



MINUTES

Council Meeting

6:00 PM - Monday, May 4, 2020

City Hall, 8 Summit Drive, Blackduck MN

The Council of the City of Blackduck was called to order on Monday, May 4, 2020, at 6:00 PM, and was presented to the public through YouTube Live, with the following members present:

COUNCILORS PRESENT: Mayor Rudy Patch, Councilor Paige Moore, Councilor Jason Kolb, and Councilor Maxwell Gullette

COUNCILORS EXCUSED:

STAFF PRESENT: City Administrator Christina Regas, Police Chief Jace Grangruth, Public Works Supervisor Mike Schwanke, and Liquor Store Manager Shawnda Lahr

OTHERS PRESENT: Joe Boyle, City Attorney, Ashley Erickson, City Auditor, Curt Meyer City Engineer, and Mark Reinke Widseth

1. CALL TO ORDER

- a. Roll Call
Mayor Patch called the meeting to order at 6:03pm and requested City Administrator Regas take roll call and to begin start streaming the meeting on YouTube Live.
- b. Pledge of Allegiance
Mayor Patch dispensed with the pledge of allegiance for the May 4, 2020 Council meeting.

2. APPROVAL OF AGENDA

- a. Approval of the Agenda

Paige Moore moved to approve the agenda as presented Maxwell Gullette seconded the motion.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

3. CONSENT AGENDA

All items listed under the Consent Agenda, unless removed from the Consent Agenda shall be approved by one Council motion.

- a. April 6, 2020 Regular Council Meeting Minutes
- b. April 9, 2020 Golf Board Meeting Minutes

- c. April 15, 2020 Planning Commission Meeting Minutes
- d. April 20, 2020 Council Work Session Minutes
- e. April 23, 2020 Golf Board Meeting Minutes
- f. April 2020 Fund Balance Report, Trasnfers, and Bond Payments
- g. April 2020 Bills Report
- h. April 2020 Water Income Statement
- i. April 2020 Sewer Income Statement
- j. April 2020 Pine Tree Park Income Statement
- k. April 2020 Golf Course Income Statement
- l. April 2020 Liquor Store Income Statement
- m. March 2020 LG216 Lawful Gambling Report fromt he Blackduck Firemens Relief
- n. Final Approval - 2020 Annual Continuing Disclosure Reporting from Ehlers
- o. Final Approval - Blackduck Theater Satisfaction of Mortgage
- p. Final Approval - May 2020 Seasonal part-time new hires
- q. Final Approval - City of Blackduck City Hall MFP Lease renewal Contract Marco
- r. Final Approval - City of Blackduck Request for Proposals for Legal Services
- s.

Paige Moore moved to approve the consent agenda as presented Jason Kolb seconded the motion.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

4. BLACKDUCK FORUM

Visitors may share their concerns with Council on any issue, which is not already on the agenda. Each person will have 3 minutes to speak. The Mayor reserves the right to limit an individual's presentation if it becomes redundant. The Mayor may also limit the number of individual presentations on any issue to accommodate the scheduled agenda items. All comments will be taken under advisement by the Council. No action will be taken at the time.

- a. No one was present to speak.

5. REPORT OF CITY ATTORNEY - JOE BOYLE

- a. Report from City Attorney Joe Boyle - unnamed citizen complaint
 City Attorney Joe Boyle reported there was an unnamed citizen that requested an investigation and that was brought by the Bureau of Criminal Apprehension. Boyle stated that when the BCA completed the investigation a finding was made that there was no criminal activity and with the limited information provided they had nothing to look into. Boyle stated as a result when an investigation is started and finished it is public data. Boyle stated he sent the letter in the council packet so that was a matter of public data the investigation was completed and that there was no finding. Boyle stated that as the City attorney if there is a complaint it is his responsibility to dealt with in the appropriate manner there is. Boyle stated it is his responsibility to

advise the proper people to be compliant with the ordinances and state laws. Boyle stated it was concluded by the BCA that there was no criminal activity. Boyle asked for questions. Councilor Gullette stated the letter states an 'unnamed citizen' and stated he thought this was some other incident. Boyle stated the BCA reported it as an unnamed citizen and that person has the right to not have their name disclosed. Boyle stated if the person wants to come forward and state they are the person that made the complaint that is fine but he is not in the position to question that is unnamed by the BCA agent. No further questions. Boyle thanked the Mayor and Council for allowing him to present his findings.

