

City of Winsted
City Council Work Session
Lewis Room
Tuesday, May 19, 2015
4:00 p.m.

Present: Mayor Steve Stotko
Council Member Bonita Quast
Council Member George Schulenberg
Council Member Max Fasching

Absent: Council Member Tom Ollig

Staff Present: Mr. Clay Wilfahrt, City Administrator.
Mr. Fran Eggert, City Attorney
Ms. Deborah R. Boelter, City Clerk-Treasurer
Mr. Shannon Sweeney, City of Winsted Financial Advisor
Mr. Dave Meyer, Public Works Department Maintenance Supervisor

I. Call to Order

Mayor Stotko called the meeting to order at 4:00 p.m.

II. Millerbernd Manufacturing – Tax Abatement

Mr. Sweeney stated before the City Council is a terms letter summarizing the general terms and conditions for a business subsidy that is being requested by Millerbernd Manufacturing Company (Millerbernd) for their proposed 10,000 square foot office expansion. Essentially what is being proposed is that Millerbernd will pay \$11,209 per year on the office building for a term of up to fifteen (15) years. The abatements shall commence in the year 2017, and in any year of the abatement term, the abatement amount shall not exceed the City property taxes actually paid for the property.

The process that this request must go through is a public hearing, which will be held on June 2, 2015 in order to receive public comment with regard to this proposed tax abatement. It is Staff's intent to have an agreement drafted to be presented for approval by the City Council following the public hearing.

Mr. Sweeney stated tax abatement is a tool commonly used to encourage people to expand their businesses. Millerbernd has indicated in the past that they have considered other locations for expansion and tax abatement would enable the business to remain in Winsted.

Mr. Sweeney noted the action required this evening is to set this item for a public hearing and that the Council will not be voting on the actual tax abatement itself. If the Council approves setting the matter on for a public hearing, an attorney will be hired to draft the agreement.

Council Member Fasching asked whether Millerbernd has utilized tax abatement in the past.

Mr. Sweeney indicated they have not.

Mr. Wilfahrt noted Millerbernd has approximately 400,000 square feet of manufacturing space currently and that Staff would recommend the Council consider tax abatement as a means of

encouraging them to expand their business. Council Member Fasching asked how many jobs are expected to be created.

Mr. Sweeney stated the City is requiring Millerbernd to commit to eleven (11) full-time jobs but that they are anticipating it may be up to twenty (20). The jobs will pay an average of not less than \$16.00 per hour before benefits. The jobs shall be retained by Millerbernd for the entire term of the abatement.

Council Member Quast asked where the expansion will be constructed.

Mr. Sweeney stated to his knowledge it will be added to the eastern most building on the south side of the site. Mr. Sweeney noted this will not be the first time the City has utilized tax abatement or tax increment financing.

Mayor Stotko noted the tax abatement will be for the new building only.

It was the general consensus of the City Council to support Millerbernd in its expansion efforts.

Ms. Boelter noted this item is on the May 19, 2015 Regular City Council Meeting's Consent Agenda.

III. Conduit Bonding – Minnehaha Academy

Mr. Sweeney stated the City of Winsted has received a request to serve as a conduit issuer for a portion of an approximately \$12,300,000 tax exempt bond issue propose by Minnehaha Academy. As a non-profit entity, Minnehaha Academy must have a unit of government serve as a conduit for the purpose of issuing tax exempt bonds. By serving as a conduit, the City would assume no liability associated with the transaction and has no obligation for the repayment of the bonds issued by the non-profit organization. If the entity goes bankrupt, it will not reflect upon the City's bond rating.

Mr. Sweeney stated that when a unit of government, such as the City of Winsted, exceeds \$10 million in tax exempt bonds issued in a calendar year, the bonds are no longer considered bank qualified, which means that lending institutions can no longer take advantage of the tax-exempt status on interest payments. This ultimately results in slightly higher interest rates if the \$10 million threshold is exceeded. The City of Winsted will not be exceeding that \$10 million threshold in the year 2015 even if they serve as the conduit for Minnehaha Academy. It is anticipated that the City of Winsted would serve as a conduit for approximately \$3 million of the total issue.

Mr. Sweeney stated that at this time Minnehaha Academy is proposing to pay a fee of .25 percent to the City of Winsted if the City is willing to serve as the conduit issuer for the proposed bond sale. A fee in the amount of \$7,500 would be paid to the City for serving as a conduit. All other costs associated with having bond counsel review documents on behalf of the City would be covered by Minnehaha Academy.

Mayor Stotko noted the City has done this in the past for Ridgeview Medical Center and Saint Mary's Care Center.

Council Member Schulenberg asked if the Wastewater Treatment Facility (WWTF) upgrades will impact this.

