

AGENDA

REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF ST. LOUIS COUNTY, MINNESOTA



Tuesday, May 8, 2012, 9:30 A.M.

**County Board Room, Second Floor
St. Louis County Courthouse
100 N. 5th Avenue West
Duluth, Minnesota**

**KEITH NELSON, Chair
Sixth District**

**FRANK JEWELL
First District**

**STEVE O'NEIL
Second District**

**CHRIS DAHLBERG
Third District**

**MIKE FORSMAN
Fourth District**

**PEG SWEENEY, Vice-Chair
Fifth District**

**STEVE RAUKAR
Seventh District**

County Auditor
Donald Dicklich

County Administrator
Kevin Gray

County Attorney
Mark Rubin

Clerk of the Board
Patricia Stolee

The St. Louis County Board of Commissioners welcomes you to this meeting. This agenda contains a brief description of each item to be considered. The Board encourages your participation. If you wish to speak on an item contained in the agenda, you will be allowed to address the Board when a motion is on the floor. If you wish to speak on a matter which does not appear on the agenda, you may do so during the public comment period at the beginning of the meeting. Except as otherwise provided by the Standing Rules of the County Board, no action shall be taken on any item not appearing in the agenda.

When addressing the Board, please sign in at the podium and state your name and address for the record. Please address the Board as a whole through the Chair. Comments to individual Commissioners or staff are not permitted. The St. Louis County Board promotes adherence to civility in conducting the business of the County. Civility will provide increased opportunities for civil discourse in order to find positive resolutions to the issue before the Board. Tools of civility include: pay attention, listen, be inclusive, do not gossip, show respect, be agreeable, apologize, give constructive criticism and take responsibility [County Board Resolution No. 560, adopted on September 9, 2003]. Speakers will be limited to five (5) minutes.

****In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify Property Management 72 hours prior to the meeting at (218)725-5085.****

All supporting documentation is available for public review in the County Auditor's Office, 100 North 5th Avenue West - Room No. 214, St. Louis County Courthouse, Duluth, MN, during regular business hours 8:00 A.M. - 4:30 P.M., Monday through Friday. Agenda is also available on our website at <http://www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners.aspx>

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- 9:30 A.M. Pledge of Allegiance
Roll Call
Employee Retiree and Longevity Recognition

AT THIS TIME CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA. [Speakers will be limited to 5 minutes each.]

FOR ITEMS ON THE AGENDA, CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD AT THE TIME A MOTION IS ON THE FLOOR.

- 9:40 A.M. Public hearing, pursuant to Resolution No. 12-195, adopted April 10, 2012, to receive citizen comments on the FY 2011 and FY 2012 Action Plan Amendments for the Emergency Solutions Grant Programs. **{12-182}**

CONSENT AGENDA

Approval of business submitted on the consent agenda.

REGULAR AGENDA

Public Works & Transportation Committee – Commissioner Forsman, Chair

1. Bid awarded to Redstone Construction Co., Inc., of Mora, Minnesota, in the amount of \$1,989,858.05 for approach, bituminous paving, culverts, guardrail, and Bridge No. 69A04 (Project SAP 69-607-047, CP 98840) located on County State Aid Highway 7 (Industrial Road) in Industrial Township. **[Without recommendation.] {12-179R}**

Finance & Budget Committee – Commissioner Raukar, Chair

2. Agreement for the operation and management of the St. Louis County Heritage and Arts Center (the Depot). **[Without recommendation.] {12-180}**

Notification of the 30-day public comment period was provided in the Duluth News Tribune in accordance with the St. Louis County Citizen Participation Plan for HUD entitlement funding. The public comment period was held from Monday, April 2, 2012, through Thursday, May 3, 2012.

RECOMMENDATION:

It is recommended that the St. Louis County Board authorize the Planning and Community Development Director to prepare and submit all documents associated with the FY 2011 and FY 2012 Action Plan Amendments to HUD.

