

**CITY OF MILACA
SPECIAL COUNCIL MINUTES**

August 12, 2024

Pledge of Allegiance

Call to Order Roll Call

Mayor Dillan called the meeting of the Milaca City Council to order at 5:30 p.m.

Upon roll call, the following council members were present: Mayor Dave Dillan, Councilors: Norris Johnson, Lindsee Larsen, Ken Muller and Laurie Gahm.

Staff present: City Manager Tammy Pfaff, City Treasurer Elizabeth Nealley, Public Works Superintendent Gary Kirkeby, Police Chief Quinn Rasmussen

City Manager Pfaff stated this meeting was to discuss the 2025 Preliminary Budget. The reason I am not recommending any large equipment purchases for any department is because we need to build up the funds again for the 2027 project coming up so we don't have to bond so much.

Bill Singer, our insurance representative, estimated health insurance increase of 17% - mostly due to large claims.

Here are some things the council will need to consider:

Sidewalk along 1st St W from Central Ave to Chapmans— engineers estimated at \$250,000 Mayor Dillan stated that seemed like a lot just for sidewalks but Gary Kirkeby stated that it would include alley aprons and each intersection would have a little bump out. City Manager stated there would also be some curb stops repaired.

Street Development to Pearson Property Development – A lot of fill from the airport project is being hauled in there and that is free. Mayor Dillan stated he has received a lot of questions on it from the public as to wondering what is going in there. Gary Kirkeby stated Dean is doing a project down at the school and is hauling some dirt out here too.

Street Maintenance – We won't do any alleys next year.

Fire Trucks – In the process of being built. We just sent them a check for \$190,000.00. Chassis is finally in. They have \$573,000 in their Reserve Fund. If they don't donate anymore money to the city from the Fire Relief, they will be \$126,000 short. Council will have to decide if we pass that on to the townships or do we spend-down cash. I do anticipate more donation so we will wait and see. Townships were not happy about the pumper truck as they stated they were not informed and I was getting phone calls from townships. Gahm questioned if billing our services for fire was getting better. Tammy Pfaff stated that has been good for a while. The Fire Department was not awarded the FEMA grant for the other fire truck they were trying for. They may have to retry. But it sounds like our portion would be the \$25,000 that was in the 2024 budget. They may be depleting their reserves. Mayor Dillan stated that if they don't get that \$25,000 grant and that was in the budget, we could use that towards the pumper truck? City Manager asked the grant? Mayor Dillan stated no, wasn't the \$25,000 in the budget by us - in our budget -then if they don't buy the truck, then wouldn't that cover the pumper truck? City Manager Pfaff stated yes it could.

City Hall Improvements – We did not get the OSHA grant for the front reception area. We will try again. I put over \$62,000 based on quotes this year for the security glass and enclose area. Mayor Dillan questioned what enclose area was. City Manager Pfaff stated it's taking that big window and enclosing it smaller.

Police Department – They will have pistol replacements but they will be trading in their Glocks Police Chief Rasmussen stated most Glocks are 10 years old. They will also be adding an additional officer to get back to the two mid-shifts. Officer Jeff Shaw will be retiring in 2025.

Water Line to the City Development – Pearson Property- we need to give a different name instead of Pearson Property. Give me some ideas. Councilmember Muller suggested Milaca Junction Addition. Everyone like that. Mayor Dillan questioned water line to the development are you talking just to the edge of the property as he thought there was one there already. Kirkeby stated there is a water line in the liquor store parking lot and we would just be extending that. City Manager stated that is included in the CIP. I talked with TSG and advised them it may be a year before this land gets developed and they said they would wait. Another option is to put in a dirt road with the water and sewer under the road and then pave it at a later date. Councilmember Johnson commented that the fill would need to be compacted first. City Manager stated the road would have to skirt the wetland area.

Water Rate Study – we are still giving them information but that should be done in November. I am hoping for a gradual increase. This study will be helpful with the projects that are needed in the future. Street projects, sidewalk, 3rd Ave in 2026. You don't have to do these projects – they can be delayed a year. The reason that this estimate of cost is done is so we can look at in 2027 the Hwy. 23 improvements will be \$100,000 from each water and sewer and that would leave \$520,000 that we will likely have to bond for. For the Street Sidewalks (\$250,000), we have \$3.8 million in RBC investments and we could pull one CD for \$250,000 for this project and it would barely impact as we get \$13,000 a month in interest. We will not get penalized for pulling a CD.

