

**CITY OF PARK RAPIDS  
CITY COUNCIL MEETING  
MARCH 27, 2012, 7:00 PM  
Park Rapids Public Library-Lower Level  
Park Rapids, Minnesota**

**1. CALL TO ORDER:** The March 27<sup>th</sup>, 2012 Regular Meeting of the Park Rapids City Council was called to order at 7:05 p.m. by Mayor Nancy Carroll, and everyone present recited the Pledge of Allegiance.

**2. ROLL CALL:** Present: Mayor Nancy Carroll, Councilmembers Dave Konshok, Patrick Mikesh, Sue Tomte, and Paul Utke. Absent: None. Staff Present: Planner Dan Walker, Treasurer Angela Brumbaugh, Police Chief Terry Eilers, Public Works Superintendent Scott Burlingame, Public Works Employee Fran Hauber, and Clerk Margie Vik. Others Present: Ulteig Engineers Jon Olson and Bala Vairavan, Rod Nordberg, Cynthia Jones, Dave Bergeron, Ron Jensen, Uzi Monka, Katie Magozzi, Dick Rutherford, Luke Stuewe, Dori Mueske, and Anna Erickson from the Enterprise.

**3. APPROVAL OF AGENDA:** Carroll stated Council has been presented with an updated resolution for Item #9.1.B. **A motion was made by Utke, seconded by Tomte, and unanimously carried to approve the agenda as presented.**

**4. RECOGNITION OF EMPLOYEES:**

**4.1. Dion Pederson and Francis Hauber:** Carroll stated the city is honoring two of its employees for their length of service, Fran Hauber for five years of employment, and Dion Pederson for ten years of employment. Carroll presented Hauber with his certificate to a round of applause.

**5. APPROVAL OF MINUTES:**

**5.1. City Council Workshop Minutes-March 13, 2012:** A motion was made by Utke, seconded by Konshok, and unanimously carried to approve the March 13<sup>th</sup>, 2012 City Council Workshop minutes as presented.

**5.2. City Council Regular Meeting Minutes-March 13, 2012:** A motion was made by Mikesh, seconded by Utke, and unanimously carried to approve the March 13<sup>th</sup>, 2012 City Council Regular Meeting minutes as presented.

**6. FINANCE:**

**6.1. Payables & Prepaids:** A motion was made by Konshok, seconded by Mikesh, and unanimously carried to approve the payables in the amount of \$28,532.41, and the prepaids in the amount of \$83,966.89, for a total of \$112,499.30.

**7. CONSENT AGENDA:** Utke removed Item #7.3., and Mikesh removed Item #7.9. A motion was made by Tomte, seconded by Mikesh, and unanimously carried to approve the following consent agenda items:

- 7.1. **Approve Backhoe Operator's License to Work in the City of Park Rapids in 2012 for Cooperative Development LLC.**
- 7.2. **Resolution #2012-60 Approving Ordinance No. 536 Amending the Park Rapids City Code of Ordinances, Chapter 151 Zoning, Section 151.151 Screening and/or Fencing.**
- 7.3. *Removed from the consent agenda.*
- 7.4. **Resolution #2012-61 Approve Minnesota Lawful Gambling LG220 Application for Exempt Permit for Kinship of the Park Rapids Area.**
- 7.5. **Resolution #2012-62 Authorizing Proper City Officials to Execute the Memorandum of Understanding by and between the Minnesota Department of Health and the City of Park Rapids.**
- 7.6. **Approve Plumber's Permit to Work in the City of Park Rapids in 2012 for ASAP Plumbing Inc.**
- 7.7. **Approve Change Order No.7 for the Main Avenue Reconstruction Project for an Increased Cost of \$2,688.40.**
- 7.8. **Approve Pay Request in the Amount of \$877.61 to TKDA for Architect Fees for the 2011 Airport Terminal Area Improvements.**
- 7.9. *Removed from the consent agenda.*
- 7.10. **Approve Hiring Two Part Time Temporary Public Works Employees, One for Parks Department, and one for Water/Sewer Department.**
- 7.11. **Resolution #2012-63 Authorizing Proper City Officials to Execute the State of Minnesota Amendment to Contract: 26-402/CFMS: B47248 for the City of Park Rapids.**