**Amend the FY 2011 and FY 2012 Action Plans for the
Emergency Solutions Grant Program**

BY COMMISSIONER _____

WHEREAS, the U.S. Department of Housing and Urban Development has notified St. Louis County of allocations of \$60,203 and \$190,582 for FY 2011 and FY 2012 respectively from the Emergency Solutions Grant Program (ESG), and the county must submit substantial amendments of the Consolidated Plan Action Plans for these fiscal years to receive the allocations; and

WHEREAS, St. Louis County conducted a 30-day public comment period in compliance with its Citizen Participation Plan and held a public hearing on May 8, 2012, to solicit public input on the substantial amendments of the Consolidated Plan FY 2011 and FY 2012 Action Plans; and

WHEREAS, the St. Louis County Board desires to carry out eligible activities of the ESG Program, as provided in the FY 2011 and FY 2012 Amended Action Plans.

NOW, THEREFORE, BE IT RESOLVED, that the St. Louis County Board authorizes the Planning and Community Development Director to prepare and submit the FY 2011 and FY 2012 Action Plan Amendments for the Emergency Solutions Grant Program, and all assurances and understanding contained therein, to the United States Department of Housing and Urban Development, and to act in connection with its submission and subsequent activity, and to provide such additional information as may be required.

2. Project: MP 97045, Aggregate Crushing, Central
Location: Various locations
Traffic: N.A. **PQI:** N.A.
Construction: Aggregate Crushing, Central St. Louis County 2012
Funding: Fund 200, Agency 201072, Object 650200 (Crushing), and
Object 652805 (Gravel Road Investment Program)
Anticipated Start Date: May 14, 2012
Anticipated Completion Date: September 14, 2012
Engineer's Estimate: \$410,650.00

BID:
Hammerlund Construction Inc. **\$512,000.00 (+\$101,350.00, +24.68%)**
Grand Rapids, MN

RECOMMENDATION:

It is recommended that the St. Louis County Board award the bids as follows:

CP 98840 (SAP 69-609-047) to Redstone Construction Co., Inc. of Mora, MN in the amount of \$1,989,858.05 payable from Fund 220, Agency 220258, Object 652700

MP 97045 to Hammerlund Construction, Inc. of Grand Rapids, MN in the amount of \$512,000.00 payable from Fund 200, Agency 201072, Object 650200 and from Fund 200, Agency 201072, Object 652805.

Award of Bid for CP 98840 – CSAH 7 (Industrial Township)

BY COMMISSIONER _____

WHEREAS, bids have been received by the County Auditor for the following project:

SAP 69-607-047, CP 98840 located on CSAH 7 (Industrial Rd) between CR 872 and CR 694, Industrial Township, northwest of Duluth, MN

WHEREAS, bids were opened on April 26, 2012 and Redstone Construction Co., Inc., of Mora, MN provided the low qualifying bid.

NOW, THEREFORE, BE IT RESOLVED, that the St. Louis County Board approves the award on the above project to the low bidder.

<u>LOW BIDDER</u>	<u>ADDRESS</u>	<u>AMOUNT</u>
Redstone Construction Co., Inc.	P.O. Box 218 Mora, MN 55051	\$1,989,858.05