6. 2019 FINANCIAL AUDIT PRESENTATION - ASHLEY EASTRIDGE, MILLER MCDONALD, INC.

a. Miller McDonald Letter to the Blackduck City Council

Ashley Erickson reviewed the governance letter to the City of Blackduck that reviews the important items the council needs to be aware of. Erickson stated there were no typical issues encountered during the audit with management, there were corrected miss-statements, there were not any miss-statements not corrected which means when the audit is completed there are journal entries submitted to City Administrator Regas that must be reviewed. Erickson stated those corrections are stated by fund on Appendix A in the letter. Erickson stated that if the corrected entries were not made the City would not have a 'clean' opinion. Erickson stated that those entries were made. Erickson stated there were no issues to notify the council and the audit went very smoothly. Nothing further

b. Five Year Trend Report City of Blackduck

Erickson reported on the Five-Year Trend Report for City of Blackduck fund balances. Erickson explained the report provides information on the top three governmental funds and the top three enterprise funds cash balances for the last five years with a graph. The report shows total cash as a whole and detailed differences affected by those totals for 2019 including the purchase of the new Police squad, returned funds from MN Rural Water for the sewer project and the PFA grant fund received for the water fund; the balances of the cash for the golf course; and the funding used for the liquor store parking lot completed in 2018. Councilor Gullette asked what is covered under 'operating costs'. Eastridge stated payroll, utilities, supplies & materials, repairs and maintenance, insurance, depreciation, and contracted services. Eastridge stated the liquor store is maintaining a nice gross profit percentage and there is an upward trend in sales and operating costs annually are flat and remain consistent. Eastridge stated the report provides a the fund balances of those on the report and the number of months of cash balances the City has in each fund to cover operations. Eastridge stated the MN State Auditor recommends 3-5 months so all categories are very good except for the golf course of which the City is fully aware of. Eastridge further stated the report list the 5 top unrestricted fund balances of the RLF fund and the new RLF fund together; the Fire Hall maintenance fund; the Sewer maintenance fund; the Water Sinking fund; and the Perpetual Care fund. Eastridge recommend the City consider consolidating the water sinking fund, sewer maintenance fund and public works fund together if being used for future projects although having the fund separate provides a more accurate view of what is available for all departments.

c. 2019 Financial Statements

Eastridge provide a summary of the 2019 Financial Statement for the City Council. Eastridge stated the opinion from the governance letter states the City has an unmodified opinion which means that would be the opinion the City should strive for. Eastridge stated if the adjustments made in the governance letter would have not been made then the opinion would be modified.

General Fund: On page 58 of the pdf. Eastridge reviewed the general fund budget vs. actual and the part that analyzes the revenues. Eastridge stated nothing stood out

and the amount were consistent with the prior year. On page 59 shows the general government (council, administration, and buildings) which has nothing of concern. On page 60 is public safety that shows the capitol outlay for the squad car and nothing of concern and the Fire section has a variance in maintenance in supplies but it was due to four sets of new gear for volunteers that is difficult to budget for all expenses were reasonable. In the Street maintenance there were variances for materials and supplies and purchased services or engineering fees but the variances off set each other. On page 61 shows street lighting on budget; recreation on budget; and library being over on capital outlay which was the purchase of the air conditioner. Eastridge stated overall for the general fund the City was very close to budget when the purchase of the squad car is removed from the expenses.

Enterprise Funds:

Water Fund: On page 83 shows the cash flow statement for the water fund. Eastridge stated cash went up and there was a slight decrease in operating but that is mainly due to the timing of accounts payable. Eastridge stated that at the end of one year (2018) to the beginning of another (2019) AP can fluctuate when the cash balance is affected by the bill batch. Eastridge stated this is not a concern.

Sewer Fund: On page 87 shows the cash flow statement for the sewer fund. Eastridge stated there was an overall decrease of about \$45,000 and the timing again of the accounts payable affected this. Eastridge stated operating went up slightly but there was not anything of concern. Eastridge stated the early payback to MN Rural Water for the microloan on the water & sewer project shows a large swing in cash balances again, but nothing of concern.

Golf Course Fund: On page 90 the statement shows the operating expenses with a comparative to prior year and shows a swing but it was due to increases in payroll wages. Eastridge asked for questions. *There were no specific questions at this time.* On page 91 the cash flow statement for golf course was reviewed. Eastridge stated the operating went down in 2019 and a large contributor to it was a GASB reporting requirement. Eastridge stated the amount of cash the golf course is borrowing from the liquor store is now stated on the statement to show how it covers the course. Regas stated the council should know that the amount of what the liquor store is covering the golf course is not actually is being transferred into the golf course fund but the total cash is being covered by the liquor fund. Eastridge agreed with this statement.

