

**CITY OF MILACA
SPECIAL COUNCIL MINUTES
September 10, 2025**

Call to Order Roll Call

Mayor Dillan called the meeting of the Milaca City Council to order at 5:30 p.m.

Pledge of Allegiance

Upon roll call, the following council members were present: Mayor Dave Dillan, Councilors: Norris Johnson, Lindsee Larsen, and Tim Poorker. Ken Muller absent.

Staff present: City Manager Tammy Pfaff and Assistant City Clerk Deloris Katke

Others present:

New Business:

Preliminary Budget:

City Manager Tammy Pfaff presented the proposed 2026 budget and tax levy. LGA (Local Government Aid) only increased \$2,245 from the previous year.

STATE AID POLICE: Hopefully when we get back to full staff of police, we can get that aid. Mayor Dillan asked if that could be used for salaries and Pfaff stated only for operating costs.

OTHER STATE AID GRANTS: \$43,000 is that transition aid

OFFICE SPACE RENTAL: That went up just a little due to the North Memorial ambulance space lease

FIRE CONTRACTS: Just an estimate. Tax Capacity amounts will come from the county in November and then we will see where the contracts will end up.

FIRE CALLS: That has been decreasing. Pfaff spoke with Fire Chief Ehlens and he stated fire calls were way down this year.

AIRPORT FUEL SALES: These sales are declining and could be due to the fact that with prices, less people are flying.

SPECIAL ASSESSMENTS: This could increase if we special assess the Rum River Coop School when we put water and sewer to that property.

Council member Poorker asked what Miscellaneous Revenues were. Pfaff stated like a refund from something. Revenues that just don't fit in any other category. Mayor Dillan stated there was a large amount last year and Pfaff stated that may have been from a grant last year but she was not sure.

CD's: Some of the high interest rates are getting called so we are losing some of our 4 and 5 percents.

CABLE TV REVENUES: These are declining as well. People use Netflix or streaming.

SALE OF PROPERTY: This is a split between EDA and General Fund. We have spent General Fund money when we bought the land and then we did a bond issuance with ECE.

TRANSFERS: Nothing has changed here.

BONDS: If properties do start selling and we do need to bond, we would start to have revenue coming in here and then we would have the infrastructure expenses. We would want to pay off that debt because that helps increase our bond rating. We are at an AA right now. Councilmember Johnson asked what was left on that and Pfaff stated a lot yet. The bond was for \$137,500 and we've paid about \$26,000 so just a little over \$100,000 left.

COUNCIL: Not much has changed. Probably more legal notices to be published for public hearings. Mayor Dillan questioned what happens if Mille Lacs County Times quits? Pfaff stated that the League of MN Cities has stated that should your legal publisher be no more, your website would be your notification.

PROFESSIONAL SERVICES: This \$25,000 is for Evan (Stantec).

CITY MANAGER: I did put in here \$15,000 for recruitment services. City Council will need to decide if you want this service when I retire. Some discussion ensued in regard to this service. Plans are to retire the end of 2026 and should start posting in July. Pfaff stated there is so much finance in her position and the candidate must be able to do audits, journal entries, etc. You need someone that is detail oriented.

ELECTIONS: We will have an election in 2026. Pfaff stated Mayor Dillan, Council members Johnson and Muller are up for re-elections.

CONTRACTED AUDITING: We do have one more federal audit to finish the airport grant. We still need to do a final pay request for that. That was a \$1.8 million project and \$300,000 of that was for the water/sewer. Council member Johnson asked how far did the water/sewer go? Pfaff stated just past the daycare (east) and came from across 10th. Pfaff also stated that the area out there could be annexed into city limits.

MN PAID LEAVE: Council will need to make a decision if staff needs to pay 50%. It is a .88% of wages which equates to about \$18,000 so city would pay .44% and employees would pay the other .44%. With this possible new wage deduction, employees would be dropping down to a 4.5% wage increase. Health insurance is also going up 15-17% increase as well.

