



BLACKDUCK CITY COUNCIL WORK SESSION

MONDAY, NOVEMBER 18, 2019 @ 6:00PM

WORK SESSION MEETING MINUTES

CALL TO ORDER: The City Council of the City of Blackduck met in a scheduled work session in council chambers at City Hall at 6:00PM on November 18, 2019.

Roll Call

Councilors present: Mayor Patch, Councilors Moore, Kolb, and Gullette

Councilors Absent: none

Staff Present: City Administrator, Christina Regas, Public Works Supervisor, Mike Schwanke, and Police Chief Jace Grangruth

Others Present: none

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:

OLD BUSINESS –

1. Golf Cart Shed Reconstruct & Finance Options – Regas requested discussing the shed while the golf budget is being discussed in new business. Mayor Patch agreed.
2. City Hall renovation plans & financing – Regas presented the estimated costs associated with the proposed remodel to City Hall. Regas reported the costs could be up to \$120,000. Regas further reported there has been conversation regarding having City Hall combine a few offices and then move to a newer building like the current Deerwood Bank or the now vacant Moon Drug. Regas requested the council consider where the City should have City Hall and Chambers in the future. Regas stated that no matter what the City does the costs would start at \$120,000 and go up. Kolb asked how many offices would need to be in City Hall. Regas stated the building could house the same number of offices it does currently and have room for Council chambers. Mayor Patch stated that in order to remodel the costs are high and the amount of space would remain the same so there is no room for growth. Patch further stated that if City Hall moves to Deerwood Bank location the building currently has 4 nice offices in existence and has room for a nice Chambers and room for expansion. Patch also stated that the existing Moon Drug location the City could acquire the building remove it and rebuild to suit the City's needs. Patch stated Deerwood building is currently 20 years old. Kolb asked what the right number would be to purchase Moon Drug and rebuild. Patch stated upwards of \$350,000 potentially. Kolb asked if the topic should be tabled or continue moving forward. Gullette stated that the existing City Hall location was supposed to be temporary stating it used to be the Library. Patch believed the existing City Hall could be sold for offices. Regas stated what she was hearing from the Council is that the City should consider moving City Hall. Patch stated yes due to the reason there is no room to expand. Kolb agreed. Regas stated even if the City acquired the two properties to the North it would be difficult to expand. Gullette suggested a new building could



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combine several offices including the Police Department. Patch stated even Public Works needs updating. Regas stated the City needs a new Public works building to house equipment. Schwanke stated the perfect location would be at the old Jaycee Ballfields since it is close to the water plant. Schwanke further stated then the City could sell some of the property it currently owns. Schwanke stated his buildings are not equipped to handle the size of his equipment. Patch asked if the Public works supervisor's office would need to be at City Hall. Schwanke did not find it necessary once the City rebuilds a new public works building. Regas would like to see City hall be large enough to hold other events in town. Regas stated at this time the timeline for Deerwood to move and sell their building is unknown. Regas further stated starting over with a new building on the site location of Moon Drug seems more feasible. Patch stated his whole point is for the City to consider hard where City Hall should be and perhaps have WSN create some plans to consider. Patch stated he highly recommends the location remain downtown. Moore stated the nice thing about having a larger building would allow the City to have the community resource center in the building or even a community center. Kolb believed having community center would be great to offer to other communities to use. Moore asked if Regas is comfortable waiting. Regas did not mind waiting but has concerns and would like to improve on the ADA door and put in some security measures. Kolb stated if Regas does not feel safe then it should be a priority. Regas agreed and stated there are some things that can be done but the ADA door needs replacing. Regas confirmed the door works but doesn't shut all the way and, in the winter, allows heat to escape. Kolb stated the secondary security levels can be discussed. Kolb asked if there is an issue will wheel-chair access. Regas stated the door is the correct width but the mechanism isn't responsive so she assists people. Nothing further at this time.

