

City of Winsted  
City Council Meeting  
Council Chambers  
Tuesday, May 6, 2014  
6:00 p.m.

Present: Mayor Steve Stotko  
Council Member Bonnie Quast  
Council Member Tom Ollig  
Council Member George Schulenberg  
Council Member Max Fasching

Staff Present: Mr. Clay Wilfahrt, City Administrator  
Ms. Deborah R. Boelter, City Clerk-Treasurer  
Mr. Dave Meyer, Public Works Department Maintenance Supervisor  
Mr. Justin Heldt, Winsted Police Department Acting Chief

**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 the motion. Motion carried 5-0.**

**a) Minutes – City Council – Special Closed Meeting – April 15, 2014**

Accepted the minutes of the April 15, 2014 City Council Special Closed Meeting.

**b) Minutes – City Council – Work Session – April 15, 2014**

Accepted the minutes of the April 15, 2014 City Council Work Session.

**c) Minutes – City Council – Regular Meeting – April 15, 2014**

Accepted the minutes of the April 15, 2014 City Council Regular Meeting.

**d) Planning Commission Meeting – February 10, 2014**

Accepted the minutes of the February 10, 2014 Planning Commission Meeting.

**e) Park Commission Meeting – March 10, 2014**

Accepted the minutes of the March 10, 2014 Park Commission Meeting.

**f) Resolution R-14-14 - Donation – Winsted Police Department**

Adopted Resolution R-14-14 to accept a \$250.00 Target gift card donation from TDS Telecom to be dedicated to the Winsted Police Department for the year 2014 Bike Rodeo.

**g) Resolution R-14-15 – Donation - Winsted Volunteer Fire Department**

Adopted Resolution R-14-15 to accept a pallet of spring water donation from Casey's General Store to be dedicated to the Winsted Volunteer Fire Department.

**h) Resolution R-14-16 - Donation – Winsted Police Department**

Adopted Resolution R-14-16 to accept a cupcake and cake donation from Ms. Bertha Ide to be dedicated to the Winsted Police Department for the year 2014 Drug Abuse Resistance Education (D.A.R.E) Graduation.

**i) Resolution R-14-17 - Liquidation of Outdated Police Equipment**

Adopted Resolution R-14-17 to authorize the liquidation of certain outdated Winsted Police Department equipment.

**j) Leave of Absence – Mr. John Schlechter**

Approved a two (2) week leave of absence for Mr. John Schlechter to be taken in May, 2014 and in October, 2014 as scheduled with Mr. Dave Meyer, Public Works Department's Maintenance Supervisor.

**k) Year 2014 Crack Filling –Bargen Incorporated**

Approved a quote from Bargen Incorporated to crack fill certain Winsted streets for an amount not to exceed \$14,000.

**l) Public Hearing – Zoning Ordinance Amendment**

Scheduled a Public Hearing on Tuesday, June 3, 2014 at 6:00 p.m. in the Council Chambers at Winsted City Hall, 201 – 1st Street North, to consider amendments to Winsted's Zoning Ordinance regarding the Floodplain District.

**m) November, 2013 Financial Report**

Approved the November, 2013 Financial Report.

**n) December, 2013 Financial Report**

Approved the December, 2013 Financial Report.

**o) Security Bank and Trust Company - Pledged Securities**

Approved the Pledged Securities that Security Bank and Trust Company has purchased for the City of Winsted for the month of April, 2014.

**p) Claims**

Approved the Claims List for May 6, 2014.

**3) No Public Hearings.**

**4) No Old Business.**

**5) New Business**

**a) Waste Water Treatment Facility Improvements**

Mr. Wilfahrt stated that at the November 19, 2013 Regular City Council meeting, the City Council authorized Bolton and Menk, Incorporated to move forward with planning for the Waste Water Treatment Facility (WWTF) Improvement Project. The City Council directed staff to move forward with planning for option two (2) of the memo from Bolton and Menk, Incorporated dated November 14, 2013. The Project includes updating aging equipment at the WWTF; as well as, adding infrastructure to be in compliance with new the phosphorus requirements from the State of Minnesota.

