



BLACKDUCK CITY COUNCIL WORK SESSION

MONDAY SEPTEMBER 25TH, 2017 6:15PM

WORK SESSION MEETING MINUTES

CALL TO ORDER: The City Council of the City of Blackduck met in a scheduled special work session at the City Hall at 6:15 p.m. on September 25th, 2017.

Roll Call

Councilors present: Mayor Patch, Councilors Molnar, and Sellon

Councilors Absent: Kolb

Staff Present: City Administrator, Christina Regas

Others Present: Jordan Shearer, Blackduck American

The meeting was called to order at 6:00pm the Pledge of Allegiance was not recited.

Topics covered in the work session were as follows:

1. OLD BUISINESS –

- a. **Wage Study for City Departments** – nothing discussed at this time.
- b. **Blackduck Road & Infrastructure Projects** –
 - i. Remobilization Cost Analysis – Regas reported to Council the revised mobilization costs and the portions for water and for sewer and the loan totals needed by PFA and MN Rural Water. Regas reported that council has the choice to loan with MN Rural water the costs \$153,683.92, plus the amount of funds used from the Sewer replacement reserve fund \$20,020.74. Regas reported the full amount of the revised loan amount from PFA will be \$239,023.74.
 - ii. Updated PFA Loan Schedules – Regas provided for review of Council the annual debt service schedule from PFA for the loan amount of \$239,023.74. Regas reported that the current debt service to pay for the water meters could support the new water debt for the Summit and Main project without a rate increase, however, it would deplete the water revenue as cost continue to increase.
 - iii. MN Rural Water Micro-loan Schedule(s) – Regas provided for review of Council the annual debt service schedule(s) from MN Rural Water Micro-loan amount with and without the additional \$20,020 to reimburse the Sewer Replacement Fund. Regas reported that the annual percentage rate for the micro-loan is much higher than PFA. Regas stated the current debt service from the Sewer fund revenue to pay for the water meters radios and handheld will sunset in 2017. Regas stated the original plan when the project started was to use the debt service from the sunset micro-loan to pay for any future debt the City would incur with the new project. Regas further reported that due to the mobilization costs from 2016 the sewer debt is much higher than originally planned.
 - iv. Water & Sewer Rate History & Suggested increases – Regas supplied for council review a history of the water & sewer rates back to 1982. Regas stated that after receiving the updated loan schedules and revising the rate studies compiled last fall before the mobilization costs to the City it is the recommendation to increase base rates \$3/per type of rate and a minimal volume increase to .0071 for water & .0049 for sewer. Discussion from Council and Mayor Patch was not in favor of a base rate increase. Mayor Patch requested Regas review the rate study and include the new connections from the two new businesses, the addition of the multi-family housing units, and the new homes being built in 2017. Mayor Patch requested Regas review what the assessments will look like to the affected property owners. Regas will



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do more work to provide the best solution for the council to approve. Mayor Patch further stated that when the base rates increased in 2014 several low volume users were affected and he is still hearing comments about the increase. Mayor Patch requested a review of the current debt to revenue ratio for the water and sewer funds. Regas pointed out the August 2017 YTD income statement and where the funds are sitting for the year. Regas further stated that the debt service paid for by the water fund is still high. Councilor Sellon requested more information of how the City has received revenue in 2016. Regas further explained how a rate study is created summarizing the prior year volume used, number of connections, debt service, annual expenditures, and base rates to find the best recommended base rate and volume cost the water and sewer funds should share. Regas stated that she has completed over 10 different rate studies and has recommended the best options. Mayor Patch asked if the rate studies can be completed with the new connections. Regas stated yes. Mayor Patch stated his concern is that the City is replacing old debt with new debt and the rates will never stabilize but continue to increase. Regas stated that due to increase in costs to do business, payroll, maintenance, and debt service to improve on infrastructure that that scenario may happen. Mayor Patch further asked if only the affected property owners can be assessed on the project costs. Regas stated it is her understanding that only those affected owners would be assessed. Regas further commented that other smaller towns have lower base rates because those Cities have no debt service because they are not making improvements to the infrastructure because they don't have the revenue to support it. Regas will do more studies and finalize the water and sewer budgets with Public Works Supervisor Klug and report back to council. Nothing further at this time.

- c. **Capital Improvement Plan** – nothing discussed at this time.
- d. **Vacant Committee Seats** –
 - i. City of Blackduck Council Seat – nothing discussed at this time.
 - ii. Kitchigami Regional Library Board – nothing further at this time
 - iii. Park & Trail board – nothing discussed at this time.

2. NEW BUSINESS –

- a. **Resolution 2017-15** – Resolution approving the elimination of parcels from tax increment financing district No. 1-6 within the City of Blackduck. Regas summarized how a TIF district is created and reported on parcels and their locations of the TIF district 1-6 a scattered-site housing district within the City of Blackduck. Regas further reported how one parcel 81.00020.00 is currently located in district 1-6 and how a potential new owner has interest in building market rate housing on the parcel. Regas recommended Council approve by resolution to remove parcel 81.00020.00 for future housing development so it can be market rate and not income based. Regas reported that it was always the hope of the current owner for the property to be developed with nice homes or market rate rental housing. Regas stated that housing TIF districts cannot be market rate if multi-family housing is built on the property. Councilor Sellon asked for the exact location of the parcel. Regas pointed out the location on the zoning map located in City Hall. Mayor Patch asked if Whelan Properties Apartment building was constructed on a TIF parcel. Regas stated no. Councilor Sellon asked if the City has other TIF districts in the City. Regas stated the other, District 1-4, was located where Serenity Solutions is located but its term sunset in 2014.
- b. **Frontage & Pine Ave. Refunding & Assessments** – Regas briefly stated that the City must decide what the assessments are going to be for the City funding responsibility for the project. Regas stated that some property owners are asking what the plan will be for the assessments.



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- c. **Need for Laundromat** – Mayor Patch requested the City look into building, running, and owning a City Laundromat as the need for the need is high. Regas stated that the conversation has been circulating City Hall for two months and Regas will continue looking into the options. Regas further stated that the City reached out to the current owner of the Laundromat suggesting the City could assist in keeping the Blackduck Laundromat open to the public but has had no success. Mayor Patch believes it is something the City could take on. Regas has concerns of where it would be located and the costs incurred with building the facility. Regas agreed there is a need in the community. Nothing further at this time.

3. **ADJOURN** – Council adjourned their work session at 7:14pm.

Christina Regas, City Administrator

Rudy Patch, Mayor

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