3. Punch List 2016 Update – Regas presented to council the status of the punch list for the 2016 street projects. Regas stated the City and the contractors did meet regarding the status of the punch list and discussed what the City would take as a deduct from the list and what the City would like to still have completed by the contractors. Regas stated Schwanke worked with both Gladdens and MSG and WSN to present the punch list items to see what if any could be completed prior to closeout. Regas stated the contractors agreed the items do need to be completed however since freeze-up happened so early the items would not get done in 2019. Regas stated the contractors and WSN are suggesting the City allow the project be closed out with Beltrami County and then the City of Blackduck enter into another separate contract to have the punch list items completed in 2020. Councilor Kolb asked who the costs associated with the items be funded by. Regas stated the costs would still remain as part of the project, however, the City would either pay the project off in the fall, or pay the contractors in Spring 2020. Kolb asked Regas if the punch list items would still be completed at a \$0 cost to the City. Regas stated there is still a cost of the punch list but that cost would be included in the original project. Schwanke stated the City would be signing off this year and paying the remaining costs for the project this fall with an agreement the contractors will still come back to complete the punch list as a 'side contract'. Regas reported she still needs to finalize if the City will pay out the project in 2019; or if the City will still pay the contractors for the service in 2020. Councilor Gulette asked if the contractors are in agreement the punch list items need completion. Schwanke stated it is



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still being sorted out noting on the snake pits; curb stops; clean-outs; televising; tracer wire; and repairs to Carlson are on the list of items to complete. Kolb asked if this is the punch list that had Cliff Hanson's property needed repairs to. Regas stated yes, but the City took care of it instead. Kolb asked if there will be any more surprises, or will everything that needs to be done be done. Schwanke stated that is what is currently being worked through but the City is waiting to see what the contractor's rebuttal may be if any. Gulette asked if the residents concerns being addressed. Regas stated the Bowling Alley approach would not be due to the contractors and WSN noting the approach was completed at the beginning of the project. Schwanke stated it is difficult to keep an item on the list such as the approach to the parking lot, however, at some point the responsibility and maintenance to the property by the owner must happen. Schwanke stated there is only so much the City should do in this item. Schwanke further stated he has not seen the property owner work on the approach at any point since Schwanke has started working for the City. Patch asked if the City has spoken to Patrick Tjepkes regarding the parking lot approach. Regas stated nothing has been discussed since the agreement has not been completed. Regas stated the other item was the grade approach to the properties on the south side of Pine Avenue. Schwanke stated there is little that can be done to assist with the grade. Gulette asked if there are any other items on Main Street. Regas understands there are some items that need addressing like curb stops and snake pits but some of those items still move with winter freeze and will always adjust. Schwanke stated if there are sliders on them then the curb stops will adjust. Kolb asked if the curbs installed on Main Street that moved and raised can be addressed. Kolb referred to the curbs as the sidewalk and ADA corners are cracked and not level. Regas stated much of the sidewalk did not get replaced in the project. Schwanke further stated that much of the ADA and curb replacement was part of the County project so there is little the City can enforce. Regas stated that although the City believed lowering the amount of technician fees to the City and allowing the PWS to fill that responsibility was probably more than what the City could handle. Regas recommended moving forward the City allow the costs for an engineer and technician be the project manager and pay the fees associated with it in future projects. Councilor Kolb agreed that it was a learning curve. Nothing further at this time.

NEW BUSINESS –

1. PT Patrol Officer- Chief Grangruth proposed to the City to allow another part-time officer be hired to the department. Grangruth stated he has a referral on a former BCA agent and Beltrami Deputy that is currently a BSU professor. Grangruth stated the officer would work for Blackduck as a secondary officer as he currently works part-time for another department. Grangruth stated the City is not obligated to complete a full background to take the part-time officer on by POST requirements. Mayor Patch asked if the officer would utilize his own vest and equipment. Grangruth stated that would need to be reviewed. Regas asked if the new officer would work into the existing part-time officer budget for wages or need to have additional funding added to this budget. Grangruth stated the budget should handle both officers with the current funding. Councilor Gulette asked if the candidate is entertaining another department. Grangruth stated no stating the individual was very interested in working for the Blackduck department. Councilor Kolb asked if there will be any other high dollar values to fund besides a vest to take on the new officer or any officer. Grangruth stated no the vest purchase would be the highest dollar value. Kolb asked if the new officer would need



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additional training certificates. Grangruth stated the candidate has more investigation experience than he. Regas asked if the candidate will be brought on at the same part-time wage that is currently budgeted for. Grangruth stated yes. Councilor Kolb stated his concern of potentially taking classes from this candidate at BSU and having a conflict with the City. Regas stated to Kolb that since this candidate would directly report to Grangruth the conflict of interest would be very low. Nothing further.

