

**WATERVILLE CITY COUNCIL
REGULAR MEETING
August 3, 2023, 6:00 p.m.**

There was a regular meeting that the Waterville City Council held in the Council Chambers at 6:00 p.m. on August 3, 2023.

Call to Order / Roll Call/Pledge of Allegiance

Present: Mayor Bill Conlin, Council members: Dave Wollin, Tim Smith, Jennifer Grobe, Roy McIntyre, City

Also Present: Administrator Teresa Hill, City Attorney Jason Moran, and City Engineer Jason Femrite

Absent: None

Mayor Conlin called the meeting to order at 6:00 p.m. Announced present members of Council and Staff and then led the Pledge of Allegiance.

Approval of Agenda/Additional Items to Agenda

Consent Agenda

A. Approval of Minutes- July 11, 2023, **B.** Approval of Disbursements **1.** Electronic Fund Transfers (35437E-35470E, 35365E,35385E,35386E) \$43,846.05 **2.** Payroll Check Numbers (2023250-2023288) \$ 45,463.32 **3.** Computer Generated Checks and Overtime (37876-37936) \$336,358.05 **4.** Total Disbursements \$425,667.42 **C.** Impress Cash Fund-\$16.74 **D.** Zoning Classification Change-David and Jane Cummiskey Parcel ID 24.022.3100 **E.** Trunk or Treat St Closure Request October 28th from 3-7 pm. Close 3rd Street to the Event Center. **Motion by McIntyre, Seconded by Grobe to approve the Consent Agenda Motion Carried 5-0.**

Approval of Agenda/Additional Items to Agenda

Motion by Smith, Seconded by Wollin to approve the agenda with the addition of 3 E the Trunk or Treat Request. Motion Carried 5-0.

Public Hearings

Motion by Smith, Seconded by Wollin to open the public hearing for all three of the proposed ordinances 111.031, 150.07, and 119 Motion Carried 5-0. There were no comments from the Public.

Proposed Ordinance Revision 150.07-2023, R2 Medium Density Residential. Administrator Hill informed Council that this is the number of homes permitted per lot in residential areas. This revision allows clarity on the purpose and intent of what the ordinance says for the R-2 district. It will be creating an action item to specify how it would need to be governed with a submitted request which would be the added trigger item needed if this would want to go from four units to seven. This process would be done with a Conditional Use Permit. **Mayor Conlin** opened the floor to the Public for any further discussion. There were no Citizens that approached for discussion at this time.

Proposed Ordinance Number 119 “An Ordinance Prohibiting the Sale, Testing, Manufacturing, Cultivating, Growing, Transporting, Delivery and Distribution of Cannabis Products in the City of Waterville”. **Mayor Conlin** made a note that many business owners were looking into selling these lower-level THC products. This moratorium for the lower-level products is about to expire. **Attorney Moran** spoke to the council on this proposed ordinance and how this is geared towards higher-potency THC products. If the Council would like to allow the lower-level products within the City limits this can be specified to allow hemp-derived THC and restrict the Marijuana THC. **Council Smith** asked Moran how would the City allow the lower level but not the Marijuana derived. **Attorney Moran** replied this motion would allow the low-level potency and only restricted to the recreational high-potency THC. **Council Smith** asked if the City was set up to govern the low-level hemp-derived products. **Attorney Moran** replied, that the low-level THC does not require a license. This is managed and tested by the Department of Health. The low-level THC is not heavily regulated. The City does not have much for regulating the low-level THC products. This ordinance is geared more toward the high-level THC products that have become legal to use and possess as of August 1, 2023. There are only two locations that are lawful to sell these types of products and they are located up North on the Red Lake Native Reservation. The State is in the current process of setting up a licensing procedure for the high-level THC. These types of licenses will probably not be ready to be issued until the summer of next year. **Council Smith** asked if there had been any input from the Police Chief on all levels of THC. **Attorney Moran** replied, nothing yet at this time. **Council Grobe** asked, with this being a moratorium how long would this be in effect? **Attorney Moran** replied, that the state law on this type of moratorium for the high-level THC will be effective until January 1st of 2025, with the

