

**CITY OF MILACA  
SPECIAL COUNCIL MINUTES  
WORK SESSION ON THE 2024 PRELIMINARY BUDGET  
September 6, 2023**

**Call to Order Roll Call**

Mayor Dillan called the special meeting of the Milaca City Council to order at 5:00 p.m.

**Pledge of Allegiance**

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

Staff present: City Manager Tammy Pfaff, City Treasurer Elizabeth Nealley, Public Works Superintendent Gary Kirkeby, Assistant City Clerk Deloris Katke, Communications Specialist Mary Mickelson and City Attorney Damien Toven.

City Manager Pfaff presented the following:

The line for the levy amount has been left blank for now.

**BUILDING PERMITS:** City Manager Pfaff stated we have a slight increase for 2024. (2023 was \$37,485; 2024 is \$41,000)

**OTHER GRANTS/GIFTS:** City Manager Pfaff stated that for the new trails we did not get the grant so that \$50,000 will be taken out of the budget.

**AIRPORT STATE AID/GRANTS:** We were approved for the airport pavement and parking lot plus the M & O. \$6,950 for maintenance and operation and our grant at 95% and our share which is \$17,800.

**POLICE STATE AID:** Stays about the same.

**SMALL CITY STATE AID:** One added feature of this year is the small city state aid that happens once every 5 years. We have received \$56,936. Can be used on streets if you want it to. Not earmarked for anything.

**AIRPORT LEASES:** Should lot leases be increased to \$675? Increase of \$100.00. Letters need to be sent out to them this month to give them notice, should lease be increased. This is per year. Council member Muller stated this increase is just a little over 10% and stated he didn't know where you could rent anything for a whole year for just \$675. Council member Johnson asked if the lots were a quarter acre lot and City Manager Pfaff stated not even that size. Council member Gahm asked if the maintenance outside was included. City Manager Pfaff stated the maintenance and operation grant we get from MN DOT does not even take care of employee's wages. The \$675 would not even cover the wages. Mayor Dillan reiterated that \$675 they are getting basically like a townhome with the snow being plowed. Pfaff stated that we could write it in to include or attach an additional \$150 per each unit for snow plowing if you wanted. Council member Muller stated in the past the leases were like \$12,000. City Manager Pfaff stated that was back when we rented out the hangar that the city has since sold. We were getting revenue off of that but no more. Council member Johnson stated that association dues for townhomes are and they are a whole lot more than that. Council member Muller stated that if you went and rented a storage for a year that that would be a lot more than \$675.

Mayor Dillan asked if it has been a few years since we raised the fees and City Manager Pfaff stated we did increase them \$100 last year. Council member Larsen asked if we were still comparable and City Manager Pfaff stated we were.

Public Works Superintendent Gary Kirkeby stated that last year the city left it that public works would plow as needed and then there were issues as someone was giving flight lessons so public works ended up plowing and there were still only one to two planes taking off. It takes us a good eight hours with two people to plow the airport. The state money we get is gone before winter. Council member Muller asked if in the letter if it could be broken down as to each month the cost. Mayor Dillan stated that he thinks the \$100 increase is good and then doing something for Gary (Public Works department). Gary just stated that they plow a lot and then there are no planes noted in the log book using the airport. Council member Johnson asked if there could be an additional fee for someone that requests to have it plowed. Gary explained that the snowbanks along the runway have to be below your knees so it takes public works two-three passes to keep the snow level down. Council member Johnson asked if public works mows between the hangars in addition to the common areas. Gary stated they mow around their own hangars. Gary stated there are 100 grass airports in Minnesota and there are less than 10 that are plowed in the winter and we are one of them. Council member Johnson made a motion to approve airport lot leases to increase to \$675, seconded by Ken Muller.