Mr. Wilfahrt stated that since that time, Bolton and Menk, Incorporated has completed the plans for the proposed Project and is now ready to advertise for bids. The scope of the Project has remained the

same as it was presented at the November 19, 2013 Regular City Council meeting with one (1) minor change.

Mr. Josh Eckstein, Bolton and Menk, Incorporated, was in attendance at the meeting and gave a brief overview of the one (1) minor change of the drainage route into Crane Creek. The new route would discharge into a tributary of Crane Creek and would significantly decrease the length of the force main pipe.

Mr. Eckstein stated that Bolton and Menk, Incorporated would like to advertise for Project bids from May 12, 2014 through June 10, 2014 and have the City Council award the Project to a contractor at their June 17, 2014 Regular City Council meeting.

Mayor Stotko asked if the City Council was approving the application for the \$1.1 million dollar grant. Mr. Wilfahrt stated no. He continued by stating that the City Council would be authorizing Bolton and Menk, Incorporated to advertise for Project bids.

Mr. Eckstein stated that if the City Council would agree to authorize Bolton and Menk, Incorporated to obtain bids for the proposed WWTF Improvement Project, the next step would be for the City Council to approve a bid and award the Project to a contractor at their June 17, 2014 Regular City Council meeting.

Mayor Stotko asked if the City of Winsted is guaranteed the \$1.1 million grant. Mr. Eckstein stated that the City Council must award the Project prior to June 30, 2014 to receive the \$1.1 million grant.

Mayor Stotko asked what happens if the City would not qualify for the \$1.1 million grant; would the City still be required to do the proposed Project. Mr. Wilfahrt stated that the City has already been awarded the grant and the final step in the process is to award the Project to a contractor by June 30, 2014. Mr. Eckstein reiterated that if the Project is awarded to a contractor by June 30, 2014, the City will receive the \$1.1 million grant.

**Council Member Ollig motioned to authorize staff to advertise for bids for improvements to the Waste Water Treatment Facility. Council Member Fasching seconded the motion. Motion carried 5-0.**

**b) Hotel Feasibility Study**

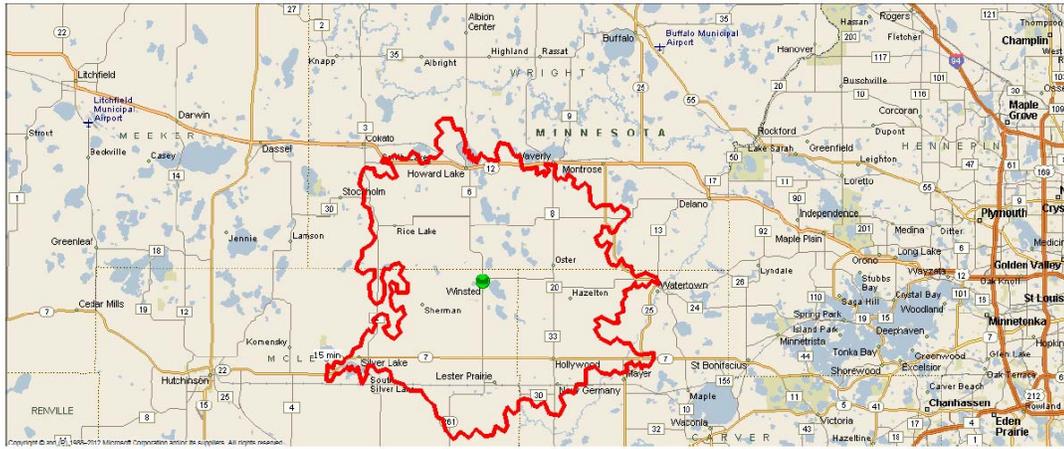
Mr. Wilfahrt stated that in the year 2013, the City Council approved the completion of a Hotel Feasibility Study. The City received the completed Study in the year 2014.

