

**MINUTES OF A STUDY SESSION OF THE PRINCETON CITY COUNCIL
HELD ON NOVEMBER 4, 2021, 2021 4:30 P.M.**

1. Call To Order / Roll Call

Mayor Thom Walker called the meeting to order. Council members present were Vicki Hallin, Jenny Gerold, Jules Zimmer and Jeff Reynolds. Staff present, Finance Director Tracy Peters, Public Works Director Bob Gerold, Community Development Manager Stephanie Hillesheim, Police Chief Todd Frederick, Wastewater Plant Manager Chris Klinghagen, Fire Chief Ron Lawrence, and Clerk Shawna Jenkins. Absent was Liquor Store Manager Nancy Campbell

2. Pledge of Allegiance

3. Rachel Howell – Presentation of Library Services and New Library Contract

The City has had a contract with the East Central Regional Library (ECRL) since 1995. ECRL has updated its contract and would like each of its jurisdictions to execute the new version.

Rachel Howell, Assistant Director of ECRL will be present to provide an overview of library services and discuss the new contract.

Howell reported that they are doing a winter reading program, and adding a self-checkout station soon.

Walker mentioned being the agreement states it is open at 20 hours per week, and hopes it is open more than that. Howell replied that 20 hours is the minimum needed for the library to receive funds from the County. In reality, they are currently open 36 hours per week. They don't like to list the exact hours open in the agreement, as they can change a bit.

McPherson added that at the October 5 Study Session, staff and the Council discussed increasing the non-profit rental rate for the Library Community Room from zero to \$30.00 (to match a potential increase for community groups at the Civic Center). The \$15.00 per hour rate for for-profit groups would remain the same.

At the November 23 fee schedule discussion, the Council concurred with increasing the Civic Center rental rates except for the Civic Organizations which is currently at \$25.00 and would not change absent Council direction to the contrary.

B Gerold would like to see the contact information be provided to the Alarm Company, so Library staff is called in the case of an alarm, instead of Public Works. J Gerold mentioned 2 phone lines that the City pays for in the building as well and asked if we still need 2 lines. B Gerold responded that the current Alarm system requires a landline phone line. He will check to see if it is possible to use a web-based line.

J Gerold mentioned the wording in the contract mentions "Equal and Equitable" but then specifically states "Religious Organizations". McPherson suggests that be changed to "Non-Profits" since there are many more non-profits than just Religious Groups.

J Gerold said she would like to see the same flat fee for Non-profits, and a \$15 per hour use fee for others. Reynolds added that he would prefer all of the youth-based Non-profits be at no cost.

4. David Carlson, Gatehouse Properties, Discuss use for TIF or Tax Abatement for Utility Expansion

McPherson reported that in 2019, the previous Administrator met with Mr. Carlson on a proposed mixed residential development on parcel noted on the attached location map. The development layout was provided to the Council. Due to other projects in progress by Mr. Carlson, development of this site was set aside.

Analysis:

The proposal in 2019 included the use of a housing TIF district to assist the developer in extending utilities to the site. A housing TIF district will place income restrictions on the project which will need to be tracked. A similar financing tool would be Tax Abatement.

WSB assembled VERY high-level preliminary estimates for the extension of utilities to the site (external) and internal to the site:

- External extension: \$1,444,792.18
- Internal construction: \$ 823,609.60

The above estimates do not include stormwater and are not based on actual site conditions which would impact depth of sewer, size, etc. Staff discussions regarding looping, etc. have also not occurred.

Based on a 2019 preliminary cash flow analysis, it appears that there would enough increment to cover the costs. Tax abatement would require active participation by the County and school district, but could be limited to 10 years versus the proposed 15.

The developer is interested in knowing if the Council is willing to participate via either TIF or tax abatement to facilitate the development of this site. Assistance could be limited to both internal and external utilities or just external utility extension to the site, some combination thereof or other improvements entirely. Until the Council provides staff direction on their willingness to use these tools, no negotiations will commence.

As an aside, Mille Lacs County has a remnant section of right of way adjacent to the subject parcel; it may be useful to inquire of the County if they would be willing to release it to be placed back on the tax rolls as part of a development. The location map indicates the noted right of way.

Request:

The Council is asked to discuss the above items and provide direction on the use of TIF or tax abatement.

The Council is also asked to discuss staff contacting Mille Lacs County regarding release of the excess right of way noted on the location map.

It will be a long process, and it will need to start with Annexation of the property.

Walker asked where the cost estimates for infrastructure costs came from. McPherson responded that engineer Edison put the estimates together, using high numbers since the topography or whether it will be looped was not known as of yet.

Walker, Hallin and J Gerold said that this idea looks great for the community.

Zimmer asked approximately how many homes will be in the development. Carlson responded that 13 Twin Homes, 48 2 story rentals and 25 2 story homes.

