

**CITY OF PARK RAPIDS
CITY COUNCIL WORKSHOP
OCTOBER 27, 2015, 5:00 PM
Park Rapids Public Library-Lower Level
Park Rapids, Minnesota**

1. CALL TO ORDER: Acting Mayor Paul Utke called the City Council Workshop for October 27th, 2015, to order at 5:00 p.m.

2. ROLL CALL: Present: Acting Mayor Paul Utke, Councilmembers Ryan Leckner, Rod Nordberg, and Erika Randall. Absent: Mayor Pat Mikesh. Staff Present: Administrator John McKinney, Treasurer Angela Brumbaugh, Public Facilities Superintendent Chris Fieldsend, Planner Ryan Mathisrud, Public Works Superintendent Scott Burlingame, Police Chief Terry Eilers, and Clerk Margie Vik. Others Present: Dick Rutherford, and Kevin Cederstrom from the Enterprise.

3. DISCUSSION:

A. Capital Improvement Plan for 2016 to 2020: McKinney stated Angela Brumbaugh has done a great job of getting everyone to deal with the area in which they have some responsibility. We've had several meetings of staff to go through this. We have met with the Finance Committee to discuss it as well.

Brumbaugh stated everyone does a great job on this. It's a lot of work for every department that deals with it. Especially, if you want something for your department you have to go through this process. There a lot of extra data that I put into this to give you an idea of what happened in the past. One is liquor transfers and usage, which shows you that in the past twelve years you have transferred out \$2.6 million. It breaks down where the CIP has gone in the past twelve years for the different departments. McKinney stated of particular interest is that contrary to my perception the airport has not received all of that. They got 26% of it over the last twelve years. Brumbaugh stated every one of us would say we transfer a lot to the airport and really when you look at the numbers the airport is not getting all of it. This breaks it down by department to see how much has gone to each department.

Nordberg questioned we don't have a total of what the reserves have been over this twelve years? In other words, I'm looking at what might still be in reserve, and looking forward to 2019, when on our long term plans we'd like to spend some money for building a building, will the money be there? It's between 2017 and 2019, it looks like we need at least \$1.7 million for purchases of land and buildings. I'm wondering if historically, that's likely to happen. Brumbaugh stated I would say at the time you're looking at purchasing a building, or whatever you decide on the liquor store, you're not going to want to take it all from your liquor fund. You're going to want to do a revenue bond for it, because it would take it down to nothing. You're sitting at about \$1.5 in the liquor fund right now. That would pretty much empty it. Nordberg stated if we add \$1.5 million to \$2.6 million we're getting

about \$4 million over twelve years. Is that a rough estimate for reserves? We transferred out \$2.6 million. What could we have transferred out? Brumbaugh stated I don't have a total of the net income per year. I can tell you that at the end of the year 2014 you have about \$1.4 million. Nordberg stated that's the number I'm looking for. Utke stated this shows the net profits but not the total.

Brumbaugh stated the graph named "projects completed with bond funding" showing from 2001 and on, is what we have done to date. It's based off of the bonds that we currently have. On most of these bonds you'll see they have been refinanced. Since 2001 we've done just shy of \$21 million in projects. By the time these bonds are paid off the city will have expended \$27 million. Also, \$1.1 million has been saved by refinancing with lower rates.

Brumbaugh stated taken from our asset list, this summary shows we've added \$18.4 million worth of items, excluding the projects. Since 2001 we've added about \$40 million in assets. The first one shows you the summary, the other page shows you the items that have been added. This is for your information. Sometime we look at the here and now and the five years on the CIP. I wanted to give you an idea of what has been done in the past.

Brumbaugh stated the justification forms are to give you more information. All of the department heads do these forms in regards to the items that they want. They put a lot of work into making sure there is a reason for adding sometime to the CIP list. I've left 2015 in your list because we're still in the process of it. We go through this and things get moved around. We did redo the projects based on the way the debt looks. On the first draft of this, the projects that were on here ranged from \$3 million to \$7 million, and looking at the levy on the debt funds, we said there was no way we wanted to bring that to the Council with that much of an increase in debt. The debt fund levy payments are based on the projects that are on your summary sheet. One of the biggest things that we did was leaving 2016 empty of projects. We went with Discovery Circle in 2017, and moved Riverside-Phase II to 2018, and then pushed all the other projects back one year. Then we came up with numbers. The thought process on the debt levy has always been based off of previous Council's decisions to try to keep the levy around \$700,000.00. As you go through this, we do go over that quite a bit. That was where we started.

