

**CITY OF PARK RAPIDS
CITY COUNCIL WORKSESSION
DECEMBER 10, 2019, 5:00 PM
Park Rapids City Hall Council Chambers
Park Rapids, Minnesota**

1. CALL TO ORDER: Mayor Ryan Leckner called the Park Rapids City Council Workshop for December 10th, 2019, to order at 5:00 p.m.

2. ROLL CALL: Present: Mayor Ryan Leckner, Councilmembers Tom Conway, Erika Randall, Liz Stone, and Robert Wills. Absent: None. Staff Present: Administrator Ryan Mathisrud, Planner Andrew Mack, Liquor Store Manager Scott Olson, Public Facilities Superintendent Chris Fieldsend, Treasurer Angela Brumbaugh, Public Works Superintendent Scott Burlingame, and Clerk Margie Vik. Others Present: Sue Tomte and Robin Fish from the Enterprise.

3. DISCUSSION:

A. 2020 Enterprise Fund Budgets: City Treasurer Angela Brumbaugh stated the enterprise funds include water, sewer, liquor, and storm water. We'll also discuss the internal service fund and the airport. These budgets are different than the general fund. In the general fund the majority of the revenue comes from property taxes, the levy. The enterprise funds are no different than anyone who has a business. We have revenue that supports the expenditures on them. The department heads are here so they can explain the expenditures and what they are asking for. None of this that we will discuss will be part of the tax levy.

Brumbaugh stated the salaries in all of the budgets have been increased 2.5%, just like the general fund, and the health insurance benefit has been increased by \$25.00 and \$50.00, and the insurance has been increased by 2% and 3%.

Brumbaugh stated in the airport fund, for maintenance and repairs of equipment, there is a decrease based on past history. We decreased the equipment side, but increased the building side so it was a wash. Randall questioned on line 18 how did we come up with \$1,500.00 for more repairs to the airport buildings? That's a significant increase. Brumbaugh stated we looked at the previous history to come up with that number. Fieldsend stated the t-hangers will need replacement of lighting, weather stripping to doors, just any repairs. Randall stated what's different going into 2020 than the last four years? Is there a plan to do something above and beyond what we have been doing? Fieldsend stated we believe there is going to be more updating like switching to LED lighting and some things at the AD building.

Leckner questioned do we maintain those new buildings out there? Fieldsend stated we do not maintain those. Randall stated I'm confused. We believe there are going to be some updating, is that in a plan? This last-minute stuff is frustrating to me. What is the plan? Are you replacing lighting? Fieldsend stated yes. Randall stated so adding LED lighting has not been done before and therefore there's an increase in the cost. Fieldsend stated yes, there will be new lighting for the t-hangers and the arrival building.

Brumbaugh stated we have not been budgeting anything in the maintenance and repairs to vehicles in this line item. Most of our equipment is broken out with items that are considered airport and items that are in different departments. When people work in different departments those expenses are shared. When we repaired the public works supervisor's pickup, we shared that cost with different departments, water, sewer, general fund, and the airport. So, we budgeted for maintenance expenses that could come into play.

Brumbaugh stated fuel has increased based on usage. Last year we budgeted \$6,000.00, but the actual was \$7,882.94. We increased that line item to \$8,600.00. We did lower electric due to actual usage. There is a decrease in the architectural fees. We had budgeted for a project in 2019 which we didn't do. We are including \$10,000.00 to start the design of the terminal area and taxiway. You will also see revenues that will offset that from federal and state grants. Mathisrud stated that project will be pushed off until 2021, but the design will be done in 2020.

Randall questioned on line 32 property insurance, it says LMC says less favorable than recent prior years 2-4% increase, budgeted 3%. Yet, you're showing a decrease. Brumbaugh stated the insurance is done the same way we do the general fund. We base our increase off of the actual cost of insurance because we got that from LMC. It's not based off of our budgeted amount. We budget based off of the prior year. Randall stated so we budgeted \$54,831.00, but the actual amount is \$53,233.92. Brumbaugh stated yes and the 3% is based off of the \$53,233.92.