McPherson stated that still will work with Northland Securities to find out if a TIF or Tax Abatement would be better suited to the developer.

5. Board and Commission Vacancies

The Deadline for applications was listed as **Noon, November 22nd**. Emails were sent to all of the current Board / Commission members that had terms ending this year on November 8th, and included the application.

Airport Advisory Board – 1 open position, 3 year term (2023)

John Sautter – current Airport Board Member - (received past deadline)

Jack Edmonds

Sharon Sandberg (received past deadline) – Airport Board preferred over EDA

2021 Council Liaison: Thom Walker

EDA - 1 open position, 6 year term (2027)

Sharon Sandberg (received past deadline)

2021 Council Liaisons: Vicki Hallin and Thom Walker

Housing and Redevelopment Authority - 1 open position, 5 year term (2026)

2021 Council Liaison: Vicki Hallin

Park Board – 3 open positions, 3 year term (2024)

Aaron Gruber – current Park Board Member

2021 Council liaison: Jules Zimmer

Planning Commission – 1 Open position, 3 year term (2025)

Andrea Gerrard – current Planning Commission member - (received past deadline)

Jon George

Jack Edmonds

Richard Schwartz (received past deadline, and not a City Resident)

2021 Council Liaison: Vicki Hallin

Public Utilities Commission - 1 open position, 3 year term (2024)

Dan Erickson

Carrie Peterson (received past deadline)

2021 Council Liaison: Jules Zimmer

Cable Commission - 1 position, no term

J Gerold asked when these open seats were advertised. Jenkins stated that emails were sent to the current members that have terms ending the end of October, and it was posted on the City's Facebook page and shared to both Bulletin Boards the first part of November, as well as an ad put in the paper for 2 weeks.

J Gerold would like to see them re-posted and republished.

It was suggested to post them November 1st every year for appointments in January, and to bump the posts up weekly. Staff will post and publish again, and include a deadline of January 6th.

6. Final Budget Wrap

McPherson advised that during the budget discussions, a number of questions were raised; we attempt to answer them here.

Balanced Budgets

Budgets should balance, with the exception of the Liquor which we want to have more revenues than expenses. *The Auditors note, however:*

"Enterprise funds don't need to balance. It could come down to how depreciation expense is budgeted (back to that budgeting, not budgeting, budgeting for a portion, etc.). If they don't balance and depreciation expense is not budgeted, then there will likely be a cash shortage. If there were existing funds available, it could come from that; otherwise a transfer in from another fund could be necessary. If they don't balance and depreciation expense is budgeted, then cash is just not being built up for future repairs and replacement."

See the discussion below on depreciation.

December 1 Update: However, after a more thorough review of the Airport and Wastewater enterprise funds, staff found that they were/have been consistently in a deficit budget status:

Airport

2018	2019		2020
Revenue	\$370,000	\$158,000	\$1,781,910
Expenditures	\$307,721	\$287,627	\$1,941,660
Difference	\$63,168	-\$129,099	-\$159,750
<i>Wastewater*</i>			
Revenue	\$1,448,712	\$1,427,811	\$1,343,090
Expenditures	\$1,591,313	\$1,598,078	\$2,343,830
Difference	-\$142,601	-\$170,267	-\$1,000,740

**\$415,000 of the increase in expenditures 2019 to 2020 can be attributed to principal payment on the loans.*

Revised budget worksheets for the Airport and Wastewater that reflect the depreciation discussion below and also the proposed sewer rate increase to \$11.00 per 1,000.

Depreciation

Per the Auditors (BergankKDV), depreciation does not need to be included as a line-item expense in the individual budgets. It does get included in the financial statement as part of the audit whether it is budgeted for or not. Including it as an expense that is levied essentially would "pad" the amount levied and be placed in reserves for future repairs and replacement. The Auditor noted that each city handles depreciation differently, some levy 100%, some do nothing, others do a percentage.

Specific to the airport budget only (enterprise), the proposed depreciation amount was \$190,000. It is unknown how the previous Finance Director calculated and applied depreciation. If it is agreed that the runway investment is \$2 million and the taxiway is \$1 million (in round numbers) for a total of \$3 million, and their useful life is 20 years, a straight depreciation schedule would result in an annual depreciation amount of \$150,000, less than the proposed budget amount. In the case of the airport, many of the improvements are significantly funded by state and federal grant dollars.

Eliminating all of the depreciation from the airport budget and adding in the grant revenue results in no need of a transfer from the General Fund (revenue positive). If we were to add back in 25% depreciation (of the \$150,000), the total transfer in would be \$29,902; less than discussed at the November 23 meeting. The Airport budget also reflects updated CIP costs per the discussion with the FAA regarding AWOS and ALP planning for 2022.