Nordberg questioned tonight we're being asked to do a refunding on the 2010a and b general obligation bonds, that refunding savings doesn't show up on here yet? Brumbaugh answered no. I have a new list where those savings are reflected. The refunding will make a pretty big difference. The total adjusted with the crossover refunding shows you it's callable, but it doesn't start until 2019. We won't start seeing the savings until 2019. Instead of \$716,831.00 in 2019 the levy would be \$674,831.00. Nordberg stated it makes a big difference that we never get over \$800,000.00. That's a nice number.

Brumbaugh stated if you agree to do the refunding tonight that will make a huge difference. McKinney stated we can't pay off those bonds until they are callable. We are going to use new bonds to pay off old bonds. We can't pay them early until their call date which is December 31st, 2018. We are doing it now because we can maybe get a cheaper rate, and it will certainly be at a cheaper rate than they had originally. But you won't see a difference for next year. Nordberg stated in the long term it certainly does make a big difference. Brumbaugh stated our bonds are general obligation bonds. If it looks like there is a shortage, these numbers can change, or if it looks like a fund is doing well, it can

change. Always keep in mind, if it changes over the years, our levy can change based on how our fund is doing. Typically you're not going to notice that right away, but you will over future years.

Brumbaugh stated the items that you see as we go forward are from the department heads as to what they felt was important for each year going forward. After we went through it the first time we did make some changes. We went through again to make sure everything was okay. One of the main reasons that we do a CIP is for our bond rating. One of the questions that they ask us is if we have a CIP. It's a benefit to have one for the rating. The other part is there are capital improvements bonds that we can do. In 2016 we have the fire hall addition. By having a CIP and holding a public hearing that would qualify us to do a capital improvement bond on that. The \$900,000.00 we have in there does include the cost of bonding, so the most that could be spent on the building is \$830,000.00, but we have to show it for the full amount. Nordberg questioned what is the full amount versus what we can bond for? Brumbaugh stated we have to pay our financial agents and closing costs. Nordberg stated so you can't spend \$900,000.00 on a building.

Utke stated the loan will be paid by the fire department from the monies they get from the fire contracts with the townships. McKinney stated we're going to borrow the money and then make payments on the loan from the fire contract payments over ten years. We haven't agreed on anything other than a number to get it in the CIP. Utke stated \$900,000.00 is the most that the cash flow over those ten years could handle for debt, more than that it would be going in the wrong direction. McKinney stated we might say we don't want to spend 100% of it so we may take 75% of it and keep 25% for equipment. Brumbaugh stated when the price went up to \$900,000.00 we did go up to twenty years because the debt was going to be about \$75,000.00 each year at fifteen years. They get approximately \$95,000.00 each year. McKinney stated we don't want to spend 100% of what we get from the townships on that payment.

Utke stated the CIP is an organized list for future work. It gets approved as the projects come up, so you have another chance to say "does it still fit in our budget". You try to have the projects somewhat realistic because other people do look at what our plans are, whether it's someone moving into town, or a developer. It's a plan. Nothing's guaranteed, yet we try to make it as realistic as possible. Nordberg stated it was a big change to move Riverside-Phase II to 2018. Some people may have been counting on it. It means that we don't have that big of a project in 2016. By anticipating 2017 Discovery Circle Project there is going to be a lot of work that doesn't show up in bonding in 2016. McKinney stated not the least of which is the planning and development of what we are going to do when we do actually do it. That project has been on hold for at least a couple of years. Utke stated it's a big project as far as the work load and it's an important project and it will take a year to pull it all together.

Nordberg stated we discussed this in Finance, the potential money from the state for roads, it's about \$57,000.00. We got one half of that and not the second half yet. The question was what do we spend that on? It's not a lot of money, but there was one thing in the future, the second layer on Western Avenue. It's not in the CIP. Brumbaugh stated it's at the bottom. When the budget was done the Council hadn't determined how they wanted to spend the \$70,000.00. They wanted staff to come back with different ideas because they didn't feel that was the most important thing to be done. We didn't pull it, but we put it

off into the future. The \$60,000.00 from the state is in our budget to use towards street maintenance.

