

**CITY OF MILACA  
COUNCIL MINUTES**

February 16, 2023

**Call to Order Roll Call**

Mayor Dillan called the meeting of the Milaca City Council to order at 6:30 p.m.

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

**Staff Present:** City Manager Tammy Pfaff, Police Chief Quinn Rasmussen, Administrative Communications Specialist Mary Mickelson, Public Works Superintendent Gary Kirkeby, Assistant Public Works Superintendent Warne Johnson, Assistant City Clerk Deloris Katke, City Attorney Damien Toven and Fire Chief Jesse Gerads.

**Others Present:** Dan Hollenkamp, Chloe Smith, Shannon Sweeney of David Drown Associates, Chris Carlson of Borgholm Township, Joel Minks

**Approval of the Agenda**

Mayor Dillan called for a motion to approve the agenda. Johnson made a motion for approval, seconded by Muller. No further discussion. All in favor; motion carried.

**Approval of Consent Agenda**

Mayor Dillan stated there were a couple of additions to the agenda: Add Resolution #23-06 City Treasurer Signatories & Authorization on Bank Accounts, Parks request and New Business Stauber Community Funding for FY24. With no further additions, Mayor Dillan called for a motion to approve the additions to the Agenda. Larsen made a motion for approval of additions, seconded by Johnson. No further discussion. All in favor; motion carried.

Mayor Dillan called for a motion to approve the Consent Agenda of the following items:

- a. Approval of the Minutes – January 18, 2023
- b. Approval of Bills
- c. **Resolution #23-03 Resolution Accepting Donations**

Mayor Dillan called for a motion to approve the Consent Agenda. Larsen made a motion for approval of Consent Agenda, seconded by Muller. No further discussion. All in favor; motion carried.

**Citizen Open Forum**

Mayor Dillan asked if anybody present wanted to address anything not on the agenda. Chris Carlson, Vice Chair of Borgholm Township spoke. He stated that the township got word that the Stauber grant has been approved and he just requested that the township be kept informed on the progress of the project. He asked that if the entities had to pay for the engineering costs that someone should advise the township so they can address this at their annual meeting.

**Public Hearing – Public Hearing on Establishing Tax Increment Financing District No. 2-10** opened at 6:33 p.m. Shannon Sweeney from David Drown Associates spoke. He stated the city contacted David Drown a couple months ago to establish this TIF District for the purpose of potentially assisting in a housing project. Rum River Living, LLC, the developer, represented by Shawn Williams, expressed an interest in constructing a new 8 unit multi-family housing building. Shannon explained what the TIF would do for this project. Basically, it would be a reimbursement of new property taxes that would be paid as a result of the new construction that occurs. Shannon explained some parameters that per state statute would need to be made. It establishes a budget that we could potentially collect within this district which is \$359,859 if it ran its full duration. It provides boundaries which includes the parcel that the project will be built on. Income restrictions will be implemented for 20% of the units that need to be at 50% median area income. Which, for this construction, that would be 2 out of the 8 units would have to

be made available for median area income. Which would be for 1 person income would be \$29,200; for 2 people it would be \$33,350; for 3 people it would be \$37,500 and so on. The developers are required to make 2 units available for these income restrictions. Shannon further stated notification was sent to the county and the school district in regard to this TIF.

Shannon continued to say that the developer has requested 10 years of assistance which equates to \$128,000 in new property tax reimbursement over that 10-year period. This reflects 90% of the revenue as 10% is kept by the city for administrative costs as there is annual reporting to the state that needs to be done and costs to implement the TIF can be reimbursed by the city as well. Final reimbursement would occur in 2034. If project is built this year, the first tax reimbursement won't be received until 2025.

Developer must meet the income limits as stated before and that is for the duration of the subsidy received which is the 10 years.

Mayor Dillan asked the language "is made available", does that mean required? Shannon stated basically it does. They do not have to set a specific rent, just the income limits must be met for the 2 units. Can be any 2 units – does not have to be specific units for this income limit. Developer must submit a certification to the city annually to document that they are meeting that requirement.