Mr. Sweeney stated that is presently estimated at \$5.8 million, and with the two (2) added together, the City should still be under the \$10 million limit.

Mr. Wilfahrt stated that the City does not have anything else in the works related to bonding.

Council Member Fasching noted the City will receive \$7,500 in return, with little to no risk.

Mr. Sweeney stated the only risk to the City is if they go over the \$10 million bond limit, which does not appear to be very likely.

The City Council discussed whether the City is required to charge a higher fee. Mr. Wilfahrt stated staff will bring action items back before the City Council on this matter, and if anything conflicts with City policy, staff will bring back a recommended policy change.

IV. Business Development Public Infrastructure Grant Application

Mr. Wilfahrt noted the City Council has been discussing what its next steps should be with regard to the industrial park. The City has recently received a letter of intent to purchase five (5) acres of land in the industrial park. Mr. Wilfahrt stated as a result, he would recommend the City move forward as quickly as possible with a grant application to the Greater Minnesota Public Infrastructure Program.

Mr. Sweeney stated the Greater Minnesota Public Infrastructure Program provides grants of up to \$1,000,000 in matching funds for the construction of publically owned infrastructure that supports economic development projects. Economic development projects would include manufacturing, technology, warehousing, research and development, agricultural processing, and industrial park development. Retail and office developments are not eligible.

Mr. Sweeney stated he would be willing to complete the application for a cost not-to-exceed \$2,500, which would be contingent upon a grant being awarded to the City.

It was the general consensus of the City Council to move forward with the grant.

Mr. Wilfahrt stated he will verify whether City Council approval is necessary given the amount of the expenditure or whether it could simply come out of administration's budget. Mr. Wilfahrt stated if City Council approval is necessary, the item will be on the June 2, 2015 Regular City Council Meeting Agenda.

V. Westside Skydiving

Mr. Kristin Merritt, Westside Skydiving, was in attendance at the Work Session.

Mr. Wilfahrt noted the City Council has previously reviewed and discussed the agreements between the City of Winsted and Westside Skydiving, Limited Liability Company (LLC). Included in those agreements is a termination agreement between the City and Westside Skydiving, LLC; an operation agreement between the City of Winsted and Skydive the Lakes, LLC; and a trespass and hold harmless agreement with Joseph Frederick Johnson and Westside Skydiving.

Mr. Wilfahrt stated the City is looking to sever all ties with Mr. Joe Johnson and Westside Skydiving and then to enter into a new agreement with Skydive the Lakes and Owner Ms. Kristin Merritt.

Mr. Wilfahrt stated there are some differences between the new agreement and the agreement it had with Westside Skydiving. The first difference is the inclusion of a morals clause within the operation agreement which allows the City to terminate the contract after a hearing if any misconduct is found to have occurred. The agreement only goes through the end of the year 2015. At that time the City Council would need to negotiate a new agreement if it so desired.

Mr. Wilfahrt stated the old agreement was based off of fifty-eight (58) hours of Public Works Department's staff time, seventy (70) hours of City Administrator time, eight (8) hours of City

Attorney time, and thirty-four (34) hours of janitorial time, with a ten percent (10%) surcharge for overhead costs. Mr. Wilfahrt noted he did not spend seventy (70) hours due to the fact that there is no longer a Winsted Municipal Airport Commission. There were approximately five (5) hours of attorney time spent in the year 2014 and in the year 2012 there was approximately 7.5 hours spent. Mr. Wilfahrt suggested the City Council go with the current hours and review it at the end of the year 2015.

Mr. Wilfahrt noted this item is not currently on the May 19, 2015 Regular City Council Meeting Agenda. If the City Council elects to place it on the May 19, 2015 Agenda, it is recommended the items be approved contingent upon the agreements being signed by Westside Skydiving and Mr. Johnson.

Council Member Quast asked who from the City would be monitoring the activities governed under the agreements.

Mr. Wilfahrt stated it is likely the City would receive calls from the neighboring property owners or from Airport personnel. Mr. Wilfahrt noted the Federal Aviation Administration (FAA) would become involved in certain violations.

Council Member Schulenberg stated his only concern at this point relates to the previous owner and that he needs to fully understand what is taking place.

Council Member Schulenberg asked whether Ms. Merritt has taken any steps to address the concerns of the neighbors.

Ms. Kristin Merritt stated they have diverted their flight pattern approximately three (3) miles to the north but that she has not heard anything back from them. Ms. Merritt indicated she has not heard any complaints from anyone at this point and that they have rerouted their flights to go in between the two (2) properties, which will hopefully improve the situation.

Council Member Schulenberg stated the biggest complaint he has heard over the years has been the noise.

