

**MINUTES
SPECIAL JOINT CITY COUNCIL MEETING & LIQUOR BOARD
WORKING SESSION**

SEPTEMBER 16, 2014

Mayor Jeff Thompson called the meeting to order at 6:00 p.m. Council members present were Kay McDaniel, Donavan Mayer, Jean Soine, and Gene Beavers (6:03 p.m.). Also present were Renee Eckerly, City Administrator; Jennifer Welling, Administrative Assistant/Zoning Specialist; Bill Ludwig, Liquor Store Manager; Belinda Ludwig, Finance Specialist; Steve Vaske, Reed Ringstad, Dick Johnson, Nathen Derichs, John Derichs, Sue Hecht, Dave Currens, and Ellarry Prentice, Press.

LIQUOR STORE PROPOSAL/RELOCATION

Thompson announced that no decision has been made on the Derichs' offer as the Council wanted to look at other options.

Bill Ludwig stated that a new cooler without doors is \$57,000.00 and he has not received any numbers on remodeling; the price for the former Credit Union property is "make an offer."

John Derichs stated that he went back to the bidders and most bidders held their bid; some went up while others went down. To construct in the winter the cost would increase \$60,000.00.

There was still some concern from the Council if the City was able to do this type of project. It was stated that the Council needs to figure out some things; spend \$1.1 million dollars and finance \$500, 000.00 for 30 years. This is not a good deal for the City; it's too risky. Derichs' has done nothing to the costs to entice the City. Another Council member concurred and was concerned with the cash flow over 30 years. The City may be forced to sell products at a price the City's residents don't want to pay. It's a big store with an increase in inventory and labor.

Bill Ludwig explained how it could cash flow if payments were around \$3,100.0 a month and sales increased 10%.

A Council member expressed the desire to own rather than lease. Another Council member concurred.

It was further discussed that there are a number of hoops one must go through in government. Maybe it's time to get out of Derichs' way as the City has more work to do.

Thompson expressed that his "business hat" is on and outlined the following:

- Advantage to moving to former Credit Union building is a decreased price
- Don't know how long the City will be in the liquor business
- Old building versus new building
- Location of former Credit Union building
- Signage – billboards on Hwy. 23
- Liquor sales are from the area, not just Paynesville
- According to the survey conducted – it was stated to not put the liquor store downtown
- Railroad traffic is to increase 40%

- Railroad traffic is to increase in speed
- City may own too much land and needs to sell some
- Land values
- If don't sell this property now; how long will it be before it can be sold
- Long term planning
- Safety at former Credit Union property is the utmost concern
- Partnership with another store increases safety
- City could sell two lots
- If don't work with Derichs – public may perceive that City is hard to deal with

It was asked by a Council member does the City have a deal with Derichs. According to the packet of information that was provided it stated five different times “no” and all this time the costs continue to increase.

John Derichs' stated that in reality this has been a number of months in the making.

Eckerly commented that the City has been through this before in 2010-2011 when the City looked at building its own liquor store, but not to a point of obtaining a price. Costs involved in building were discussed.

Bill Ludwig commented that everything anyone does has some risk. The City is making money at the current liquor store location. The question is will the store peak at some point. 60% of the store's business is in the cooler.

Ringstad commented that the Liquor Board voted no to go to the former Credit Union property and would rather stay at its existing location. There is a need to do something with what the City currently has at Teals.

Johnson commented on the following:

- Urgency
- Net profit
- Concern with a large drain on the City's reserves
- Financial consideration
- Beer and liquor sales in grocery stores
- Less investment – less risk
- A \$200,000.00 - \$300,000.00 building is easier to sell than a million dollar building
- The former Credit Union building may help revitalize the downtown
- Signage
- MN Design Team ideas
- Impact on the downtown
- The west-end property will take care of itself
- Buying a sale, not creating a sale

The current lease expires in 18 months. There was some final comments made on the legality of the bids and buying the building after it's built. This item will be put back on the September 22, 2014 Council Agenda.

There being no further business, the meeting was adjourned at 6:54 p.m.