

**CITY OF PARK RAPIDS
CITY COUNCIL WORKSHOP
SEPTEMBER 24, 2013, 5:00 PM
Park Rapids Public Library-Lower Level
Park Rapids, Minnesota**

1. CALL TO ORDER: Mayor Pat Mikesh called the City Council Workshop for September 24th, 2013 to order at 5:00 p.m.

2. ROLL CALL: Present: Mayor Pat Mikesh, Councilmembers Rod Nordberg, Erika Randall and Paul Utke. Councilmember Dave Konshok arrived at 5:10 p.m. Absent: None. Staff Present: Administrator John McKinney, Treasurer Angela Brumbaugh, Liquor Store Manager Scott Olson, Police Chief Terry Eilers, Planner Dan Walker, Facilities Maintenance Superintendent Chris Fieldsend, and Clerk Margie Vik. Others Present: Anna Erickson from the Enterprise.

3. DISCUSSION:

3.1. Capital Improvement Plan for 2014 to 2018: McKinney stated the process this year involved each of the departments and other were invited to present their needs and comments. We always start with a five year plan. We look at adding a year at the end and addressing the things that should remain or change. Apart from grants we might get for some of the projects as a special incentive most of the local money that we come up with, as a general rule, comes out of the liquor fund. Our approach has been over the years to take a fixed amount, around \$260,000.00, and try to make that go as far as it will towards our share of the various costs that are involved, to the extent that we can do that. We never get that done the first time. We have to go back and fine tune it.

McKinney stated the charts show how the liquor funds have been used since 2003. The amounts reflect the liquor fund net income. In 2012 we spent all of the money on the police department, excluding the transfer to the airport. In the breakdown by departments, since 2003 the airport has gotten 24% of the liquor store net income, public works has gotten 27%. Some departments have gotten far less than that, and some in between. Our principal source of local share for a lot of the projects that you'll be looking at today, come from the liquor fund. If we start getting local share contributions in any given year that are in excess of \$275,000.00 you're going to start not having enough money to fund them. When we get requests in one year for more than that, that means no one else is going to get any if we follow the pattern. If we get a category that is asking for far more than that every six years, that's just not going to work.

McKinney stated as we went through the process this year, we asked the Parks Board to develop a long range plan. Under Walker's leadership they have done an excellent job of going through and doing an inventory of what they have, and some planning on what they want to do. That's an example of a category that hasn't been active in the last few years. We're trying to work them in. The goal of staff was not to say no, but to try to figure out a way to accomplish all of the requests from the sources that we have

and to the extent that we couldn't do that, we put it in the levy funding, which means it will come out of our operating budget. You wouldn't have to do that, as a Council, you can scale those things back, we can change the years. There's even a list of things that we didn't have years for. That's the process. You don't have to make a decision in the future years yet. As people start planning to do things we're going to have to figure out how we keep the local contributions within the liquor fund amount or come up with other sources. Some of the other sources could be bonding. When you bond, it doesn't come out of the general fund right away, but it does when you start paying the bond back. It's a bit like robbing Peter to pay Paul.

McKinney stated I spent a few hours talking to our Attorney Chris Hood. His email to me is a concise description of our situation with regards to the Todd Township Orderly Annexation Agreement (OAA). It goes back to 2002, over a period of fifteen years. We're getting to the point where some construction for additional improvements is required to get into a position of closing out the OAA and actually annexing the property. For some time we've carried the number of \$1.4 million of additional costs to do the rest of the work. This is not a new number. In order to do it on the same time schedule as it was agreed to in the OAA we need to be thinking of funding at \$1.4 million-plus. Costs are going up. That money would be to complete the water and sewer availability out into the west part of the Todd III area. We don't have to do anything this year on that. Next year we will, unless there is some change in the timing of that. We have listed that to be bonded with special assessments.

McKinney stated remember that we haven't finished 2013 out. Brumbaugh stated the remaining project/purchases for 2013 are resurfacing the liquor store parking lot, street overlays, a new beer cooler, jaws of life purchase, and two utility projects are not yet completed, the Beach Road/Washington Ave, and the Water Treatment Facility.

Brumbaugh stated scheduled for 2014 are the Heartland Bus annual contribution. Laptops for the squad cars, the library elevator upgrade, self-serve jet fuel upgrade, hanger site drainage improvements, radio read meters, a ladder truck, Riverside Avenue-Phase One Project, Highway 34 Project shortage, Red Bridge Park improvements, and an irrigator. The Water Treatment Facility and the Runway Project are carried over from 2013.