City having the ability to lift before then if we are ready with the regulations. **Council Grobe**, what happens if the State are getting the licensing in effect before we are set up in the City? **Attorney Moran** insured Council that this moratorium would let the City have until January 1st of 2025 to complete the City regulations for the high-level THC. **Administrator Hill** advised Council that there were discussions with the County on the moratorium they have in place on the high-level THC. The County is similarly handling this. If the State does start allowing licenses before January 1st of 2025; this time from the moratorium will allow us as a City to set up our regulations. The Council discussed the allowed time frame and how they should be moving this process forward with starting City regulations within Planning and Zoning for the high-level THC. Along with the current position of the low-level THC products and how comfortable the Council was with the continued sale of products. **Mayor Conlin** opened the floor to the Public for any further discussion. There were no Citizens that approached for discussion at this time. **Motion by Wollin, Seconded by Grobe to close the Public Hearing. Motion Carried 5-0.**

Adoption of Proposed Ordinances

Proposed Ordinance Capping Number Of Off-Sale Liquor Licenses Motion by Wollin, Seconded by McIntyre to approve the Capping Number Of Off-Sale Liquor Licenses. Motion Carried 5-0. Motion by Wollin, Seconded by McIntyre to revise the previous motion to approve the second reading and the adoption of the ordinance. Motion Carried 5-0. Proposed Ordinance Revision 150.07-2023 R2 Medium Density Residential District. Motion by Wollin, Seconded by Smith to approve the second reading and the adoption of the Medium Density Residential District Ordinance. Motion Carried 5-0. Proposed Ordinance Number 119 “An Ordinance Prohibiting the Sale, Testing, Manufacturing, Cultivating, Growing, Transporting, Delivery and Distribution of Cannabis Products in the City of Waterville” Motion by Smith, Seconded by McIntyre on Ordinance Number 119 with the exclusion of the low-level THC products that can be sold within the City, and to keep the moratorium on the higher-level THC products, and accepting the second reading of that ordinance. Motion Carried 4-1.

Unfinished Business

Herbert Street Improvements. Engineer Femrite reported to Council, that the project bidding for Herbert Street Improvements was opened on July 31st and 7 bids were received and the lowest bidder came in from D&M Construction LLC out of Owatonna for \$81,981.80. There was a discussion between Engineer Femrite and Council about the lowest bidder and whether the bids that were received were all bidding on the same project with the same quality of products. **Bid Results:** Timm’s Trucking Inc at \$85,469.77, Chambers Excavating & Trucking LLC at \$86,277.50, D&M Construction Inc. at \$89,890.00, Heselton Construction at \$97,207.00, K.A. Witt Construction at \$107,018.40, Selly Excavating Inc. \$108,136.00. **Motion by Wollin, Seconded by McIntyre to accept the D&M Construction LLC out of Owatonna to the bid of \$81,981.80. Motion Carried 5-0. Council Grobe** asked the Administrator how this was going to be financed. **Administrator Hill** suggested to Council to use the approx. \$60,000.00 funds that are left in American Rescue funds monies to have that project completed. The remaining cost of approx. \$21,000.00 would be coded to the Capital Improvement Fund or threw the Storm Sewer District Fund which the City would need to levy for the payback. This total amount due will be paid out once the project is completed. This should also be looked at when we go into the budget work sessions to cut \$20,000.00 from somewhere. **Council Wollin** asked the City Engineer what the start date of this project would be. **Engineer Femrite** replied, I will be in contact with the winning bidder this week and once the contract is signed and comes back, we will know a better start date. Femrite stated that the completion date would be in November.

Citizen Time

Mayor Conlin opened the floor to the Public for anyone who wanted to address the Council. **Darel Bauer 728 Tetonka View Drive** approached the Council with food for thought; with the possibility of raising of additional funds for any major projects needed within the City. Bauer mentioned Center Point was opening up in October with the possibility of a Franchise Agreement. Some Cities are adding a Franchise Fee onto those utilities, which will raise costs per customer with the gas utility at an approx. \$7 or \$8 a month, but this will generate an annual flow of revenue for the City. These monies can be used at your discretion and where it is needed within your budget or projects that need to be completed. Bauer estimates that this would raise approximately \$80,000.00 a year. This franchise agreement is also available to do with Xcel Energy. With this, it will create a consistent flow of monies coming into the City and it may alleviate additional bonding that will be needed for other major projects and expenses. This could also lower costs for the City citizens for any assessments for new projects. **Mayor**

Conlin thanked Bauer and asked if anyone else would like to address the Council, but no other Citizens came forward.