**FIRE DEPARTMENT:** City Manager Pfaff stated there will be an increase in here if fire department goes hourly and then this would increase the township contracts. City Manager Pfaff said the base rate per hour from most cities were \$10-\$15. Foreston was the only one at \$20. The \$10 base rate was for drills and responding to the fire department but calls were cancelled and the \$15 was for response to the scene. City Manager Pfaff stated she recommends the \$10-\$15 the same as Cambridge and Mora but stated council did not have to do that. We could leave them at per call; which right now is \$20 per call. Drills are \$15, weekend calls are \$10. They are asking \$20 per hour and \$25 per drill. Mayor Dillan asked if Cambridge and Princeton were \$10 per drill or \$10 per hour for drill? City Manager Pfaff stated \$10 for the drill. City Manager stated the proposed \$25 per drill would help them attend the drills.

Council member Gahm asked that if her house burned, would she get billed for it? Mayor Dillan stated insurance would pay it but Council member Larsen stated only if we bill for it. Council member Larsen stated that some insurance companies are that you should hand a bill in a certain amount of time or you don't get paid. Council member Gahm stated that if the fire department wants an increase in wage, they need to do better. Mayor Dillan stated that that was the point of having Chris be an assistant chief or 2<sup>nd</sup> chief because he could do a lot of that. City Manager Pfaff stated that she has 104 calls YTD but only 42 have been invoiced and that call reports are handed in late. Mayor Dillan asked if these were false calls or call backs and City Manager Pfaff stated it could be everything. An hour is claimed even for cancelled in route. Cancelled in routes are not billed. Mayor Dillan stated that these are people that are leaving their job to respond to calls and not all of them get paid. Council member Muller asked if false calls could be billed like alarm companies do. Mayor Dillan stated it could be like \$50.00 and that would cover five guys.

Council member Johnson questioned what the wages would be in comparison to the past. The increase would be \$77,500 and last year it was \$58,700. Councilmember Gahm stated that they also get retirement. City Manager Pfaff stated they get \$5,000 in retirement. Mayor Dillan stated that he didn't want this to sound the wrong way, but I thought that's why it was a volunteer, but they are missing work and get \$10 when they get paid \$40 from their employer.

City Manager stated they would also be eligible for the Earned Sick and Safe Leave (ESSL) unless we do our policy better than the new state law. City Manager Pfaff stated right now under ESSL, if we don't change our sick policy to include all PT, seasonal, council and fire department, they get 48 hours. But

council can choose between 48 hours but end of year we pay them out or do 80 hours and no pay out or you can make the sick leave policy better than the state, which would mean all PT, fire department, seasonal and council would get 56 hours a year, pro-rated monthly and not paid out. It would follow our current policy. City Manager Pfaff stated that she would suggest to make our policy to be just as good or better than the state laws that comes into effect on January 1, 2024. So, we need to get our policy in place and don't have to worry about payouts. The League of MN Cities stated that other cities are making policies better.

Councilmember Johnson asked how the fire department would use sick leave. City Manager Pfaff stated that if there was a fire call and they were sick, they could claim sick leave. Councilmember Gahm asked if they would get a bonus then at Christmas and City Manager stated no, there would be no payout if we made our own policy. Councilmember Johnson asked if they have enough years in is there a payout and City Manager stated there would be.

Mayor Dillan asked that if our present system has a retirement plan for the firemen and they are paid per call, so they are employees of the city already so what difference does this make if we pay them hourly or not? City Manager Pfaff said if we pay them hourly, then they would need to go on the payroll system on a bi-weekly basis and turn in their hours. But Mayor Dillan asked if this would affect the sick leave? City Manager Pfaff stated no. If they are paid on call, then the 48 hours would apply.