2. 2020 Enterprise Fund Budgets – Regas stated she has completed the enterprise budgets with all department heads and is prepared to present those to council for discussion.
 - a. Cemetery – Regas stated there is no new costs or large expenditures or fees that will take affect in 2020 for the cemetery budget.
 - b. Pine Tree Park – Regas stated it is recommended the fees for camping in 2020 increase \$2 each to accommodate needed upgrades to the shower and bathroom building. Regas stated due to the needed upgrades noted from MDH annual report there will be a large amount of funds being spent at the campground and the fund is not projected to cash flow in 2020. Kolb did not suggest raising the RV dump fee. Regas stated the cost to pump the dump station if \$150 each time. Schwanke reminded the fee for dumping is not passed on to campers that are paying to camp. Gulette asked if the YTD amount for PTP for 2019 is accurate. Regas stated yes but reminded the council the grants for the beach project are included in the total. Kolb asked if the park had a host in 2019. Regas stated there was a host but there should be some reconsideration on that position in the future. Schwanke stated the updates needed must be completed noting if something isn't done it is going to get much worse. Schwanke further stated the plan for the park is to make it a destination where people want to go to. Schwanke further stated he would like to see volleyball or botche ball offered at the park. Kolb thinks the camping fees are so much lower than most campgrounds. Patch believed the fees are comparable to other parks. Gulette stated Webster lake campground has no services at all and the charge is \$14 a night. Kolb agreed and stated having water and electric could be much higher. Regas stated another line item on the budget is to begin a 3-year depreciation on a dedicated mower for the park. Kolb asked if the City purchased a mower recently. Schwanke stated the City will not be purchasing another mower but beginning a rotation of the existing ones. Regas stated this type of depreciation schedule should be completed for many large items throughout the City and that she has been working towards all departments to have a schedule of items. Schwanke stated he plans to implement this process with all his equipment in his departments. Kolb asked if the City could enact a policy to assist with the capital replacement. Regas was not certain if a policy is necessary but having each department head understand it is necessary to schedule replacement of equipment every so many years. Kolb suggested adopting a standard operating procedure that must be followed. Regas agreed and would look into it and suggested working on it during the audit. Nothing further.
 - c. Water & Sewer – Regas presented a water/sewer rate study for the funds for the 2020 budgets. Regas reviewed the process for rate studies with the council and what is included in the process. Regas stated with the debt schedules and additional funds needed for both funds she is recommending the council increase water and sewer base rates \$3 each to cover the



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2020 expenditures. Regas stated that is a total of \$6 per account increase. Regas reviewed with the council the last time rates were increase was 2013 and before that 2002. Kolb asked if MRW has a projected amount a City should keep the base rates at. Regas stated it is difficult to answer since usage/volume per account varies. Regas stated the studies use the total amount of water sold (2018) against total amount of water pumped (2018) to provide a snapshot of what base rates and volume should be at to accommodate the budgeted expenses. Kolb stated his bill is about \$63 and less than half of it is for the base rate and the rest to use water and his concern is to not have the base rate higher than the usage and be upset. Patch stated that was exactly what happened when it was raised in 2013. Regas stated prior to that increase it was raised in 2002 and prior to that 1995 so only every 10 years it is being increased. Regas stated in the meantime it is costing more to make water. Gulette asked if an annual increase will happen moving forward. Regas stated she completes a rate study each year and recommend increases if needed to the council. Schwanke stated if increases are completed annually then it doesn't seem like such a hardship. Regas provided for comparison the City of Greenbush rates. Patch asked if all type of base rate will increase. Regas stated yes. Patch asked where the volume rate for sewer comes from and why it is lower than the volume rate for water. Patch further stated his reason for asking is that it appears most cities volumes are the same. Regas stated at the time the expenditures for sewer were not as high as water, however, technically in most cases the water fund absorbs much of the sewer maintenance because the City isn't making anything in the sewer fund but still having to treat it. Schwanke stated it needs to be thought of as water that is used. Regas stated the volume for sewer should go up to meet the rate of water. Kolb asked Schwanke if there is anything that could be done to lower the cost of electricity used in the sewer budget. Schwanke for running the pumps not really because as they get older, they become less efficient but it doesn't use as much electricity. Kolb asked if 3-years in the future would it save money. Schwanke did not believe new pumps would save electricity. Kolb asked why not if equipment is more efficient. Schwanke stated the reason its high is due to rain, the City infrastructure is old and the city has an inflow and infiltration problem and so the city is treating a lot of rain water too. Schwanke stated every City that runs ponds will have this problem. Patch asked how the percentage of unaccountable or unmetered water is after 2018. Regas stated by her reports the percentage was 3.6%. Schwanke further stated he is considering adding a meter to the hydrant that is used by well-drillers and other vendors. Regas reviewed what was billed to Antlers for 2018 and stated that in the future the access to the water may be metered. Schwanke stated that in the future if there is a meter there will be a learning curve. Gulette summarized the conversation to the board to see if everyone is onboard with the rate increase. Councilor Kolb agreed. Regas confirmed the council requests the base rates increase \$3 and the sewer volume increases to equal the water volume rate. Nothing further.