McKinney stated some of those things are discretionary, and some have less discretion. For example, the library elevator has to meet a state inspection, and it cannot at this point in its present state. Fieldsend stated it needs to be upgraded within the next year or the state will close it down. Brumbaugh stated we're budgeting to repair it. If we were to replace it the cost would be approximately \$45,000.00 as opposed to \$20,000.00.

Randall questioned what's the function of the elevator if there are just meeting rooms in the lower level? Fieldsend stated the lower level has to be handicap accessible. Randall questioned what if we just didn't use the basement. Isn't there a proposal to replace the whole library in a couple of years? Why spend money on an elevator? Fieldsend stated if you want to close off the basement, then you wouldn't need an elevator. McKinney stated they won't have a new library building within the next two years. Fieldsend stated there has been discussion about it but there are no funds available. Randall questioned what's the purpose of making sure that people get down here? Vik stated the city holds their elections down here. Randall stated we can go somewhere else.

Utke questioned what does the elevator need? Fieldsend stated several years ago all elevators in Minnesota were to be inspected. We didn't report that we had one, so ours was passed over. We have a new repairman. He said that it should be inspected. He came

up with a list of things that need to be done before it will pass inspection. The state inspector came and he had basically the same list of things that need to be done to this elevator, like sensors and different mechanical safety things. Nordberg stated it would need to be repaired even if you're just getting rid of the building, unless it was going to be torn down. Fieldsend stated if you'd want to sell it, the elevator would need to be fixed. If you closed the whole basement off so the public couldn't get down here, then you wouldn't need to fix it.

Brumbaugh stated we look at how much we're taking out of the liquor store and try to balance that out so it's not too much in one year. The laptops for the squad cars are split into two years. The cost is also for the software, but we're not sure exactly what type of electronic device will be purchased. We want to be compatible with the county. We're also not sure what's going to happen with the ladder truck purchase. If it's purchased in 2013, then that's where it will be appropriated.

Brumbaugh stated the graphs are set up based on an estimate of the purchase, and then what fund it will come out of. Some proposed purchases have funds allocated for them over a period of years, which we keep track of, like the Heartland Express bus purchases. Grants are separated by state or federal. Enterprise funds pay for their own expenses. The fire capital equipment funds come from the townships and the city based off of the depreciation of the existing equipment.

Konshok questioned do we have a listing of the current balances in the enterprise and fire capital funds? Brumbaugh stated I don't have it listed here, but I can get it for you. Storm sewer doesn't have a large balance because it's fairly new. We automatically take out \$20,000.00 annually for the Main Avenue Project. It had an ending fund balance of about \$65,000.00 (as of 2012). Konshok questioned we have balances in sewer, water, storm sewer, fire capital, and liquor? Brumbaugh stated correct, at the end of this year the fire capital fund has about \$100,000.00, the water and sewer both have about \$1.2 million, and the liquor has about \$1 million. McKinney stated the liquor fund can be expended in different areas, but the other enterprise funds have to be spent in their respective departments.

Brumbaugh stated the bond proceeds payable fund is for making the bond payments for projects. On all of our projects, a portion of it is assessable. The internal service fund is for the public works/safety building. The money that goes into that comes from every department that uses that building in the form of rent. The internal service fund pays the bond payments issued for that building. We do have a parkland dedication fund, funded by new developments. Currently the balance is zero since all the existing funds were expended for the updates to Pioneer Park. We have a separate fund for donations. We added an airport revenue fund for the upgrades for self-serve jet fuel. If we do that project, we're negotiating with the FBO to pay a portion of that. There is also a separate fund for forfeiture vehicles.

Brumbaugh stated the items in 2015 include, improvements for the Red Bridge Park building, a wood chipper, front end loader/blower, re-align the cash register area at the liquor store, a squad car, Depot and Lindquist Park improvements, and upgrades for city hall. Utility projects include Todd III Area, Riverside II Area, North Main Street Rehabilitation, Mill Road, and a street overlay.

Brumbaugh stated everyone wants a piece of the pie and the pie is not that big, so we had to figure out a way to make this work. We assume that the available liquor funds will be \$275,000.00, and the airport gets about \$80,000.00. Some of the 2015 expenses

will come out of the general fund, some projects were reduced in size or done in phases, and some things will be funded by either state or federal grants, and some utility projects will be funded by bonds and assessments.