Brumbaugh stated on there is \$20,000.00 for capital outlay for the airport for door locks for the t-hangers. This has been discussed in the past. If we don't expend this money it will just stay in the fund. Randall stated I don't remember discussing this at the Airport Commission meeting. Fieldsend stated I don't know if it was ever taken to the commission, but they were discussed internally when we increased the t-hanger rent. It was a security issue. Someone has a master key out there so they can get into anyone's hanger. These are the type of locks that can be changed out quickly. The increase of the t-hanger rent is going to pay for those.

Brumbaugh stated the salaries for the water and sewer fund are lower than normal because we did have a retirement out of the enterprise funds. We did not get that position replaced right away, so it's coming in a lot lower than normal. The health insurance is based on the same things as the general fund. There aren't a lot of changes in these enterprise funds. The other professional line item is going up to \$2,500.00. It's a placeholder for looking at how often we bill for water/sewer and possibly adding online billing. I don't know how much it would be. I included it as reminder as something that we could possibly do. There's \$5,000.00 for GIS, which is split with the sewer department, and \$5,000.00 for a valve machine.

Scott Burlingame stated the valve machine opens and closes the water valves. We have several thousand of those out there and they are hard to turn. If you have a machine one-man can open and close the valves instead of it being a two-person job. Mathisrud stated it will help maintain the thousand plus valves that we have in the city.

Conway questioned the \$1,500.00 in the budget for paying online, you don't know how much that will cost but we're going to put it in the budget? Brumbaugh stated we can take it out if you want. I know there is going to be a fee for it. Conway stated I'm not worried about the \$1,500.00. My thought goes to if we are planning on doing it, we would normally have an estimate for it. We get the estimate first and budget for it. Brumbaugh stated we've talked about it. There are different ways of doing it. I haven't done any

research on it at this point. Leckner stated there are a lot of variables. I don't know how quickly it would happen if we changed to monthly billings and/or online billings. It's all going to create additional expenses. Do you think that would happen this year?

Brumbaugh stated I don't know that it's a long process to change over your billing. There are a few different companies to research. Some of them, you can have them pay the extra cost when it's online, or we can pay the cost of paying online. There are different options.

Randall stated if this is the number, we put in there, just like the locks on the t-hangers and the lighting issues, we've added money to the budget. To me that means we're going to get those things done this year. That we are going to utilize that money to actually make those improvements. If we are putting this in there, I want to know it's something that's going to be done. My concern is what if \$1,500.00 isn't enough because we haven't gotten any estimate. Now we're going over budget, when it would have taken a little bit of research to get an accurate number in there.

Conway stated I don't remember any conversations entertaining this as something that we wanted to do. Brumbaugh stated we haven't talked about this. Stone stated I would like to see us, if this is what we are going to do, it's going to be an adjustment for everyone. Why not just explore it this year with the intention of putting it in place in January 1st. Conway stated I would agree with that. Brumbaugh questioned putting it in place in 2021? Randall stated then we'll know how much it's going to cost. Stone stated then we can notify the public. Conway questioned is there a reason that we want to do it? Leckner stated right now they pay quarterly, but we thought about having them pay monthly. Mathisrud stated we've been talking about a rate study to see if we have to adjust our rates. Once we do that study and we understand where we're at and where we should be, we may want to look at changing our policy and going to a monthly billing. We would also do some things to hopefully distribute water more efficiently. If we do that it may make sense to look at the whole program. Leckner stated it was mentioned that monthly billings would identify water leaks quicker, especially in the wintertime. Conway stated this sounds like it's a larger project than something that you just stick in the budget as a placeholder. It sounds like it's going to take some research and time. You're going to have to bring it to Council to ask if we really want to do this. At that point we can look at the cost and figure out if we want to make an adjustment. I don't think we just pick a random number and put it in the budget. Randall stated I agree. I think that it should be removed. I'd like to see it on Mathisrud's to do list of things to explore this year. I do think it's important. I would like to pay my bill online. I'm that person who is always forgetting to drop off my water bill. Leckner stated we all agree to remove that from the budget. Brumbaugh stated I'll take it off. At this point we didn't use anything from that line item in 2019.