Staff recommends that we continue to levy for a small portion of depreciation; 25% seems to be a sufficient amount.

December 1 Update: the table below summarizes the impact on the Airport and Wastewater budgets as it relates to depreciation.

<i>Airport:</i>	<i>No Depreciation</i>		<i>25% Depreciation</i>
<i>Original Budget 11/23</i>			
<i>Revenues</i>	<i>\$136,365*</i>	<i>\$288,365</i>	<i>\$318,267***</i>
<i>Expenditures</i>	<i>\$560,767**</i>	<i>\$280,767</i>	<i>\$318,267****</i>
<i>Difference</i>	<i>\$-424,402</i>	<i>\$7,598</i>	<i>\$0</i>

**Did not include FAA/State grant revenue nor transfers in from General Fund*

***Original CIP amount equaled \$250,000, revised actual \$160,000, includes full depreciation amount of \$190,000*

****Includes a General Fund transfer in of \$29,902*

*****Depreciation adjusted to the amount noted above*

<i>Wastewater</i>	<i>Original,</i>	<i>Increase to</i>	<i>Increase to \$11/1,000</i>	
<i>Original Budget</i>	<i>increase to</i>	<i>\$11/1,000 No</i>	<i>25% Depreciation</i>	
<i>11/23</i>	<i>\$11/1,000</i>	<i>Depreciation</i>		
<i>Revenues</i>	<i>\$1,355,340</i>	<i>\$1,417,793</i>	<i>\$1,417,793</i>	<i>\$1,417,793</i>
<i>Expenditures</i>	<i>\$2,169,675</i>	<i>\$2,169,675</i>	<i>\$1,529,675</i>	<i>\$1,689,675</i>
	<i>*</i>			
<i>Difference</i>	<i>-\$814,335</i>	<i>-\$751,882</i>	<i>-\$111,882</i>	<i>-\$271,882</i>
<i>*Includes full depreciation amount of \$640,000</i>				

Change in Uniform Policy

More information will be provided at the meeting regarding this requested policy change.

Final Levy Increase

Staff will provide a verbal update regarding this topic at the meeting. Staff is going through the budget worksheets one final time to ensure that nothing was missed and that expenses are in the correct fund and at the correct amounts.

Walker stated he does not think a 25% depreciation is a good thing, unless its only done until we can get the numbers back up a bit.

J Gerold asked what if it was raised \$1 per 1000 gallons, instead of the \$.50 that was originally discussed. Reynolds added that there is a big deficit, so rates need to raise to cover costs. He said he agrees with a \$1 per 1000-gallon increase. Walker proposed \$1 now, \$1 again next year, and may-be keep the 25% depreciation for a maximum of 4 years.

Peters added that this helps with her concern on the amount of debt that the City has. McPherson stated that staff will include a flyer in the January utility bill explaining the fee increase.

7. Closed Session, Personnel Issue

Walker stated that the agenda item for this meeting is to discuss the potential need to hire a municipal employee based on the unavailability of a current municipal employee.

This portion of the properly noticed meeting of the Princeton City Council will be closed pursuant to Minnesota Statutes under the non-public data exception to the Minnesota Open Meeting Law, pursuant to Minnesota Statute Section 13D.05 Subd 2(a)(3).

The need for confidentiality outweighs the purposes served by the open-meeting law in this case based on the following:

Confidentiality is necessary to protect the City employee's private data.

- * The purpose of the closed meeting is not to make a decision behind closed-doors, but instead is to determine what actions are appropriate with respect to the potential personnel issue.
- * The only business to be discussed in this portion of the meeting is the personnel issue, and what action, if any, should be taken.

I will now entertain a motion to close this portion of the meeting.

HALLIN MOVED TO CLOSE THE MEETING AT 6PM. REYNOLDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

The Council will now go into a closed session. The time is 6pm

Only the officials and consultants of the Council who reasonably require access to this data may be in attendance at any portion of the meeting for this agenda item.

The minutes of this portion of the meeting should reflect only that a meeting was held with its date, time and location; who was present at the meeting; and the purpose of the meeting.

I will now ask the City Administrator to begin our discussion on this matter

Members of the Council, following the completion of our business, we will now adjourn into open session, and I will entertain a motion to adjourn the closed portion of the meeting and go back into open session.

HALLIN MOVED TO OPEN THE MEETING AT 6:26PM. J GEROLD SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

J GEROLD MOVED TO AUTHORIZE STAFF TO POST AND HIRE A POLICE OFFICER. HALLIN SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

8. Adjournment, there being no further business:

ZIMMER MOVED TO ADJOURN THE MEETING AT 6:26 PM. HALLIN SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

Respectfully Submitted,

ATTEST:

Shawna Jenkins Tadych
City Clerk

Thom Walker,
Mayor