

"Experiencing Success Today, Achieving Dreams Tomorrow"

NOTICE OF PUBLIC MEETING

You are hereby notified that the Board of Directors of the Adel DeSoto Minburn Community School District will meet in special session at 4:15 p.m. on the 23rd day May 2011, in the Board Room, Adel, Iowa.

The tentative agenda is as follows:

BOARD MEETING AGENDA
BOARD ROOM

May 23, 2011
4:15 P.M.

OPENING:

4:15 Call to order
 Roll call
 Emergency additions and adoption of agenda

ACTION ITEMS:

4:20 FY12 tax rate determination
4:30 Exempt session for administrative and classified settlement
4:45 Reconvene to open session
4:45 Administrative and classified settlement

DISCUSSION ITEMS:

4:50 Minburn Building - City of Minburn proposal
5:00 Adjournment

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT
801 Nile Kinnick Drive S.
Adel, Iowa 50003
(515) 993-4283

Nancy Gee
Secretary
Board of Directors

Options for Tax Levy Rate for 2011-12 Assuming 0% AG (May 23, 2011)



Option #1 - Keep tax levy rate at published rate.

0% Allowable Growth

\$238,525 SBRC CR Levy

\$493,000 Other CR Levy

\$500,000 Management Levy

Tax Levy Rate = 18.62945

Considerations: This levy rate increases our Management Fund Levy by \$11,000 from current Management Fund levy and our cash reserve levy by \$18,346 from current year levy.

- Expenses in the Management Fund are likely to increase for 2012
 - Property & Liability Insurance Increase
 - Retirement Incentive Liability Increases – May need to offer incentive at end of 2012 to help reduce General Fund expense for 2012-13 budget.
- Increase in cash reserve levy this year may help offset a large increase for 2012-13 budget due to TIF and loss in property tax dollars from the tax abatement program.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.4762%

IF AG RATE IS SET AT 1% THE TAX LEVY DROPS TO 18.42861%

Option #2 - Reduce the levy by \$18,346

0% Allowable Growth

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\$474,654 Other CR Levy

\$500,000 Management Levy

Tax Levy Rate = 18.57257

Considerations: This levy rate increases our Management Fund Levy by \$11,000 from current Management Fund levy and keeps cash reserve levy the same as the current year levy.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.42233%

IF AG RATE IS SET AT 1% THE TAX LEVY DROPS TO 18.37442%

Options for Tax Levy Rate for 2011-12 Assuming 0% AG (May 23, 2011)

Option #3 - Reduce the levy by \$29,346

0% Allowable Growth

\$238,525 SBRC CR Levy

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\$489,000 Management Levy

Tax Levy Rate = 18.54278

Considerations: This levy rate keeps our Management Fund levy dollars the same as current Management Fund levy dollars and keeps cash reserve levy dollars the same as the current year.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.38984%

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AHLERS & COONEY, P.C.

PAUL F. AHLERS (1913-2002)

JAMES EVANS COONEY (1917-1998)

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-Andrew J. Bracken
DBracken@ahlerslaw.com

Direct Dial:
515.246.0307

March 30, 2011

Greg Dufoe
Adel DeSoto Minburn CSD
801 Nile Kinnick Drive S
Adel, IA 50003

RE: Lease of Minburn School

Dear Superintendent Dufoe:

You asked that we review the proposed Lease of the Minburn School. We received and reviewed the proposed Lease which is based on a standard Short Form Business Property Lease. Given the unique arrangement, however, several significant issues come to our attention relative to the proposed lease.

1. We note that the proposed lease is for a five-year term at a nominal annual rent and the lease authorizes the purchase of the property at the end of the five-year term for a nominal price. This provides the tenant with essentially free use of the building for five years and then outright ownership of the building after the end of five years. As will be discussed later in this letter, this arrangement provides the school district with all of the costs and risks of ownership for five years and virtually none of the benefits of ownership for those five years. Furthermore, any improvements made to the premises during the five-year lease and which were made at the School District's expense would become the property of the tenant if the tenant exercised the option to purchase the property for \$1.00.