- 7.12. **Approve Public Facilities Use Permit for Uzi Monka d.b.a. Park Rapids Downtown Business Association to Close Second Street West , from Main Avenue to Park Avenue, for “Music on Main” on Thursdays, 6-21, 6-28, 7-05, 7-12, 7-19, 7-26, 8-02, 8-09, 8-16, all in 2012, from 5:00 p.m. to 9:00 p.m.**
- 7.13. **Resolution #2012-64 Approve a Temporary On Sale Liquor License for the Park Rapids Chamber of Commerce in the City of Park Rapids.**
- 7.14. **Approve Public Facilities Use Permit for Uzi Monka d.b.a. Park Rapids Downtown Business Association to Close Second Street West, from Main Avenue to Park Avenue, for “Bite of Park Rapids” on Friday, July 27<sup>th</sup>, 2012, from 9:00 a.m. to 9:00 p.m.**
- 7.15. **Approve a Multi-Vendor Transient Merchant License for Uzi Monka d.b.a. Park Rapids Downtown Business Association to Close Second Street West, from Main Avenue to Park Avenue for “Bite of Park Rapids” on Friday, July 27<sup>th</sup>, 2012, from 9:00 a.m. to 9:00 p.m.**
- 7.16. **Resolution #2012-65 Approve a Temporary On Sale 3.2 Beer License for the Park Rapids Chamber of Commerce in the City of Park Rapids.**

**END OF CONSENT AGENDA**

**7.3. Ordinance Amending the Park Rapids City Code of Ordinances, Chapter 151 Zoning, Section 151.151 Screening and/or Fencing:** Utke stated the Council approved this ordinance with the word “perimeter” added to G. With that change we can approve it. **A motion was made by Utke, seconded by Tomte, and unanimously carried to approve Ordinance No. 536 Amending the Park Rapids City Code of Ordinances, Chapter 151 Zoning, Section 151.151 Screening and/or Fencing.**

**7.9. Approve Pay Request in the Amount of \$12,266.37 to Ulteig Engineers for Professional Services on Various Projects in the City:** Mikesh stated we can’t see what the charges are for on the invoice. He questioned if there was a breakdown the Council could get. Jon Olson stated Bill Smith brought to my attention last week that we needed more clarification on the invoices. We have a meeting with the Finance Committee next week for that. Anything that we can do, we will. Mikesh stated I keep seeing charges for Main Avenue. I thought we were done with that. Olson stated we’ll get greater detail on those invoices for you. **A motion was made by Mikesh, seconded by Utke, and unanimously carried to Approve Pay Request in the Amount of \$12,266.37 to Ulteig Engineers for Professional Services on Various Projects in the City.**

**8. COMMENTS FROM CITIZENS:** Ron Jensen stated I live in the Todd Township Phase III annexation area. I talked to Bill Smith on Friday to find out when the information meeting will be held. At the November 22<sup>nd</sup>, 2011 meeting there was discussion and the mayor said there would be, and that it was a good idea and verified by Mr. Olson, that the thirty parcels owners should get together and have the plans laid out, and a lot of the things relative to this big project out there, that they would get the information before the public hearing. I talked to several of my nearest neighbors and they haven't gotten any information about it. They don't even know when the public hearing is. I wonder if that is scheduled. I think it's extremely valuable, there are thirty parcels, and it's a big, big project. I'm not here to say I'm going to be supporting or not supporting it. I'm trying to get the people who are going to be affected by it to get the information before the public hearing before it happens instead of afterwards. It would be valuable to have an informal get together. I went to city hall and I did get a copy of the engineer's report. It is well laid out and defined. I think the rest of the people should have that as well. The public hearing is not a practical time to present it to the people. Then they react and decide what their position is going to be on it.

Carroll stated I don't have any idea about the timing. Olson stated Smith did mention it, and it sounded like he did want to do something informal, prior to the hearing. We do plan to meet on the topic next week. Utke stated the end of April was a date set a long time ago. Jensen stated you were concerned about the snowbirds returning. Utke stated this informational thing needs to take place within a couple of weeks. Walker stated Smith had sent out an email telling the department heads we would be meeting next week with some of the residents. It's on the radar.