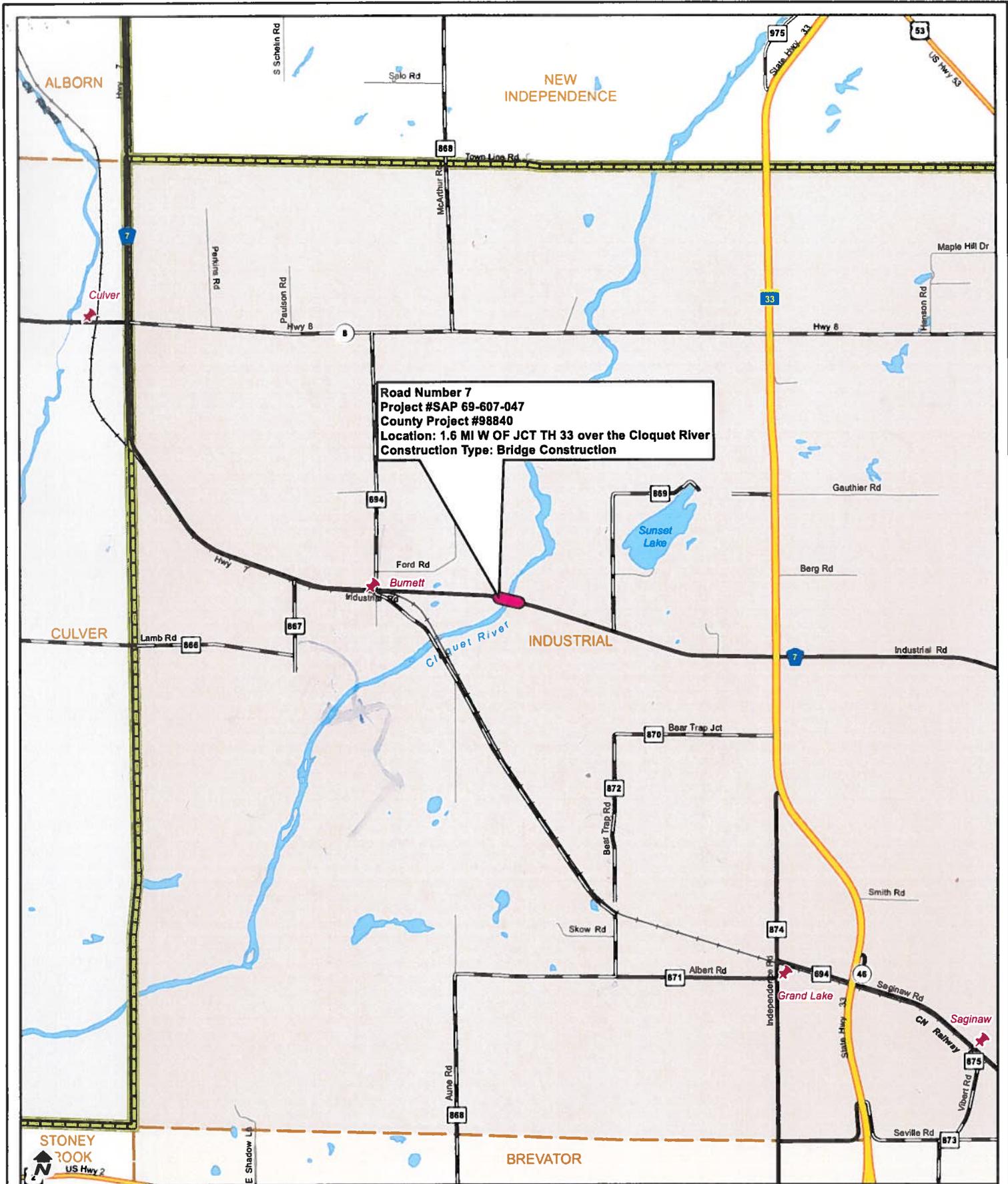
RESOLVED FURTHER, that the Chairman of the County Board, the County Auditor, and the County Attorney are authorized to approve the Contractor's Performance Bonds and to execute the bonds and contract for the above listed project payable from:

Fund 220, Agency 220258, Object 652700 (Fund 29 Bridge Bond Funds): \$ 966,817.13

Fund 220, Agency 220258, Object 652700 (SLC State Aid Funds): \$1,023,040.92

With additional revenue budgeted for expense:

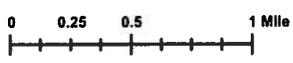
Fund 220, Agency 220001, Rev. Object 530401 (Fund 29 Bridge Bond) \$ 966,817.13



St. Louis County 2012 Road & Bridge Construction

Map Components

 2012 Road & Bridge Construction	 Interstate Highway	 U.S./State Highway	 Commissioner District
 Bridge Construction	 Paved County Road	 Gravel County Road	 Township
	 Railroad		 City/Town
			 Lake



