they are going to change the City's license ordinance so that you cannot just immediately reapply; however, with the current ordinance, it does not make any difference whether the Council accepts the withdrawal or actually processes what is in front of them.

**Councilmember Bolkcom** asked so he is saying right now, either one of these, if they were to deny it or if they were to make a motion to allow them to withdraw their license, they could reapply.

**Attorney Karlovich** replied, currently the way the City's ordinance is written, there is nothing that would stop them from making an application tomorrow for a new license. He recommends Council accept their withdrawal because otherwise if they go ahead and pass the resolution there could be litigation about that decision.

**Mayor Lund** stated given that this is a public hearing, he asked if they should invite those present to speak or just close the public hearing.

**Attorney Karlovich** replied, he said they can open the public hearing.

**Dr. Catherine Gray**, MorningStar Chiropractic and Wellness Center, stated she is a licensed chiropractic physician. She has been in private practice for 27 years and is the owner of MorningStar Chiropractic and Wellness Center located at 1210 Moore Lake Drive, next door to Moore Massage, a massage parlor owned by Ms. Julia Wang.

**Dr. Gray** stated in March of 2016 she received a call from Becky Cederstrom who was at that time the property manager at Moore Lake Plaza. She indicated that her second lease was about to expire March 31, and would Dr. Gray be renewing and want another term. Ms. Cederstrom let Dr. Gray know she had finally rented Dr. Gray's old space which is the current space in question. Dr. Gray's business was expanding and they kept the back part of 1214 as their exam, x-ray, and processing room and then expanded over into 1210. Ms. Cederstrom also stated in an e-mail she was putting in a message center to which Dr. Gray immediately replied and asked if she meant message center or massage center. Ms. Cederstrom responded via e-mail that it was not a typo the word massage but it truly was a message center. Believing this was a call center, she agreed to the terms and re-signed her lease as she had zero plans to relocate at that point.

**Dr. Gray** stated they did their own buildout, almost unheard of in any type of retail plaza. They painted a mural in their reception room, entitled "The Love Forest" and at the end of April, they saw them moving in mattresses for their message center in preparation for their May 1 opening. If you have ever had a therapeutic massage, it is done on a massage table. It is not done on a mattress placed on a floor. She immediately contacted Ms. Cederstrom to tell her that she did indeed sign a lease for massage business which was in violation of their contract. Ms. Cederstrom gave the excuse it was her business associate, Ms. Barb Ankrum, who signed this business while Ms. Cederstrom was on medical leave.

**Dr. Gray** stated did not think it was a legitimate business and went directly to the police. Officer George was as concerned as she was, and he thanked her for bringing this information to light. Unfortunately, at the time they applied for a business license, they were anything but a therapeutic massage. Captain George gave her indicators of things to look for, and they began reporting the following behavior.

**Dr. Gray** said they noticed employees being dropped off from back seats of SUVs or minivans, never from the front, and rarely saw anyone being picked up at the end of the evening. Vans and SUVs loaded with food were dropped off weekly--the kind of food purchases you would be buying from Sam's Club or another food warehouse at the quantities of either retail amounts or a business with many employees. There was steady foot traffic on opening day, but only males were coming to the place for a massage.

**Dr. Gray** stated she stopped over to speak with the owner and was thrown out. If you are a female and go in they immediately tell them to get out, no English, no appointment for you today. Three females who worked at the shopping center tried to get massages as walk-ins only to be told the same thing--get out, no English, no appointment for you today. Their "Open" sign is frequently flashing at 11 p.m. at night.

**Dr. Gray** stated they observed two different middle-aged men leaving with a very young Asian woman holding hands. They would return within the hour with gift bags from Fantasy Gifts

across the street. They observed a menu of the services they have on-line in which women are depicted as geishas along with a menu of services, such as four-handed massage, and shower massage. There was photographic evidence of women drying their clothes on the picnic bench outside of Dr. Gray's office and photographic evidence of women walking in bathrobes with shower caddies to and from the Lifetime Fitness which is also directly behind their building.