New Business

Lions Park Curb Cut Estimate. Administrator Hill stated that with the Council discussion last month, there was a conversation on doing an additional curb cut out across from Common Street. City Engineer Femrite came up with an estimate of \$5,000.00. This gives the Council the ability to see a hypothetical cost associated with this type of project. **Administrator Hill** asked the Council if they would like to see Street Supervisor Alan Hiller solicit for this project. This way it could be possibly finished this year. **Council Smith**, is there any reason we would not have funding for that? **Administrator Hill** replied that we currently do not have this in our budget. There may be some money left from the Street discussion that we will have later on the patching. There is about \$20,000.00 in the Reserve Capital Fund, and the amount that is left can be used for this. **Council McIntyre** interpreted, this is a handicap thing and it needs to be taken care of. **Motion by Smith, Seconded by McIntyre to approve the Street Department moving forward with bids on this project. Motion Carried 5-0. Motion by Smith, Seconded by Wollin to amend the prior motion to allow Alan just to take care of it, with costs up to \$7,000.00 Motion Carried 5-0.**

Call to Order / Roll Call

EDA President Myers noted that all EDA members were present and called the meeting to order at 6:30 p.m.

Present: President Sue Myers, **Members:** Jennifer Grobe, Richard Davis, Sue Mariska, William Conlin

Special Guest: Bond Specialist Paul Donna

Joint Meeting with EDA on Fire Hall Finance Options 6:30 p.m. Administrator Hill conveyed to Council that there has been a discussion on which way to go to obtainment of the Bonding for the new Fire Hall project. In this portion of the meeting, we are looking for consideration from the City Council on what type of Bonding that we should be looking into. This will drive how we build out the rest of the project. **Administrator Hill** introduced Paul Donna at this time. **Mr. Donna** addressed the Council and EDA. Stating the MN statutes allows Bonding for Fire Halls along with some other assets like City Halls. There are three bonding options: Limited-tax General Obligation Bond, Unlimited-tax General Obligation Bond, and Lease Revenue Bond. General Obligation Bonds allow the City to have a pledge with unlimited tax authority and levy taxes. The City would be pledging to the buyers of bonds the amount providing the lowest interest costs for a Capital project. The Lease Revenue Bond has been issued by the City to fund the Public Works Building. The EDA would be the issuer of the bonds with a lease agreement with the City specifying the payments. The Lease Revenue Bond would essentially be what the cost of the borrowing amount. Lease Revenue bonds simply require a resolution passed by the City Council and EDA. Lease Revenue Bonds are paid with tax monies but do not have levy authority like a General obligation Bond. The lease payment would be an annual line item within the budget for the typical 20-year term. This creates a little less security for the bondholder because it is not certified to the County. Most investors say a Fire Hall will not typically be defunded because most Cities see this as a great asset to their City and Community. This type of payment gets you 25-30 basis points and an increase in interest rate compared to a General Obligation Bond. You can also issue a Referendum Bond if tax payer approved. Capital Improvement Bonds would allow the city to move forward with issuing a General Obligation Bond subject to a reverse referendum. This process allows you to Publish the Public Notice, hold a Public Hearing, and then there is time for a petition. With this, there are normally not too many citizens that come out and vote in these types of elections. The two General Obligation Bonds can be put to a vote or move forward based on Council direction. If the voters want to put this to a vote, they would have to go through the petition process. **Council McIntyre** if it went to a Referendum Bond and was turned down what are our options after that? **Mr. Donna** replied you can decide to not move forward. Nothing prohibits you from a Lease Revenue Bond, Capital Improvement Bond. A Referendum Bond would be time-sensitive. The Lease Revenue allows it to be a Council and EDA decision, and still have a public opinion, but a public hearing would not be required. **Council & EDA Grobe** asked what the interest rate is typically for a General Obligation Bond versus a Lease Revenue Bond. **Mr. Donna** replied each of the General Obligation Bonds would have no different perspective from the investors' side. **Council & EDA Grobe** asked if the interest rate stays fixed once it has been established. **Mr. Donna** replied the difference would be in a Lease Revenue, there is an annual appropriation clause which is about 1/4 of a percent. **Council & EDA Grobe** asked if the interest rate stays fixed once it has been established. **Mr. Donna** replied yes it would stay at a fixed rate. **EDA Mariska** asked what is the rate right now. **Mr. Donna** replied currently, if the City would borrow right now on a General Obligation Bond basis for twenty years, he estimates close to 4% today. **EDA**