McKinney stated we have about \$307,000.00 in deferred assessments, which is money we've already put into the Todd OAA Project. The \$1.4 million projected cost does not include that. We already funded that in 2004. Brumbaugh stated in 2014 we're planning on doing the Riverside Avenue Project and we'll be bonding for that. If the projects are done as listed we'll be bonding next year, and in 2015. Nordberg questioned are there any that will be paid up before then? Brumbaugh answered no. In 2016 you have one that will be paid off.

Konshok questioned the front end loader/blower is actually dual use? It's used on Main Avenue and the airport? Fieldsend stated that's correct. Konshok stated but we're buying it with 90% federal funds. On the Red Bridge Park building that's the total estimate of the project. That doesn't include any grant that we may get for that and/or donations, both of which are going to be pursued aggressively. In the event that none of those come through the city will essentially be on the hook, but the hope is that we're going to knock the city's obligation off through grants or donations. McKinney stated there may be some fine tuning of what's being done since this is just an estimate. Konshok stated we put it on 2015 because we wanted more time to pursue the historical grant, which takes time and a couple of grant cycles before you hit the home run. Have we put in for the building for 2014? Walker stated LuAnn Hurd-Lof is submitting for the registry. Konshok stated it's a long process. McKinney stated part of what we have in there is the cost of getting it approved. It isn't a capital thing in that sense.

Brumbaugh stated out of the general fund we looked at the remaining balance for the laptops for the squad cars with a portion of that coming out of the forfeiture fund, and then a squad car. We bought a new car this year, we take a break in 2014, and then one in 2015 again.

Brumbaugh stated in 2016, the reason you see more for the parks in the CIP is because we really didn't have things in here last time. The Parks Board went through and added projects. The Dean Park improvements have been broken into a couple of phases. A John Deere mower will be purchased. It will mainly be used at the airport, but can be used in other places if needed. Riverside III, NW Area I, and more street overlays are planned. You will need to issue a \$2.3 million bond in 2016. Konshok stated in 2016 the 2005 bond will come off.

Brumbaugh stated the new additions to 2017 are Rice Park improvements, a sixteen unit t-hanger and preparation for it. We're looking at airport revenues to fund the t-hanger. There's a program that we could take out a loan on it and then airport revenue from the hangers would pay it back. We would not be taking it from the liquor store. McKinney stated some of the existing hangers are going to be paid for. That rental revenue would be used for this. Brumbaugh stated our hangers are all paid for at this point. Randall questioned are these the ones that we're having that study done on? Brumbaugh answered no. That's for the corporate hanger. These are like the ones that are already out there that we rent out. We own them and we collect rent.

McKinney stated it's a building that will house sixteen airplanes. The program will generate the opportunity to borrow the money at zero percent interest. Konshok stated the state has a revolving loan fund for smaller airports with hangers. The expectation is that by 2017 we'll have a large enough waiting list to do this. You have to show the state that you

have enough people on the waiting list to build and fill the sixteen slots. McKinney stated there is optimism that we may be able to advance that if we have the waiting list we can get this earlier. Konshok stated it's a pass through on the city's part, except of the preparation of the site. That comes as 65/35 money from the state.

Brumbaugh stated there are no other changes or moving of the projects for year 2017. Discovery Circle, Fair and Fifth, Rice Park Area are scheduled for 2017. McKinney stated we also didn't upgrade the prices. This is last year's list, as restated. Brumbaugh stated based on that the bond would be \$3.7 million. In 2016 you have a couple of bonds coming off so that will help. Nordberg questioned 2017 is the first year something big is happening with Discovery Circle? Brumbaugh answered yes. Nordberg questioned in order to move it up there would have to be some bonding tied in? There's no way to fund it without bonding? McKinney stated it's been our expectation to do it with a bond.

Brumbaugh stated in 2018 we have scheduled a comprehensive plan update, phase II for Deane Park, replacing the floor in one of the existing sixteen unit t-hangers, and a fire hall addition. If the fire department doesn't buy anything large over a period of a few years they will build up some funds in their capital improvement fund for the addition.

Konshok stated the reason there isn't much listed in 2018 is because we'll be done with our major utility replacement projects. According to this schedule we'll be done with the park and airport improvements. That's a significant accomplishment. That's one of the reasons we can start talking about a potential new library and/or liquor store because we're getting the backlog of work done by 2018. Brumbaugh stated the fire addition is scheduled for later because Hoffman wanted time to access the situation. At first he talked about wanting it sooner but they want to know what they really need. They don't want to rush it. Konshok stated one of the discussion points was whether or not to do an addition on the present building or to do a separate east side station, depending on how growth goes. It's significant that we're getting to the end of the eighty year upgrades on the utilities. It's not been easy.

