

**SPECIAL MEETING OF THE PEQUOT LAKES CITY COUNCIL
TUESDAY, AUGUST 20, 2019
PEQUOT LAKES CITY HALL**

Members Present: Mayor Tayloe and Council Members Akerson, Pederson, Seils and Swanson

Staff Present: Nancy Malecha, City Administrator; Angie Duus, City Clerk/Treasurer; Eric Klang; Police Chief; Chad Turcotte, Police Sergeant; Jason Gorr, Public Works Director; and Tom Nelson, Fire Chief

1. Call Meeting to Order

Mayor Tayloe called the meeting of the Pequot Lakes City Council to order at 5:30 p.m.

1.1. Pledge of Allegiance

Mayor Tayloe led with the Pledge of Allegiance.

2. Consider Agenda

COUNCIL MEMBER SEILS MOVED TO APPROVE THE AGENDA AS PRESENTED. COUNCIL MEMBER AKERSON SECONDED THE MOTION. MOTION CARRIED 5-0.

3. 2020 Preliminary Budget Review

3.1. HRA Budget

Council Member Akerson said since there are no changes to move forward with budget. The Council had no questions for the HRA budget.

3.2. Special Revenue Budgets

Council Member Swanson asked why the Library revenue budget is so much less in 2020. Nancy Malecha explained that they are trying to draw down their cash balance then transfer donations over as needed.

Council Member Akerson asked for a description on the bunker gear and Tom Nelson explained that it is the turn out gear which is the pants, coats, boots and helmet. Council Member Pedersen asked if the increase in heating and electricity is due to the increase space, Ms. Malecha confirmed that is what the increase is for.

3.3. Enterprise Funds

There were no questions or comments on the Enterprise Funds.

3.4. Levy Budgets

Nancy Malecha informed the Council that the tax levy fund budgets project a preliminary tax levy of \$1,833,830 which is an increase of \$134,645 or 7.92% from 2019 and an estimated tax rate decrease of 0.04%. Ms. Malecha explained our levy can go up and our tax rate decrease since we are anticipating an 8-9% market value increase. Nancy Malecha noted the budget line item increases over \$2,500 and stated the purpose of the meeting was to thoroughly review the budget and make changes before the preliminary levy is presented at the September 3rd Council meeting. She also reminded the Council the deadline for setting the preliminary levy will be September 30th at which time it can be decreased but not increased before setting the final levy in December.

Nancy Malecha reviewed the preliminary budget in detail as was requested by the Council and discussions took place on various budget items. Ms. Malecha asked the Council what they would like presented at the September 3, 2019 meeting. The City Council would like a summary of employee comp time, 2019 and 2020 wage and benefit changes, and a quantified use report for a new loader for roads and streets. She said we will remove the SCORE funding, look at decreasing the electricity for Street Lighting and Signals and Signs, and update the changes to the health insurance. Discussion ensued about the Street Lighting electricity, health insurance costs, wages, and about the tax rate remaining the same even though the tax rate is up.

3.5. Tax Rate Calculation Formula

Nancy Malecha presented the tool on how the City's tax rate is determined. She explained that State, County and City information is involved in the tax rate calculation. Ms. Malecha explained how the attached cycle graphic calculation formula is used in determining the City's tax rate. Council Member Pederson asked when we will know the actual tax rate and Ms. Malecha said we should receive the rate from the County in October or November.

4. Capital Improvement Plan

Jason Murray from David Drown Associates presented the attached financial analysis for the City's capital improvement plan. Mr. Murray added \$250,000 for North Sluetter Road as place holder. Mr. Murray talked about the sources of funds for the projects; tax levies, water/sewer funds, grants, the 402 fund and the potential use of assessments. He stated the goal is to keep the debt per capita low to moderate and the City is doing that but it is something to keep an eye on. Mr. Murray talked about the purpose of the 402 Fund being for reconstruction projects and there could be possible borrowing for the projects on the financial analysis. He discussed the upward pressure on tax levy with the projects but if we did add assessments it would take some of the pressure off and manage the tax levy. Discussions ensued about tax assessments and using the financial analysis to look at costs for each project.

Nancy presented City's Capital Improvement Plan which is more detailed than the plan Mr. Murray presented. It also includes everything from Mr. Murray's plan and the assets in the Capital Outlay budgets. Ms. Malecha said it is a ten year plan and is updated every year around budget time.