## **9. GENERAL BUSINESS:**

**9.1. Refunding Bond Sale:** Monte Eastvold stated we are looking at refunding an improvement bond issue from 2007. The call date on this issues begins December 1<sup>st</sup>, 2015. That means we're going to do a crossover refunding so we're only going to refund that portion of the bond that is beyond the call date of December 1<sup>st</sup>, 2015. The city will still make principal and interest payments on the old 2007 issue up through and including December 1<sup>st</sup>, 2012, then you'll crossover to the new bond issue with lower interest rates. That's where your savings, or debt service in debt payments starts to kick in. We have a debt service comparison between the existing debt service payment schedule of the 2007 issue, principal and interest payment combined, versus the new proposed schedule. It also shows the reduction in debt service payments on an annual basis over time, beginning in 2016 and going forward, for a total reduction in debt service payments of \$136,178.11.

Eastvold stated because this is a crossover refunding, the State of Minnesota has a 3% minimum savings test that you must meet or exceed before you can conduct the refunding. This shows the state, and there will be a report generated and sent to the state, that you have met and exceeded the 3% savings test. From the state's perspective, this is a good refunding.

Eastvold stated the interest rate starts at 2% in 2016, up to 3% in 2027, for an overall average rate of 2.55%. For the first four years of this refunding bond the actual interest rate available in the market today is below 2%, but when we try to attract investors to buy pieces of this bond issue, they will not buy anything below 2%. So we artificially increased the interest rate to 2%, and that creates a premium. We are actually going to pay the city the amount of extra interest you're going to pay at the time of closing, which is \$22,752.55 in increased interest expense for the bond issue so you'll have that money in the bank to make those increased interest expenses.

Carroll questioned so Northland Securities is going to pay us, the city? Eastvold answered correct. That will come out of our fee that we would charge the city for the refunding. In the past six months we have been doing a lot of refundings because the interest rates have been so low. We're historically at some very low rates. Almost all of the issues we've done, for the first four or five years, we've have to increase those rates because people just will not buy something below 2%. It's very, very common right now.

Eastvold stated the bond counsel fee for Kennedy and Graven is \$6,500.00. The rating agency fee is \$7,900.00. We did get this issue rated by Standard and Poores because of the size of the issue, so for \$7,900.00, as a result of that the city received an A+ rating on this particular bond issue, which is the same as your past bond issues that you rated. Had you not rated this issue, which is a possibility, your savings instead of being \$136,000.00, would have been in the range of \$90,000.00 to \$93,000.00. so you paid \$7,900.00 up front, but you drastically increased your savings as a result of that expense. So its money well spent. The total expense is \$20,675.00. Your savings of \$136,000.00 is a net savings figure, it's already taken into account these issuing expenses. Those are true savings that are past onto the city. The decrease in interest, over time, create the savings.

Eastvold stated the funds that will be realized from the refunding will not be used to pay off the bonds immediately because you have to wait until you get to the call date of 2016. Between now and the call date, the proceeds will be used to buy slugs. Those are State and Local Government Series, issued by the U.S. Treasury. They can only be purchased by cities for crossover refunding. They are a very specialized issue. Basically, you are taking your funds and you're investing them. The maturity of that fund will occur just prior to the interest payment dates on the new bond issue, and then on December 1<sup>st</sup>, 2015, the very large investment will be released and pay off the balance due on the old bond issue. Then that issue will be paid off and it will go away. So you're making an investment with the funds for the next couple of years until the old issue is paid off.

Eastvold stated the steps needed to issue the bonds include the adoption of the resolution. The resolution issues the bonds into the market place, and then with the adoption of the contract, Northland Securities buys the issue from the city at the stated interest rates. Our job is to go out and find investors who will buy parts of the bond issue, and at closing, bring back the bond proceeds to you, the bulk of which will be used for investment into slugs.