Shannon stated that this is essentially a risk-free subsidy from the perspective that the developer has to build the project, pay the property taxes, the city has to receive those from the county in the form of tax increment before reimbursement is made. If there is any break in that string, the city is not reimbursing the developer any money. So if taxes are not paid, if state law changes and tax increments are not made available, you are only pledging to reimburse what you are authorized to collect under statute.

Mayor Dillan asked if there were any other questions or comments. With none being heard, Public Hearing closed at 6:40 p.m. Mayor Dillan called for a motion to approve **Resolution #23-04 Adopting the TIF Plan**. Motion to approve Resolution #23-04 made by Muller, seconded by Johnson. All in favor; motion passed.

Mayor Dillan called for a motion to execute the Development Agreement. Motion made by Muller to approve, seconded by Johnson. All in favor; motion passed.

**Requests and Communications** - Nothing

### **Ordinances and Resolutions**

**Ordinance #510 Annexation of Land Located in Milaca Township-Second Reading.** Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Larsen. No further discussion. All in favor; motion passed.

**Resolution #23-05 Appointing a Council Member to Fill Vacancy.** City Manager Pfaff stated only one application was received. Mayor Dillan called for a motion to approve Resolution 23-05 appointing Laurie Gahm to fill the vacancy. Motion made by Muller, seconded by Larsen. No further discussion. All in favor; motion passed.

**Resolution #23-06 City Treasurer Signatories and Authorization on Bank Accounts.** Mayor Dillan called for a motion for approval. Motion made by Johnson, seconded by Muller. Muller asked when she starts and City Manager Pfaff stated she started on the 13<sup>th</sup>. No further discussion. All in favor; motion passed.

### **Reports of Departments, Boards and Commissions**

*City Manager* – City Manager Pfaff asked that Mayor Dillan update everyone in regard to a meeting with MN DOT regarding the Hwy 23 project. Mayor Dillan stated they met on February 6 and discussed the Hwy 23 project going from the bridge to out by County Road 2. Mayor Dillan stated MN DOT is pretty convinced that a round-about on Central Avenue will be safer than the lights. It would be a smaller one so trailers can go right over them. That is our biggest concern. The other concern is by the school and the Dollar General store. The problem is the median runs all the way back to the south access out of the parking lot of the school where all the kids leave and would require a right-hand turn, somewhere down the road take a left-hand turn to get back. Superintendent Wedin had MN DOT at the school and they stood on the roof of the school at 3 pm so they could observe the traffic flow. They will meet again for possible solutions for that intersection. There would be paved walking access from the school all the way out to the bypass area, which we don't have right now. Date is still 2026, preliminary stuff like tree removal, surveying, things like that would happen first. Spring of 2026 things will start happening.

Council member Johnson asked if there would be any land acquisition that may happen but Mayor Dillan stated that it did not sound like it that most of this is road right of way. Hwy 23 will be 34 feet wide and with the walkways it would be 62 feet.

*Police* – Chief Rasmussen commented that the department has hired back Mike Barros and he will be starting full time March 1. They will be staffed full time now.

*Parks* – Public Works Superintendent Kirkeby stated the parks commission had a couple of requests. Gary stated he was going to purchase a mini excavator from the sewer CIP plan and last November he got a quote for the 2023 CIP but as of January 1, the price went up \$11,000.00. The thought was the trails are pretty excited to be able to make use of this mini excavator as they have had to rent one in the past. The parks commission is recommending taking \$11,000 from the Charitable Gambling fund to make the purchase of this excavator. Mayor Dillan called for a motion to approve \$11,000.00 transfer from the Charitable Gambling for a mini excavator. Johnson made the motion to approve, seconded by Larsen. Mayor Dillan stated that this does still fit in the plan that was laid out for that money and where we wanted it to go. Gary stated that this price is from the state contract prices but the price still went up but is still cheaper than renting one. Fire Chief Gerads questioned if this excavator would be used by volunteers or if just public works. Gary stated just public works for now. And he has contacted the League of MN Cities in regard to liability and has a form that the trails members sign. No further discussion. All in favor; motion passed.