City Manager Pfaff asked if they wanted to pay them hourly on a base rate of \$10-\$15 like Mora and Cambridge or do you want to skip this year, or do nothing? Councilmember Johnson asked what the \$77,000 was based on and City Manager Pfaff stated \$20. Councilmember Gahm stated that she does like the hourly as sometimes they can be out at a fire a long time. Mayor Dillan stated that they could go \$10 & \$15 based on 90% of turn in on call sheets, which you can't do but somehow make that part of this. City Manager Pfaff stated that we could include some language like that and make that part of the policy. Call sheets should be turned in the first of each month. City Manager then asked if they were good at \$10 and \$15 and Mayor Dillan stated it was a good place to start. City Manager then asked about drills. They are currently at \$15 and they are asking \$25. Mayor Dillan stated he would be ok with \$25 just because he sees them up there a lot for drills.

**PARKS FEES:** Have been a steady increase with the rental of the Gorecki Center.

**INTEREST EARNINGS:** City Manager Pfaff stated they just turned over two CD's, 5.25% and 5.45%. Unfortunately, we have about 14 CD's from 1.45% to 1.9%.

**LIQUOR STORE TRANSFER:** I put \$300,000 in here if we need it. The liquor store has \$675,000 in cash.

**STREET PROJECTS:** City Manager Pfaff stated she has contacted our bonding agent and because of our 5 year street improvement plan that we created, we could skip projects this year. However, Gary would really like to have SW River Drive done. Mayor Dillan stated that was a definite one. Gary then explained that we should push off the downtown project for a year or two so they could figure more things out. That project would be an all summer one. The two easy projects would be a mill and overlay from 2<sup>nd</sup> St SW from where the county left off, up 3<sup>rd</sup> Ave SW to 5<sup>th</sup> St NW and then a mill and overlay on SW River Drive. City Manager stated that if we were to levy this project, it wouldn't be levied until 2025 so we get a one-year grace period and the first year in 2025 would be interest only. Mayor Dillan asked if that number was a guess on these projects. City Manager Pfaff stated it would be even lower than \$410,500 so Phil would need to recalculate this project. Gary asked if SW River Drive was included in this and City Manager Pfaff stated it was not. So the total could be higher. City Manager stated if that was about \$300,000, then you would be levying for over \$700,000. Mayor Dillan stated that \$410,000

would come down. Gary said both look about \$600,000. City Manager Pfaff stated you would be looking at a levy of about \$50,000 to \$60,000. Councilmember Johnson asked if there was any talk from the residents of water and sewer on SW River Drive but there has not been any. We could do the street now and if the residents ask about water and sewer, it would be too late. Mayor Dillan stated if we do anything, that's a for sure one. City limits is right where the road turns (by Weyer's).

City Manager Pfaff asked which projects they would like to do. SW River Drive for sure. Mayor Dillan asked if there was a bond that dropped off in 2025. City Manager Pfaff stated one drops off in 2024 and the rest don't drop off until later. Ambulance drops off in 2024 as well. City Manager Pfaff said you could spend down some cash.

Councilmember Johnson stated he thinks it is a good idea to do SW River Drive and the 5 blocks. Councilmember Gahm asked if the Building Center pays for any part of this project because part of the reason this is bad is because of them. They have a lot of wear and tear on there. Councilmember Johnson stated that they may have to increase the thickness of the project there. City Manager Pfaff stated it would be about \$600,000 there and \$650,000 for the fire truck. If we go over the \$461,000 guidelines, things get complicated so the fire department should go for grants. They have put down \$80,000 from the Fire Relief so they would have to spend down \$500,000 from their equipment reserve which would wipe out their reserve. They should try to get a few more donations. I did give them the Community Facilities Grant information. Mayor Dillan stated he has talked to Jesse and said he would be more than happy to help with the grant. City Manager Pfaff advised Mayor Dillan that they already have a grant writer and that she has helped the grant writer for all the financial information on this grant. Councilmember Johnson asked if the fire department would have a truck to sell. City Manager Pfaff stated she thought they would have a 1997 truck to sell.

Councilmember Johnson asked if the fire department was also getting a rescue truck. City Manager Pfaff stated that they were and that was a half a million dollars. They are applying for the FEMA grant. If they don't get the grant, they won't be able to get that truck.