5. Water & Wastewater Operations Services Agreement

Nancy Malecha stated that the Agreement from the Pine River Area Sanitary District is included in the packet for the years 2020-2024. She said the current agreement with them expires on October 31, 2019 however if the new agreement is signed they will allow the active agreement to go through the end of 2019. Currently the agreement the City has with them is \$4,000 per month; the new agreement amount is \$7,052 per month. Ms. Malecha stated that there is a letter included in the packet from Andy Schwartz who is the Operations Manager for the Pine River Area Sanitary District that explains the duties and responsibilities that they do for the City.

Jason Gorr stated that his experience with the Pine River Area Sanitary District has been fabulous and that they do a lot for the City. He said he was surprised with how little the cost was when he started working for the City and he does not believe the new rate is a very high rate. Mr. Gorr stated that it is a significant increase but he does not believe the City would be able to take those duties on themselves. He stated that Mr. Schwartz explained to him that they are doing a lot of duties that are not in the current agreement and they were not being compensated for that over the years.

Discussion ensued to whether there were any other service providers and Mr. Gorr stated that we would not receive the same quality and efficient services that we are currently receiving. He stated that he did not see it being any cheaper if the City hired workers for the job. Discussion ensued about the price not being fixed and that it is adjusted yearly based on the Consumer Price Index. Mr. Gorr and Ms. Malecha pointed out that the agreement can be terminated with a certain number of days of notice so the City is not stuck in the agreement. Discussion ensued about sharing a worker and equipment with other cities, legal issues relating to sharing, costs of hiring employees and the difficulties in finding skilled workers in this field.

COUNCIL MEMBER SWANSON MOVED TO APPROVE THE AGREEMENT FOR WATER AND WASTEWATER OPERATION SERVICES WITH THE PINE RIVER AREA SANITARY DISTRICT FOR 2020-2024 IN THE AMOUNT OF \$7,052 PER MONTH WITH FUTURE INCREASES AS DEFINED IN THE AGREEMENT. COUNCIL MEMBER AKERSON SECONDED THE MOTION. MOTION CARRIED 5-0.

6. Trailside Park Project Financial Update

Nancy Malecha stated that at the June 4th City Council Meeting she informed the Council of an outstanding expenditure balance in the amount of \$153,662.23 that remains in the Capital Improvement Fund relating to the Trailside Park Master Plan Project for 2017-2019. She stated that the majority of these expenditures relate to the landscape architect and engineering services for the Project and she would like to recommend the City do the following to rectify the outstanding balance.

- Transfer \$41,400 of current taxes revenue from the Highway 371 Fund to the Capital Improvement Fund as this revenue was budgeted and designated for the Street and Utility Improvements interfund loan payback and this Project has since been eliminated.
- Transfer \$112,262.23 from the General Fund to the Capital Improvement Fund as the General Fund has a healthy cash flow designation percentage and can withstand this transaction.

COUNCIL MEMBER AKERSON MOVED TO TRANSFER \$153,662.23 AS PRESENTED FROM THE GENERAL FUND AND HIGHWAY 371 FUND TO THE CAPITAL IMPROVEMENT FUND TO RECTIFY THE OUTSTANDING EXPENDITURE BALANCE RELATING TO THE TRAILSIDE PARK MASTER PLAN PROJECT. COUNCIL MEMBER SEILS SECONDED THE MOTION. MOTION CARRIED 5-0.

7. State of MN Cooperative Agreement

Nancy Malecha noted that included in the packet was the Paul Bunyan State Trail and Municipal Trail Connections Cooperative Agreement between the State of Minnesota and the City. This Agreement allows the City to develop the improved recreational trail connections to the Paul Bunyan State Trail from Main Street as part of the Flag Display Project. Ms. Malecha explained that this is an agreement with the DNR to give the City access to connect to the Paul Bunyan Trail for the project.

COUNCIL MEMBER PEDERSON MOVED TO ADOPT RESOLUTION 19-21 TO EXECUTE THE PAUL BUNYAN STATE TRAIL AND MUNICIPAL TRAIL CONNECTIONS COOPERATIVE AGREEMENT WITH THE STATE OF MINNESOTA. COUNCIL MEMBER AKERSON SECONDED THE MOTION. MOTION CARRIED 5-0.

8. Adjournment

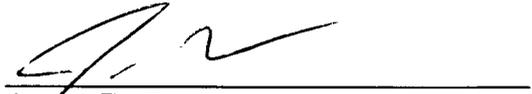
There being no further business, **COUNCIL MEMBER AKERSON MOVED TO ADJOURN. COUNCIL MEMBER SEILS SECONDED THE MOTION. MOTION CARRIED 5-0.**

The meeting of the City Council adjourned at 7:56 p.m.

Respectfully submitted,



Angie Duus
City Clerk/Treasurer



James Tayloe
Mayor