Gary then stated that the parks commission has a request to expand the skate park. They suggested transferring \$30,000 from the Charitable Gambling fund and using \$10,000 from the park CIP funds for skatepark improvements. Gary submitted 2 grants for this but if the grants don't get approved, he still feels this could get done with these funds and double the square footage. Gary has been in contact with Joe Bell, Steve Cooper and with 3<sup>rd</sup> Lair being here last year, they all want to make use of the skatepark more. The design in the packet is from kids that use the park, some contractors and city staff to see what we can do with the monies. Councilmember Muller commented that the 8<sup>th</sup> grade students had sent letters to the council members and one of the students asked about a swing set in Rec Park. Gary stated there are none in Rec Park but they would look into that. Mayor Dillan stated that the request for \$30,000 could be less if we got a grant and Gary stated that it could be. Mayor Dillan called for a motion to approve the transfer of \$30,000 from the Charitable Gambling Fund for the expansion of the skate park. Muller made a motion for approval, seconded by Johnson. No further discussion. All in favor; motion passed.

Gary then spoke on the seal coating quotes. He sent requests out to 4 contractors and got 2 quotes back. A lot of this sealcoating is in the northwest, Boulder Ridge, and parts of Hidden Pines that did not get paved previously. Allied was \$1.72 a square yard and Pearson Brothers was \$1.77 a square yard. There will be crack sealing to go along with this. Allied did it last time but Pearson Brothers has done some in

the past as well. Gary suggested going with Allied just for the cost savings. Gary further stated that 3<sup>rd</sup> Ave NW will more than likely be re-done in 2024 so no sense putting the money into that now. Mayor Dillan called for a motion for sealcoating for Allied. Motion made by Larsen, seconded by Muller. No further discussion. All in favor; motion passed.

Gary stated he got two quotes for paving 4 blocks of alleys this year. Omann Brothers came in at \$57,707.40 and Rum River Contracting came in at \$91,067.40. Omann did the paving last year and Gary recommended them. Gary explained how these alleys were picked. Last year the alleys that were done had manholes in them for easier access to them in the winter because if they are not paved, they have to be under gravel otherwise when grading, you rip them out. Having this access is easier should we need to jet sewers in the winter. Once these 4 alleys are done, all alleys with manholes will be paved.

Mayor Dillan called for a motion to approve the quote from Omann Brothers in the amount of \$57,707.40 for alley paving. Motion made by Johnson, seconded by Muller. No further discussion. All in favor; motion passed.

Mayor Dillan called for a motion to approve the final 2021 Street Improvement Contractors Pay Request No. 5 in the amount of \$101,827.99. Motion made by Larsen, seconded by Muller. No further discussion. All in favor; motion passed.

*Liquor Store* – Nothing

*Fire Department* – Fire Chief Jesse Gerads stated they have received two quotes for the Fire Department's Polaris Ranger side by side. Power Lodge quote came in at \$25,077.46 and Duluth Lawn & Sport came in at \$23,871.44. Mayor Dillan called for a motion to approve the quote from Duluth Lawn & Sport in the amount of \$23,871.44. Motion made by Larsen, seconded by Johnson. Johnson asked where the funding was coming from. Gerads stated they have received about \$50,000 in donations and grants. City Manager Pfaff asked if the fire department was holding some monies yet as she had calculated approximately \$42,000 in donations and grants. Fire Chief Gerads said he would look into that. No further discussion. All in favor; motion passed.

Fire Chief Gerads stated they have received two quotes on sets of tracks for the Polaris Ranger side by side. Mattracks came in at \$15,651.00, which is directly from the factory and Need-A-Shed came in at \$16,880.00. Mayor Dillan called for a motion to approve the quote from Mattracks in the amount of \$15,651.00. Motion made by Larsen, seconded by Muller. No further discussion. All in favor; motion passed.