Mayor Dillan asked that back on the roads, what were we doing? City Manager Pfaff stated SW River Drive and the 5 blocks up 3<sup>rd</sup>. Gary corrected and said 7 blocks.

**COUNCIL PAY:** City Manager Pfaff stated they would need to increase this before the next election, if they wanted to increase it. Councilmember Gahm asked what they get paid. City Treasurer Nealley stated \$200 for council and \$300 for mayor.

**LEGAL NOTICES:** This is due to a lot of planning and zoning that has happened. Public Hearings go in here.

**PLANNING AND ZONING:** Phil Carlson from Stantec is \$190 an hour. This \$20,000 is going to go up if we have a lot of stuff going on next year.

**WAGES:** Some employees were bumped up due to cross training. All items in the consumer price index is 3.2. Do you want to increase it or keep it at 3% for one year. It would be 3% plus COLA. Councilmember Muller stated we need to retain people. City Manager stated that with the consumer price index at 3.2 do we want to go 3.5? Councilmember Muller said we could go with 3.5 but Mayor Dillan stated now we were changing the step each year to 3.5. City Manager Pfaff explained that this would be just one year. Councilmember Johnson stated that he agrees with Ken and there are things that don't factor into this like energy costs. Councilmember Gahm stated she would go with the 3.5 this year to avoid losing staff as it takes more money to retrain and it's really hard to get workers. City Manager Pfaff asked for Mayor Dillan's comments. He stated he goes both ways but staff had spent a lot of time

on this salary schedule and he hates to see that changed. If we go with the 3.5 I want to make it clear that it is not on the schedule and it is only for one year.

City Manager Pfaff stated she will update everything and send out to the council.

City Manager Pfaff stated they are working on OSHA Grants. The city recently had a security from the league of MN come up and for the grant you have to have a security personnel come through and see what needs to be changed. Dep Reg has the most threats. They need to start off first with bullet proof glass, exit door and make it so people can't walk around them. They need to have an enclosed area. They just received \$23,000 from the state as reimbursement and we can use that plus they have \$213,000 in cash that they can spend down. The State would not help with this because we own the building. OSHA grant will do a max of \$10,000 but we can apply each year.

Discussion took place on the cabinet design for council security. Mayor Dillan asked if the \$65,000 was just Dep Reg. City Manager Pfaff stated no it was for the two-bullet proof up front. Mayor Dillan asked if we could just do Dep Reg and City Manager Pfaff explained that Dep Reg does not come out of this account as they have their own fund so we can do that. Carpeting in council room maybe \$20,000. City Manager Pfaff asked if she should get a quote and see if \$20,000 would cover carpeting. Councilmember Johnson stated he would still put that at a low priority. City Manager Pfaff asked what about the council redesign? Councilmember Johnson felt that should be a low priority as well as the Dep Reg should really be the first. Reception desks would be second priority.

City Manager Pfaff continued with that the police have a new vehicle in here plus we need to update the dispatch system that the county uses as it will not be supported next year. We need to earmark the state aid of \$132,765 for upgrading that system. We will get this money on December 26 of this year.

**FIRE DEPARTMENT:** This is their estimate on what that truck is going to cost. They would be spending down all of their reserve funds. If they get the grant, our share would be \$25,000. City Manager Pfaff asked the council if they were OK with the fire department getting both trucks next year. Mayor Dillan stated he was fine with that truck but not sure about the rescue truck. The fire department will be submitting a grant for the rescue truck this fall. Councilmember Johnson stated it depends a lot on what they get for grants. City Manager Pfaff stated the Fire Department should apply for the Communities Facilities Grant as that grant is always open. There is no closing date. The Fire Department would be spending down their entire reserves on this pumper truck. Mayor Dave stated he would talk to the fire department. Councilmember Johnson stated that trucks have a long life cycle so two in one year was a bit much unless grants can cover most of the cost. City Manager Pfaff stated the fire department may need to decide if they want to get the pumper tanker or the rescue truck. Not two in one year. Councilmember Gahm stated that was lot for one year. City Manager Pfaff stated the fire department would more than likely want the pumper truck so the city would need to do some bonding for that. Councilmember Johnson said unless grants come in to cover the costs for the \$500,000 rescue truck. City Manager Pfaff stated she has emailed the grant writer and they said they would be submitting it this fall. The grant writer was kind of worried the fire department would not get the grant because of their large equipment reserves.