Liquor Fund: On page 94 the statement shows the operating expenses increased in 2019 but nothing concerning. Overall there was a cash increase from the liquor store fund of almost \$42,000 which is great.

Legal Compliance: On page 95 the statement has the MN legal compliance letter for the state auditor. Eastridge stated there were no findings in 2019. On page 96 is the 'yellow book' letter which was completed due to the PFA & DEED requirement and there were no findings except for the 2 re-occurring every year. These findings show that Miller McDonald prepares the financial statements each year but a City the size of Blackduck would not be cash affective to hire an outside source to draft the financial statements and then Miller McDonald report them. On page 99 notes the segregation of financial duties to break up the financial accounting. Eastridge stated there should be a minimum of 3 people to have proper checks and balances however, it is not financially feasible for the City to do this. Eastridge further stated this is the same findings that are on the financial report each year and is not of any concern.

Questions: Councilor Gullette asked if Eastridge was going to 'grade' the City of Blackduck what would that grade be. Eastridge stated she would give the City an 'A' and stated she loves working on the City of Blackduck audit and that Administrator Regas is easy to work with; we have deep discussions on topics; Eastridge does not question what Regas is doing, and she works very well with Regas. Gullette thanked Eastridge for the rating. Councilor Moore had no questions. Nothing further.

7. REPORTS OF COMMITTEES AND CITY STAFF

7.1. PUBLIC WORKS REPORT - MIKE SCHWANKE, PUBLIC WORKS SUPERVISOR

7.1.1. Widseth Confirmation of Request for Mapping Services - Curt Meyer & Mark Reineke of Widseth

Curt Meyer reviewed the proposal to start mapping the City services that was discussed in 2019. Meyer reviewed the 3 phases and costs associated with those phases. Meyer stated phase one would be shooting all the manholes, valves, etc. Meyer stated to save costs the City will spend some time locating some of the services like curb stops. Phase 2 is the time it will take to draw up the mapping and Brandon Carlson would work with Mike Schwanke with some of this phase. Phase 3 was described by Mark Reineke that would be the assembly of the services on a cloud base server accessible anywhere. Reineke stated that after the services are in then adding and commenting will be available to be updated after. Reineke phase 3 will include training onsite or remote if needed. Mayor Patch asked if there is a monthly charge after. Reineke stated no after the phases are done then the online subscription is purchased and owned by the City and the subscription is annual and the City will own the data. Reineke stated that most cities have more than one license or user account so more than one person can use it. Councilor Gullette asked if Schwanke still believes this is something the City needs. Schwanke stated 100% and it will help with future projects down the road. Mayor Patch asked if the City already approved this. Regas stated it was only brought up at a work session and still needed to be voted upon. Regas asked if a future infrastructure project would have anything saved in engineering fees from having this service. Reineke stated yes. Nothing further.

RES-3-2020

Maxwell Gullette moved to approve the GIS services contract for mapping Paige Moore seconded the motion.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

7.1.2. Discussion - Public Works Trucks - Lease return & Options for new vehicles

Regas stated the City can buyout the lease on the 2017 public works pickup and the price would be \$8,168.81 by May 27, 2020. Regas stated once the 2017 is paid off then a new lease process could begin to finance 2 new pickups that work better for the City services. Regas stated at this point discussing truck options would be the next step and suggested holding a committee meeting. Regas was instructed to find a date in the next week to hold a meeting via Zoom. Mayor Patch asked if when the 2017 truck was purchased did the lease include the plow. Regas thought the plow was installed after the truck was delivered and did not recall if the financing included the plow. Schwanke recalled that the plow was included in the lease but that the plow was installed after delivery of the vehicle. Patch stated if the City can save and keep the plow that will save funds. Schwanke asked if once the last payment is made then the pickup is the City's providing the City with a trade in option. Schwanke further stated the NADA value was at \$34,350 which could lower a lease payment of 2 vehicles. Schwanke stated just for

quick examples of cost for pickups with proper setups is \$30,267 each for Chevy. Schwanke more details could be discussed at the committee meeting. Nothing further at this time.

7.1.3. Report -

Councilor Gulette stated the Croswell has held up very well. Schwanke stated the property owner on west Croswell has some cement work to be done but is holding off until road restrictions are off. Nothing further.