2. Regarding Paragraph 4 relating to Use, the use of the property may affect its taxable status. Presently, the School District owns the property and while it was operated as a school, the School District paid no property taxes. However, if the use has changed to make the property subject to taxation, the School District may be liable for those taxes. Those costs are not adequately addressed in the Lease. The Lease should either control the uses to maintain the tax exempt status of the property, or the Lease

should be changed to allow for payment by the Tenant for any taxes associated with the use of the property.

3. Regarding Paragraph 5 relating to Care and Maintenance, this Paragraph requires the School District to maintain in good repair the roof, exterior walls, foundation, sewer, plumbing, heating, wiring, air conditioning and other potentially expensive aspects of the property. This is a particularly troubling responsibility given the fact that the Lease is for a five-year term with little or no rent being paid by the Tenant. As mentioned above, the purchase option would make any such repairs and improvements the property of the Tenant upon sale of the property.

4. Under Paragraph 6 regarding Utilities and Services, the School District is responsible for all operation and maintenance costs, including utilities, normal maintenance on the building and grounds and liability and fire insurance. Thereafter, in the following three years of the Lease, these costs are shared with the City, but there is no definite plan for how those costs would be shared and the School District remains responsible for any shortfall. This term of the Lease exposes the School District to considerably more expense in operating, maintaining and furnishing utilities to the facility. These expenses may not be justifiable. The School District's responsibilities under this paragraph of the Lease are, in effect, a promise to provide School District resources to support the Tenant and its operations. This could be determined to be an unlawful expenditure of School District resources.

5. Under Paragraph 9 relating to insurance, the Contract requires the School District to insure the property for its full insurable value. We suggest this term be defined. If insurable value is fair market value, the Lease would seem to place the fair market value of the property at \$1.00. On the other hand, if the parties anticipate that the insurable value is the replacement cost, then a different level of coverage would be required.

6. Under Paragraph 19, the School District promises to have an environmental assessment and further promises to be responsible for any clean up if any environmental concerns arise. This term of the Lease could bind the District to make improvements and undergo abatement efforts on the property that could be expensive and provide no legitimate benefit to the District itself. We recommend that Paragraph 19A be deleted. Paragraph 19B contains a term relating to the authority to negotiate the sale of surrounding property and obligates the School District to complete any sale as negotiated by the City. We may need to know more about what surrounding property could be included in this Lease before offering an opinion as to the wisdom of this term of the Lease.

March 30, 2011

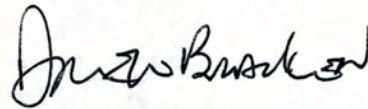
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On balance, we are concerned that this proposed Lease, if completed, would expose the District to serious risks of loss and serious risks of expense. The Lease provides the District with little or no substantial benefit.

We would be happy to review any other terms or circumstances. Please feel free to call at your convenience.

Very truly yours,

AHLERS & COONEY, P.C.

A handwritten signature in dark ink, appearing to read "Andrew Bracken", with a stylized flourish at the end.

Andrew J. Bracken

AJB:cms

688482.1 10114.000



Adel DeSoto Minburn

801 Nile Kinnick Drive S., Adel, Iowa 50003
515-993-4283

Greg Dufoe, Superintendent

Nancy Gee, Business Manager

To: Minburn School Reuse Committee AND the Minburn Committee comments

From: Greg Dufoe, Superintendent, Tim Canney, Board President

Date: April 7, 2011 - 14 April 2011

Re: Initial Proposal To Lease Minburn Elementary

On March 30, we received the review of the City of Minburn's initial lease proposal from the district attorney, Drew Bracken. This review was shared with all Board members and discussed in detail with Board President, Tim Canney, and Board Member, Rod Collins.

This memorandum is a summary of our thoughts regarding the initial proposal utilizing the input from Mr. Bracken.

Point #1 Length of Lease

The five-year term is a concern to the district. Ultimately, this arrangement provides a very long window of opportunity for the City to secure tenants and develop other parts of the property. However, the district is concerned about the strain on our general fund in carrying the costs of ownership for five years, including all improvements that would become property of the tenant when the option to purchase for \$1.00 (also referenced in point #3).