Brumbaugh stated we try to encourage everyone to get the items they want on the future purchases list so it doesn't get forgotten. We look at this every year. If there's something more important, it's moved up on the list.

McKinney stated we also have a lease that terminates at the end of 2014 at the back of the present city hall. Whether or not that has any financial impact if we continue to lease it, or we may want to take it over. We are very conservative on capital costs for city buildings. We talked to USDA about whether they wanted to lease the space again. They said they thought so. Konshok questioned what's the term of the current lease? Fieldsend stated its two leases. FSA has 1,600 square feet, and the USDA has 400 square feet. The 1,600 square feet is a month to month lease. The 400 square feet has a two year term that expires in December of 2014. The FSA was having trouble doing their leases, so they wanted to switch to a month to month until they figured them out. They don't seem to want to get into leases. Randall stated it doesn't seem like a very smart move on our part to lease out our building month to month. McKinney questioned I don't know the history. Did it start out month to month? Brumbaugh stated they were having problems on the federal side. The federal government wouldn't let them lease longer. McKinney stated I think we need to address whether or not we want to continue leasing that space, or if we can in fact use it. I don't have a recommendation. We have this year to think about it. We are really cramped for space at city hall.

Nordberg stated I think we should at least put on the future listings something about the library, since we had the questions about the elevator whether to replace or repair, they are crowded, and we have no more hockey rink. I don't know what we hear from Kitchigami, or if they ever have any demands, but just looking at the library, in five years something has to be changed. McKinney stated on the future purchases we administration/library building. Konshok stated the talk was they'd be combined.

Nordberg stated we'll probably be asked to provide some support for the Armory Square-Upper Mississippi Center for the Arts if it becomes a public building. Whether it's a senior center or a library it's likely to be a request that we need to think about. McKinney stated I have not put anything into the plan for the armory until I get some information from you or I get some direction from them. Konshok stated we do have \$1.9 million listed as a future purchases.

Randall questioned what did you mean by no more hockey rink? Nordberg stated originally the city built that and called it a community center. It's evolved into a hockey rink. Brumbaugh stated we don't own that. Nordberg stated originally it was a city project. Brumbaugh stated it was done in conjunction with RDO/Lamb Weston needing a place to store potatoes. I said we don't own it but we sort of do. We have an agreement with the hockey association to own the building for insurance purposes and then they pay us for the insurance. To start with there was a Mighty Ducks Grant. The only way they could get the money was through the city. It was a city project. At that point they had an agreement with the city and county and all entities put money toward it with stipulations. When that got done the hockey association took the building back. They were excited about it until they got the bill for their first year of insurance. It increased by an exorbitant amount. So we have a new agreement that city owns the building and then they pay us for the insurance. We own it but they operate it.

McKinney stated we don't have anything listed for the future armory project. That is still a thing in process. Nordberg stated the money needs to be separated from the ownership just as with the hockey association, and as with River Heights. The city owns River Heights but we don't see it anywhere in our budgets. McKinney stated we'll be asked to review whatever proposals come out of the armory. They have not put together a presentation yet. Konshok stated ideally whatever the ownership issue may turn out to be our operational portion will be next to nothing. Nordberg stated the people that run the senior center are getting old. Automatically, according to the lease and/or purchase agreement it reverts back to the city if it ceases to be used as a senior center. That might have some implications. McKinney stated one of the things that we have to work through is that the proposed state grant names the city as a recipient of that grant. We're going to have to either get the bill changed, or if the bill doesn't pass, we'll have to deal with it much like we did with the hockey arena. We may be the technical owner, but I've suggested to the people there they'll need to come up with a very satisfying explanation of how it's going to be. We are okay so far with this plan.

McKinney stated the Council should recognize the work that is put into this document. This is not an easy task. You all help us. Brumbaugh stated everybody has a part in this. Mikesh stated this is like any CIP, it's a wish list. Brumbaugh stated we have to hold a public hearing on the CIP. McKinney stated the clerk has prepared a resolution stating a date for the public hearing which will be presented at the regular meeting.

