

Present: Mayor Steve Stotko
Council Member Tom Ollig
Council Member Bonnie Quast
Council Member Dave Mochinski
Council Member George Schulenberg

Staff Present: Brad Martens, City Administrator
Deborah R. Boelter, City Clerk-Treasurer

1) **Mayor Stotko called the meeting to order at 6:00 p.m.**

a) **The Pledge of Allegiance was taken.**

2) **Consent Agenda**

Council Member Quast motioned to adopt the Consent Agenda as presented. Council Member Schulenberg seconded. Motion carried 5-0.

a) **Minutes – City Council - Work Session – February 21, 2012**

Accepted the minutes of the City Council Work Session of February 21, 2012.

b) **Minutes – City Council – Regular Meeting – February 21, 2012**

Accepted the minutes of the City Council Regular Meeting of February 21, 2012.

c) **Minutes – City Council – Special Work Session – February 29, 2012**

Accepted the minutes of the City Council Special Work Session of February 29, 2012.

d) **Schedule Public Hearing – Building Permit Fee Schedule**

Scheduled a Public Hearing for Tuesday, March 20, 2012 at 6:00 p.m. to consider adopting amendments to the Building Permit Fee Schedule.

e) **Winsted Municipal Airport Commission Appointment**

Approved the appointment of Michelle Baird to the Winsted Airport Commission as a Member-at-Large with a term expiring December 31, 2015.

f) **Winsted Park Commission Appointment**

Approved the appointment of Petie Littfin to the Winsted Park Commission with a term expiring December 31, 2012.

g) **Holy Trinity – Winstock Country Music Festival – June 7th, 8th, and 9th, 2012**

Approved an Agreement between the City of Winsted and the Church of the Holy Trinity for emergency services and services provided by the City of Winsted during Winstock Country Music Festival for June 7th, 8th and 9th, 2012.

h) **Airport Land Lease – Winstock Country Music Festival**

Leased land between McLeod County Road 5 and the private hangars at Winsted Municipal Airport to the Winstock Country Music Festival for 2012 for \$1,000.

i) Flagship Bank of Winsted – Pledged Securities

Approved the Pledged Securities that Flagship Bank of Winsted has purchased for the City of Winsted for the month of February, 2012.

j) Claims

Approved the Claims List for March 6, 2012.

k) Winsted Volunteer Fire Department Member – Michael Rasmussen

Approved a conditional offer for Michael Rasmussen to become a member of the Winsted Volunteer Fire Department contingent on the successful completion of a medical examination and alcohol and drug testing.

l) Winsted Volunteer Fire Department Member – Trevor Williams

Approved a conditional offer for Trevor Williams to become a member of the Winsted Volunteer Fire Department contingent on the successful completion of a medical examination and alcohol and drug testing.

3) No Public Hearings.

4) Old Business

a) Resolution R-12-05 - Improvements to Westgate Drive, Westgate Terrace, Westgate Circle, and the Westgate Lift Station

Mr. Martens stated that in September, 2010, the City Council approved a Pavement Management Plan outlining proposed street improvements for the years of 2011 through 2026. Also in the year 2010, the City Council adopted an Assessment Policy describing how such public improvements would be paid for.

Mr. Martens stated that the Pavement Management Plan approved in the year 2010 identifies improvements to the Westgate neighborhood in the year 2012. In accordance with the City's Assessment Policy, a percentage of the improvements to the Westgate neighborhood is proposed to be assessed to property owners in the affected area.

Mr. Martens stated that the City's Waste Water Treatment Facility (WWTF) Plan also identifies improvements to the Westgate Lift Station in the year 2012.

Mr. Martens continued by stating that in the year 2010, improvements to the Winsted Volunteer Fire Department's (WVFD) parking lot were presented to the City Council and requested to be completed.

Mr. Martens presented a map of the Westgate neighborhood and gave a brief overview of the proposed improvements for the year 2012. He stated that the major issue is the lack of drainage causing the street pavement to heave and flood in the cul-de-sacs.

Mr. Martens addressed questions that have been asked by the City Council, staff and residents:

1. Why did the existing street last only approximately twenty (20) years?

Mr. Martens stated that the street has been damaged due to poor drainage.

2. How long is a typical street warranty?

Mr. Martens stated that typically a contractor will warranty new street construction for one (1) to two (2) years.

3. What is being done differently this time to insure that the new streets in

the Westgate neighborhood will be constructed properly and hopefully last longer?

Mr. Martens stated that the City's engineer has designed the new streets with substantial improvements to drainage.

4. How long will this new street construction last?

Mr. Martens stated that the new street construction has been designed to last for twenty (20) years with no other life extending processes such as seal coating, crack sealing, etcetera. He also stated that planning maintenance on any reconstructed street will help to extend the life to thirty (30) to forty (40) years.