We discussed a two-year term that starts six months after the signing of the lease. This gives us six months to make modifications/preparations and market the spaces, and two years to make a go of it.

Point #2 Effect on Taxable Status For the District

Mr. Bracken cautions that the change in use of the building may result in tax consequences for the district. Determination of the possible uses that maintain the tax exempt status or calculating the costs of the taxes and including those costs in the lease agreement are two possible ways to address this question.

The City Attorney had already discussed this with the County Assessor, who indicated a willingness to work with us as this progresses. Basically, any spaces we would lease out for commercial purposes would be subject to property tax. Therefore, we would have the Assessor evaluate and provide the taxable value and amount to be collected on each particular leased space. We would include this in the lease payments collected from each tenant.

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Point #4 Operation and Maintenance Costs

The expenditures by the district to provide all operation and maintenance costs the first two years of the lease including utilities, normal maintenance on the building and grounds, and liability and fire insurance, "could be determined to be an unlawful expenditure" according to Mr. Bracken. This issue will also need further legal analysis.

We discussed, instead of ADM picking up all O&M over baseline for the first two years, and these costs being phased in as spaces are leased for years three through five, that we move directly to a phased in sharing of the O&M costs over baseline as spaces are leased out, with those expenses being collected as part of the lease payments. I would suggest the City's share of the O&M costs be limited to expenses pertaining to usage and occupancy, and not physical facility and grounds. We could also collect for the liability and fire insurance from tenants based upon their square foot occupancy and/or risk liability as determined by our insurance provider.

Point #6 Environmental Assessment

Mr. Bracken recommends the requirement for the district to have an environmental assessment completed and stipulates the district may be responsible for clean up or abatement for discovered environmental issues. Mr. Bracken recommends this requirement be deleted.

The simple fact is that this Assessment will have to be completed without regard to what ADM does with the building. We recommend it be initiated immediately, so as not to delay lease signing when that time comes.

The Board does recognize that there are definite positive advantages to the district of having the City of Minburn utilizing the Minburn building in some capacity. The possibility of a partnership remains a priority of the Board. The effort by many people in Minburn to develop the initial proposal is exemplary.

We welcome the opportunity to meet again to discuss these issues and continue the conversation. I apologize for the delay in getting legal feedback to the initial proposal.

Sincerely,

Greg Dufoe

Tim Canney

Board Meeting Date: May 23, 2011

Time: 4:15 PM

Roll Call: Tim ☒ Rod ☒ Jen ☒ Kim ☒ Kelli ☐ (Voting Rotation for APR Meeting)

Adoption of Agenda

↳ via cell - conference phone

M Kim
S Jen MP

FY 12 Tax Rate Determination

M Kim - set publish rate 18.62945
S Jen MP

Exempt Session - Time Start 4:26 Time Done 4:55

M Kim
S Rod

Reconvene to Open Session

M Kim
S Kelli MP

Adm.

Certified Staff Settlements/Classified Staff Settlements

x M Rod - 2.99% Adm
S Kelli 2nd MP

(1) M 3.38- Kim - classified staff
(2) S Jen 3.38- MP

Reports/Discussion Items Deb Luke -

Minburn Building - City of Minburn

Adjourn: 5:27 (Time)

M Kim
S Jen

* Jen - Liability, Taxable Status -

Rod - selling other property - issue with (no land left to sell to get rid
of bldg.)
↳ after 2 years we still have
liability

Tim - put up auction - someone would probably buy

Jen - Com. Planning Committee - goal is to help Minburn grow
- needs - library
- negotiate - or let us know if no interest

x

Tim - why not just have city take it?
sewer project
risks - expense

-
Kelli - timeline for city?
or auction decision?
- Jen -
June 30 - like a decision(?)

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Greg Dufoe

Tim Canney

Noting to 25,000
Brownfield
Program
- can't work
with schools
have to
match
that



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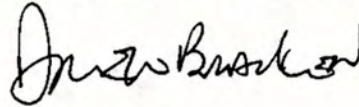
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A handwritten signature in black ink, appearing to read "Andrew J. Bracken". The signature is fluid and cursive, with the first name "Andrew" and last name "Bracken" clearly distinguishable.