Nordberg questioned how serious is the condition of Western? From the description it sounds like we're going to lose the whole street if we don't put that layer on it. Burlingame stated potentially you could with only one layer of asphalt. Nordberg questioned is that all city street, or is that one shared with the township? Burlingame stated we share that with the township. Nordberg questioned do we have to negotiate if we want to share the expenses with them? I suppose they don't mind if we pay for it all ourselves. McKinney stated we are in several discussions about that and the other streets that we share the maintenance of with the township. We put that money aside for what it has to be used for. We haven't designed it and the negotiations with the township aren't at the point that we're ready to commit or recommend that to you. Nordberg stated I'll leave it up to Burlingame to keep reminding us about that. If we find \$70,000.00 we should do that. McKinney stated I can assure you that we will spend the \$70,000.00. I don't know on what yet.

Randall questioned the justifications forms that were done, they don't seem to be updated. Brumbaugh stated they're not necessarily. They did new ones if the project was never listed in the CIP. But if it's already been on there before, the date is kept on there to give us an idea when it was first put on. I don't think anyone updated any of them with new information. Randall stated the one for a new squad car says \$30,000.00 to come from the liquor store. That's not where it's going to come from if we are going to start putting \$30,000.00 away. Brumbaugh stated that didn't get switched. That is all coming from the general fund. We can change that on the justification form. For the squad car I just copied them so there's one for each year, but can switch it to say the funds will be from the general fund instead.

Randall stated it says in the future there will be another squad car. I'm confused. Is there going to be one in every year from the \$30,000.00 being put away every year? Brumbaugh stated yes, we'll just to continue to show it. Utke stated the \$30,000.00 is a kind of savings account to be there when we need to replace squads in the future. Randall stated ever since I've been working at the county there have never been three new squad cars purchased at the same time. I understand this is just the CIP, but when we talked about our budget too, I think \$30,000.00 is way too much to be setting aside right now considering we have to let this ride out to see what we are going to be doing. To plan to get rid of three squad cars, one or two of which could be in really great shape in three years, doesn't seem to make a whole lot of sense. Utke questioned is it better to follow the plan at the beginning, and then when it gets into the second and the third year, by the fourth year we'll definitely see what the trend is. At that point, it gives you a chance to back off some.

Randall stated there are a lot of other huge things in 2016, I'm wondering where this \$30,000.00 is coming from to throw in there to start setting aside for squad cars when we've been doing nothing. You go from zero to \$30,000.00. Where does it come from? Brumbaugh stated the \$30,000.00 is in our general fund preliminary budget right now. Randall questioned is it money leftover that somebody else didn't need from last year? Brumbaugh stated no. That would be new money from the proposed budget. Randall stated it would increase the levy. That's my concern because we're increasing the levy on

something that's zero to \$30,000.00. Fieldsend stated last year \$26,000.00 was budgeted. Randall stated because it was actually in there to buy a squad car.

McKinney stated you may be right that we may be able to keep them longer than three years, but we don't know that for sure. The plan that was approved was a three year rollover. Fieldsend stated it's hard to tell now when we don't know what they'll do with them like how many miles will be on them. Nordberg stated another consideration is that it costs a lot more than \$30,000.00 to actually get it on the street. It seemed like the total was more like \$45,000.00 with equipment. So putting \$30,000.00 somewhere insures that you'll have something. Randall stated I think it's good. Eilers stated with the new cars there was quite a bit of extra equipment. You have to realize we have six cars. We don't have three. If you'd like to pay for another car next year with your \$30,000.00 you certainly could.

Utke questioned was the plan originally, we have the three new ones now, and then there would be two others, so we'd have to have five in the fleet. One for the investigator, and one for the chief. Eilers stated that's correct. Utke stated we're going to downsize one because we'll have a better fleet was the idea, but we still would have five cars. Eilers stated after three years we should be able to keep one of those cars that we bought this year. You didn't pay for the one that I'm driving right now. Randall stated that one is really nice and it will last a long time.