10th Ave and 5th – that's the bypass area. Maybe wait until the project is over and take a look at that one and see what needs to be done out there.

Contracts – the attorney contract will be \$72,000, garbage expires the end of this year

Wages – I am recommending to the council to consider staying in with the union increases for the non-union staff. Mayor Dillan questioned if she meant staying in the same process? City Manager Pfaff stated they go 3.5 and then 1% in July. Gahm asked how many non-union people we have and City Manager Pfaff stated we only have 5 union. If you go full mid-shift then we will have 6 next year. Mayor Dillan stated the only union are the police officers but not Chief Rasmussen as he is in a supervisory position.

Transition Aid – low income housing. We have a good majority of Section 8. This \$11,107 would be shifted over to all the taxpayers because they are giving the low income properties a tax break and we have no choice – we have to do this. And it happens in 2025 and 2026. We get the \$11,000 in our LGA so to offset it we can lower the levy by the \$11,107 to try to help the impact to the taxpayers. We get the revenue, and we are lowering the levy to offset that.

City Manager touched on revenues. Stated someone has contacted her and is interested in building a hangar out at the airport. There is about \$8,300 in Accounts Receivable that is outstanding. Gorecki Center is rented out all the time. Councilmember Larsen questioned if that \$8,300 was for fire calls not paid and asked if we could go after their tax returns? City Manager Pfaff stated it was and we could and that we send to collections. Councilmember Gahm asked if people were being more responsible or why is there a decrease in tickets? City Manager Pfaff stated they are catching on.

City Manager Pfaff stated if we start developing that property, we could start selling those lots right away. We would have to plat the land. We are having the survey done right now. City Manager Pfaff asked the council if we should wait for people to come to us or do we plat it out ahead of time at 1-2 acre lots? Mayor Dillan stated we could do a coming soon sign or something like that. Councilmember Larsen stated to go to Realtor.com and type in Milaca and you can see all the coming soon properties. Mayor Dillan stated Sam would help us too. City Manager Pfaff stated you have to put out an RFQ-Request for Qualifications for realtors, they put in their qualification, it goes to council and council decides who they want. Councilmember Johnson stated that he thought a lot of businesses would have a very specific footprint of what they need so he suggested to wait for businesses to contact us.

Councilmember Gahm asked what the other fund was. City Manager Pfaff stated that gets transferred from the Gambling for Trails and winter help.

Cash is about \$900,000 in sewer. We have a big debt payment in water coming up so that one is about down to \$500,000. That's why water rates will be important going forward.

Mayor Dillan questioned if we could apply for a grant again for the front office safety glass and City Manager Pfaff stated yes and that we would be.

Public Works will need a new boiler. Boiler is original so it is about 50 years old.

No Park improvements. Finish up pickle ball. Councilmember Gahm mentioned how nice it is down there.

City Manager Pfaff stated if we don't do the new clear zone area for the airport, we lose 10 points on our grant applications.

City Manager stated our Gambling fund has about \$42,000 and that has been dwindling.

Mayor Dillan questioned the balance of the Veterans Memorial. City Manager Pfaff stated they have about \$2,178.

Water Fund - City Manager Pfaff stated we will need to do a water rate increase. She further stated the water tower will need to be repainted in 2027 that could be 1.2 to 1.5 million. 2027 is going to be a large expenditure year.

Sewer Fund: Again, we will need to increase rates.

Liquor - I did an analysis on this and this fund is down \$43,000 from the previous year. Beer and tobacco are down. THC sales are making up for it so our net loss is only \$23,000. We are hoping holiday sales will help. Vicki does not have anything for projects next year.

Some discussion in regard to the levy. Levy is currently at 8.01, down from 8.34 when Councilmembers Johnson and Muller met with City Manager Pfaff. Councilmember Gahm asked if this could get lower as residents will be screaming at this. Mayor Dillan stated we need to get this lower. City Manager Pfaff asked what could be cut? This is so thin already. Mayor Dillan asked what the \$62,738 Street Bond is and City Manager Pfaff advised him that is the new street projects.

Motor Vehicle – nothing here. They should be set for a long time. Just maintaining.

Councilmember Gahm asked if increasing water and sewer rates would help the levy. City Manager Pfaff explained it would not because those are enterprise funds and we only transfer from the liquor store to the general fund. We don't transfer from water/sewer funds. They are considered business funds and they have to sustain themselves. Mayor Dillan asked who decides to have the water tower painted and Public Works Superintendent Gary Kirkeby explained that they have been putting it off for three years already and KLM is our water tower engineers and they are recommending it be painted. Phil Gravel looked at the report from KLM and agreed that it needed to be repainted.