7.2. LIQUOR STORE REPORT - SHAWNDA LAHR, LIQUOR STORE MANAGER

7.2.1. Report -

Lahr requested a Liquor Store Committee meeting on-site at the store to discuss the addition and to phase the improvements the building needs for the logs and the heating and cooling systems. Lahr stated her staff has been cleaning the logs and it was noticed that there is rot on the logs near the foundation it is of a large concern to her. Regas stated she will work on a date that works with everyone in the next week. Lahr further stated having a solid timeline on when these phases could be addressed. Regas added that she has been working on financing discussions for the renovations to the liquor store and new builds and hopes to have information for the council on May 18. Lahr stated that if the City can address the updates in phases then the renovations and addition to the building will be more acceptable and digestible for the budget. Nothing further at this time.

7.3. LAW ENFORCEMENT REPORT - JACE GRANGRUTH, POLICE CHIEF

7.3.1. Report -

Chief Grangruth did not have anything new except to report that in our local community there has not been many issues with the COVID restrictions. Nothing further.

7.4. FIRE DEPARTMENT REPORT - BRIAN LARSON, FIRE CHIEF

7.4.1. No Report submitted.

7.5. GOLF COURSE REPORT - JIM ANDERSEN, GOLF COURSE SUPERINTENDENT & PAM EXNER, CLUB HOUSE MANAGER

7.5.1. Report -

Regas stated her conversations with Andersen was to work as hard as possible to open for business soon. Regas further stated Exner will be conducting training for new staff and adjusting to the COVID rules.

7.6. LIBRARY REPORT - KELLY HANKS, HEAD LIBRARIAN

7.6.1. Report -

Councilor Gulette stated the Library started curbside pick up and it is being well received. Mayor Patch stated summertime reading program will still move forward in some way. Nothing further.

7.6.2. Library Board Meeting - Tuesday, May 19, 2020 @ 6pm - Blackduck Library

7.6.3. Kitchigami Regional Library Meeting - Thursday, May 21, 2020 - Pine River, MN

8. ADMINISTRATOR'S REPORT

a. Approval Needed - City of Blackduck 2020 Minnesota Investment fund state funded RLF request for onetime exception

Paige Moore moved to approve the City of Blackduck 2020 Minnesota Investment fund state funded RLF request for onetime exception Maxwell Gullette seconded the motion.

Further discussion included what borrowers have taken advantage of the COVID deferral and if that affects the amount that will be paid back. Regas stated that due to the deferrals the City sent in for approval the balance amount of the RLF fund as of May 1, 2020 which was \$85,395.53, 20% to pay back would be \$17,079.10. Mayor Patch asked how much from existing borrowers will be paid back to the City after the onetime exception is paid back. Regas did not have that information at that time but could provide it to the Council at a later date.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

b. Donation Request - Blackduck 2020 After Prom

Maxwell Gullette moved to table action on the donation request to a later date Paige Moore seconded the motion.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

- c. City Council Work Session - Monday, May 18, 2020 @ 6pm
Regas stated the meeting may or may not be in person, it will depend on Governor Walz's order.
- d. City Council Regular Council Meeting - Monday, June 8, 2020 @ 6pm
- e. Memorial Day Observed - Monday, May 25, 2020 - CITY OFFICES CLOSED

9. MAYOR AND/OR COUNCIL MEMBER REPORTS

- a. Nothing discussed.

10. COMMUNITY EVENTS/GOOD THINGS HAPPENING

- a. May Employee Anniversaries
Rae Burmeister 2000 - Public Works - 21 Years
Chris Brown 2013 - Public Works - 8 years
Rudy Patch 2008 - Fire Department - 13 years
Loe Gross 2009 - Fire Department - 12 years
Andy Thienes 1998 - Fire Department - 23 years
Fletcher Cauchon 2008 - Fire Department - 13 years
Matt Landis 2008 - Fire Department - 13 years
Jim Peasley 1991 - Fire Department - 30 years
- b. Blackduck Development Corp Meeting - Wednesday May 13, 2020 @ 11am -

- c. Blackduck Chamber of Commerce Meeting - Wednesday, May 20, 2020 @ Noon @ Restaurant 71
Regas stated Chamber Ditch Clean up will be Wednesday, May 20, 2020 starting at 5:30pm
- d. Blackduck Planning Commission Meeting - Wednesday, May 20, 2020 @ 2pm - City Hall
- e. Blackduck City Wide Clean-up Event - Saturday, May 16, 2020 - 8am-11am
REGISTRATION REQUIRED

11. ADJOURNMENT

- a. Adjournment

Paige Moore moved to adjourn the meeting at 7:55pm Jason Kolb seconded the motion.

Carried 4 to 0

Rudy Patch	For
Paige Moore	For
Jason Kolb	For
Maxwell Gullette	For

City Administrator, Christina Regas

Mayor, Rudy Patch