

POTENTIAL NEW HEADQUARTERS

Dear Member:

As I write this, I, along with your MLEC Board of Directors and Senior Management Team, prepare to meet for our strategic financial planning session that will be facilitated by one of our cooperative lenders, Cooperative Finance Corporation (CFC). We are excited to look at the future opportunities available to MLEC and its membership, but also look at how those opportunities align with our ten-year financial forecast.

In my column in the May 2020 Outlet, I briefly mentioned that I began discussing the prospects of a “desperately needed” new headquarters building with the board; however, like most things this year, that conversation has taken a back seat to all of the ripple effects of challenges we are navigating during a global pandemic. With our 2021 budget just around the corner, it is time to refocus our efforts on the future. At MLEC, we need to continue to deliver safe, reliable electricity, continue to build out our true gigabit fiber internet to the home, and consider what our future home could look like. During our strategic financial planning session, we will look at these, and other opportunities, and assess the feasibility of them. We will also look at the financial impact to MLEC over the next 10, 20, and 30 years.

Since I started at MLEC (January 2019), my employees have been telling me how much we need a new building. I asked them to start a list of the reasons so I could discuss it with the board. This was definitely not a new conversation, because the list piled up quickly. While it has undergone several renovations, MLEC’s staff, fleet, and technology have outgrown our 1960’s facility. The Minnesota Department of Transportation (MNDOT) has advised us that they will be closing our two driveways off of 169, forcing us to reconfigure our existing driveway/parking area, and wetland constraints will not allow us to expand east on our current property. We view relocating as our best option.

We need a facility that is going to operate effectively, efficiently and allow us to serve our members in the best possible way. After careful analysis, we have determined that we need a location that allows us to serve our membership effectively while minimizing the cost to each member. In reviewing a new location, we would want a close proximity to the majority of our member density, ready highway access, an easy tie in to our existing infrastructure (poles and wires), and close to diesel fueling. Considering outages, maintenance, and construction patterns, we kept coming back to an ideal location being on Highway 169 close to Highway 18. With 550,000 acres (51%) of Aitkin County being jurisdictional wetlands, we are not finding a lot of parcels that meet our requirements.

Recently, a piece of property became available, and MLEC made an offer on the property contingent on obtaining a conditional use permit by the county, and getting MNDOT to authorize a driveway move – two very challenging asks. As of the time this article has gone to print, here are the things that are factual about this prospect:

- MLEC has not finalized the purchase of the land.
- The land is not zoned commercial and must go through a conditional use permitting process prior to the purchase of and acquisition of land.



Sarah Cron
CEO

- A rough sketch of a potential option of what a development of land could look like was submitted to the county, per the conditional use permitting process. MLEC has not met with an architect. We have not drawn up plans. All of those things will depend on what type of property we are able to secure.
- We have not discussed this openly because we have not purchased the land; and, we felt the current property owners deserved their privacy.
- We are borrowing just above 1% right now and will likely never see money that low again. The difference between starting to plan and act now and waiting until interest rates go back up to 4 – 5% could add \$5 to \$10 million to the cost of a construction loan. In our upcoming strategic financial planning session, we will discuss land, building, and financing options to see what the long-term financial implications to the cooperative and our members could be.
- If we do not obtain a conditional use permit, we will not buy the land, and we will continue to look for another piece of property.

As we have any concrete information about future plans, we will be sure to share them with the entire membership. We do take the principle of Democratic Member Control seriously. You have elected a strong and fiscally-minded Board of Directors that is working for your best interests, and together, we will plan for the sustainable future of MLEC. I will continue to let you know the details of all major decisions at MLEC – when there is something to share.

Until next month,