Mariska asked to clarify if the Lease Revenue payments will be going to the EDA, and then to the Bond Holder. **Mr. Donna** replied yes, the EDA would be a pass-through entity, and this would not count against the city as a long-term debt. Which is helpful when it comes to debt limitations and the debt-to-asset ratio. The EDA would be a conduit for debt. **EDA Mariska** asked how would this affect the taxpayers of the city? **Mr. Donna** replied, the same as an increase as for a Lease Revenue or a General Obligation Bond. The City would levy for money against the population to repay either type of financing. It would be a little bit higher with the Lease Revenue Bond than the General Obligation Bond due to the interest rate being $\frac{1}{4}$ of a percent higher. **Council & EDA Grobe** would there be a limit on the amount of Lease Revenue Bonds the City can hold at one time? **Mr. Donna** replied no. **Council Smith** asked what the term was for the current Lease Revenue Bond that the City holds. **Administrator Hill** stated she did not have that information in front of her at the moment. **Mr. Donna** conveyed to the Council and EDA that once the bond is paid off, the asset is transferred from the EDA to the City. This would be a lease purchase. Typically, this asset is sold to the City for \$1. **Administrator Hill** commented there was discussion on debt threshold. The Lease Revenue will not affect the ability to obtain a General Obligation Bond if needed in the future. **Council Smith** asked what are the differences between the Lease Revenue and the General Obligation? **Mr. Donna** replied, Lease Revenue is politically driven and widely accepted where General Obligation Bonds are community driven. Before Capital Improvement Projects, Lease Revenue were widely accepted to obtain Capital Assets. Now there are Capital Improvement Project Bonds. Lease Revenue Bonds are more paperwork. **Council Smith** ask Mr. Donna, given your knowledge of the City finances, would there be an issue with the City debt limits with the General Obligation Bonds on this project? If we had to go out for another big project, are we going to cover our debt to asset limit? **Mr. Donna** stated, to do that, we would need to recognize financially where you are today and look five years down the road at any future needs or projects plug those numbers in and see where the city's flexibility may be at. **Council Smith** agreed, that seeing those numbers would help in deciding on what type of financing should be selected for this current project. **Administrator Hill** stated that she will be working with Mr. Donna on this. **Council Smith** stated he was not opposed to the EDA obtaining a Lease Revenue Bond, which is the same Bonding we have for the Public Works Building, depending on how we are doing with the financials and the numbers that we can come up with. **EDA Mariska** asked, with a Lease Revenue Bond would the City levy the full amount right away or yearly? **Mr. Donna** replied, there are typically two payments a year for principal and interest. This is necessary to fulfill a certified levy cycle schedule. This would typically be certified every year for the following year. This is similar to any other type of levy. You would levy for the following year in the current year. As for General Obligation Bonds they are certified with the County for the life of the Bond. Working with a County the people would know those levies are in place for the time of the Bond. With either financial option there will always be an annual levy. **Administrator Hill** mentioned, at previous Fire Hall Committee meetings there has been discussion on obtaining Finance with a private holder with the Bond Council. **Attorney Moran** stated, that with a Lease Revenue, the EDA is a good way to finance this type of project. It will entail working with the EDA and the possibility of paying a little more in interest, but it will alleviate a referendum or a reverse referendum issue you've had to contend with in the past. It is even possible that you could go with a private entity to take on this project which will take on a similar scope to a Lease Revenue Bond. You would still have the competitive bidding requirements that may be triggered even working with a private third party. We can continue to explore this and try to get some of those costs to come down. **Administrator Hill** added to Moran's statement, they have spoken with Mary Ippel a Bond Attorney. She didn't feel that contracting with a particular entity to have the building construction did not meet the competitive bidding rule. There were a lot of questions about compliance within the law. This is the main reason for moving toward the Lease Revenue Bond. **Attorney Moran** replied, if it is over \$175,000.00 it would need to be competitive bidding in some fashion, and this Fire Hall project is definitely over that amount. **Mr. Donna** agreed with the Bond Attorney, with the public bidding and how it would play into this project. This was their first concern that it would appear to be in violation by state law and how it is structured. In other states, this has been very effective because they have different laws to issue Bonds for these types of projects. Whereas Minnesota has more restrictive statutes. As the EDA and Council, with a Lease Revenue Bond you will have the ability to own the project and issue the same type of financial structure directly. **Council McIntyre** asked, if we are the holders of the Lease, we will have the most control? **Mr. Donna** agreed. **Administrator Hill** added, if we were to go with a private entity for the financing, they would be making some type of revenue from this bond. The fees and interest rates for this project would be more advantageous for the City with a Lease Revenue Bond. **Council McIntyre** stated, if it is private, they can buy and sell out whenever they want. **Citizen Bauer** asked, what is the