LIABILITY/PROPERTY: Property insurance is going to go up due to an appraisal that was done this year. Automobiles, buildings, etc will increase.

CARPET REPLACEMENT: The police department offices are the worst. Carpet in most offices and throughout this building have not been replaced since the building was built.

COMPUTERS: We have a schedule in place for CIP for computers and firewalls. We also have insurance for cyber security. If the city gets hacked, the League will step in, their forensics come in and take over.

POLICE DEPARTMENT: That went down a little bit but will go up if we get fully staffed in that department. We may have one officer come back that had worked here before. The biggest cost when

hiring is buying all the equipment. Psychological testing is also a big expense. Getting their server updated is critical as they are getting a new software program through the county.

FIRE DEPARTMENT: Should the fire department come to the city council and ask for something huge, they have nothing in reserve. They spent it all on that truck (approximately \$934,000). They paid the city back through their gambling funds and fire relief. The city used to levy \$25,000 to fire, police, PW and parks reserves but budgets got tight and those got cut.

BUILDING INSPECTIONS: Let's hope for more building/housing next year.

PUBLIC WORKS: They have been needing a new plow. They have been repairing/welding this piece of equipment for the last 3 years.

STREET LIGHTS: This could go up after 2027 with the Hwy 23 project when more lights are added. The League of MN Cities has 14 lights for sale with globes that I thought would be good on the trail.

REPAIRS/MAINTENANCE STREETS: This \$50,000 is for sealcoating.

UNIFORMS: This may drop as we are looking into a new company for our services.

BUILDINGS AND STRUCTURES: The concrete at the shop floor needs repair in the area where the water drains into. If we could reduce this from \$40,000 to \$24,000 (saving \$16,000), Gary would be OK with that.

IMPROVEMENTS OTHER THAN BUILDINGS: This \$148,000 came from Phil. This may more than likely go over. Mayor Dillan commented that the city is still looking to see if there are any grants/funding available. MN Rural water is available to funding, if needed. Their fees are a lot less than Northland Securities.

TRUCK REPLACEMENT: PW has a lot of really old trucks and they should be replacing the 2015 truck. Pfaff stated they are on a CIP schedule for 10 years so this one is ready to be replaced. Maybe he could get another year out of it.

PARKS: Looking at putting in a new swing like the other ones. Mayor Dillan stated he would really like to get a wheelchair swing down there. Also looking a getting a new mower.

SEASONAL EMPLOYEES: No change.

LIBRARY: Very little change.

SENIOR CENTER: Flooring needs to be replaced. Quotes have been coming in around \$20,000. I have spoken with Mimi and they received a grant so they could help with this expense. No asbestos was found.

MISCELLANEOUS: Initiative Foundation request for \$3,100 is granted every year. The lease transfer is for the caterpillar. That will end in 2027 with a big balloon payment.

AIRPORT: No grant funding for next year. I did allocate some money for the AD building as the siding should be looked at or upgrade the interior. This is something that could be illuminated until we get grant funding.

SPECIAL REVENUE FUNDS: No changes other than the EDA with a lot of activity for next year.

CHARITABLE GAMBLING: No changes.

HISTORICAL SOCIETY: No changes.

RECREATION: No changes.

FIRE DEPARTMENT RESERVE FUND: Commitment to send to the General Fund each year.

EVENTS: Movies in the park and any other events that would come along.

PARK IMPROVEMENTS: These are funds 216 and 217 which is just for maintenance and repairs.

VETERANS MEMORIAL: Hope to get more bricks sold. Mayor Dillan stated we need to look at the bricks down at the bandshell.