BOARD LETTER NO. 12 - 180

FINANCE & BUDGET COMMITTEE NO. 1

MAY 8, 2012 BOARD AGENDA NO. 2

DATE: May 1, 2012

RE: St. Louis County Heritage & Arts
Center Strategic Direction,
Property Management and
Operation/Administration Contract

FROM: Kevin Z. Gray
County Administrator

Tony Mancuso, Director
Property Management

RELATED DEPARTMENT GOAL:

To manage county owned properties in an efficient and cost-effective manner to ensure success in their designated public use.

ACTION REQUESTED:

The St. Louis County Board is requested to authorize a five year contract for strategic direction, property management and operation/administration services for the St. Louis County Heritage & Arts Center (the Depot).

BACKGROUND:

In February of 2003 the Depot Operating Board, which managed the county owned facility, ceased to exist. St. Louis County operated the facility until new management and building operational contracts could be drafted. On June 1, 2005 the county entered into an agreement with Historic Union Depot (HUD) for the business and marketing operations of the facility. The county also entered into an agreement with Oneida Realty Company for building maintenance, cleaning, repair, buildings and grounds operations, accounting services, and tenant lease management services. Both of these agreements were renewed in December of 2005, again on December 31, 2010. For 2012, a six month extension was approved with both entities (ending on June 30), while the county explored options to create the most efficient and cost effective management model.

As noted above, the Depot building has remained open and functional since 2003, serving the public through various heritage and arts organizations and activities. This is a very positive reflection on the efforts of Oneida Realty, HUD, and other stakeholders. During this time, however, the county has continued to levy for support of the Depot, and has contributed significant additional funds to facility operations, capital improvements, and revenue shortfalls. Accordingly, a new business/operations model or significant adjustments to the existing operational model was deemed necessary.

APEX Strategic Resources Group Study

In the spring of 2011, County Administration entered into a professional services contract with APEX Strategic Resources Group (SRG) for a study of Depot management and operations. The study focused on:

- Reviewing, updating and developing Depot operational material and information suitable for use in a business plan, operational model and request for proposal (financial and operational review), and
- Assisting the county in organizing and facilitating a management solution for the Depot with the county and other local partnering entities to:
 - Develop operational options for the county to consider; and
 - Recommend the best available course of action for going forward.

St. Louis County partnered with the Depot Foundation and the City of Duluth to advise APEX SRG during the study period. APEX SRG primarily used the 2005 study commissioned by the Depot Foundation which provided solid and timely recommendations to provide overall perspective, guide analysis and aid the development of recommendations related to opportunities for continued arts, culture and history programming within the facility.

APEX SRG Recommendation: Strategic Restructuring

The recommendation from the APEX SRG study was strategic restructuring, which includes the development of a single contract for strategy, property management and operation/administration services empowered to:

- Manage tenant portfolio to ensure synergy with the artistic and cultural venue;
- Optimize space design and space allocations to tenants;
- Optimize Great Hall usage;
- Enhance and market exhibits; and
- Develop a community advisory board with appropriate representatives to set vision, mission and strategic plan for the Depot.

Request for Proposals Process

Following these recommendations, Property Management released a RFP early this year to solicit proposals for the management and operation of the Depot. Proposals were received from Oneida Realty and the AtWater Group, LLC. A review panel assembled by St. Louis County Administration evaluated the two proposals for their merit and ability to provide, through a single contract, strategic direction, property management and operation/administration services to build a sustainable, vibrant, high-value art, cultural and heritage center attraction at the Depot.

The review committee consisted of representatives from Property Management, Planning and Community Development, APEX SRG Representatives, County Administration, the City of Duluth's Chief Administrative Officer, and the Board President of the Depot Foundation. After considering the criteria established in the RFP and conducting in-person interviews with the two respondents, the review committee recommended the AtWater

Group as the most appropriate entity to engage for the Depot management and operations contract.