Mr. Wilfahrt gave a brief overview of the Study that included the following:

- ✓ Market Conditions
- ✓ Hotel Supply
- ✓ Hotel Demand
- ✓ Facility Recommendations
- ✓ Project Occupancy
- ✓ Average Daily Room Rate
- ✓ Project Cost and Economic Feasibility
- ✓ The Next Step

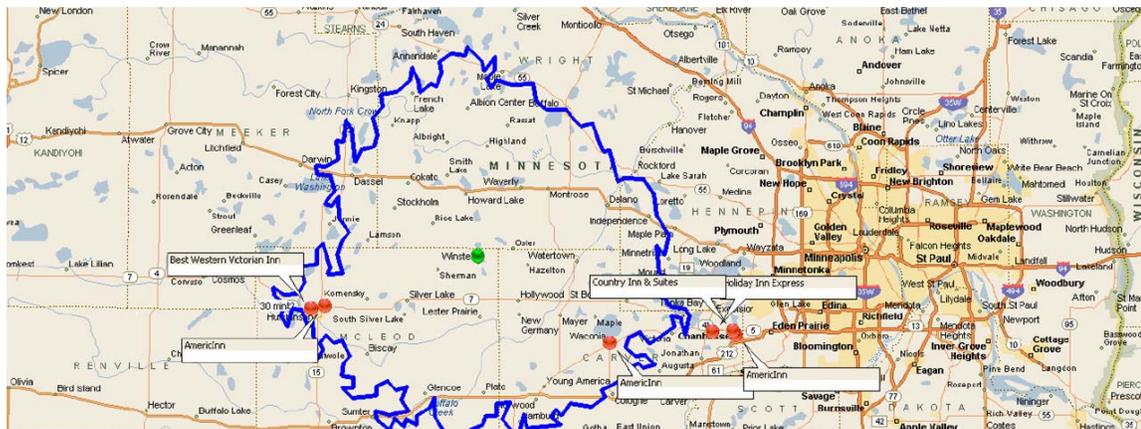
Mr. Wilfahrt stated that the Market Conditions of the Study include:

- A marketing area of 5,300 residents.
- Limited in proximity by Waconia, Minnesota; Hutchinson, Minnesota; Litchfield, Minnesota and Buffalo, Minnesota.
- The population in the Winsted area increased twelve percent (12%) since the year 2004.
- Tourism is a large draw for several weekends per year.
- The biggest draw will be business use of the proposed hotel.



Mr. Wilfahrt stated that the current Hotel Supply is:

- ✓ Six (6) hotels within a thirty (30) minute drive from Winsted in the cities of Hutchinson, Minnesota; Waconia, Minnesota and Chanhassen, Minnesota.
- ✓ Most Winsted businesses that were included in the Feasibility Study stated that they use the hotels in Waconia, Minnesota due to the convenience and proximity to an airport.
- ✓ Most Winsted businesses indicated that there is a willingness to patronize a hotel in Winsted as long as it has the same qualities and amenities as the hotels in the aforementioned cities.



Mr. Wilfahrt stated the Hotel Demand was determined by interviewing several Winsted businesses and the following results were found:

- Several of the businesses in Winsted require hotel use frequently.
- One (1) of the businesses would require at least one (1) room per night all year around; possibly more for additional staff and/or guest that they have visiting their Winsted facility.
- With the aforementioned information, the Feasibility Study shows that a thirty-one (31) room hotel would be occupied sixty-five percent (65%) of the time and at an average daily rate (ADR) of \$84 per room.