DEBT SERVICE: We don't have any debt falling off until 2030. Everything in red goes on the levy. Council member Poorker asked if there were two park improvement funds. Pfaff stated yes that they were the two donations from anonymous donor and that money has been set aside for maintenance. This Water Principal will fall off next year but in 2027 when we re-do the water tower, you will have another PFA note for the \$1.3 million dollar project. So, in 2027 with the water tower project, Hwy 23 project, some street projects, they would go through a PFA note. Should do one big debt in 2027. With the increase in water rates, the \$1.3 million dollar project could be less. Sewer rates will need to be increased a little more than the company advised us.

TIF #2-10: Hopefully in 2026 the 8-unit apartments will be in the TIF. I didn't budget anything yet.

WATER/SEWER FUNDS: Next year for water we should be getting a grant for the lead service line replacements that is required through the state. We have galvanized lines and the cities that have lead lines may get the grants first. We have about 93 lines that are galvanized. Both lead and galvanized lines need to be replaced.

WATER SALES: Are on a good increase which we need for the water tower project in 2027.

SEWER FUND: We have to look at that rate study as this fund is staying stagnant.

SEWER LINING: Pfaff stated she would check with Gary later in the year and see if this can be reduced. Mayor Dillan commented that some years we cut back on sewer lining and sealcoating but yet we don't want to get behind.

LIQUOR FUNDS: First part of the year we were struggling with getting a profit. We looked at inventory and anything that wasn't a 20% profit, we increased the price. THC profits are over 50%. We are getting calls for a cannabis cultivation business. Sooner or later it will be here.

DEPUTY REGISTRAR: Holding their own. Other DMV offices are now open after Covid so her sales are down.

WAGES: I did some adjustments there. I looked at all the surveys out there and I had some salary's that were behind. The union is an anticipated 5% increase.

GENERAL FUND: If I deduct the \$16,000 that we talked about and go back to the levy, that would decrease from 6.59% to 5%. This will go before the council on the 18th. If there are other things to reduce the levy, we have until December.

Pfaff summarized by saying with projects that are coming up and if we sell those lots, we need cash to start infrastructure. We can bond for 2027 for the 1.3-million-dollar water tower, over 1 million Hwy 23 project etc. so we will be having a lot of debt service coming up. If council agrees to extending the water/sewer for the Siemers project, that would be assessed to the property owner just like we will be assessing the Rum River Coop School project. That is going to be about a \$260,000 to \$300,000 project.

Mayor Dillan stated he was surprised by what other cities levies may be at: 2% -15% with a lot at 10% and 15%. Foley will be at 8%.

Motion by Johnson, seconded by Larsen to approve the preliminary 2026 budget and tax levy with adjustment to 5%.

Closed Meeting to Discuss Price of Lots and Conditions in Milaca Junction Addition: Mayor Dillan read the script for closed meeting laws to discuss price of lots and conditions in the Milaca Junction Addition. Mayor Dillan called for a motion to approve closed meeting. Motion by Johnson, seconded by Larsen. All in favor. People present: Mayor Dillan, Council members Larsen, Johnson and Poorker, City Manager Pfaff, City Attorney Damien Toven, Sam Johnson.

Time Meeting Closed 6:30 p.m.

Time meeting Opened 6:42 p.m.

Mayor Dillan called for a motion to proceed to list property. Motion by Poorker, seconded by Johnson.

Miscellaneous

Council Comments

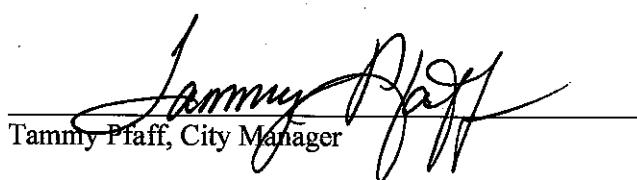
Adjourn:

Mayor Dillan called for a motion to adjourn. Motion made by Johnson, seconded by Larsen to adjourn. No further discussion. All in favor, motion to adjourn passes. Meeting adjourned at 6:50 p.m.



Mayor Dave Dillan

Attest:



Tammy Pfaff, City Manager