Council Member Quast asked whether she currently has a hangar.

Ms. Merritt stated she can either purchase or build a hangar; but, that she is unable to do so at the present time without an agreement with the City.

Council Member Quast requested Ms. Merritt inform the City Administrator on the status of the hangar by the end of June, 2015.

Council Member Fasching noted the City is incurring a significant amount of costs associated with terminating the old agreement and entering a new agreement, and that he would like the fees to be increased.

Mr. Wilfahrt indicated he has included City staff's time but that the attorney fees have not been included.

Ms. Boelter noted the City so far has spent \$3,725 on attorney fees and had only budgeted \$750.

Ms. Merritt stated in her view it is not fair for her or the City to incur the additional attorney fees due to the conduct of Mr. Johnson. Ms. Merritt noted the agreement is also not for a full year.

The City Council had a discussion about how the costs should be handled.

Mr. Wilfahrt noted the City would be setting a precedent if it charges fees for costs incurred as a result of a former party. Mr. Wilfahrt stated the money would not be paid out of the City's General Fund but would be shown as a deficit in the Airport Fund. Mr. Wilfahrt noted the amount of time he has spent on the Airport has been less than what was originally calculated and charged. Mr. Wilfahrt stated he does not expect the attorney to have to spend much more time on this matter.

Ms. Merritt noted Mr. Johnson has signed the termination agreement.

It was the consensus of the City Council to discuss the agreement for the remainder of the year 2015 with Skydive the Lakes, LLC, at the May 19, 2015 Regular City Council Meeting.

(A recess was taken)

VI. Winsted Municipal Airport – Minimum Standards Policy

Mr. Wilfahrt noted the City Council has reviewed this policy a number of times. The policy has been sent to the hangar owners for their input and two recommendations were received. The first recommendation was that flight instructors should be required to have the same insurance as a flight school, which has been added to the policy. The second recommendation was to restrict the use of the runways for business operations to those who are sharing in the cost of the improvements. In regards to that recommendation, City staff has added the following language to the policy: ~~in~~ order to conduct business operations at the Winsted Municipal Airport, a business must either rent or own a hangar at the Winsted Municipal Airport.+

Mr. Wilfahrt stated he did check with Minnesota Department of Transportation/Office of Aeronautics (MN DOT/OA) regarding the changes to ensure the City was able to make those changes and they informed City staff that the City is perfectly within their rights to do so. In the case where someone is a friend or acquaintance of a hangar owner and they are conducting business, they would be allowed to do so as long as money is not exchanged.

Mr. Wilfahrt noted this item cannot be placed on the May 19, 2015 Regular City Council Meeting Agenda since the City is required to give notice to Westside Skydiving in the event their contract is not terminated with the City.

The City Council had no questions regarding this item.

VII. On Call Time – Mr. Christopher Hirsch

Mr. Wilfahrt stated this item is similar to a situation that occurred approximately five (5) years ago with another Winsted Police Department Officer. In this particular situation, Mr. Hirsch resides outside the on call time for the City's Police Officers. Mr. Hirsch is requesting permission to reside outside of the designated on call time radius; but, that he will be present in town during the time he is on call.

Mr. Wilfahrt stated since this is a deviation from the official job description and requirements, the City Council will need to approve the request. Mr. Wilfahrt noted Mr. Hirsch has resided outside the on call time radius since he began his employment with the City.

The City Council briefly discussed this item and had no immediate concerns.

VIII. City Council Salary – Work Sessions

Mr. Wilfahrt noted at its May 5, 2015, meeting, the City Council directed City staff to survey other communities to determine pay for City Councils in the area. The survey found a variety of results,

which are outlined in City staff's report. Mr. Wilfahrt stated staff is looking for direction from the City Council on how to proceed.

The City Council briefly discussed this item. Staff was directed to look at a pay scale based on the number of hours spent conducting City business.

IX. Personnel Committee

Mr. Wilfahrt noted the City Council recently set up a benefits task force to identify the best options for insurance for the City. Staff initially had concerns about forming a personnel committee since under Minnesota State Statutes it was unclear as to whether or not information discussed at the meetings would be subject to the open meeting law. At times sensitive and protected information would be discussed and Staff had a question about whether minutes would be required. After a discussion with the League of Minnesota Cities, Staff was referred to the Information Policy Analysis Division of the Minnesota State Government. They indicated that Personnel Committees are able to operate without keeping minutes and disseminating private information as long as there is not a quorum of the Committee consisting of City Council members.