Mr. Martens stated the proposed street improvements also include the installation of new catch basins and new drain tile along the majority of all curb and gutter to improve drainage.

Mr. Martens gave a brief overview of the process to prepare for the 2012 Pavement Management Plan project:

➤ November 15, 2011

The City Council authorized Bolton and Menk, Incorporated to prepare a Feasibility Study to include the Westgate Neighborhood, Westgate Lift Station, and the WVFD parking lot.

➤ January 17, 2012

The City Council accepted the Feasibility Study, reviewed the project, and scheduled a Public Hearing for February 21, 2012.

➤ Notice of the Public Hearing was mailed to the affected properties; three (3) notices were returned undeliverable.

➤ The Public Hearing was held on February 21, 2012.

- Ten (10) residents spoke at the Public Hearing.
- A petition was presented to the City Council with fifty-one (51) signatures from residents in the Westgate neighborhood opposing the project.
- A vast majority of the residents in the Westgate neighborhood were opposed to the proposed improvement project and the financing.
- A few of the residents were in favor of the project but not the assessment.
- One (1) resident addressed the City Council and stated that they were in favor of the project as presented.

➤ After the Public Hearing, the City Council discussed their options and voted to table the item until the March 6, 2012 Regular Council meeting in order to review more financial options.

➤ On February 29, 2012 a Special City Council Work Session was scheduled to discuss the project.

Mr. Martens stated that at the February 29, 2012 Special City Council Work Session he presented seven (7) financing options to the City Council for their review and discussion. They included:

1. Finance the project according to the Assessment Policy as originally presented with a fifty percent (50%) assessment.
2. Reduce the assessed amount to forty percent (40%).
3. Reduce the assessed amount to forty percent (40%) and remove the storm sewer improvements from the assessment.
4. Assess all pavement projects to all City residents.
5. Complete the project by financing it with Reconstruction Bonds.
6. Delay the project.

7. Finance through increased water and sewer rates in monthly utility bills when this option is available.

Mr. Martens presented the seven (7) financing options in detail:

Option		Total Assessment Per Unit	Annual Payment For Fifteen (15) Years At A 4.5% Interest Rate	Monthly Cost
1	Fifty Percent (50%) Assessment	\$4,940.00	\$460.03	\$38.34
2	Forty Percent (40%) Assessment	\$3,952.00	\$362.76	\$30.23
3	Forty Percent (40%) Assessment, With No Storm Sewer Assessment	\$3,208.31	\$298.74	\$24.90

- Option Number Four (#4): Assess all City of Winsted residents for pavement improvement projects.
 - This option would require a Public Hearing for all City residents before each pavement improvement project is approved by the City Council.
 - It may be difficult to prove the “Test of Benefit” for the entire City when an improvement project is completed in a certain neighborhood.
 - The cost would be approximately \$300 per unit annually for fifteen (15) years to complete all of the proposed improvement projects.
- Option Number Five (#5): Complete the Westgate improvements by financing the project with no assessments and obtaining a Reconstruction Bond.
 - This option would require that the City develop a new five (5) year Pavement Management Plan at a cost of approximately \$5,000.
 - It would require a Public Hearing for all City residents before each pavement improvement project is approved by the City Council.
 - It would result in a substantial delay in completing future projects or substantial property tax increases to complete future projects.
- Option Number Six (#6): Delay the project.
 - This option would delay future projects as well.
 - If the City does “band-aid” repairs and improvements to the streets in the Westgate neighborhood, there will be unknown costs until the full improvement project is completed.
- Option Number Seven (#7): Finance through increased water and sewer rates in the monthly utility bills.
 - This option assumes a five percent (5%) increase in the water and/or sewer minimum rates in the years 2013 and 2014.
 - Would assume a four percent (4%) interest on all bonds.
 - Would assume water and/or sewer minimum rates stay stagnant from the year 2014 and beyond.
 - The City of Howard Lake, Minnesota is financing a street improvement project through this method and their water minimum rate is \$21.71 per month.
 - The City would still need financing for street improvement projects that are non-water and/or non-sewer related costs.
 - This option would not be available for the proposed street improvement project in the year 2012 because there are no water and/or sewer line repairs located under the street.

Mr. Martens gave a brief overview of the direction he received from the City Council at the February 29, 2012 Special Work Session:

- Westgate Drive, Westgate Terrace and Westgate Circle Street Improvements

Mr. Martens stated that the City Council requested that Option Number Three (#3), a forty percent (40%) assessment with the storm sewer work not being assessed, be

presented at the March 6, 2012 Regular City Council meeting.

➤ Westgate Lift Station Improvements

Mr. Martens stated that the City Council agreed that the improvements to the Westgate Lift Station need to be completed as soon as possible.