Brumbaugh stated permits and licenses for the water department is \$3,600.00. There's a permit that I have to move over. We can lower that to \$2,100.00. The wellhead line item has been decreased because there hasn't been anything expended out of that. We did phase one and two. There are ongoing expenses that come from it, yet there wasn't anything this last year. It just depends if anything comes up. Leckner questioned we had that pump go out. Are we thinking anything this year of getting a secondary well? Brumbaugh stated that's in your capital outlay. Mathisrud stated we have \$150,000.00 to drill a secondary well for a backup in the clean aquifer. Then we're not dependent on a single well.

Brumbaugh stated the principal and interest payments on the water tower are based on the amortization schedules. As the loan progresses, we start paying more on the principal side and less on the interest side.

Brumbaugh stated the sewer fund goes along with the water fund. The rates are different. We'll be talking about those rates too. Sewer is based off of how much water that is used. It's not on a tiered system like the water rates. If you use a thousand gallons of water, you're paying for a thousand gallons on the sewer side, excluding irrigation. With an irrigation meter you don't have to pay for sewer. Salaries are the same as the other departments. \$1,000.00 was added to maintenance and repairs of buildings. Fieldsend stated the lift buildings are going to need repairs. Brumbaugh stated for the depreciation expense, the treatment facility at RDO is considered the city's because the loan came through us. It is now fully depreciated, so it has been removed. Electric utilities were raised \$1,800.00 based on usage. Communication and radios were changed to \$2,000.00 based on last year's numbers. We have to pay when anyone uses their debt card to pay their utility bills. Credit cards fees line item was increased to \$1,000.00. I will take the \$2,500.00 out, for other professional, because it's the same item that was removed from the water fund. Line item 186, minor equipment, should be \$7,500.00, now it's \$5,000.00, which I've already changed. In capital outlay-vehicles, the \$30,000.00 was also taken out. In capital outlay-general, the main lift station was done last year, and now we have listed a heated storage building.

Brumbaugh stated liquor store wages and worker's compensation has the same increases as the other departments, 3% based on actual. We did increase the amount of money that we are putting in the maintenance and repair of the building. As time goes on, the building starts to need work done to it. There is an increase of \$1,600.00 for janitorial for Warnick's, who does the floors every year. That expense was in repairs and maintenance in the past.

Scott Olson stated merchandise for resale is basically the product that we sell. There are increased costs, but revenue will offset that. Randall stated through November 2019 you have \$2,008,57.61. Do you anticipate \$400,000.00 of sales in the month of December? I'm curious why we're going to \$2,400,00.00 for next year. Olson stated that's the cost we projected off of revenue for 2020. Leckner stated plus some of those expenses haven't come through. Olson stated because of the tariffs that have gone into effect, we're seeing some price increases. We've changed the shelf prices in cases like that. That number is needed to replenish stock.

Brumbaugh stated the state auditor puts out a report every year that shows all of the state's municipal liquor stores. Park Rapids is in the top thirty out of 190 municipal liquor stores. That's pretty darn good. Line 260 should not say \$16,000.00, it's actually a decrease of \$4,000.00. The \$10,000.00 is in there for replacing some gondola shelving. Randall stated in the same category last year there was \$14,000.00 budgeted and we only spent about \$5,000.00. Was there a project that we anticipated doing that didn't get done? Olson stated part of that went into replacing our three cash registers. Gondola shelving was put in there, but since we were talking about building, we put it off. We do need some more space for product on shelves so we plan to go ahead with that in 2020.