Andrew J. Bracken

AJB:cms

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Options for Tax Levy Rate for 2011-12 Assuming 0% AG (May 23, 2011)

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		TOTAL		TOTAL						
		ADMINISTRATOR		ADMINISTRATOR		ENROLLMENT				
		COMPENSATION		FTE			Plus	Incl	Incl	Plus
SCHOOL		PACKAGE					Bldg & Grds	Sp Ed Adm	Curr	Assoc. Supt
DCG	*	1,057,822		10		1947.2	Yes	No	No	1
BOONE		1,008,246		9		2184.6	Yes	No	No	
SAYDEL		974,168		10		1200.7	Yes	No	Yes	
CARLISLE		962,975		9.5		1789	Yes	Yes	Yes	
PERRY		878,882		9		1832.5	Yes	Yes	Yes	
ADM		789,266	*	7.66		1408.4	No	No	No	
BALLARD		777,001		8		1527	Yes	No	Yes	
WINTERSET		737,982		7		1725.3	Yes	No	No	
NEVADA		724,756		7.5		1481.6	Yes .5	No	No	
NORWALK		?		9		2390.9	Yes	No	No	
Norwalk has 6 Deans of Students										
DCG's does not include Assoc. Supt Package										
ADM Includes .5 FTE for Jim and .16 for Kim										
No other information received form Norwalk and Nevada.										

		TOTAL		TOTAL						
		ADMINISTRATOR		ADMINISTRATOR		ENROLLMENT				
		COMPENSATION		FTE			Plus	Incl	Incl	Plus
SCHOOL		PACKAGE					Bldg & Grds	Sp Ed Adm	Curr	Assoc. Supt
DCG	*	1,057,822		10		1947.2	Yes	No	No	1
BOONE		1,008,246		9		2184.6	Yes	No	No	
SAYDEL		974,168		10		1200.7	Yes	No	Yes	
CARLISLE		962,975		9.5		1789	Yes	Yes	Yes	
PERRY		878,882		9		1832.5	Yes	Yes	Yes	
ADM		789,266	*	7.66		1408.4	No	No	No	
BALLARD		777,001		8		1527	Yes	No	Yes	
WINTERSET		737,982		7		1725.3	Yes	No	No	
NEVADA		724,756		7.5		1481.6	Yes .5	No	No	
NORWALK		?		9		2390.9	Yes	No	No	
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DCG's does not include Assoc. Supt Package										
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No other information received form Norwalk and Nevada.										

ADM Community School District, in partnership with our communities, is committed to engaging all students in a challenging and supportive learning environment that ensures individual student success as measured by a comprehensive system of assessments.

"Experiencing Success Today, Achieving Dreams Tomorrow"

NOTICE OF PUBLIC MEETING

You are hereby notified that the Board of Directors of the Adel DeSoto Minburn Community School District will meet in special session at 4:15 p.m. on the 23rd day May 2011, in the Board Room, Adel, Iowa.

The tentative agenda is as follows:

BOARD MEETING AGENDA
BOARD ROOM

May 23, 2011
4:15 P.M.

OPENING:

4:15 Call to order
 Roll call
 Emergency additions and adoption of agenda

ACTION ITEMS:

4:20 FY12 tax rate determination
4:30 Exempt session for administrative and classified settlement
4:45 Reconvene to open session
4:45 Administrative and classified settlement

DISCUSSION ITEMS:

4:50 Minburn Building - City of Minburn proposal
5:00 Adjournment

ADEL DESOTO MINBURN COMMUNITY SCHOOL DISTRICT
801 Nile Kinnick Drive S.
Adel, Iowa 50003
(515) 993-4283

Nancy Gee
Secretary
Board of Directors

**Adel Desoto Minburn Board of Education
Special Meeting – Monday, May 23, 2011
4:15 p.m. @ ADM MS/Board Room**

Attendance:

Present:

Absent:

Tim Canney

Kelli Book

Rod Collins

Jen Heins

Kim Roby

Superintendent Greg Dufoe

Secretary Nancy Gee

Call to Order/Roll Call: President Tim Canney called the meeting to order. Roll call was taken. Present were Vice President Kim Roby, Rod Collins, Kelli Book, President Tim Canney, and Jen Heins. (Kelli Book was present via a conference call.)