The Lift Station improvements would not be assessed to the Westgate residents.

➤ WVFD Parking Lot

Mr. Martens stated that the City Council asked to separate the project to allow for more discussion.

The WVFD parking lot improvements would also not be assessed to the Westgate residents.

Mr. Martens stated that since the February 21, 2012 Public Hearing, he has received communication from three (3) Westgate residents who voiced support for the project.

Mayor Stotko stated that the February 21, 2012 Public Hearing has been closed; but, the City Council has agreed to give Westgate residents an opportunity to address them regarding the project.

Mr. Aaron Kubasch, 179 Westgate Drive, addressed the City Council. He asked where the additional \$68,000 came from. Mr. Martens stated that it comes from the City's ability to pay for future street improvement projects.

Mr. Kubasch stated that he did discuss Option Number Four (#4) with Council Member Ollig. Mr. Kubasch continued by stating that Option Number Four (#4) is the option he would like the City Council to approve. Mr. Kubasch thanked the City Council members for taking the time to discuss the proposed project and financing with him through telephone conversations.

The City's Engineer, Jake Saulsbury, Bolton and Menk, Incorporated, discussed the difficulty in proving the "Test of Benefit" for the entire City when a street improvement project is completed in a specific neighborhood.

Mr. Martens asked Mr. Saulsbury if the City Council could hold just one (1) Public Hearing for all the projects listed in the Pavement Management Plan if they would decide to go with Option Number Four (#4) to fund improvement projects. Mr. Saulsbury stated no. The City Council would have to hold a separate Public Hearing before each project and invite all Winsted residents to attend.

Mr. Chuck Gutzmann, 509 Westgate Drive, addressed the City Council. Mr. Gutzmann stated that he agrees with Mr. Kubasch and all street improvement projects should be funded through Option Number Four (#4), an assessment to all residents. He continued by stating that he believes that the City Council could just hold one (1) Public Hearing and if residents knew that eventually their street was going to be improved, they would agree with the \$300 annual assessment.

Council Member Ollig stated that there are residents who are paying for assessments today for projects that were completed in the past; so, they should not also be responsible for funding future projects that are not going to impact their neighborhood. He continued by stating that he does not believe that Option Number Four (#4) is a viable funding option.

Council Member Ollig thanked his fellow City Council members for considering the alternative financing options presented by Mr. Martens. He continued by stating that it is a difficult decision to make; but, it has to be made. Council Member Ollig stated that he does not believe that the City will obtain a lower interest rate for funding the project and lower construction quotes in the future. He continued by stating that the City Council listened to what the residents in the Westgate neighborhood had to say at the February 21, 2012 Public Hearing and they have made a "good faith effort" to establish a funding option that would be suitable for all parties involved.

Council Member Quast stated that the City Council listened to the residents from the Westgate neighborhood and brought the assessment to the approximate level of \$300 that they requested. She continued by stating that she agrees with Council Member Ollig that it is a difficult decision and she hopes that the residents will be satisfied with what the City Council votes to do.

Council Member Schulenberg stated that he did communicate with some of the Westgate residents and they indicated that they were in favor of the proposed project. He continued by stating that he believes that if the City would wait to do the project, it will likely cost everyone more money. He stated that his vote will be to do the project with the terms of Option Number Three (#3).

Mayor Stotko thanked the Westgate residents for attending the February 21, 2012 Public Hearing and showing their interest in the project. He continued by stating that their input was appreciated and helpful.

Mr. Martens stated that the City Council will need to approve Resolution R-12-05 ordering the improvements and preparation of plans on the proposed improvement project at Westgate Drive, Westgate Terrace, Westgate Circle and the Westgate Lift Station with a 4/5 vote.

Council Member Ollig motioned to amend the City of Winsted's Assessment Policy reducing the assessable portion of Public Improvement Projects and consider a motion to adopt Resolution R-12-05 ordering the improvement and preparation of plans on the proposed improvement project at Westgate Drive, Westgate Terrace, Westgate Circle and the Westgate Lift Station. Council Member Schulenberg seconded. Motion carried 5-0.

5) New Business

a) **Resolution R-12-06 - Providing for the Issuance and Sale of \$4,615,000 General Obligation Crossover Refunding Bonds, Series 2012A**

Mr. Martens stated that in January, 2012, staff was contacted by Northland Securities about an opportunity to refinance the City's General Obligation Capital Improvement Plan Bonds, Series 2006A, Series 2006B, and Series 2007A. The refinancing would take advantage of lower interest rates and would reduce the debt service payment on these bonds by the City of Winsted.

Mr. Martens stated that Steve Mattson, of Northland Securities, presented the opportunity at the January 17, 2012 Regular City Council meeting and recommended that the City authorize a resolution approving the refinancing of the bonds by approval of the Mayor and City Administrator. This resolution was adopted by the Council.