Carroll stated the new amount is \$2,980,000.00. Why does the number change from the resolution in our packet? Eastvold stated the premium that we are paying the city is going to reduce the size of the issue, therefore you will have reduced principal and less interest to pay on the new bond issue, and greater savings. Also because you're making an investment in slugs, the slug rate changes every day. They increased a little in the past few days so you're getting a better return on your dollar. Between those different changes

we were able to reduce the size of the bond issue compared to the first resolution that we presented. Carroll stated its \$5,000.00 higher. Eastvold stated there's an accrued interest amount from the date of the issue which is April 1<sup>st</sup> of this year to the closing date of April 26<sup>th</sup>. That interest expense is added to the bond issue. That accounts for the change in the size of the issue.

**A. Resolution Awarding the Sale of General Obligation Improvement Crossover Refunding Bonds, Series 2012A, in the Original Aggregate Principal Amount of \$2,975,000; Fixing Their Form and Specifications; Directing Their Execution and Delivery; Providing for Their Payment; Providing for the Escrowing and Investment of the Proceeds Thereof; and Providing for the Redemption of Bonds Refunded Thereby:** A motion was made by Tomte, seconded by Konshok, and unanimously carried to approve Resolution #2012-66 Awarding the Sale of General Obligation Improvement Crossover Refunding Bonds, Series 2012A, in the Original Aggregate Principal Amount of \$2,975,000; Fixing Their Form and Specifications; Directing Their Execution and Delivery; Providing for Their Payment; Providing for the Escrowing and Investment of the Proceeds Thereof; and Providing for the Redemption of Bonds Refunded Thereby.

**B. Crossover Refunding Escrow Agreement:** A motion was made by Utke, seconded by Mikesh, and unanimously carried to approve the Crossover Refunding Escrow Agreement, relating to \$3,945,000 City of Park Rapids, Minnesota, General Obligation Improvement Bonds, Series 2007A,

**C. Resolution Approving Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds:** Eastvold stated this item is coming from Kennedy and Graven. As of the end of November 2011, there are new regulations that have come down the pipe regarding bond issues and post-compliance issues where the city, on former issues, have never had. Kennedy and Graven have put together some documents that bring you into compliance with this issue and future bond issues in terms of notifying those buyers of your bonds of your financial condition over time for the bond issues. Carroll questioned you would provide us with that information? Eastvold stated the bulk of it will come from your city audit. Brumbaugh stated part of my role as city treasurer is to serve as the compliance officer. **A motion was made by Konshok, seconded by Mikesh, and unanimously carried to approve Resolution #2012-67 Approving Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds.**

**9.2. Discovery Circle Drainage Issues:** Jon Olson stated this is for information purposes. We've had an opportunity to look at the area in greater detail after we've done some survey work. The development is situated without much consideration to the drainage. Generally speaking, the western portion drains westerly, and the eastern portion drains southeasterly, and collects in the southeast portion of the development. Principal deficiencies in the area are lack of conveyance and designed storage. The storm water falls, collects on site, and then infiltrates. 99% of the time, that works well. We have great soils here to accommodate that. Unfortunately during spring thaw there have been reports of standing water within the development in the low areas. It is primarily nuisance

type flooding of standing water in the yards and driveways for approximately two weeks during the spring thaw. There were a few instances where they needed to sandbag driveways at the garage door openings and window wells to make sure that water never made it into their homes or garages. Those were fairly isolated incidents.

Olson stated we developed a few options for consideration. The first one assists in improving the situation in the western portion of the development. There is an existing city owned lot on the northwest portion of the development that we obtained for water and sewer extension up to Northwoods Bank. It's situated well to store water. It would accommodate and relieve the pressure on the area. It would fit in well for planning purposes to take the pressure of what is on the other side of County Road 6. That area experiences frequent overland flooding, primarily during the spring thaw. It's a very overwhelmed system and we do have a lot of complaints in this area. Putting some storage on site in the westerly portion would relieve some of that stress. With that option, it will handle that discharge. The land is available, unfortunately it does very little for those residents where the primary deficiencies are in place. The estimated cost for the piping, storm sewer, the excavation of a basin, is \$42,500.00.