Fire Chief Gerads stated next month they would have quotes for the skid unit and the trailer. The Ranger and tracks would be ordered as it takes 12-14 weeks to get. Then we will have the quotes for the trailer and skid units and the lighting. Then hopefully we will have everything up and running by grass rig season. After that we will need to sell the snowmobile. He asked if the parks or trails would buy the snowmobile. City Manager Pfaff stated they city would not buy the snowmobile it would simply be a change from one department to another. Fire Chief questioned the value of the snowmobile and how it would get reimbursed back to the fire department CIP. City Manager Pfaff explained that an asset like this would just change to a department, the value would not change because it ends up being depreciated out. Further discussion ensued and it was decided that the fire department would just sell it. They would sell the Ranger as well and the trailers. This would be done later this year in a sealed bid process.

*Planning and Zoning* – Nothing

*Airport* – Nothing

**Committees**

Budget –

EDC – Still looking at the childcare information. Superintendent Wedin is on that task force. Talked about all the housing projects. They will meet again in a few weeks.

**New Business**

Stauber Community Funding FY24 – City Manager Pfaff stated she had received an email from Stauber's office asking for new funding for the fiscal year 2024. Phil put together a couple of projects. One would be the industrial 14 acres to get water and sewer to that land and/or land acquisition for an easement. The other project would be the downtown area for street and utility revitalization. Replace the old concrete street and sidewalk on 2<sup>nd</sup> Ave SW between 1<sup>st</sup> St and 2<sup>nd</sup> St. Would also include installing a new water main and new water services from 2<sup>nd</sup> Ave into the downtown buildings. It would also replace old water mains in the alleys and replace them with a new main on 2<sup>nd</sup> Ave. Total estimated cost is \$950,000. The estimated cost for the industrial park area is \$1,210,000. Council would just need to decide. Some discussion ensued. Johnson stated that he feels the downtown would be a more immediate need. Access to the industrial would be on down the road. Mayor Dillan stated that there may be future funding available for that that may come up every year that we could pursue. Muller stated he wished there was more parking downtown. Mayor Dillan stated that we are just applying. Chances of us getting it aren't that great. Johnson stated that if we had a buyer that came in and revenue coming in from the sale of that land, then that would pay for the access to the land. Mayor Dillan then asked if they were in agreement to pursue the downtown project and everyone agreed.

City Manager Pfaff then updated the council on the Stauber FY2023 project. She had just received an email stating that in a couple weeks we should receive the grant documents and all the documents we need to fill out. Our plan is pull in both townships, city and Gary and engineers so we can all look at the project and make sure we have everything we need. Those documents are going to go through HUD. The project is a 1.5 million project and the grant is for the 1.5 million. We are hoping the project won't go over that. Mayor Dillan asked Chris Carlson from Borgholm Township if this answered his questions. He stated he has applied for many grants for this project and he is very thankful that the city was awarded this.

**Council Comments**

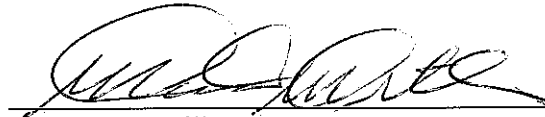
Councilmember Muller commented that he feels the Public Works crew has done a great job for plowing with all the extra snow we got.

Councilmember Johnson stated he is glad we have a city treasurer. Commented on Tammy's extra work she has had to do these past months

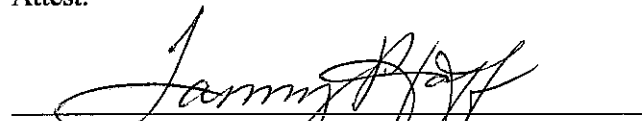
Mayor Dillan commented about the letters the 8<sup>th</sup> graders had sent. He mentioned that some of the comments were an outdoor pool, field house, fast food like Kentucky Fried Chicken – 3 mentioned that – and only 1 mentioned McDonalds. Trap shooting range but obviously not in the city. And the kids felt the ball fields should be used differently, and would like to expand the skatepark.

**Adjourn:**

Mayor Dillan called for a motion to adjourn. Motion made by Johnson to adjourn, seconded by Muller. No further discussion. All in favor. Motion passed. Meeting adjourned at 7:15 p.m.

  
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Mayor Dave Dillan

Attest:

  
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City Manager Tammy Pfaff