Konshok questioned the large hit on the liquor fund according to this plan is in 2014? McKinney stated mostly because of the project at the airport. Konshok questioned

what's our annual average net on the store right now? Brumbaugh stated I figure about \$275,000.00. Randall questioned is there a separate section for what the hanger fees generate? Why isn't any of that here? Brumbaugh stated the airport fund hasn't been making money. We've been transferring out of the liquor fund. Randall questioned has it ever made money, and if so why isn't it making money? Why is it the city's sole responsibility to fund this airport that many, many people outside of the city use? Brumbaugh stated it's a city owned airport, not a regional. There's been a lot of talk about that. McKinney stated you're talking about users as well as taxpayer contributions. Obviously it's taxpayers because it's owned by the city. User fees, we have an Airport Commission that we're going to be talking to about the capital fund budget. We have made money off of the t-hangers, but we've used that to pay for the hangers. Konshok stated they pay for themselves as far as the loans against them. We don't lose money, and we don't make money on them. The money that's transferred into the airport is used more for operations rather than the capital expenses. Brumbaugh answered yes, very much so. Konshok stated it doesn't show up here. It looks a bit confusing, but that transfer from the liquor store to the airport every year is more to cover operational costs. Brumbaugh stated you can tell how much is transferred into the airport. It's for anything that deals with the airport. It's not unusual that airports don't generate enough revenue to cover themselves. McKinney questioned do we have a place that shows the gross revenues from the airport? Brumbaugh stated not on the CIP. You will look at those next when you look at the enterprise and internal service funds. We have the majority of the general fund done. For the airport we get revenues from the hangers, and from the state for maintenance and operations.

Randall questioned what about the jet fuel? Brumbaugh stated we have an agreement with the FBO. We maintain the jet fueling station. He operates it and the city gets five cents per gallon for jet fuel and avgas. McKinney stated part of improvements for that is there is a change in the fueling process. Fieldsend stated currently it's a full service. They want to convert it to use a credit card so you can pump your own gas. Randall questioned so when you change it to use your credit card we'll get more than the five cents per gallon? Fieldsend stated I don't know that. Brumbaugh stated we don't see anything other than the five cents per gallon. McKinney stated we have not suggested changing that, but we are suggesting that they buy the equipment. Randall questioned how long has it been at five cents? Konshok stated a long time. The problem is it comes down to competition. All of the airports are at the same price. Airports users are mobile. If we jack up our prices on the gas, they'll go to the larger airports. Randall stated the FBO is giving us five cents, that's negotiable, correct? McKinney stated if we ask for more than five cents, the customer will have to pay it. Randall stated I know our gas is consistently higher than other airports. We're not competing very much and we're only getting five cents. Konshok stated that's the challenge of the smaller airports. Unless you're larger and have more volume, you're kind of stuck in a lot of ways. On the good news, we've looked at other airports of our size, we consistently lose less money than others our size do, which is a positive statement. Fieldsend stated we are actually paying someone to pump the gas. After the conversion this should be cheaper for the FBO. Konshok stated and hopefully it will increase sales because he will be able to sell after hours.

Nordberg stated considering how much we're relying on liquor store reserves is Olson satisfied to put off future purchases for plans for the liquor store? Olson questioned what is the Council's intent on how far out the future purchases will be? The project to

replace the roof is in 2019. In 2013 our asphalt shingles will be twenty-three years old. The shingles have a life expectancy of twenty-five years. For the rest of my projects, if you see it coming sooner, we can live with what we've got, but not if it's a decade out.

Randall questioned what kind of building project are you talking about? Olson stated a new building. Randall questioned where? Olson stated there are a couple of options. There are empty lots at that end of town. The city does own the property behind the existing building. McKinney stated none of that was discussed with staff. Olson stated we are outgrowing what we're in. The building will soon be twenty years old. Nordberg stated it's crowded now. Waiting six to ten years is not healthy for keeping our profits coming in.

Olson questioned how far out do you see that? Randall questioned wouldn't it depend on if you had a new building with more space, how much more money would that generate? Olson stated it does a number of things. Right now, after the Highway 34 Project we have a very tight parking situation. We tried to accommodate that by paving a parking lot behind us, which is primarily used by staff. We have space constraints. It would deal with limited room for receiving deliveries. We need more room to accommodate more products. We would be solving problems that we have, not just generating more revenue. Randall questioned when you buy from distributors if you buy in bigger volume you get bigger discounts? Olson stated certainly. This month Anheuser Bush raised their beer prices. To avoid those price increases or to run specials we could buy larger volumes, but where would I put it? Nordberg stated I think that's our cash cow and we need to take care of it.

4. ADJOURNMENT: A motion was made by Konshok, seconded by Nordberg, and unanimously carried to adjourn the special meeting at 6:00 p.m.

[seal]

Mayor Pat Mikesh

ATTEST:

Margie M. Vik
City Clerk