

**CITY OF MILACA
COUNCIL MINUTES
November 20, 2024**

Pledge of Allegiance

Call to Order Roll Call

Mayor Dillan called the meeting of the Milaca City Council to order at 6:36 p.m.

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

Staff present: City Manager Tammy Pfaff, Communications Specialist Mary Mickelson, Assistant City Clerk Deloris Katke, Utility Billing Clerk Mary Niedzielski, Fire Chief Jesse Gerads, City Attorney Damien Toven

Others present: Chloe Smith, Jon & Katie Schwartz, Jesse Latterell, George Czech

Approval of Agenda

Mayor Dillan called for a motion to approve the agenda. Larsen made a motion for approval, seconded by Muller. With no further discussion, all in favor of the approval of the agenda; motion passes.

Approval of Consent Agenda

Mayor Dillan called for a motion to approve the Consent Agenda.

- a. Approval of the Minutes – October 17, 2024
- b. Approval of Bills
- c. Resolution #24-39 Donation

Johnson made a motion for approval of Consent Agenda, seconded by Larsen. Mayor Dillan mentioned that the podium and speakers was really nice for the Gorecki Center. No further discussion. All in favor of the Consent Agenda; motion passes.

Citizen Open Forum

Mayor Dillan asked if anybody present wanted to address anything not on the agenda. No one came forward.

Public Hearing: None

Requests and Communications - None

Ordinances and Resolutions

Tammy Omdal not present yet due to weather so this topic will be moved to end of agenda or until an opening.

Reports of Departments, Boards and Commissions

City Manager – Nothing

Police – Nothing.

Parks – City Manager gave an update on the sound panel installation in the Gorecki Center. Mary Mickelson stated there were 2 panels missing as they had some issues installing them so they have some panels to complete. They have the acoustic cloud in and the soffit is in.

Public Works - Northern Lines Contracting Construction Contract Change Order No. 1- Mayor Dillan called for a motion to approve. Motion made by Muller, seconded by Larsen. No further discussion. All in favor of Northern Lines Contracting Construction Contract Change Order No. 1 passes.

Liquor Store –

Fire Department – Update on Truck Purchased Through Surplus Services: Fire Chief Gerads stated the fire department purchased a used grass rig that is 20 years newer than the one we have. We paid \$20,145.00. Won't be ready until next grass fire season as decals need to be removed and a few other things. I handed out our fiscal year report. We had a total of 158 calls. Mostly medical. The new engine will hopefully be ready by end of January next year.

Planning and Zoning – Conditional Use Permit Violation Discussion-Randy Reiman: City Attorney Toven stated that he was going to take this and the next two items: Minor Lot Split for Milaca Park and Variance for Milaca Park. He explained that he is asking the council to take no action at this time. There have been some ongoing violations of the CUP and violations of the city's nuisance ordinance in regard to the number of vehicles on the property and the quality of the vehicles on the property. The city has been working with Reiman to get this corrected for some with no action. The matter came to me about a month ago. I sent a letter to Milaca Park LLC and Mr. Reiman advising them of the ongoing violations and the fact that the city council will be addressing a violation in the CUP and applications for variance and minor lot split. After the letters were sent, I had a conversation with counsel of Milaca Park and they stated they would be taking action as the property owner under the terms of the lease. They (Milaca Park) will give him until the end of the year. At the Monday's Planning Commission, the variance and minor lot split were on the agenda because we were getting close to the dead line action succeeding rule. We already had an extension on one. Recommendation to the Planning Commission because of the noncompliance and because we did not have an affirmative written consent to extend the 60 days was to deny the variance and minor lot split. Since that time, both Mr. Reiman and representative from Milaca Park LLC have signed to extend the 60 days to January 25, 2025. No action is required tonight other than motion to table the action of CUP, variance and minor lot split until January's city council. If they don't get in compliance or do anything, then the city council can deny the lot split, deny the variance and I can prosecute everybody.

Mayor Dillan called for a motion to table the variance and minor lot split for Milaca Park. Motion made by Muller, seconded by Johnson. No further discussion. All in favor. Motion to table the variance and minor lot split for Milaca Park passes.

Resolution #24-42 Variance for Jons Door Service (Handout) – Mayor Dillan called for a motion for approval. Motion by Johnson, seconded by Muller. No further discussion. All in favor. Resolution #24-42 Variance for Jons Door Service passes.

Ordinance #535 Recreational Vehicles-First Reading – Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Muller. City Manager Pfaff state the Planning Commission had some questions where they would be and where they could have them. The goal is to get them off the streets. All in favor. Ordinance #535 Recreational Vehicles passes.