voting aspect for the tax-paying citizens, pertaining to the three different financing scenarios? **Mr. Donna** replied, if the City Council chooses to go with a Referendum the citizens would be called out to vote on the item in the referendum. In the General Obligation Capital Improvement Plan Bond, the citizens are not asked to vote directly, but asked to a public hearing and then it could be sent to an election. With a Lease Revenue Bond, there are no referendum requirements no vote, and no public hearing required. Ninety-nine times out of One-hundred there is always public input on a project in process. **Mayor Conlin** asked the Council who was in favor of what funding source. All were in favor of the Lease Revenue and Council Wollin was in favor of the General Obligation, stating he felt it would hold more of a public input. **Administrator Hill** advised that the citizens could be at meetings. Also, if the Council chooses, and they want to put this to a vote you could. Neither are requirement of a Lease Revenue Bond. **Council Smith** agreed that he would like the meetings to be public hearings to get citizens' input. As a member of the Council, I would be opposed to the Lease Revenue Bonding if the rest of the Council wanted to exclude the public hearings from these meetings. **Council Grobe** asked, where are we sitting right now with our Bonding? How many projects can we still have done and still comply with our financial abilities? **Administrator Hill** replied, I will have to gather that information. This is why I would be in favor of the Lease Revenue Bonding because it would put us to our capital debt ceiling. If the Council choose a General Obligation Bond, if an emergency project comes up, we will still have the ability to acquire financing for what we need. The City would have more availability for future projects. **Council Grobe** asked for an example of interest on a two-million-dollar loan. **Mr. Donna** answered the question with a 4% interest on a two-million-dollar loan would be about \$80,000.00 in interest. **President Myers** requested a memo of notes in explanation of how the different Bonds all work. **Mr. Donna** stated he would be happy to refresh the memo again and include the capacity analysis, along with an estimated tax impact. This will be a good tool for all to look at. **Motion by Smith, Seconded by McIntyre to revisit this on the EDA meeting date on August 28, 2023, at 6:30 as a joint meeting. Motion Carried 5-0.**

Adjourn Economic Development Authority

Motion by Mariska, Seconded by Grobe to adjourn. Motion Carried 5-0. The meeting adjourned at 7:13 p.m.