Olson stated the option is available for leaving it as is. It operates, it functions well for the majority of the months of the year. There would be no increase to the project cost with that option.

Utke questioned is it storm sewers or just culverts? Olson stated it would be piping and could be classified as storm sewer. It would be in the boulevards to the extent possible and use plastic pipe, which is far cheaper than concrete, which we typically use underneath the streets. We would ditch to the extent possible, get it to the basin, have the basin store the water, it really takes pressure off the system, and then pipe it on its natural way.

Olson stated the third option is for two basins. There is vacant property on the southeast portion of Green Acres Addition. One lot is situated at an elevation that would accommodate storm water. In order to get all of the troublesome areas there would be a fair amount of pipe that would be required to capture that and conveyed to this area. The drainage direction is naturally this way, and down unto the farm fields. There is a low spot that it does naturally fall. We purpose to detain it in this area as well. For this improvement, it would require acquisition of the lot. It is privately owned. I discussed this with the owner. At this time he doesn't have any plans for the property, and therefore perhaps open to something. He owns two empty lots and does have a residence there also. This is conceptual at this point. We could look at doing a basin in the back of the two empty parcels and then keep them as buildable lots. The front of the lots are high, but it falls off very nicely towards the back, that's why we are including piping. The primary thing we had to find is a place to store the water. We're lacking storage. There's nowhere for the water to go during the time that the ground is frozen. The primary goal was to find areas where we could put ponds in. Unfortunately the front of this lot is somewhat elevated, but we can get the water there with some piping. That option has some additional piping and manholes, and land acquisition. The estimated cost for that is \$80,000.00. The combined estimated total for two basins would be \$120,000.00.

Olson stated the last option that we put together would be a full street reconstruction to an urban design, which is curb and gutter on both sides with storm sewer. This option is more expensive. It would include storm sewer all the way around with

the same basin configurations to capture the water. The cost for that is \$440,000.00, in addition to the project costs. It's a significant increase to the project costs.

Olson stated with any of these improvements, there are several properties within the development that are situated fairly low in elevation and designing for a spring thaw is challenging. There's always that possibility that things could be frozen up and flooding conditions could still arise. There's no real guarantee, especially in the spring season.

Olson stated typically storm sewer within the community is assessed at 90%, per the special assessment policy. Carroll questioned the city's 10% would come from the storm sewer utility fee? Olson answered correct.

Carroll questioned are you looking for a recommendation? Olson stated this is for informational purposes. This is the first time we've gotten the information to the Council. We can come back to the next meeting to discuss it further. Carroll questioned if the residents have had the opportunity to see it yet? Olson stated I wanted to meet with the Council before we start bringing it to everyone. I can meet with the residents just by going around the neighborhood. Terry Forbes stated his neighbor on the south side is really concerned about this. He thinks you're going to go and talk to him. My house is elevated. I don't get the water. Olson stated I will touch base with him. There are options available. Forbes stated with the first two options there is still a very good possibility that there will still be a problem no matter what you do. Utke stated during the spring thaw those pipes are filled with ice. So the water is still there until it all thaws. Olson stated with the survey work done we were able to get a good handle on what could happen. There are areas of town that they do emergency pumping on a case by case basis if needed.

Carroll questioned procedurally, by state statute, we've had the public hearing and presented all of the costs, can we come in after the public hearing and present more cost estimates? Vik stated if you were going to attempt to assess any of these increased costs, you'd have to have another public hearing. At this point, if there are any increases, it's going to be city share. Carroll questioned how much time for a notice do you need for another public hearing? Vik stated the individual property owner needs a fourteen day prior notice. Utke stated we're rolling the dice that the construction costs come in at least equal to if not higher than the original estimates, if it's bid and it comes in lower, then this could flow into that price? Vik stated no, you cannot charge them for any storm sewer costs. Utke questioned it's separate no matter what? Vik answered correct.

Carroll stated if we would have a second public hearing it's going to change all the rest of the dates moving forward. Olson stated there's a possibility that we may be pushed back a couple of weeks. As it stands now we're doing really well for a mid-summer construction start. We can work another public hearing into the schedule.