Agenda: It was moved by Roby, seconded by Heins, to adopt the agenda as presented. Motion carried unanimously.

FY12 Tax Rate Determination: Superintendent recommended that the tax levy rate remain as published at 18.62 since the allowable growth rate is still not known. This rate is based on 0% allowable growth. If the allowable growth rate is set at 2%, the levy will drop to 18.47, which is very close to the current year levy of 18.42. If the allowable growth rate is set at 1%, the levy will drop to 18.42. Reducing the levy rate lower now could mean a drop in the rate below the current level if the allowable growth rate is set at 1% or 2%. It was moved by Roby, seconded by Heins, to keep the tax levy rate at the published rate of 18.62. Motion carried unanimously.

Exempt Session for Administrative and Classified Staff Settlement: At 4:26 p.m., it was moved by Roby, seconded by Collins, to enter into exempt session to discuss strategy for administrator and classified staff settlements for 2011-12. Motion carried unanimously by roll call vote.

At 4:55 p.m., it was moved by Roby, seconded by Book to reconvene to open session. Motion carried unanimously.

It was moved by Roby, seconded by Heins, to approve a 3.38% total package increase for classified staff. Motion carried unanimously.

It was moved by Collins, seconded by Book, to approve a 2.99% total package increase for administrative staff. Motion carried unanimously.

Reports/Discussion:

Minburn Building – City of Minburn Proposal: The Board discussed the proposal received from the City of Minburn in regards to the vacant school building and surrounding property in Minburn. The City of Minburn proposed that the District lease the property to the City for a period of two years. The City of Minburn would lease spaces and collect lease payments. The City of Minburn would share the operating and maintenance expenses limited to usage and occupancy. The City is also requesting an environmental assessment be completed by the District and all repairs to roof, exterior walls, foundation, sewer, plumbing, heating, wiring, and air conditioning be the responsibility of the District. Discussion ensued

Adjournment:

It was moved by Roby, seconded by Heins, to adjourn. The motion carried unanimously. President Canney adjourned the meeting at 5:27p.m.

Minutes approved as

Tim Canney, President

Dated

Nancy Gee, Secretary

Options for Tax Levy Rate for 2011-12 Assuming 0% AG (May 23, 2011)



Option #1 - Keep tax levy rate at published rate.

0% Allowable Growth

\$238,525 SBRC CR Levy

\$493,000 Other CR Levy

\$500,000 Management Levy

Tax Levy Rate = 18.62945

Considerations: This levy rate increases our Management Fund Levy by \$11,000 from current Management Fund levy and our cash reserve levy by \$18,346 from current year levy.

- Expenses in the Management Fund are likely to increase for 2012
 - Property & Liability Insurance Increase
 - Retirement Incentive Liability Increases – May need to offer incentive at end of 2012 to help reduce General Fund expense for 2012-13 budget.
- Increase in cash reserve levy this year may help offset a large increase for 2012-13 budget due to TIF and loss in property tax dollars from the tax abatement program.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.4762%

IF AG RATE IS SET AT 1% THE TAX LEVY DROPS TO 18.42861%

Option #2 - Reduce the levy by \$18,346

0% Allowable Growth

\$238,525 SBRC CR Levy

\$474,654 Other CR Levy

\$500,000 Management Levy

Tax Levy Rate = 18.57257

Considerations: This levy rate increases our Management Fund Levy by \$11,000 from current Management Fund levy and keeps cash reserve levy the same as the current year levy.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.42233%

IF AG RATE IS SET AT 1% THE TAX LEVY DROPS TO 18.37442%

Options for Tax Levy Rate for 2011-12 Assuming 0% AG (May 23, 2011)

Option #3 - Reduce the levy by \$29,346

0% Allowable Growth

\$238,525 SBRC CR Levy

\$474,654 Other CR Levy

\$489,000 Management Levy

Tax Levy Rate = 18.54278

Considerations: This levy rate keeps our Management Fund levy dollars the same as current Management Fund levy dollars and keeps cash reserve levy dollars the same as the current year.