Mr. Martens stated that on February 22, 2012, the bonds were sold by Northland Securities as approved by the Mayor and City Administrator. The sale resulted in a total savings of \$860,797.73 over the term of the bonds. The majority of the savings is due to a shortening of the bond term by three (3) years on the largest bond. Additionally, there will be annual debt service savings from 2015 until the bond is paid off in 2033.

Mr. Martens stated that in order to refinance bonds, the City was required to receive a bond rating. Previously no bond rating was required for the sale of bonds by the City of Winsted. Mr. Martens continued by stating that staff was interviewed by Standard and Poor's, who thoroughly evaluated the City of Winsted's the financial statements, to understand the financial condition of the City. As a result, the City of Winsted received an A+ bond rating which indicates a "strong capacity to meet financial commitments."

Mr. Martens presented comments from Standard and Poor's on the City's A+ Rating:

- Reflects assessment of the City's
 1. access to diverse employment opportunities in the regional center of Hutchinson, Minnesota;
 2. good income levels; and
 3. very strong reserves as a percentage of expenditures.

- Limiting credit factors
 1. could be an elevated debt service; and
 2. nominal dollar amount of cash reserves.
- Outlook

“The stable outlook reflects our expectation that the City will maintain balanced operations and very strong reserves. Although we do not expect the rating to change within the two (2) year parameter of the outlook, we recognize that their General Fund balance on a dollar basis is nominal and an unforeseen event could test the City's finances. If officials are unable to manage these challenges and General Fund reserves fall to a level that isn't consistent with the current rating, we could lower the rating. Conversely, if management's conservative practices lead to a stronger General Fund balance, we could raise the rating.”

Mr. Martens presented the schedule of what took place in regards to reaching the savings amount of \$860,797.73:

- January 6, 2012 \$374,532.04
- January 17, 2012 \$502,580.48
- January 18, 2012 \$883,450.63
- **February 22, 2012 \$860,797.73**
 - The savings will be realized from years 2012 to 2033.
 - The savings are equivalent to seventy-seven percent (77%) of the City's 2012 property tax levy.
 - The majority of the annual savings are from the Sewer Bond.
 - Recommend using savings to reduce the future debt levy and the future property tax rate.

Council Member Quast motioned to adopt Resolution R-12-06 providing for the issuance and sale of \$4,615,000 General Obligation Crossover Refunding Bonds, Series 2012A and pledging for the security thereof net revenues and levying a tax therefor. Council Member Ollig seconded. Motion carried 5-0.

6) **No Organization Report.**

7) **No Department Report.**

8) **Open Forum**

a) **Winsted Arts Council - Julie Guggemos and Nancy Fasching – Vollmer Room Policy**

Winsted Arts Council representatives, Julie Guggemos and Nancy Fasching addressed the City Council. They requested to use the Vollmer Room in City Hall to offer art classes.

Mr. Martens stated that the Winsted Arts Council is listed on the Vollmer Room Use Policy list of “groups that have similar general goals of the City and may have access to the Vollmer Room when available and without charge: Winsted Chamber of Commerce; Winsted Summer Festival Committee; Winsted Lake Watershed Association; Winsted Senior Dining and programs; Winsted Arts Council; Winsted Community Club; WHAT UP (Winsted Holding Activities That Unite People); Howard Lake, Waverly, Winsted (HLWW) Girl Scouts; Winsted Boy Scouts; Winsted Lions; Winsted Public Library; and the Winsted Township”; however, Mr. Martens stated that the Winsted Arts Council plans to charge a fee for the classes and this does not comply with the Policy’s regulation that the room cannot be used “for private profit making activities or any other activity not consistent with the general purpose of the building or these policies.”

Ms. Guggemos and Ms. Fasching stated that the Winsted Arts Council is a non-profit organization and the fee that they would be charging for the art classes would be to cover the cost of the instructor and supplies. They continued by stating that the fee would not be for profit or personal gain.

Council Member Ollig stated that the reason the City Council decided to include that the room cannot be “for private profit making activities or any other activity not consistent with the general

purpose of the building or these policies” is because the City did not want to take business away from the other facilities in the Community that have rooms available to rent for various activities.

The City Council discussed Ms. Guggemos and Ms. Fasching’s request. Mayor Stotko stated that the City Council cannot make an official decision under the Open Forum; so, he directed City staff to put the Winsted Arts Council’s request on a future City Council Work Session agenda.

9) **No Announcements.**

10) **Adjournment**

Council Member Quast motioned to adjourn. Council Member Mochinski seconded. Motion carried 5-0.

The meeting was adjourned at 6:53 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

Deborah R. Boelter, MCMC
City Clerk-Treasurer
City of Winsted