Utke stated it's an item for discussion and it will come up in December when we set our budget for next year if we are going to start with the 2016, since that follows along with the CIP. It's in here and it's on our preliminary budget. It can still be adjusted in December. Randall stated what hasn't been made real clear is there has been some discussion about the benefit of replacing all three at the same time, then they are the same make and model. That didn't address all five cars. I'd like to see what's the plan for the cars that aren't the squad cars. Those are not the same. For a squad car, right now, to go back and forth to Bemidji every day. I'd like to see the plan for those other cars. Will they be the same? Are they different? Fieldsend stated originally my recommendation is to replace a car every six years, a six year cycle. There were some that didn't care for that either, so I just pulled out the three to replace them.

Randall stated it's important to talk about. As the chief pointed out, they have more than three cars in their fleet. There needs to be a plan for all of the cars that they want upkeep for. Utke stated I took that as the plan, if it was \$30,000.00 each year, hopefully they'll do much better than just three years, one may go sooner, but that's also building funds for the additional two vehicles that we need for the rest of the department. That would level out the cash flow. Leckner stated we know they are not going to last forever. Randall stated I support having money set aside. We were not doing a good job of it before for replacing things we know need to be replaced. I think it's good. I just question the amount.

Nordberg questioned do we have any contact with the county or the Heartland Express? We're putting aside \$16,000.00 per year for a replacement bus. Does that actually get used? Brumbaugh stated we put aside \$2,000.00 per year. The \$16,000.00 is because typically in 2016 we would purchase the new vehicle. I haven't heard anything so I don't know if that will happen or not. It's in our CIP. We have money set aside. They have always gotten a grant, and if they get it, we will not see an additional expense for it. Utke questioned is that something that they would have to us before our December budget hearing? Brumbaugh stated yes. I'm a little surprised I haven't heard anything yet. Randall

stated she said it was our year to buy the bus, but I haven't heard anything since the meeting. Brumbaugh stated there is money sitting there waiting. McKinney stated you can make a call and ask about the status of the purchase.

Randall questioned do you have a list of the things that were taken off of the CIP? Brumbaugh stated this particular CIP got really confusing because of the projects, they redid the whole thing. I can't think of anything that was taken off that was on before. Randall questioned was East River Drive on there last year. Brumbaugh stated yes. Burlingame stated it should be with the unallocated items. Utke stated there were large projects that Burlingame and Jon Olson whittled down, and some things got swept up and thrown away and it didn't get recorded on any of this. Brumbaugh stated the projects didn't match. They were redone so much that it was hard to sync them all up.

Randall questioned East River Drive is not scheduled to be redone in the next five years? Brumbaugh stated that is correct. Nordberg questioned can we put it back in the unallocated? Brumbaugh stated you sure can. What was the amount? Burlingame stated its \$600,000.00 or \$700,000.00. There are some storm water repairs that need to be done, which would be part of that. Randall stated it's a big, long road. Brumbaugh stated we can check the numbers to be sure and get it in here. Randall stated waiting five years is terrible, and yes, I have a very, very personal interest in that road. It's terrible. There are a ton of people that drive it every day to go back and forth. There is no other way to get back to their houses. Everybody pays taxes, but the tax base back there is pretty darn high. The fact that we are not going to address it is terrible.

Nordberg questioned do you have a suggestion as to where we could do it? Randall stated the Finance Committee was supposed to do that. Brumbaugh stated you could move from 2019, Franklin Avenue and Third Street. I don't know how imperative that project is. That would be one way to move East River Drive up from unallocated, and still keep it similar. I'm looking at the dollars. I don't know anything about the streets. Randall stated I can't compare East River Drive to other streets as to whether it's more or less important. But is kicking it out more than five years really the best option?

Nordberg questioned with that amount it would likely be bonded, right? Brumbaugh stated yes. Nordberg questioned could this be combined with Discovery Circle in 2017? Brumbaugh stated sure you can. But now you're playing with the numbers on your levy. Do you want them higher or not? McKinney stated the source of funding is what killed it. Utke stated we're trying to keep the levy leveled as best we could. If you were to take one of those future projects and shuffle them, that's what we did with Riverside II. They are all projects that are on our table and we rely on public works to give us that priority rating so we know what we need to tackle.