New Business Continued

Street Department Patching and Alley Improvement Requests. Administrator Hill conveyed to Council, the Street Supervisor Alan Hiller's requests for approval up to \$20,000.00 for patching projects for: the East end Common Street, Hamilton Street, Paquin Street by Caseys & WEM, Clinton Street, 1st Street & Hwy 13, Sakatah & Hwy 13, South Herbert Street, Mallory & Marion, River Street between Herbert & Cottrill, Lake Street & Herbert Street, Buchannon Street & Harmon Street, Marion Street by 916, Reed Street North by City Beach, the Alley behind the Library. **Administrator Hill** conveyed that there is funding available. **Motion by Wollin, Seconded by McIntyre to approve authorization for up to the amount of \$20,000.00. Motion Carried 5-0.**

Budget Work Session Date. Administrator Hill requested to set a date for the preliminary budget work session meeting. **Motion by Smith, Seconded by Grobe to set the Budget Work Session for Tuesday, August 22, 2023, at 6:30 pm Motion Carried 5-0.**

Proposed Ordinance 99 Prohibiting the Use of Tetrahydrocannabinol (THC) Products in Public Places. Attorney Moran conveyed to the Council that this is the tooling up portion of the low & high-level THC products, due to the new law to use recreational Marijuana THC products. This gives the City the option to include or exclude any place within City Limits to put stipulations on. **Moran** asked for the Council to accept the 1st Reading and to hold a Public Hearing next month. There was a discussion between the Council and Staff about what the Council would like to see on Ordinance 99 along with the intent. With this being what the State is following Council felt it appropriate to do the same, with having the ability to make more or less restrictive in the future if needed. **Motion by Wollin, Seconded by McIntyre to approve the 1st reading and to set a public meeting at the next Council meeting on September 5th, 2023 at 6:30 pm. Motion Carried 5-0.**

Attorney Report

Attorney Moran had nothing to report.

Engineer's Report

Engineer Femrite had nothing to report.

Administrator's Report

Administrator Hill conveyed to Council, that Commissioner Priesler wanted us to know the Cannon River Partnership wants to commit funding to the Hydrology Study. Holly is close and has been working diligently on getting the funding all together. The County Board met with MN DOT advocating for the Hwy 13 bridge project to possibly be moved up in their scheduled dates.

Council Discussion

Council Grobe brought up that at the end of Reed St and Hwy 60, the weeds grow high. The DOT does not seem to maintain this portion of the highway that well. It is hard to merge onto 60 without the view being obstructed. Is it possible to have our Street Department take care of this to avoid any future dangers? **Administrator Hill** responded that the Street department would have to contact the DOT to tend to this. **Council Smith** asked why the Fire Department did not turn in the requested month-end department head report to the Administrator. **Chief Meskan** replied that he had missed it and that there was nothing to report. **Council Smith** also asked why the buoys were not put out yet at the City Beach. **Administrator Hill** responded that there was no one to put in or take out the ropes at this point. There is a possibility that the Street crew could put them out, but this is still being worked out. **Council Smith** asked why the City guys could not use the boat. **Chief Meskan** replied I was under the impression that the Council did not want any other department using the Fire Department Equipment unless there was proper training with the equipment. Also stated that he could not get anyone to do this task. They were going to do it after the tournament, but the party that was supposed to meet up with the Fire Department did not show up. **Administrator Hill** stated that she had differing information, the person was there and did wait for the Fire Department. There was a brief discussion between the Council with the suggestion to the Administrator to reach out to two different individuals to see if they would be interested in taking on this task for the City at this point in the season and years to come. **Council Smiths** final question to the Fire Chief, I understand that the floor has been carved out. When are we filling this back in with concrete? **Chief Meskan** replied that the pit was still settling and that he was told the structure of the pit was in unstable conditions and it was suggested for it to be removed before filling it in. There is also a floor drain within the pit. I'm unsure of where the drain leads to or if it was even functioning. Maybe this needs to be removed too. **Council Smiths** stated, I think you could just extend the floor drain up to where you would be laying the new cement. **Chief Meskan** replied, Does this drain even work? I have requested that this get jetted along with being televised to see what is going on in the drain systems under the Fire Hall before completing the floor. Or, we could not do anything with it due to the possibility of repurposing the building or tearing it down. There was a discussion between Council and Staff on this matter. **Mayor Conlin** asked the Administrator to speak with the Water & Waste-water Supervisor to see if he has input on the Fire Hall drains. **Administrator Hill** responded yes.

Adjourn

Motion by Grobe, Seconded by McIntyre to adjourn. Motion Carried 5-0. The meeting adjourned at 7:50 p.m.

William Conlin, Mayor

Teresa Hill, Administrator-Clerk