Ordinance #536 Allowing Retail Sales in I-1 Industrial District – First Reading (Handout) – Mayor Dillan called for a motion to approve. Motion made by Gahm, seconded by Larsen. City Manager Pfaff stated that more and more retail businesses are ending up in our Industrial district. Heggies has always had retail and a lot of the others ones have had a small portion retail of their building as retail. So, it was only fitting to change that to make sure our zoning matches what is happening in our Industrial area. Mayor Dillan stated that about a year ago we already passed to allow a brew pub up there so this is just setting the stage for that as well. Muller stated that he saw that we checked with other cities and they do this as well. He further stated that we need to get as much business as we can. City Manager Pfaff stated that there was a fair amount of interest/support from owners with their input of this amendment. No further discussion. All in favor. Ordinance #536 Allowing Retail Sales in I-1 Industrial District passes.

Airport Newsletter – informational only.

Committees

Budget: Call for a Special Meeting for the Review of Final Budget – Work Session – December 12, at Noon would work for everyone. Mayor Dillan called for a motion. Motion by Johnson, seconded by Gahm. No further discussion. Special Meeting for the Review of Final Budget on December 12 at noon passes.

EDC:

Unfinished Business

Motion to remove from table - Ordinance #530 Permitted Accessory Uses in B-1 Central Business District-Tarp-Like Structures- Mayor Dillan called for a motion to remove from table. Motion by Muller, seconded by Gahm. City Manager Pfaff stated Planning Commission was in agreement to change square feet to 200. Johnson stated that that was a typical size for those type of structures.

Ordinance #530 Permitted Accessory Uses in B-1 Central Business District: Tarp-Like Structures-Second Reading (Handout)-Muller made a motion to approve, seconded by Gahm. No further discussion. All in favor of Ordinance #536 Permitted Accessory Uses in B-1 Central Business District. Motion passes.

Motion to remove from table – Ordinance #531 Permitted Accessory Uses in B-2 General Business District-Tarp-Like Structures- Mayor Dillan called for a motion to remove from table. Motion by Larsen, seconded by Muller. No further discussion. All in favor of removing from table Ordinance #531.

Ordinance #531 Permitted Accessory Uses in B-2 General Business District-Tarp-Like Structures-Second Reading (Handout)- Mayor Dillan called for a motion to approve. Motion by Gahm, seconded by Larsen. No further discussion. All in favor. Ordinance # Ordinance #531 Permitted Accessory Uses in B-2 General Business District-Tarp-Like Structures-Second Reading passes.

New Business

Minor Lot Split-Jesse Latterell - Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Muller. Mr. Latterell stated he wanted the lot split for a building. His building would sit out back towards the alley. Mayor Dillan asked about parking and he stated he would design the building so there would be no parking issues. City Manager Pfaff asked him what his plans were. Mr. Latterell stated he would like to build a proto-type building for assisted autistic living – just a tiny one. My idea is to build these across MN so I need a proto-type. No further discussion. All in favor of Minor Lot Split for Jesse Latterell. Motion passes.

City Attorney Legal Services Agreement – Mayor Dillan called for a motion to approve. Motion by Muller, seconded by Larsen. Damien stated he is going to have thousands of dollars as write-off's each month. It's just the nature of contracted services. He writes off as much as he makes. This contract will be the last significant increase that he sees for a long time. He is at a comfortable place now with all other cities. Mayor Dillan stated that he is very appreciative that he can get answers and is very accessible. Muller stated he appreciates the work he has done in the past as well. No further discussion. All in favor of approving City Attorney Legal Services Agreement. Motion passes.

Jim's Mille Lacs Disposal Mixed Municipal Solid Waste Haulers Agreement - Mayor Dillan called for a motion to approve. Motion by Larsen, seconded by Johnson. Jesse Gerads stated they will just keep working for the residents. No further discussion. All in favor of Jim's Mille Lacs Disposal Mixed Municipal Solid Waste Haulers Agreement. Motion passes.

North Memorial Health Ambulance Lease Agreement - Mayor Dillan called for a motion to approve. Motion by Gahm, seconded by Larsen. City Manager stated they were in agreement with the \$500.00. No further discussion. All in favor of North Memorial Health Ambulance Lease Agreement. Motion passes.

Resolution #24-41 Round Two Gambling Permit Application- Mayor Dillan called for a motion to approve. Motion by Gahm, seconded by Johnson. Mayor Dillan questioned if this was the Legion's pull tabs at Round Two place? City Manager Pfaff stated yes. Gahm asked if this was for meat raffle too? City Manager stated yeah. No further discussion. All in favor of Resolution #24-41 Round Two Gambling Permit Application. Motion passes.

Miscellaneous

Council Comments: Councilmember Johnson stated that the service Damien has provided is very excellent. You are always available and call back and you do a good job explaining complicated matters. Mayor Dillan gave an update on the Empowering Small MN grant. He stated there was a meeting yesterday of local businesses from the Milaca Junction, ECE, Shawn Docktor from Heggies and some others. Very good discussion and made some good plans on how we want to move forward. We can now dive into the grants and see how they can help us with some of these ideas. More news in December. We wanted to make it clear at this meeting that it wasn't just a Milaca Junction thing that it is downtown and Industrial as well.