- d. Liquor – Regas stated there wasn't more expenditures to note that has not been discussed at other work sessions prior. Regas reported the amount of general fund transfers; golf transfers; building repairs; and sign costs. Regas provided the revenue comparisons from 2018 to 2019 YTD to provide the growth of the numbers to support the fund. Nothing further discussed.



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- i. Patio – Gulette asked if the patio will be shoveled this winter or not and if not, can it be shut down for the winter. Regas believed the access to the patio could not be blocked off for the winter due to the liquor liability insurance covers that area that is outside. Schwanke stated either public works shovels or the Pond staff does. Schwanke purchased a small blower for the sidewalk for light snowfalls so the staff can remove snow. Schwanke stated Melissa Gulette did clear snow the last time, but there is no ‘rule’ in place as to who does it all the time. Kolb asked if there is no plan in place does that mean the snow does not get cleared. Schwanke stated at this time the departments are playing it by ear he is helping and so is the staff at the pond. Kolb wants the area behind the concrete blocks for people to park in front of be cleared of snow for people to walk behind. Schwanke stated that is not a walkable area and it should be treated like a concrete wall the distance next to the building isn’t large enough.
- e. Golf – Regas presented to the council for review the revenue and expenditures for 2020. Regas presented several fees that will need to be raised to meet the expenditure budget. Council members discussed several fees that would need consideration including green fees and cart rental and new fees for cart storage including off-season fees if space allows in the new cart shed. Regas recommended the golf board meet to discuss the new rates and bring them back for council approval. Councilor Kolb asked if there have been more members willing to ‘pledge’ to the new cart shed build. Regas stated that until the council is fully behind the build, she recommended to the members to hold off on more pledges knowing that the decision had not been committed yet. Kolb stated that the council is working off a ‘promise’ that the shed will fill up and be able to handle the upcoming debt, however, that promise can’t be guaranteed. Regas asked Kolb what he would like to see from the members. Kolb stated there is the talk about bringing more members in and more carts in the cart shed but nothing backing it and there is the potential the deficit could continue to go down if the people do not come. Moore stated that now that it is the off-season most golfers are not thinking about it in November. Regas stated that if she was an avid golfer and a snow bird then she would be golfing some place else. Patch stated the golf board needs to meet and discuss the increases to the fees. Gulette reminded the board that during the last work session all the members present stated the course should raise rates. Regas reviewed the new ideas for cart storage and pricing with the council during regular season and off-season.
Cart Shed Financing – Regas reported that given the earlier decision of the council to not move forward with the renovations of the existing City Hall building that removes the funding option to the refinancing of the 2006 & 2009 bonds to fund the golf course cart shed. Regas requested additional feedback for funding options for the cart shed. Patch asked if the City were to fund city hall in the future, and decides to fund the cart shed with RLF funding, then when a bond is committed to for the funding of the future city hall, could the RLF funds be paid back with the new bonds. Regas stated to her knowledge, yes. Gulette asked if the refinancing were to be agreed to and the funding of City hall was approved where then would the payments for that bond come from. Regas stated the payments for the city hall financing would need to be levied for in the general fund. Regas further stated that the payments for the financing of the cart shed would be made from the golf fund. Patch asked for clarification