**Dr. Gray** stated they then discovered they were advertising on "Back Page" which was shut down by the Department of Justice last April. Mostly known for its adult ads, from sex workers and massage parlors, to which Moore Massage was advertising daily. She arranged for a meeting immediately with Ms. Cederstrom in August of 2016 when they noticed the ads to discuss with her their suspicions this was not a legitimate business. This has caused a lot of duress on her team for almost three years. Their patients constantly ask about the place next door. They are also concerned about the safety at the center.

**Dr. Gray** stated they met with Ms. Cederstrom, provided their evidence, and she said she met with Ms. Wang who informed her she had heard of such practices at Asian massage parlors but she had installed video surveillance that she could pull up at any time of her employees including showing Ms. Cederstrom on her cell phone to make sure they were not offering illegal prostitution-type activities. HIPAA, the Patient Privacy Act laws, would never allow the video taping of a legitimate therapeutic massage service in process.

**Dr. Gray** said she told Ms. Cederstrom they had been working with the Fridley Police Department since April. Ms. Cederstrom promised to get in touch with Ms. Wang and tell her if she did not take the ads down on Back Page, she would be in violation of her lease and it would be terminated in writing within 30 days.

**Dr. Gray** asked if the landlords were aware of this and she was assured they were. This was also the last conversation they had as Ms. Cederstrom then retired, turning all duties over to the Ms. Ankrum.

**Dr. Gray** stated they presented every piece of evidence to not only Detective Jones who had been assigned to the case, but also to the property managers and landlords. The landlords indicated she was not to contact them again and told her this was why they had a property manager in place. She has also worked with Ms. Skogen. She commended the City's departments of Police, Fire, and City Hall for the work they have done.

**Dr. Gray** stated this business was shutdown October 1 of last year and has not reopened. Given the information that has surfaced through this thorough investigation by the police and City employees, the nature and business practices that have been occurring next door, the serious concerns she has for her team and patients' safety and clients affected by this Moore Lake Plaza business, she has 100 percent confidence the City Council will vote to deny the licenses and also deny reapplication of any type of business by Ms. Wang, and work to ensure that all illegal activities that have been done next door under the guise of massage are prosecuted to the full extent of the law.

**Dr. Gray** stated she has worked hard for 27 years to make sure that therapeutic massage is understood not only for its incredible health and stress-relieving benefits but for its emotional stress relief. She will correct anyone who calls it a massage bed, letting them know it is a massage table. Anyone who dares call any of their licensed therapists masseuses are corrected. They employ three licensed therapeutic certified massage therapists who are insured with either the IMTA or AMBP. They have more than passed the qualifications for licensing and were licensed before the new ordinance went into effect.

**Dr. Gray** stated attached to the Council's handout she passed out is the petitioner's current ad which was taken off the newest site to replace Back Page, called Rubmaps.com. You agree you are 18 and you click on the site to go in, and you can pull this up. She circled what is not visible but you can go on Rubmaps and search massage in Fridley, and you will find it under the heading, Massage Parlors, Services, Fridley, Happy Ending, Erotic Massage, Fridley. The ad states it is closed but they do have a sign up referring people to another business located at 5019 University Avenue in Columbia Heights. It says, during the closure they are directing business and will reopen November 1. It has not reopened.

**Dongfa Zhou**, Attorney for Julia Wang, stated he was at the meeting to protest and to ask the City not to discuss this and open the public hearing for an application which has been withdrawn. There is nothing for the City to decide. It has already been withdrawn. He asked the City to follow the recommendation of the City Attorney to allow this withdrawal. He said he was there to ask Council not to discuss the applications which have been withdrawn and no longer exist.

**Mayor Lund** stated he feels that once the application was presented and they advertised for the public hearing, they must open the public hearing. With the late date receiving the new information, it was impossible for them to make public notice to remove it. Dr. Gray came here because she fully expected there was going to be a public hearing. They are holding the public hearing. They will certainly take Attorney Zhou's request into consideration and will see how Council weighs in on that.