Tammy Omdal arrived at about 7 p.m.

Mayor Dillan stated we are jumping back to Ordinances and Resolutions – Presentation from Northland on Water/Sewer Rate Study – Resolution #24-40 Accepting Water/Sewer Rate Study – Tammy Omdal from Northland Public Finance gave her presentation. This is not your budget or your audit, it is for forward looking. The city seeks to minimize the use of debt for capital improvements for the utilities where possible. The city needs to quickly build up some of those cash balances. This plan goes out to

2030's. On sewer, the rate increase is from 3-4.5% for 2025-2029 (refer to Page 4 of snapshot of Proposed Fees Percent Change). Base rates were ok. On the water rates the fees for applicant fees, meters, etc., for 2025 and the future years is at that 3% to 4%. The residential and commercial base rates and tiers is where the 30% for 2025 and 2026 comes in. This is frontloading to build up the rates that are necessary to provide the cash to fund your capital improvement plan. In the out years there is no rate increase as you don't need to continue the rate increase. For example, for a low volume user at 2,000 gallons in 2025, their proposed monthly water bill would go up by about \$7.63. For a medium volume user at 6,000 gallons in 2025, their proposed bill would go up about \$14.55 and for a high volume user at 10,000 gallons in 2025, their proposed bill would go up about \$21.50. Again, there is only about 2 years of larger rate increases.

Your funds are in sound financial condition. The purpose of this study is to prepare a plan to ensure that those funds remain in sound financial condition. That future financial condition will be impacted by operating costs and capitals improvement costs. This plan is based on estimates. Increases to fees charged to water and sewer are necessary to maintain that revenue sufficiency for services including per capital improvements and meeting your paygo strategy versus debit issuance for future projects. Bonding for capital improvements will help to minimize the fee increases that will otherwise be needed. There is debt through the PFA loans but in order to help minimize the amount that you would borrow from the PFA, the plan does propose the next two years 30% level increase for water and sewer being significantly less at 3% range.

Mayor Dillan asked to go to Page 10 of the powerpoint. He questioned that after 2027, we will take on debt for the water tower. That would be the green? Ms. Omdal stated the green is the debt service. That's all combined so that includes debt on bonds that are currently outstanding as well as debt payable on the PFA loan. Mayor Dillan asked if the blue was above and beyond all that? Ms. Omdal stated it is. So, you might ask why are you showing that buildup of cash? That is a council decision. Could the council reduce rates and the answer is yes but the challenge becomes do you find yourself in a position now where you don't have that cash on hand when those capital needs come up? Then you would be faced with having to do rate increases in the future. This plan leaves it flat. But this is up to the council. If you decide to reduce water rates, I would caution you this is a long-term plan. This is a decade plan. You may not have all of your capital needs programed in your CIP.


Councilmember Gahm asked if we had increased water rates lately. Mayor Dillan stated not too long ago and City Manager Pfaff stated we did not do anything last year. We had small increases along the way. Mayor Dillan stated but we didn't have any large projects. We could not have a rate increase but them we would take on debt and would have to pay either way. City Manager Pfaff stated we've got the Milaca Junction coming up, the potential for any street projects with water and sewer. Mayor Dillan asked if some of this money could be used for the Hwy 23 project? City Manager Pfaff stated when we do the PFA that that would be for water tower rehabilitation project. Mayor Dillan clarified that he meant the monies indicated in the blue line (Page 10) to be used for Hwy 23 project. City Manager Pfaff you could for the portion of the water and sewer. There might also be some lead lines that need to be replaced. We have 131 lines that have been identified as galvanized or unknown. There is a grant to replace those so there would be no cost the residents. That grant could get phased out with legislative funding. Each year we do sanitary sewer lining and that's over \$100,000 each year and we're going to need to replace generators, life stations, all the operating things that come into play for water/sewer operations. Mayor Dillan stated in summary we need to have that early bump so we can take care of the water tower without taking on additional debt and then you have some operating money to take care of other things that could go wrong? Ms. Omdal stated that was correct but that it was the council's decision.

Mayor Dillan stated that all we were doing tonight was accepting the rate study. City Manager Pfaff stated that any rate increases would be on the December agenda.

Mayor Dillan called for a motion to approve the rate study. Motion by Muller, seconded by Larsen. No further discussion. All in favor of Resolution # Resolution #24-40 Accepting Water/Sewer Rate Study. Motion passes.

Adjourn:

Mayor Dillan called for a motion to adjourn. Motion made by Johnson, seconded by Larsen to adjourn. No further discussion. All in favor, motion to adjourn passes. Meeting adjourned at 7:30 p.m.



Mayor Dave Dillan

Attest:



Tammy Pfaff, City Manager