Step Schedule – we would do a 4.5 increase the first of the year. City Manager Pfaff stated the salary increases are included in the balanced budget. Mayor Dillan stated he does not have a problem with salary increases but the 3% was supposed to be the steps so we wouldn't have to debate the increase each year. Mayor Dillan stated that with the economy being tight right now, we could add or we could freeze. We have that option too. Councilmember Larsen stated that they would not always get the Cost of Living each year but would get their raise. Councilmember Gahm questioned the 3.5% and then the 4.5% columns. City Manager Pfaff explained that the 4.5% includes the 1.5% COLA with the raise. At this point everyone is in agreement with this 4.5% increase.

Reserve Fund – This fund would be used, for example, if Public Works needs new equipment, we would take from this fund. Gary has saved the city thousands of dollars by going to the surplus store for things he needs or the city needs.

City Manager Pfaff explained that there is no equipment reserves budgeted for 2025 but if these funds are used, it will take quite a while to get these funds built back up and if they get added into the budget, the levy would increase significantly.

Mayor Dillan questioned what if we don't do the water and sewer extension to the new property. City Manager Pfaff stated then we wouldn't get any tax revenue. Councilmember Johnson stated that that would have to be determined by potential buyers. City Manager Pfaff stated the sooner you can sell a lot, the sooner we can get tax revenue and the sale proceeds going forward.

Councilmember Larsen asked if the sidewalk has to be a sidewalk? Could we just take it out and pave it? Gary Kirkeby stated we should have a sidewalk as there is none on the other side. The road in front of Fransen Decorating was to be done next year, but now it is pushed to 2028. Gary explained that that road would be a complete reconstruct as it needs new water and sewer lines as well.

Councilmember Johnson stated that if we budgeted to take the funds out of General Fund for the infrastructure out at the Milaca Junction Addition, then sell at least one lot next year, that should help. Mayor Dillan asked if we did that, how does that reflect the funds. City Manager Pfaff stated we need 5 months of operating cash and we are at 68% so we could get down to 41%. Mayor Dillan stated he does not want to do that.

Council may have to explain to residents that there are no major projects in the budget, no major purchases, no reserves money set aside, we do have development property that was have to get developed to get back on the tax rolls and we will have to spend water/sewer funds to get developed.

Discussion about the Highway 23 project and expense for the city. The city would need to pay \$100,000 from each water and sewer funds. We also have the reset of the 3rd for the roundabout and that was estimated at \$520,000. We would also have to figure out street light as that is a city expense. That was estimated at \$200,000. City Manager Pfaff has advised MN Dot that ECE needs to be included in these meetings in regard to lights.

Councilmember Johnson asked if some of these costs for the Milaca Junction Addition could be assessed onto the property or new buyer? City Manager stated it could be assessed. Mayor Dillan stated that was done for Fieldstone Green and Boulder Ridge.


Mayor Dillan questioned Police Chief Rasmussen when the new officer would be hired. Chief Rasmussen stated if approved, hopefully be posted by the end of the year so we could get someone in to replace Shaw. Mayor Dillan asked when Jeff Shaw would retire and Chief Rasmussen stated in June of 2025. Chief Rasmussen stated that with the mid cars it does reduce overtime. Mayor Dillan asked about the liaison status. Chief Rasmussen explained that we just don't have the staff for a liaison. Discussion about posting the job sooner than later as it could take 6-9 months to get someone hired. Councilmember Gahm stated she was in favor of start looking.

Mayor Dillan said that council has time to think about this and if they think of anything, just email City Manager Pfaff.

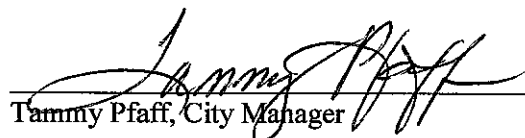
City Manager Pfaff asked with the change of lowering the preliminary levy by \$30,000 – resulting in the 4.94 levy - if everyone was OK that. Everyone was OK with this as it was better than 8.

Adjourn:

Mayor Dillan called for a motion to adjourn. Motion made by Muller, seconded by Johnson to adjourn. No further discussion. All in favor, motion to adjourn passes. Meeting adjourned at 7:12 p.m.


Mayor Dave Dillan

Attest:


Tammy Pfaff, City Manager