**Attorney Zhou** stated he just wanted to make a note that their withdrawal letter had been submitted on February 21. The letter sent today was in reaction to the City's reaction to proceed with a decision.

**Mayor Lund** stated even on February 21, there was not enough time to get a notice published. The City's legal publication is published once a week. He said they would take Attorney Zhou's letter and all that into consideration.

**MOTION** by Councilmember Eggert to close the public hearing. Seconded by Councilmember Bolcom.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE PUBLIC HEARING WAS CLOSED AT 7:28 P.M.**

**Mayor Lund** stated it sounds like they have two choices--to accept and allow the motions for withdrawal of the license or considering either approving or denying the license.

**Attorney Karlovich** stated the licensing of massage therapy businesses and massage therapists has been something that has been difficult for all cities. As to some of the other cities their office represents, they always hoped the State would take over the licensing. In each of their cities, the League of Minnesota Cities has not put out a model ordinance. There is nothing in the City's ordinance that outlines what you do once you get a withdrawal, a request for withdrawal and they have noticed a public hearing. If they accept the withdrawal or formally pass a resolution denying it, it does not have any type of teeth to it because the City does not have anything in the current ordinance saying they cannot come back in and reapply tomorrow.

**Attorney Karlovich** stated his recommendation is if they go ahead and adopt the resolution, theoretically there could be litigation that their decision was arbitrary and capricious. As their legal counsel, he is recommending they accept the withdrawal because then there is no chance of litigation over this application; however, they could get another one tomorrow. They have a little more work to do on the ordinance. All the ordinances that the different cities have are far from perfect, and they are trying to make them better. They still have some holes in their current ordinance, and he is still frustrated the State does not take over licensing.

**Mayor Lund** stated they will make that known to their State representatives. He asked if they had set a moratorium to not accept massage licenses until they had time to rework the ordinance.

**Attorney Karlovich** replied, no.

**Wally Wysopal**, City Manager, stated these types of licenses are unique, similar to liquor and tobacco licenses, where Council has expressly stated they want them to come before Council for approval. There are other licenses the City issues that are administrative and do not come before the City Council.

**Mr. Wysopal** stated for this license request, after months of work being done, staff finished their report and was prepared to present it to Council for consideration. It was at that time when that report was done, they felt it was the obligation of City staff to turn it over to the City Council. As the City Attorney pointed out, there was no specifics in the ordinance that said what to do in this type of situation. Therefore, he thought it was the proper due process, a transparent process, to bring it to the City Council, and take into consideration seriously what the City Attorney was recommending. He did not feel that staff and himself had the authority to accept a letter like that after the report and investigation had been concluded.

**Mayor Lund** stated they had a talk not that far back about some licenses being approved administratively, and licenses such as this being approved by Council and Council expressed that they wanted to continue to approve and deny these types of licenses.

**Mr. Wysopal** stated there was some history with similar types of licenses. There was a liquor license application that staff brought to the City Council for last consideration, and the petitioner asked to have it rescinded and that was granted. Again, staff had no authority, particularly after



the report had been done. It may have been different if it had been on the first day they issued their license request, but this is after months of work being done and the process was being fulfilled to inform the City Council to decide.

**Councilmember Bolkcom** asked Ms. Skogen when the public hearing was posted.

**Ms. Skogen** replied staff sent a letter to the applicants on February 15 stating that there would be a public hearing tonight. On Thursday, February 21, the City received their request asking to withdraw their applications. Staff felt they needed to bring it to Council so they could make the decision.

**Attorney Karlovich** stated he did initially receive an e-mail from legal counsel saying they wanted to withdraw. He said he read the ordinance and it did not have any process in the ordinance about what to do. Initially he said the could not accept any type of withdrawal from legal counsel. It had to be signed by the applicants. They received that a day or so later. However, it was after they were all set for the public hearing.