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on how the 'refinancing' would work on the older bonds. Regas stated the balances of the old bonds plus the amounts of new money for the golf course cart shed and city hall would be rolled into the new bond to create a refinancing option. Regas further stated the payments for the schedules of all the debt would still come out of the correct funds but by refinancing the city receives a better rate. Regas asked Mayor Patch if the uncertainty of City Hall is providing a different view on how the refinancing would benefit the golf course cart shed plan. Patch stated yes. Regas stated that otherwise the city would just stick with the refinancing option just without the city hall funding. Schwanke asked if in the future the city hall and new public works building could be financed together. Regas stated yes. Patch asked if the cart shed was financed with the RLF fund how would the payments be set up. Regas stated typically government bonds are funded with one annual payment and the interest paid bi-annually. Regas further stated the sample schedule provided for council to review had 10 annual payments. Patch asked for confirmation that the golf course would need to generate about \$6000 to pay the RLF loan back. Regas confirmed. Patch stated if 14 members wanted to pay the new rate for storage for 5 years up front that would pay for a large amount of the loan upfront. Regas stated she understands the council's concern for the unknown of how many carts will be paid for upfront and be stored to generate the revenue to pay the loan back but stated there are 'ifs' in everything. Patch stated that the 14 carts will come back at \$325/each that generates \$4450. Kolb asked if those carts are all coming back. Patch stated yes. Patch further stated the carts that have been lost over the years may come back which could be up to 6 more members. Kolb stated that although the cart storage fees would cover the build of the cart shed debt it won't cover the entire debt the golf course has accumulated already. Kolb stated the course would still need to come up with another \$20-\$30,000 of lost revenue each year. Patch stated we budgeted for that next year. Regas stated the city has budgeted to cover the existing debt on the bonds, but not the existing debt the course has accumulated. Kolb asked if the golf course should make enough money to cover the debt of the golf course but the rest of the city and the liquor store is covering. Regas confirmed. Kolb stated then by rebuilding the cart shed the course is adding on another \$6000 of debt to cover. Regas confirmed. Kolb stated for confirmation that although the golf course is not staying 'above water' the city is considering adding additional debt to the fund. Regas confirmed. Kolb stated the goal of the city should be to cover the debt of the golf course and not ask the tax payers to cover more debt. Regas suggested in 2020 the golf course not offer the early bird 10% discount on the cart storage fee but would discuss it with the golf board. Gullette stated his concern that the revenue for memberships continues to decrease but the current members still want to see fees increase. Kolb asked how many members use the course. Regas stated the number has fluctuated but the total is about 50. Kolb asked how many total golfers use the course. Regas stated the total number of golfers is high but that includes walk-on traffic and members. Kolb stated he would like to see the difference between a member and non-member and the how many use the course that don't live here. Regas stated she could provide the number of members vs. non-member rounds of golf. Regas further stated most members never use-up their memberships golfing daily. Regas stated she can see the amount of new play or walk-on traffic has increased. Kolb asked when a membership is purchased is it different between a normal walk-on rate. Regas stated it would be cheaper if that member



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golfed every day and that most members golf on average weekly. Patch asked how much money did the golf course lose once the debt is removed. Regas stated about \$30,000. Gullette stated that the board should be thinking how to make that \$30,000 up. Gullette stated it is difficult to state how much money is being lost but then on the flipside the city has come this far with the improvements on the course and should keep going if it has invested this much so far. Kolb stated that is assuming people are going to golf in 20 years. Patch and Regas stated that the golfing will not stop. Kolb stated everything he has been reading states that everyone under the age of 30 refuses to golf. Regas stated her son like to golf. Kolb believes many people of that age do not want to golf. Gullette asked the other board members where the council should move forward with the financing options. Patch stated the options to consider would be to review the refinancing bond option without City Hall or the RLF. Patch asked how long it will take to finalize a bond. Regas stated a couple of months. Schwanke stated the City needs to make up \$171/day to make up in revenue. Schwanke stated the best way is to make the golf course have the ability to have a full bar. Regas stated the kitchen would need to be updated to receive a category 2 food license to have a strong beer license. Kolb asked how other businesses have the liquor license when they have no food. Patch stated any business that has a full liquor license has to serve food too. Patch stated the amount of food served is not a factor but the food license must be in place to have the liquor license. Kolb asked if the golf course just needs a kitchen to prepare food. Regas stated yes. Schwanke asked if the City can get around those restrictions because it owns the Pond. Regas stated if the Pond has a caterer license it is possible but the golf course still needs a commercial kitchen to allow the license. Kolb asked if the thought is to have a dinner club then? Schwanke stated having a full liquor license will drive the revenue. Regas asked if the council wants to add the building funding of the refinancing of the bond into the kitchen to update the facilities. Kolb agreed. Moore agreed. Regas stated by doing so MDH will need to get on board. Patch stated the staff will have to be on board too. Regas asked if the refinancing option is now how the council wants to proceed but cautioned that now there will be additional pay back. Kolb stated he would be more for finding ways to make money then throwing money. Patch stated if the kitchen is updated then the building could be used in the off-season.

3. Resolution of Fines & Fees for 2020 – Regas provided a review of the fines and fees changes for 2020 noting the earlier discussed increases to water and sewer rates were not in the draft of the resolution. Nothing further.

ADJOURN – Council adjourned their work session at 8:50pm.

Christina Regas, City Administrator

Rudy Patch, Mayor