Below is a matrix detailing the criteria recommended in the APEX SRG study and included in the RFP, along with the AtWater Group’s response.

Criteria for consideration (as included in RFP)	AtWater Group Response
A vision for the management, operation and strategy of the Depot	AtWater Group was attentive to the proposal requests and the mandate for change made clear by the county. Their proposal outlines an innovative vision along with action steps for the first five years. (See enclosure.)
Degree of innovation and vision demonstrated in proposal	<p>AtWater proposes to “bring a positive, transparent and innovative approach to the management and operation of the Depot, transforming a fallow regional resource into a center of community connectedness”. In the process this strategy will:</p> <ul style="list-style-type: none"> - Expose one of our city’s most historic buildings to many more people - Make the Depot consistently profitable - Put it on a course to becoming an economic engine in Duluth’s western downtown. <p>AtWater’s vision for new life at the Depot is based on three principles: Activity, Authenticity and Community. (See enclosure.)</p>
Single contract for strategy, marketing, property management and operation/administration services (priority given to an independent, non-tenant entity)	<p>The AtWater Group presents a qualified team to manage all aspects outlined in the county’s RFP. While they have some knowledge of the Depot and its tenants, this will be a new work area for them.</p> <p>There are no conflicts of interest inherent in the AtWater Group proposal or proposed management team.</p>
<p>Dedicated Executive Director or similar empowered to:</p> <ul style="list-style-type: none"> ▪ Manage tenant portfolio – selection process for synergy ▪ Optimize space design and space allocations to tenants ▪ Optimize Great Hall use ▪ Enhance and market exhibits ▪ Develop fundraising and revenue strategy to increase earned income 	The AtWater Group proposes a full-time dedicated Executive Director who will be housed at the Depot and responsible for rebranding and retooling the facility. The Executive Director will be responsible for leading the Depot into the future and has offered countless ideas and a demonstrated passion for its history and future potentials.
Develop an advisory-type board with appropriate	AtWater describes the formation of a Community Advisory Board as the most significant system the new management

<p>representatives from the city, county, tourist agencies and other key parties charged with setting vision, mission and the strategic plan for Depot.</p>	<p>team would develop. Their proposed Community Advisory Board will serve as counsel to the Executive Director and AtWater. Its members will represent sectors with vested interests in the long-term successful operation of the Depot. AtWater will solicit members from sectors outside the current tenants, with one tenant representative. The Community Advisory Board's skills and abilities will improve decisions about the Depot and its future.</p> <p>AtWater also commits to reaching out to students of and experts in history, museum studies and historical archives.</p>
<ul style="list-style-type: none"> ▪ Manage tenant portfolio for synergy ▪ Optimize space design and space allocations to tenants ▪ Optimize Great Hall usage ▪ Enhance and market exhibits, and the Depot 	<p>AtWater Group has experience in managing other buildings with multiple tenants and they plan to study visitor traffic and trends before making any changes to tenant or space occupancy. They have ideas for more frequent changes in exhibits, concierge type staff at the (newly opened) main door entrance in the Great Hall, as well as many ideas about events that would attract new visitors.</p> <p>They see enhancing and marketing the exhibits as a key piece to attracting visitors to the Depot, as well as providing additional amenities to make their visits more enjoyable. These are seen as key pieces in solving the annual funding shortfall.</p>

RECOMMENDATION:

It is recommended that the St. Louis County Board authorize the appropriate county officials to finalize and execute a five year professional services agreement with the AtWater Group, LLC for the operation and management of the St. Louis County Heritage and Arts Center.

Note: Responses summarized below are from the written proposal submitted and the interview conducted with the Review Committee. Columns 1 (Criteria) and 2 (AtWater Response) are unchanged from the Board Letter. Column 3 (Oneida Response) is added in response to Commissioner Dahlberg’s request.