**MOTION** by Councilmember Eggert to accept the withdrawal of the massage license applications from Julia Wang and Yafang Zhan and withdrawal of the business license application for Tuina Massage, LLC, d/b/a Moore Massage. Seconded by Councilmember Barnette.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**NEW BUSINESS:**

- 4. Resolution Approving the Community Investment Fund Policy for the City of Fridley; and Approving Transfers from the General Fund to the Community Investment Fund.**

**Daniel Tienter**, Director of Finance/City Treasurer, stated the City of Fridley maintains what is known as a closed bond fund. Typically, what closed bond funds do is aggregate any surpluses or deficits of individual service funds. On conclusion of a project and the debt service, any remaining monies are collapsed into the closed bond fund.

**Mr. Tienter** stated beginning in the early 1990s the City began transferring monies out of its closed bond fund in an effort to balance the operating budget that was in direct response to the levy limitations that were previously included in the City Charter. In 1990, it is important to note that the closed bond fund actually held a cash balance of just over \$8 million but by the end of 2018, the City will have spent down about \$4.8 million of those monies, leaving the fund with approximately \$3.2 million. As part of the adopted 2019 budget, the Council effectively ended the practice of using the closed bond fund as a one-time funding source for operating purposes.

**Mr. Tienter** stated since the closed bond fund was no longer used to support the City's operating budget, the City Council, as part of the budget discussion, guided staff to consider some

alternative uses for the fund. In that general direction, staff used three goals or objectives to guide their internal discussions about how to use the fund, the avoidance of ad hoc expenditures or transfers, much like they had been doing since 1990, long-term sustainability for the fund (meaning that the fund will exist into the future to support City activities and projects), and then that the fund should be used to support a broad range of City activities or projects.

**Mr. Tienter** stated generally, they consider three different uses for the fund--use for a rainy day or emergency reserve fund used as a capital equipment funding source for the purchasing of one-time items or use as an inter-fund loan mechanism. After internal discussion and review with the City Manager, City staff ultimately settled on using the fund as an internal loan fund mechanism. Staff recommends the creation of a community investment fund as an interfund financing device.

**Mr. Tienter** stated generally the fund and the policy would allow the City to issue interfund loans to the water and sanitary sewer funds. Those funds in turn would replace average size bond issues which are ordinarily used for more expensive capital projects. As they will recall as part of their 2019 budget discussion, they included in that budget \$3.8 million of water fund bonding.

**Mr. Tienter** stated the public utility funds would in turn repay those interfund loans with all the typical interest they would normally pay, allowing the new community investment fund to then issue new loans to support future projects. This is known as revolving. The fund would revolve as it took in new money to make loans and payments for new projects. As outlined in the policy included in their packet, the fund would only be permitted to support capital and debt expenditures related to public utilities in the form of interfund loans and transfers from the fund to the parks capital improvement fund to support park and recreation projects.

**Mr. Tienter** stated over time, typically 10 to 15 years depending on the size of the loan, the public utility would repay those interfund loans with interest and any other typical costs such as origination fees, underwriter discounts, things like that. That interest income, and he wants to stress this, would normally be paid to third-party bond holders so when the City issues debt, they would repay it with interest, and the bond holders get profit from that debt via the City's interest payments. Instead they would propose with this fund and policy to capture and dedicate that interest income as transfers to the City's parks and recreation projects. Interest that would normally be paid to bond holders would in turn be used by the City to support the buildout of park and recreation improvements in the City. He said he did want to stress that the fund can also be permitted per the policy to support any reasonable administrative costs associated with managing the fund.

**Mr. Tienter** stated additionally the fund would need some additional financing to support the proposed activities and the resolution before them this evening would transfer \$900,000 from the general fund into the new community investment fund. It would also establish the practice of the City of transferring annually any unassigned general fund balance in excess of the upper fund balance threshold established by their policy.

**Mr. Tienter** stated they will recall that every year around budget time they discuss the working capital the City has, and its policy is they need to have 50 percent of the next year's budget. Right now, based on their current 2019 budget, they are sitting at about 57 percent.