Mr. Wilfahrt stated City staff would like to make clear that the intention of the Committee is to primarily discuss information that is protected data that cannot be disseminated to the public. In addition, the committee will not have decision making authority beyond that of staff or what is vested to it by the City Council. All final decisions on hiring, benefits, etcetera, would be subject to City Council approval. The purpose of this is to allow involvement of several City Council members in personnel discussions that were typically happening at a City staff level. The Committee would meet on an as-needed basis.

Staff is recommending that the scope of the Committee be changed from a Benefits Taskforce to a Personnel Committee. Mr. Wilfahrt stated the Committee would consist of the City Administrator, City Clerk, and two (2) City Council members. Mr. Wilfahrt stated the City Council could approve the change by consensus rather than a formal motion.

It was the consensus of the City Council to change the scope of the Benefits Taskforce to a Personnel Committee. Mayor Stotko and Council Member Fasching agreed to be on the Personnel Committee.

X. Handicapped Parking Spaces – Holy Trinity Church

Mr. Wilfahrt stated Holy Trinity Church has requested approval of some handicap parking on front of their building located at 160 First Street North. In the past Holy Trinity had some additional handicapped parking spaces that were eliminated as a result of the new addition and these spots would replace those. Staff is fine with the proposed handicap parking plan.

Mr. Wilfahrt noted this does not require formal City Council approval.

Council Member Quast recommended three (3) handicap parking spots be added in the front rather than two (2) in the event there are concurrent activities going on at the American Legion and Holy Trinity.

The City Council discussed this request and noted the church is located on a county road, which would require approval of the plan by McLeod County. Mr. Wilfahrt indicated he will submit the proposed parking plan to McLeod County.

XI. Main Avenue Utility Extension Plan

Mr. Wilfahrt noted in March of the year 2013, Staff brought forward information for a water and sewer project on Main Avenue west of McLeod County Road One (1). The water and sewer lines

would service the Herald Journal's new proposed building, which currently does not have access to water and sewer. The connection would allow the Herald Journal to complete their proposed 3,000 square foot addition.

Mr. Wilfahrt stated that City staff was directed to draft an agreement regarding this project and that agreement is now before the City Council for their review and input. The Council supported installing the water and sewer lines at the expense of the City because it promotes economic development and growing of the City's tax base. The tax dollars generated by completing the project sooner would offset some of the cost to the City and will aid in future development of the area.

Mr. Wilfahrt noted this item will likely be placed on the June 2nd agenda. The Herald Journal will pay for the connection from the south side of the property. Funds for this project are available in the Sewer Fund.

Council Member Fasching asked whether the sewer and water must be completed sometime in the next two years.

Mr. Wilfahrt stated work on this project will not be commenced until construction of the new building is started.

The City Council directed Staff to place this item on the June 2nd, 2015 Regular City Council Meeting agenda.

XII. Cable Franchise Ordinance – TDS

Mr. Wilfahrt stated the City received a letter from TDS basically requesting that they be allowed to come forward with an application for a franchise agreement with the City. Mr. Wilfahrt stated as part of this, there will need to be some change to the ordinance language as well as an application from TDS explaining the project and how they will be compensating the City. In addition, a public hearing is also required, which has been scheduled for June 2nd.

Mr. Wilfahrt noted Staff does not have much information regarding this item and that TDS will need to submit a formal application. Mr. Wilfahrt stated TDS is requesting the right to operate and maintain cable operations in the City of Winsted. They have also made a request to see the City's agreement with Mediacom. Mr. Wilfahrt stated he expects the agreement proposed by TDS will be similar to the City's agreement with Mediacom and that they will not be asking for an exclusive contract.

City Clerk Boelter noted Mediacom currently pays the City approximately \$2,000 quarterly under their agreement.

The City Council had no questions for Staff on this item.

XIII. No Other.

XIV. Purchase or Sale of Real or Personal Property

Council Member Fasching motioned to close the Work Session pursuant to Minnesota State Statute 13D.05 to discuss the purchase or sale of real or personal property for Property Identification Description (P.I.D.) 14.011.0300 and 21.011.0725. Council Member Quast seconded the motion. Motion carried 4-0.

a) Property Identification Description – 21.011.0725

Mr. Wilfahrt presented information regarding Property Identification Description (P.I.D.) 21.011.0725.

The City Council discussed and directed City Staff to proceed with negotiations.

b) Property Identification Description – 14.011.0300

Mr. Wilfahrt presented information regarding Property Identification Description (P.I.D.) 14.011.0300.

The City Council discussed and directed City Staff to proceed with negotiations.

Council Member Fasching motioned to adjourn the Special Closed Work Session. Council Member Quast seconded the motion. Motion carried 4-0.

XV. Adjourn

Council Member Fasching motioned to adjourn the meeting. Council Member Quast seconded the motion. Motion carried 4-0.

The meeting was adjourned at 6:00 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

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