Dick Rutherford questioned the street behind the courthouse that runs north and south is that something that the county and the city can work on together? The street is going to pot. It's terrible. I don't think that street will last five years. Utke stated that's Front Street, and it's a city street. Nordberg stated at least it's not a through street. Rutherford stated it's used by the police department and for emergencies. Burlingame stated its bad all the length of it to Sixth Street. From Sixth Street south it's been replaced. The problem we're having is funding. We know there are streets in bad shape, but how do we fit them in and keep our taxes low?

McKinney stated part of the problem is it isn't just curb and gutter. We have to replace the underground infrastructure too. Burlingame stated on the list that you see we

have clay tile and utilities that are failing. So the infrastructure is driving the list. Utke stated for the past couple of years we've done the infrastructure that is the oldest, and we keep checking them off. But we run into things like North Main where we just resurfaced the road because the stuff underneath was okay. Now Front is approaching that stage where it's breaking up. Burlingame stated the whole southwest area is bad.

Brumbaugh stated the positive is that your \$60,000.00 can go towards making some of those roads last longer than what they used to because you can do sealcoating. Hopefully we can preserve some of these streets. Utke stated that would be the very best use of that money to preserve and maintain what you have so we don't run into this problem. Nordberg stated we'll have to keep prioritizing as we go and keep comparing the projects to East River Drive. Utke questioned do we have a list of these streets with all of the information. Burlingame stated no, but we drive them every day, we so know what's what. McKinney stated that is presumably the basis of this CIP. Nordberg stated we should at least have Front Street listed as unallocated. Brumbaugh stated we can look back to see if East River Drive and Front Street are standalone projects and we can add them to the unallocated list. McKinney stated we can also check the old CIP. Randall stated it's important to have them listed. It shows the public that we're aware that there are things that need to be fixed.

Rutherford questioned how many of the Councilmembers have driven all of the streets and checked them? This is what your job is, to see how everything is. Go down the streets and prioritize them. Come back with all of your priorities and see how you match up. Brumbaugh stated that is why we have staff. Rutherford stated the Council is part of the staff. Brumbaugh stated no they are not part of the staff. Rutherford stated they make the final decisions don't they. Brumbaugh stated they do but staff provides the information to them.

Burlingame stated all of those streets were on the previous CIP but because of the dollar amount we split them all out, and some of them fell off the edge because there are no funds available. We can make sure that the unallocated has them all listed. Randall stated I'd love to see them make their way into the CIP but I'm not going to force the issue. I don't see anything that I'd want to bump out or move, but maybe they can make it back in there in next year.

Brumbaugh stated so you want these unlisted projects back onto the unallocated list. I have a notes file so we'll remember to address all of it. McKinney stated when you get that done, share a copy of it with the Council. It won't be an active part of the current CIP, but it will be next year.

Randall questioned is it really going to cost \$80,000.00 to do a space study for all of our buildings? McKinney stated what we've put on this list are what we're suggesting be on a list. When we do the budgets we'll justify the expense. These are just estimates. Randall stated I was wondering why the buildings were listed separately. Brumbaugh stated we added the other building separate after the fact and the justification was already done on the liquor store so we did not combine them. Utke stated the actual approval of any of these expenses will come back to a Council meeting.

Randall questioned the installation of the access controls. Does it make sense to move that to a different year since we are going to be spending money on space studies and renovations. McKinney stated we have some other issues that this would be addressing, such as security and control of the buildings. We've lost control of the lock

system. Randall questioned but if we are going to be switching things around over the next couple of years, maybe we shouldn't do this now. McKinney stated most of what we'd be spending on this would be convertible to others as well. This is just for fobs to lock doors, which can be moved as needed.

McKinney stated you will set the date for the public hearing at the regular meeting tonight. Brumbaugh stated there is \$20.7 million worth of projects and equipment on the CIP. The total over the next five years is \$15 million. Utke stated so at this point we can add, subtract, or move anything. At the public hearing on December 8th is when we would actually approve it. He requested any possible changes. There were no comments.

4. ADJOURNMENT: A motion was made by Randall, seconded by Nordberg, and unanimously carried to adjourn the workshop at 5:50 p.m.

[Seal]

Acting Mayor Paul Utke

ATTEST:

Margie M. Vik
City Clerk