Criteria for consideration (as included in RFP)	AtWater Group Response	Oneida Realty Response
A vision for the management, operation and strategy of the Depot	AtWater Group was attentive to the proposal requests and the mandate for change made clear by the county. Their proposal outlines an innovative vision along with action steps for the first five years. (See enclosure.)	Strategic vision or specifics regarding any proposed innovations are not detailed in the Oneida proposal. Calendar of events from the preceding year are included as evidence of event strategy.
Degree of innovation and vision demonstrated in proposal	<p>AtWater proposes to “bring a positive, transparent and innovative approach to the management and operation of the Depot, transforming a fallow regional resource into a center of community connectedness”. In the process this strategy will:</p> <ul style="list-style-type: none"> - Expose one of our city’s most historic buildings to many more people - Make the Depot consistently profitable - Put it on a course to becoming an economic engine in Duluth’s western downtown. <p>AtWater’s vision for new life at the Depot is based on three principles: Activity, Authenticity and Community. (See enclosure.)</p>	<p>During the interview, the Depot Foundation was identified playing a key role in vision and innovation:</p> <ul style="list-style-type: none"> - The Depot Foundation will be “driving the changes” that were identified in the APEX study. - “Whatever the Depot Foundation would like to see down there, is what it will look like in five years. What the place will look like will be dependent on the Depot Foundation.” - “The direction for allocation of space will come from the Depot Foundation.” - “The Depot Foundation will be directing the museum expertise necessary at the Depot.” <p>However, at its meeting last week, the Depot Foundation Board of Directors has reaffirmed the following statement: "The Depot Foundation is not aligned with either party making proposals. Yet, the Foundation believes strongly it needs to be involved with either selected party to foster our common goals for the Depot."</p> <p>Oneida would need to supply additional information summarizing it vision and innovation strategy.</p>

<p>Single contract for strategy, marketing, property management and operation/administration services (priority given to an independent, non-tenant entity)</p>	<p>The AtWater Group presents a qualified team to manage all aspects outlined in the county's RFP. While they have some knowledge of the Depot and its tenants, this will be a new work area for them.</p> <p>There are no conflicts of interest inherent in the AtWater Group proposal or proposed management team.</p>	<p>The Oneida Realty proposal was attentive to the request for a single contract, and explains the resulting improvements in accountability, transparency and timeliness of financials this will facilitate.</p> <p>However, the conflict of interest in the parties in charge is still inherent, which has been a documented concern in the past.</p>
<p>Dedicated Executive Director or similar empowered to:</p> <ul style="list-style-type: none"> ▪ Manage tenant portfolio – selection process for synergy ▪ Optimize space design and space allocations to tenants ▪ Optimize Great Hall use ▪ Enhance and market exhibits ▪ Develop fundraising and revenue strategy to increase earned income 	<p>The AtWater Group proposes a full-time dedicated Executive Director who will be housed at the Depot and responsible for rebranding and retooling the facility. The Executive Director will be responsible for leading the Depot into the future and has offered countless ideas and a demonstrated passion for its history and future potentials.</p>	<p>The Oneida proposal does not include an Executive Director. Oneida won't have an Executive Director on staff at the Depot, instead Oneida President Steve LaFlamme will continue his current role. In addition, Oneida will manage front desk/ticket desk staff and financial reporting. Ken Buehler, through the Historic Union Depot, will be responsible for marketing, special events and fundraising in this proposal.</p> <p>As to great hall use, Oneida discussed their perspective on the issues and possibilities for new additions, such as restaurants, coffee shops, etc in our interview. There was also some discussion about seeking out more ticket-purchasing/exhibiting attractions for current/future vacant space.</p> <p>As noted above, the Depot Foundation was referenced as the responsible party for space allocation. As noted above, based on the Depot Foundation's clarification, there would need to be additional information supplied by Oneida as to ideas for enhancement, tenant portfolio management, space design, etc.</p>