**Mr. Tienter** stated what would happen every year when they do that calculation they would transfer any of those excess monies into this fund to support these activities. Beyond the use of the closed bond fund and those general fund monies, the policy also outlines other revenue sources such as interest and investment earnings including any of the interfund repayments and fees obtained through the issue of private activity bonds which are also known as conduit bonds.

**Mr. Tienter** stated they may recall the City recently issued conduit bonds to support the Village Green project. As a result of that issuance, the City received \$135,000 for their administrative surcharge so those monies would be dedicated to this fund and then any anticipated payments or windfalls the City would receive. If they were never anticipating receiving the money, the policy would essentially say that those monies would go into this fund to support the activities described in the policy.

**Mr. Tienter** stated as is consistent with any of the City's other funds, they could always appropriate the money directly into the fund as part of the budget process or some type of interim action.

**Mr. Tienter** stated in 2018 at present, the City's fund balance exceeds its working capital requirements. If the City were to draw down the fund balance to a 50 percent level, that would result in about an expenditure of \$1.25 million. If they were to draw all the way down to the 35 percent level, that lower threshold limit, the City would have to expend just under \$3.9 million. Suffice to say the general fund in terms of a balance perspective has quite a strong reserve that can be used to capitalize the community investment fund.

**Mr. Tienter** stated the interest income that was earned on those interfund loans would be then transferred on an annual basis to the parks capital improvement fund to support capital projects. Ultimately staff has supported and is recommending this approach given the goals they have established earlier. It provides long-time financing for capital projects, and it provides a new revenue source for the parks capital improvement fund. Also, as Council talked about at their recent goal-setting retreat, they are on the eve of a new parks master plan and it also prevents the use of gap financing or ad hoc expenditures. So they are not using the fund just to support one-time activities.

**Mr. Tienter** stated the fund may be used to support debt service that is related to public utilities but the policy does include a prohibition that any of those expenditures have to be limited to 50 percent of the ensuing years of available revenues. Essentially whatever the fund was making they could only issue debt for half of that amount that is designed to protect the solvency of the fund. Additionally, in the interest of solvency as well, the policy requires a minimum fund balance which actually increases over time as the fund begins to revolve, having larger payments accruing more interest, so for the first few years the fund balance would be about \$300,000, moving up to \$500,000 and then by 2026 there would be a minimum fund balance of \$1 million.

**Mr. Tienter** stated if Council were to approve the policy this evening it would be effective December 31, 2018. After discussion with the City's auditors, their recommendation since the City's audit is currently open, is to make all of these actions effective for the end of that year. Essentially when the books were closed in 2018, all of these would be in place; and then they would move forward in 2019 with the new activities.

**Mr. Tienter** stated staff is recommending Council adopt the resolution adopting the community investment fund policy and authorizing a transfer of up to \$900,000 from the general fund to the community investment fund. The one thing he would like to stress is if the action were approved tonight, staff also planned to recommend using the fund to support the cost of the Locke Park Water Treatment Plant improvement project. That will be presented at a future meeting for Council's consideration.

**Mr. Tienter** stated at any point in time if Council were to use the community investment fund to issue an interfund loan, per the Charter, they would be required to adopt a resolution authorizing that interfund loan. At any point in time the Council would always be asked to use this financing mechanism. It is not something staff could accomplish administratively. Finally, any discussion of the use of the financing source would be included in any budget workshop budget development processes for future years.

**MOTION** by Councilmember Bolckom adopting Resolution No. 2019-10. Seconded by Councilmember Eggert.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**5. Informal Status Reports:** There were no informal status reports.

**ADJOURN:**

**MOTION** by Councilmember Barnette, seconded by Councilmember Eggert, to adjourn.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED AT 7:52 P.M.**

Respectfully submitted by,

Denise M. Johnson  
Recording Secretary

Scott J. Lund  
Mayor