Brumbaugh stated the storm water utility is one of the smallest funds that we have. This fund is billed on our water/sewer billing. The fee for commercial is based off of a formula, and the residential fee is \$2.00 per month. Burlingame stated we budgeted \$30,000.00 for maintenance and repairs. The number came from Jon Olson to excavate the storm basin in the Timbers Addition to make it larger and deeper to handle more storm

water. It's a potential project for 2020. Leckner stated that would help with a lot of the worries over there. Burlingame stated it would give the pond a whole lot more capacity than it currently has. There's no outlet to that pond. Mathisrud stated we're hoping to resolve the storm water issues out in that area. Brumbaugh stated \$5,000.00 is included for engineering expense for the GIS System development. That project was split between all of the enterprise funds, water, sewer, and storm sewer.

Brumbaugh stated there's \$12,000.00 in capital outlay for a new hot water steamer trailer that can be mounted for mobilization. Burlingame stated the one that we have is worn out. There's no point putting any money into that machine. Fieldsend stated we bought that one used from Detroit Lakes about twenty years ago. It's probably forty years old. Burlingame stated we use the machine a lot, not only for steaming storm drains but for opening up the t-hanger doors at the airport. Mathisrud stated the plan is the current steamer is mounted on a pickup truck. This one will be on a trailer mount. We'll get rid of the old pickup. Then we'll have one less vehicle to maintain.

Brumbaugh stated there are transfers out of the storm water fund into a few of the bond funds. That helps to reduce the city's tax levy.

Conway stated in 2019 we budgeted \$40,000.00 in the capital outlay and spent \$300.00. What did we budget \$40,000.00 for? Burlingame stated that is for the city's portion of the Highway 71 Project for the storm sewer costs. Brumbaugh stated that will get taken out with a journal entry into a bond fund for that project.

Brumbaugh stated the public works/safety building is also called the internal service fund. This fund is set up for all the different funds that use that particular building. They pay into the fund and the money sits in the fund in case there are any repairs or maintenance needed on that building. It was also used to pay off the building's mortgage. Because the building is sitting on airport land, the airport gets revenue off of it. We lowered the electric based on past usage. The major change is for the access control door locks. The \$60,000.00 is based on the last quote that the city received. Randall questioned does this cover all of the buildings? Fieldsend stated this figure is just for this public works building. Brumbaugh stated this building had the largest portion of the project.

Brumbaugh stated in the airport revenue fund we have budgeted \$9,000.00 for the design of the terminal area taxiway project, which is the city's share, or 10% of the total budget costs, after receipt of a federal grant. \$500.00 is the city's share after receipt of a state grant. We get Maintenance and Operations money from the state in the amount of \$71,523.00. I've never seen them raise it this much. It's been around \$50,000.00 for many years. It's based on the expenses that we have in the airport fund. We submit our expenses into the state and they reimburse us. If we do not expend the money for the capital expense of \$20,000.00, we would come out with a net income of about \$3,297.00. If we do the capital project, we would have a net loss of about \$16,703.00. If we go in the hole in the airport fund the difference comes from the liquor store.

Brumbaugh stated for the water fund we have both Verizon and Sprint renting tower space so we'll receive \$36,780.00 for that. I lowered charges/fees for service based on a four-year average. Most of these figures are based on that four-year average. I increased merchandise sales. We've been averaging much more than the previous number of \$7,500.00. We went to a tiered system for our water rates when we constructed the water plant in order to be eligible for an army corps of engineers grant. They make water conservation a high priority.

Brumbaugh stated in the sewer fund under special assessments, when people do not pay their utility bills, they get certified to their property taxes. When that money comes

in from the county it goes back into the water/sewer funds. The sewer portion is based off of water usage. We also have the irrigation on the water side of it.

Scott Olson stated revenues for 2020 have been increased by 1.5% over 2019 numbers. 2019 was based on a 3% increase. Revenues aren't changing a whole lot.

Brumbaugh stated storm sewer revenues don't change because it's based on a set amount.

Brumbaugh stated I've made your changes to the main spread sheet as far as what we have discussed. She requested comments or questions. There were none. Randall thanked Brumbaugh for her work on this.

3. ADJOURNMENT: A motion was made by Conway, seconded by Wills, and unanimously carried to adjourn the meeting at 5:56 p.m.

[seal]

Mayor Ryan Leckner

ATTEST:

Margie M. Vik
City Clerk