Forbes questioned you said one part is \$40,000.00, and one part is \$80,000.00, we could spend all that extra money and it's not really going to help them? Olson stated it would definitely improve the situation, but there's no guarantees when there's frost in the ground in the spring. Rutherford stated \$80,000.00 spent, and you could still get flooded out. Olson stated the pipes could be opened. Konshok stated even if they don't, we can remedy that if there's a piping system we can thaw it, but if we don't have anything in place we can't do anything. Utke stated it could be steamed out. Burlingame stated if the issue is a frozen pipe, we do that every spring, we steam them. But if the issue is it's coming from surrounding property, we can't stop that just because his house is too low. We have those all over town too. Utke stated the ability to move water in the spring thaw would be no

different with this system than the common street. If it's frozen you can go in and work with it and steam it open.

Carroll stated one concept is to use an entire lot in the southeast corner or possibly you would still have two buildable lots if you could use the back. Olson stated if this is the route you want to go, we'd want to size those basins and not make them bigger than they need to be. Carroll questioned do you need an easement? Olson stated if we were to put the basin in the back we would need a side easement to get the piping back there, or right down the center.

A resident questioned would that raise the cost for everything too? Carroll answered yes. Rod Nordberg questioned in going through the historical records from the 70's and 80's if you found any recognition by the developer for the original homebuyers that there might be drainage problems? It was dealing with the township only I expect, no city rules. Olson stated I do believe that to be true. It was built for a township development. Nordberg questioned no questions asked? Rutherford stated yes there was. There were a lot of questions asked. I happen to be one of the guys developing it. At the time, my dad went to the city, Don King was mayor, and he said you won't have to worry about sewer and water out there because it's never coming out there. We went to the town board and they said do whatever you want, we want the income. That's the way it went. We put the trees in about forty-eight years ago, divided the lots, and started building houses. We put in about thirty-five of the homes ourselves.

Carroll questioned if the Council wanted to make any decisions to go forward at this time. Utke stated this is one line of thinking. Are there any others? If we bring the people in does this cover everything? Olson stated this is the extent of the recommendations that I would make. Carroll stated there are four options, do nothing, do one pond, do two ponds, or do full storm sewer. Do we want to add this to the project in some form or fashion so that a public hearing can be set up?

Vik questioned are you thinking that it should be assessed? Olson stated I assume that basins are assessable and I can verify that by reviewing the city's policy. If you want to pull it out as city share, that would lessen the numbers for assessment purposes. Pipes are assessable. Carroll stated then the motion should be to set a public hearing. Tomte questioned is the purpose to discuss which option to go with? Carroll stated the public hearing would be for the handling of the storm water issue. We aren't going to discuss the rest of it. We've already done that.

**A motion was made by Konshok, seconded by Utke, and unanimously carried to approve Resolution #2012-68 Receiving Drainage Report and Calling for Public Hearing for the Construction of Storm Sewers for the Green Acres Addition Utility and Street Project.**

**10. CITY ADMINISTRATOR UPDATE:** The administrator was not present.

**11. DEPARTMENT HEAD UPDATES:** There were no comments.

**12. MINUTES/REPORTS/INFORMATION:** There were no comments.

**13. COMMENTS FROM COUNCIL:** Mikesh stated I've been hearing a lot about looking at engineers. You see what we got tonight. Jon Olson does a very good job. The problem I think is with the billing to determine what we are actually getting billed for. I think our staff is a problem. A lot of this information I think that Jon Olson can hand down to Scott Burlingame and Bill Smith and take care of some of these situations to cut our costs. You bring any engineering firm in here and they are going to lowball us to get business and we're not going to have the quality service that we are getting now. We need our staff to take on a little more. Do we need Olson here for every question? I don't think we do. Looking at a different firm would be a step backwards. I appreciate what Uteig does. Carroll stated we will bring your comments to the Finance Committee meeting on Tuesday.

**14. ADJOURNMENT:** A motion was made by Mikesh, seconded by Uteig, and unanimously carried to adjourn the meeting at 8:00 p.m.

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Mayor Nancy J. Carroll

ATTEST:

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Margie M. Vik  
City Clerk