Mr. Wilfahrt stated that the facility recommendations include:

- ✓ A thirty-one (31) room prototype.
- ✓ An exercise room.
- ✓ A business center with a computer and printer.
- ✓ Wireless internet.
- ✓ Flat screen televisions in each room.
- ✓ Premium movie channels.
- ✓ Coffee makers in each room.
- ✓ The location of the hotel within the City of Winsted is not vital to its success.

Mr. Wilfahrt stated that since the completion of the Hotel Feasibility Study, he has received several requests from the Winsted businesses for a professional meeting and/or conference room in the

proposed hotel to accommodate presentations, training, and etcetera. He continued by stating that the need for this type of meeting space will be addressed with the investors during the planning process.

Mr. Wilfahrt presented the Projected Occupancy:

- Occupancy is expected to be almost seventy-five percent (75%) commercial.
- The occupancy the first (1<sup>st</sup>) year will be approximately fifty-four percent (54%) followed by a stable rate of sixty-five percent (65%) to sixty-seven percent (67%) in future years.

**PROJECTED UTILIZATION**  
**31 Room Cobblestone Inn & Suites**

Market Segment	2015	2016	2017	2018	2019
Commercial	4,300	5,300	5,400	5,400	5,500
Leisure	1,800	2,000	2,000	2,100	2,100
	6,100	7,300	7,400	7,500	7,600
Available Rooms	11,315	11,315	11,315	11,315	11,315
Occupancy	54%	65%	65%	66%	67%

Mr. Wilfahrt stated that the Average Daily Room (ADR) rate is based on average room rates for hotels in close proximity to Winsted and is expected to be approximately \$80 to \$90 per room per night initially.

**WINSTED COBBLESTONE INN & SUITES**  
**Projected Average Daily Rate**  
**31 Rooms**

Year	Average Daily Rate
2014	\$84.00
2015	\$86.52
2016	\$89.12
2017	\$91.79
2018	\$94.54
2019	\$97.38

Mr. Wilfahrt stated that the Project Cost and Economic Feasibility include the following:

- ✓ The total project cost for a thirty-one (31) unit hotel is expected to be \$2,173,000.
- ✓ Investor's return on equity is expected to stabilize at fifteen percent (15%) to seventeen percent (17%). This is a healthy return that will attract investors.
- ✓ Considering the project cost and terms of financing assumptions, the hotel project is considered economically feasible.

**Proposed Cobbelstone Inn & Suites**  
**Economic Feasibility Analysis**  
**Project Cost: \$2,173,000**

	2015	2016	2017	2018	2019
Cash Flow Available for Debt Service	\$179,606	\$237,655	\$242,581	\$245,996	\$254,931
Debt Service	\$96,855	\$96,855	\$96,855	\$96,855	\$96,855
Debt Service Coverage	1.8X	2.4X	2.5X	2.5X	2.6X
Cash Flow to equity	\$82,751	\$140,800	\$145,726	\$149,141	\$158,076
Equity	\$950,000	\$950,000	\$950,000	\$950,000	\$950,000
Return on Equity	9%	15%	15%	16%	17%

Mr. Wilfahrt stated that the next steps include:

- Drafting several layout options.
- Present the results of the Hotel Feasibility Study to potential investors and generate interest.
- Coordinate with investors to ensure that the City participates in any way needed.

Mr. Wilfahrt stated Cobblestone follows a model of funding the proposed hotel through forty percent (40%) private equity from the investors, ten percent (10%) equity from Cobblestone and the additional fifty percent (50%) would be financed.

Mr. Wilfahrt stated that Cobblestone will contact investors and the City will assist Cobblestone in any way that we can and/or they need.

Council Member Ollig asked how receptive the Cobblestone representatives were about building a hotel in Winsted once they saw the Feasibility Study. Mr. Wilfahrt stated that they were positive and excited. They were confident that the fifteen percent (15%) to seventeen percent (17%) return on equity will attract investors.

Council Member Ollig asked if the businesses in Winsted were receptive to the proposed hotel being constructed in Winsted. Mr. Wilfahrt stated that they were.