<p>Develop an advisory-type board with appropriate representatives from the city, county, tourist agencies and other key parties charged with setting vision, mission and the strategic plan for Depot.</p>	<p>AtWater describes the formation of a Community Advisory Board as the most significant system the new management team would develop. Their proposed Community Advisory Board will serve as counsel to the Executive Director and AtWater. Its members will represent sectors with vested interests in the long-term successful operation of the Depot. AtWater will solicit members from sectors outside the current tenants, with one tenant representative. The Community Advisory Board’s skills and abilities will improve decisions about the Depot and its future.</p> <p>AtWater also commits to reaching out to students of and experts in history, museum studies and historical archives.</p>	<p>There will be a new advisory board informing Oneida, according to the proposal. In the interview it was stated that the Depot Foundation will create a “new model” by forming an Advisory Board to advise Oneida Management.</p> <p>As the Depot Foundation has clarified they are not aligned with this proposal, Oneida could provide additional detail on the Advisory Board.</p> <p>In addition, we understand that the HUD Board will also exist as it does now.</p>
<ul style="list-style-type: none"> ▪ Manage tenant portfolio for synergy ▪ Optimize space design and space allocations to tenants ▪ Optimize Great Hall usage ▪ Enhance and market exhibits, and the Depot 	<p>AtWater Group has experience in managing other buildings with multiple tenants and they plan to study visitor traffic and trends before making any changes to tenant or space occupancy. They have ideas for more frequent changes in exhibits, concierge type staff at the (newly opened) main door entrance in the Great Hall, as well as many ideas about events that would attract new visitors.</p> <p>They see enhancing and marketing the exhibits as a key piece to attracting visitors to the Depot, as well as providing additional amenities to make their visits more enjoyable. These are seen as key pieces in solving the annual funding shortfall.</p>	<p>While the proposal does not provide a lot of detail in this matter, Oneida shared in the interview that the Depot Foundation would play a significant role in these areas. Since the Depot Foundation has clarified its intent, Oneida could provide additional detail.</p> <p>It is important to recognize Oneida’s experience with current Depot tenants, rent history, and options previously considered for changes.</p> <p>It is unclear under Oneida Realty if the PMO council will continue, and if so, under the direction of HUD or Oneida.</p>

St. Louis County Heritage & Arts Center Strategic Direction, Property Management and Operation/Administration Contract

BY COMMISSIONER _____

WHEREAS, County Administration has reviewed the subsidy for the St. Louis County Heritage and Arts Center as part of its ongoing budget review; and

WHEREAS, the current contracts for operations, marketing and facility management expire on June 30, 2012; and

WHEREAS, County Administration conducted a third party review of the facility and its opportunities which included concrete recommendations for a future restructured single contract; and

WHEREAS, County Property Management issued a Request for Proposal seeking an "individual or organization (and/or partner organizations) to guide the Depot in a strategic restructuring through a new model for management, operation, strategy, marketing, and administrative services that will streamline the Depot operations, increase earned and contributed revenues, optimize use of space through decisions based on visitor statistics and trends, and enhance its role as a regional heritage, arts and cultural center of key importance to the city and region, for both tourists and residents alike, through its prime downtown Duluth location"; and

WHEREAS Oneida Realty Company and the AtWater Group, LLC, submitted proposals which were reviewed and interviews conducted by a diverse review committee which endorsed one of the proposals as the appropriate entity to receive a property management and operation/administration contract; and

WHEREAS, the specifics of the Oneida Realty Company and the AtWater Group proposals were presented to the County Board on May 1, 2012.

NOW, THEREFORE, BE IT RESOLVED, that the appropriate county officials are authorized to finalize and execute a five year professional service contract with (Oneida Realty Company OR the AtWater Group, LLC) for strategic direction, property management and operation/administration services for the St. Louis County Heritage & Arts Center (the Depot).

RESOLVED FURTHER, that the remaining six months of 2012 management contract funds (\$79,000) are available from the approved Aid to Other Agencies budget (County Board Resolution No. 11-636), Fund 100, Agency 103015, Object 629900.