**PUBLIC WORKS:** Gary had made a recommendation to do some storm sewers but that would come out of sewer. Would you still do the \$50,000 for seal coating? Gary stated the 5 year plan keeps going and they could skip a year seal coating. The city keeps a running list of where the requests come from for paving the alleys. Alleys with manholes were priority and most of those alleys are done. Councilmember Gahm commented that some residents were upset when we were paving alleys when SW River Drive should be paved. Gary stated \$50,000 was fine.

TRAILS: Unfortunately, this trail expansion of \$50,000 will not happen this year. We will try again next year.

SEASONAL EMPLOYEES: Stayed the same.

LIBRARY: No major projects.

SENIOR CENTER: Keep a balance in there in case something happens.

INITIATIVE FOUNDATION: This \$3,100 is what we send them every year.

CATERPILLAR LEASE: This gets transferred to a debt service fund.

AIRPORT: This is the project for the airport. That is 95% grant.

With the changes that we made, \$792,243, this would be an 11% levy and this would be without the equipment reserves.

\$747,243 would bring down to a 6.19 levy, without equipment reserves.

Realistically, \$792,243 and with all the changes and everybody getting their equipment reserve, levy would be 19.4.

City Manager Pfaff stated that the liquor store access road that's going in, that money is not coming out of the general fund. That is coming out of the Economic Development Fund.

Councilmember Muller asked if there was anything that was going to happen that would affect our tax base and Mayor Dillan stated the meat market and at least one set of apartments that would be going in next year. City Manager Pfaff stated that those would take a couple years for tax base.

City Manager Pfaff stated the street project and fire truck budget could make a difference.

SPECIAL REVENUE: Nothing there.

PARKS: No major projects coming out of 216 or 217. They are just set aside for maintenance.

DEBT SERVICE: Some are falling off.

TIF DISTRICT: There will be no funds coming from here yet as Shawn Williams has not started this project yet.

ENTERPRISE FUNDS: Looking good. Just have the water meter debt that will be added and the water main replacement project on the airport road that is not covered by the federal grant.

WATER FUND: Because of the meters, we will need to do a small increase on the fees.

SEWER FUND: Looking good.

LIQUOR STORE: Looking good and no major projects. With her sales, she may hit the \$3,000,000 mark. This other miscellaneous due to the THC will increase substantially.

MOTOR VEHICLE: Their fees will increase on 10-01-24. Their exit door which I don't have a quote yet so this may change. We will need to redo their office, as we need to change their computers around so they are not facing the public. Their cash flow has increased over the last 3 years. We just hired another part-time and she works only Mondays and Fridays.

Our audit costs will go up next year because of that airport road grant. That will be an extra cost because it is a federal audit that has to be done.

WORKSHOP ADJOURNED AND WENT TO CLOSED MEETING AT 6:30 P.M.  
For Labor negotiations under PERLA

Mayor Dave Dillan read the script and announced the meeting closed at 6:31 P.M. upon a motion by Johnson and seconded by Larsen. Motion carried unanimously.  
Closed meeting adjourned at 6:51 p.m. upon a motion by Johnson and seconded by Larson. Motion carried unanimously.

Regular meeting was opened at 6:51 p.m.  
Mayor Dillan called for a motion to adjourn at 6:52 p.m. Motion by Gahm to adjourn. Muller seconds the motion. Motion carried unanimously.



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Mayor Dave Dillan

ATTEST:



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City Manager Tammy Pfaff