Mayor Stotko asked Mr. Wilfahrt to keep the City Council updated on the progress of the proposed hotel. Mr. Wilfahrt stated that he would through his weekly Friday update.

Council Member Quast asked how many locations have been identified for the proposed hotel. Mr. Wilfahrt stated that staff is exploring several locations. The investors will be provided with several location options and then they will make the decision on where to build the hotel.

## **6) Department Report**

### **a) Public Works Department**

Mr. Dave Meyer, Winsted Public Works Department's Maintenance Supervisor, reported on the following:

- Made and maintained an ice skating rink on Winsted Lake in Mill Reserve Park.
- Took down holiday decorations and banners.
- Continue to hold monthly safety meetings through Safe Assure.
- Plowed snow and sanded City streets.
- Plowed the taxi-lanes and runway at the Winsted Municipal Airport.
- Broomed off the snow from downtown sidewalks.
- Put up the American flags for holidays.
- Addressed four (4) water main breaks.
- Changed oil on the Winsted Police Department's vehicles.
- Addressed frozen water lines effecting Winsted residents and businesses.
- Scheduled mosquito control for the year 2014 summer months.
- Hung a new windsock and replaced light bulbs on the beacon at the Winsted Municipal Airport.
- Repaired the runway lights at the Airport.
- Obtained street crack filling bids.
- Serviced the City's street sweepers.
- Swept all the City streets.
- Moved bleachers to the Campbell Baseball Field.
- Turned water on to the Campbell Baseball Field.
- Flushed fire hydrants.
- Had two (2) fire hydrants repaired that were hit by motor vehicles.
- Have been having some problems with sewer lines and recommended that residents be careful about what they flush down the sewer.

Council Member Ollig asked how the Public Works Department's equipment fared over the long winter months in the years 2013 and 2014. Mr. Meyer stated that the equipment did well.

Council Member Schulenberg asked Mr. Meyer if the Public Works Department was able to use some of the parts from the old snow plow for the new snow plow. Mr. Meyer stated yes.

Mr. Meyer stated that the new truck and snow plow have been a great asset to the Public Works Department.

Council Member Schulenberg asked Mr. Meyer how his role as Maintenance Supervisor has been going over the past year. Mr. Meyer stated that things have been going well. He continued by stating that they have a good team and they work well together.

Council Member Fasching asked if the power had been installed at Southview Park. Mr. Meyer stated that it has not been installed; but, it is in the process.

Council Member Ollig asked about the loss of power in the Westgate Housing Development. Mr. Meyer gave a brief overview of how Xcel Energy's power connection repeatedly has issues. The City Council directed Mr. Wilfahrt to contact Xcel Energy regarding the repeated power failures in Westgate Housing Development.

**7) No Open Forum.**

**8) Announcements**

**a) Ms. Raquel Kirchoff – Certified Municipal Clerk**

Ms. Boelter announced that Ms. Raquel Kirchoff, Administrative Assistant, has completed the necessary training to receive her advanced certification as a Certified Municipal Clerk (CMC) from the International Institute of Municipal Clerks (IIMC).

**b) Ms. Amanda Zeidler – Minnesota Municipal Clerk's Institute**

Ms. Boelter announced that Ms. Amanda Zeidler, Utility Billing and Payroll Clerk, has completed her third (3<sup>rd</sup>) and final year of the Minnesota Municipal Clerk's Institute (MMCI). Ms. Zeidler will now apply to the Minnesota Municipal Clerks and Finance Officers Association (MCFOA) to obtain her Minnesota Certified Municipal Clerk (MCMC) certification.

**9) Adjournment**

**Council Member Quast motioned to adjourn the meeting. Council Member Schulenberg seconded the motion. Motion carried 5-0.**

The meeting was adjourned at 6:25 p.m.

*Steve Stotko*

Steve Stotko  
Mayor  
City of Winsted

ATTEST:

*Deborah R. Boelter*

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