IF AG RATE IS SET AT 2% THE TAX LEVY DROPS TO 18.38984%

IF AG RATE IS SET AT 1% THE TAX LEVY DROPS TO 18.34193%

AHLERS & COONEY, P.C.

PAUL F. AHLERS (1913-2002)

JAMES EVANS COONEY (1917-1998)

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March 30, 2011

Greg Dufoe
Adel DeSoto Minburn CSD
801 Nile Kinnick Drive S
Adel, IA 50003

RE: Lease of Minburn School

Dear Superintendent Dufoe:

You asked that we review the proposed Lease of the Minburn School. We received and reviewed the proposed Lease which is based on a standard Short Form Business Property Lease. Given the unique arrangement, however, several significant issues come to our attention relative to the proposed lease.

1. We note that the proposed lease is for a five-year term at a nominal annual rent and the lease authorizes the purchase of the property at the end of the five-year term for a nominal price. This provides the tenant with essentially free use of the building for five years and then outright ownership of the building after the end of five years. As will be discussed later in this letter, this arrangement provides the school district with all of the costs and risks of ownership for five years and virtually none of the benefits of ownership for those five years. Furthermore, any improvements made to the premises during the five-year lease and which were made at the School District's expense would become the property of the tenant if the tenant exercised the option to purchase the property for \$1.00.

2. Regarding Paragraph 4 relating to Use, the use of the property may affect its taxable status. Presently, the School District owns the property and while it was operated as a school, the School District paid no property taxes. However, if the use has changed to make the property subject to taxation, the School District may be liable for those taxes. Those costs are not adequately addressed in the Lease. The Lease should either control the uses to maintain the tax exempt status of the property, or the Lease

should be changed to allow for payment by the Tenant for any taxes associated with the use of the property.

3. Regarding Paragraph 5 relating to Care and Maintenance, this Paragraph requires the School District to maintain in good repair the roof, exterior walls, foundation, sewer, plumbing, heating, wiring, air conditioning and other potentially expensive aspects of the property. This is a particularly troubling responsibility given the fact that the Lease is for a five-year term with little or no rent being paid by the Tenant. As mentioned above, the purchase option would make any such repairs and improvements the property of the Tenant upon sale of the property.

4. Under Paragraph 6 regarding Utilities and Services, the School District is responsible for all operation and maintenance costs, including utilities, normal maintenance on the building and grounds and liability and fire insurance. Thereafter, in the following three years of the Lease, these costs are shared with the City, but there is no definite plan for how those costs would be shared and the School District remains responsible for any shortfall. This term of the Lease exposes the School District to considerably more expense in operating, maintaining and furnishing utilities to the facility. These expenses may not be justifiable. The School District's responsibilities under this paragraph of the Lease are, in effect, a promise to provide School District resources to support the Tenant and its operations. This could be determined to be an unlawful expenditure of School District resources.

5. Under Paragraph 9 relating to insurance, the Contract requires the School District to insure the property for its full insurable value. We suggest this term be defined. If insurable value is fair market value, the Lease would seem to place the fair market value of the property at \$1.00. On the other hand, if the parties anticipate that the insurable value is the replacement cost, then a different level of coverage would be required.

6. Under Paragraph 19, the School District promises to have an environmental assessment and further promises to be responsible for any clean up if any environmental concerns arise. This term of the Lease could bind the District to make improvements and undergo abatement efforts on the property that could be expensive and provide no legitimate benefit to the District itself. We recommend that Paragraph 19A be deleted. Paragraph 19B contains a term relating to the authority to negotiate the sale of surrounding property and obligates the School District to complete any sale as negotiated by the City. We may need to know more about what surrounding property could be included in this Lease before offering an opinion as to the wisdom of this term of the Lease.

