



## **MAYOR & COUNCIL COMMUNICATION**

**DATE:** November 18, 2014  
**REGULAR**  
**ITEM #** 15

**AGENDA ITEM:** Developer Escrow Release Procedures

**SUBMITTED BY:** Cathy Bendel, Finance Director

**THROUGH:** Cathy Bendel, Finance Director

**REVIEWED BY:** Finance Committee

### **SUGGESTED ORDER OF BUSINESS:**

- Questions from Council to Staff ..... Mayor Facilitates
- Report/Presentations.....City Staff
- Questions from Council to Staff.....Mayor Facilitates
- Public Input, if Appropriate.....Mayor Facilitates
- Call for Motion ..... Mayor & City Council
- Discussion ..... Mayor & City Council
- Action on Motion..... Mayor Facilitates

**POLICY RECOMMENDER:** Finance Committee

**FISCAL IMPACT:**

**SUMMARY AND ACTION REQUESTED:**

At the November 12, 2014 Finance Committee meeting, a discussion was had on what could be done to strengthen the internal controls surrounding the release of Developer escrow funds. This proposal is a result of that discussion.

**STAFF REPORT:**

When a development is approved by the City Council, a Developer Agreement is executed which outlines all components of the Development Project. A critical component of that agreement is the security requirements section, which outlines the escrow requirements. These requirements are based on the projected construction costs. Also contained in the Developer Agreement is a

reduction of security section which outlines the terms which must be met before the release of the escrows.

In the past, Developer escrows were released by staff without City Council approval. It is the belief of the Finance Committee that improvements can be made to the process by inserting an official sign off form that would be reviewed by all City Department heads to insure that all components of Development projects are complete prior to the release of Developer escrow funds. The Finance Department will be drafting up a form and bringing it back to the Finance Committee on December 10, 2014 for their approval.

Upon receipt of all approvals on this proposed developer escrow release form, a proposal to refund the developer escrow would be brought to the City Council for their approval to release the funds. All Developer related escrow refunds must be approved by the City Council effective immediately.

Please note that release of other building permit escrows (road, pool, fence etc.) are not part of this proposal.

**BACKGROUND INFORMATION (SWOT):**

<b>Strengths</b>	Ensures that all department heads are surveyed to be sure there are no pending issues needing to be resolved prior to the release of developer escrow funds.
<b>Weaknesses</b>	Obtaining multiple approvals may slow down the developer escrow release process.
<b>Opportunities</b>	Ability to strengthen the internal controls surrounding the developer escrow funds.
<b>Threats</b>	Developers may find issue with delay.

**RECOMMENDATION:**

It is recommended that the City Council approve Resolution No. 2014-89 as follows:

***“Move to approve Resolution No. 2014-89 directing that effective immediately all developer escrow refunds must be approved by the Lake Elmo City Council prior to release”***

**ATTACHMENTS:**

1. Resolution No. 2014-89