March 30, 2011

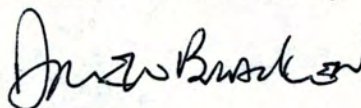
Page 3

On balance, we are concerned that this proposed Lease, if completed, would expose the District to serious risks of loss and serious risks of expense. The Lease provides the District with little or no substantial benefit.

We would be happy to review any other terms or circumstances. Please feel free to call at your convenience.

Very truly yours,

AHLERS & COONEY, P.C.

A handwritten signature in black ink, appearing to read "Andrew J. Bracken". The signature is fluid and cursive, with the first name "Andrew" and last name "Bracken" clearly distinguishable.

Andrew J. Bracken

AJB:cms

688482.1 10114.000



Adel DeSoto Minburn

801 Nile Kinnick Drive S., Adel, Iowa 50003
515-993-4283

Greg Dufoe, Superintendent

Nancy Gee, Business Manager

To: Minburn School Reuse Committee AND the Minburn Committee comments

From: Greg Dufoe, Superintendent, Tim Canney, Board President

Date: April 7, 2011 - 14 April 2011

Re: Initial Proposal To Lease Minburn Elementary

On March 30, we received the review of the City of Minburn's initial lease proposal from the district attorney, Drew Bracken. This review was shared with all Board members and discussed in detail with Board President, Tim Canney, and Board Member, Rod Collins.

This memorandum is a summary of our thoughts regarding the initial proposal utilizing the input from Mr. Bracken.

Point #1 Length of Lease

The five-year term is a concern to the district. Ultimately, this arrangement provides a very long window of opportunity for the City to secure tenants and develop other parts of the property. However, the district is concerned about the strain on our general fund in carrying the costs of ownership for five years, including all improvements that would become property of the tenant when the option to purchase for \$1.00 (also referenced in point #3).

We discussed a two-year term that starts six months after the signing of the lease. This gives us six months to make modifications/preparations and market the spaces, and two years to make a go of it.

Point #2 Effect on Taxable Status For the District

Mr. Bracken cautions that the change in use of the building may result in tax consequences for the district. Determination of the possible uses that maintain the tax exempt status or calculating the costs of the taxes and including those costs in the lease agreement are two possible ways to address this question.

The City Attorney had already discussed this with the County Assessor, who indicated a willingness to work with us as this progresses. Basically, any spaces we would lease out for commercial purposes would be subject to property tax. Therefore, we would have the Assessor evaluate and provide the taxable value and amount to be collected on each particular leased space. We would include this in the lease payments collected from each tenant.

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Point #4 Operation and Maintenance Costs

The expenditures by the district to provide all operation and maintenance costs the first two years of the lease including utilities, normal maintenance on the building and grounds, and liability and fire insurance, "could be determined to be an unlawful expenditure" according to Mr. Bracken. This issue will also need further legal analysis.

We discussed, instead of ADM picking up all O&M over baseline for the first two years, and these costs being phased in as spaces are leased for years three through five, that we move directly to a phased in sharing of the O&M costs over baseline as spaces are leased out, with those expenses being collected as part of the lease payments. I would suggest the City's share of the O&M costs be limited to expenses pertaining to usage and occupancy, and not physical facility and grounds. We could also collect for the liability and fire insurance from tenants based upon their square foot occupancy and/or risk liability as determined by our insurance provider.

Point #6 Environmental Assessment

Mr. Bracken recommends the requirement for the district to have an environmental assessment completed and stipulates the district may be responsible for clean up or abatement for discovered environmental issues. Mr. Bracken recommends this requirement be deleted.

The simple fact is that this Assessment will have to be completed without regard to what ADM does with the building. We recommend it be initiated immediately, so as not to delay lease signing when that time comes.

The Board does recognize that there are definite positive advantages to the district of having the City of Minburn utilizing the Minburn building in some capacity. The possibility of a partnership remains a priority of the Board. The effort by many people in Minburn to develop the initial proposal is exemplary.

We welcome the opportunity to meet again to discuss these issues and continue the conversation. I apologize for the delay in getting legal feedback to the initial proposal.

Sincerely,

Greg Dufoe

Tim Canney