

**Sandstone City Council Meeting Minutes
September 18, 2019**

CALL TO ORDER: 6:02 p.m.

ROLL CALL: Kester, Spartz, Gaede, Riley, Palmer

Members absent: None

Staff present: Administrator George and Recording Secretary Nelson

Others present: Pine County Sheriff's Deputy Bettschen, Greg Anderson with SEH

PLEDGE OF ALLEGIANCE:

Council, guests and staff recite pledge of allegiance.

OATHS OF OFFICE:

Newly appointed Council Members Gaede and Riley read their oaths.

ADDITIONS OR CORRECTIONS TO THE AGENDA

Motion Palmer, second Kester to approve the agenda with the change of moving the Sheriff's Report to the beginning of the meeting, adding Boards and Commissions to New Business, and adding 329 Minnesota under Old & Continuing Business. Motion carried 5-0.

PETITIONS OR COMPLAINTS BY RESIDENTS AND/OR COUNCIL MEMBERS:

The Administrator pointed out that there is a log kept at City Hall of comments, complaints and suggestions from Sandstone residents. Some of these were 118 Division – tree is leaning over the road, which was likely taken down today. There is another tree at 609 Commercial across the alley that is leaning. The bituminous on Court Ave. need repairs. There was a call regarding 309 Minnesota because of noise and smashed up vehicles. There was a catch basin that was full at Robinson Park, which was taken care of by City workers. There were calls regarding Old Military Road as well.

PUBLIC HEARING OR PRESENTATIONS:

Preliminary 2020 City & EDA Budget/Levy

The City Council held a work session on August 13 to discuss the proposed 2020 Levy and Budget for the City and for the EDA. The Preliminary Levy and Budget are to be certified to the County Auditor by September 30. The Final Levy and Budget will be adopted in December. The Final cannot be more than what is adopted for the Preliminary.

Administrator George started the Budget presentation by explaining which entities levy taxes on property and how the process is completed. She then went through each category, what expenses fell under it and explained why it increased or decreased compared to the previous year. The calculation of the 2020 proposed levy was explained in comparison to 2019. Tax Capacity Value is used to calculate the City Tax Rate which will be 77.922% as a result of the Preliminary Budget and Levy for 2020.

After applying the market value exclusion, if the proposed 2020 budget is adopted, the tax responsibility of each household will decrease slightly. If a 5% inflation of the market value is figured in, there will be varying increases. The factors that affect tax increases include changes in individual assessed market value, the market value of other properties in the taxing district, the possible change in property classification, property improvements not previously taxed, the changes to the County and/or School District budget and levy, or special assessments may be included.

George presented the following Resolutions regarding the City Budget and Levy and the EDA Levy:

Resolution 20190918-01 – Preliminary 2020 City Budget

General Fund	1,240,350
Special Revenue Funds	
Fire Protection	172,593
Debt Service Funds	
Debt Service	109,627
Tax Abatement – Kettle River	5,200
Tax Abatement – Gateway	37,000
Enterprise Funds	
Water Fund	233,100
Sewer Fund	364,450
Storm Sewer Fund	45,400
Capital Funds	
Capital Projects	334,712
Economic Development Fund	36,762
Total Operating Budget	2,579,194

Resolution 20190918-02 - Preliminary City Levy for Taxes Payable 2020

Total General Fund Levy	128,392
Capital Improvements	297,133
Abatement Levy – Kettle River	3,400
Abatement Levy – Gateway	20,000
Debt Service Levy	57,289
Preliminary Tax Levy for Taxes Payable 2020	506,214

Resolution 20190918-03 Preliminary Tax Levy for Taxes Payable 2020 Sandstone EDA

Preliminary Special Tax Levy for Taxes Payable 2020	\$10,883
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Motion Spartz, second Palmer to approve Resolution 20190918-01 Adopting Preliminary 2020 City Budget. Motion carried 5-0.

Motion Palmer, second Spartz to approve Resolution 20190918-02 Adopting Preliminary 2020 City Levy. Motion carried 5-0.

Motion Spartz, second Riley to approve Resolution 20190918-03 Adopting Preliminary 2020 EDA Levy. Motion carried 5-0.

Motion Kester, second Spartz to set the Annual Truth in Taxation Meeting for Wednesday, December 18, 2019 at 6:00 p.m. Motion carried 5-0.

CONSENT AGENDA:

Motion Palmer, second Spartz to approve the following Consent Agenda items:

- **August 13, 2019 Special Council Meeting minutes**
- **August 21, 2019 Special Council Meeting minutes**
- **August 21, 2019 Regular Council Meeting minutes**
- **August 27, 2019 Special Council Meeting minutes**

Motion carried 5-0.

OLD & CONTINUING BUSINESS:

Fire Hall Building Improvement Project

The project continues to progress well, with erecting of steel underway, lintel placement in progress, bearing plates installed for middle overhead door, and make-up air unit installed. Work for this week includes finishing up steel and block around lintels, installing windows in shop area, finishing siding on office area, start roofing/canopy work. Over the next two weeks, contractors will install the middle overhead door, finish roofing/canopy, finish siding on garage area, install exterior doors. The contractor plans to wrap up the project and clean up the site the week of September 30th.

The Contractor has submitted Pay Application No. 2 in the amount of \$109,421.00. Project Engineer LHB has approved the payment.

The Contractor has submitted the following Proposal Requests (change orders):

- PR-04 for circuit and wiring to connect the new compressor, resulting in an increase of \$834.69
- PR-05 for electrical work on 4 keyless entry door strikes, resulting in an increase of \$3,692.68
- PR-06 is a deduct because existing ductwork can be used, resulting in a decrease of \$149.10

The construction budget is \$449,295. After these PR's, the current total is \$444,101.03, leaving a remaining balance of \$5,193.97 at this point.

Motion Palmer, second Kester to approve Payment Application No. 2 on the Fire Hall Building Project for Mark Haug Construction in the amount of \$109,421.00, Proposal Request No. 4 (circuit & wiring to connect the new compressor resulting in an increase of \$834.69), PR No. 5 (electrical work on 4 keyless entry door strikes resulting in an increase of \$3,692.68) and PR No. 6 (a deduction because existing ductwork can be used, resulting in a decrease of \$149.10). Motion carried 5-0.

City Hall Boiler Project

Work is moving along. The crew continues to work on piping and installing new baseboards.

The Contractor has submitted Payment Application No. 2 in the amount of \$27,550.00. The Project Engineer has approved the payment.

The Contractor has also submitted Proposal Request No. 4 (change order) to install a bulk chemical feeder tank for the boiler, which will result in an increase of \$339.00.

Last month, the Administrator informed the Council that the contractor had submitted Proposal Request No. 3 to add control valves (temperature control throughout the building). At that time, they proposed an increase of \$11,022.24; however, the amount was amended to be \$5,551.35. The Contractor has also submitted a deduct of \$5,000 because the in-floor heat will not be installed in the Library. The budget for construction is \$282,240. After PR No. 4, the total amount expended to date is \$278,661.15, leaving a balance of \$3,578.85.

Motion Kester, second Gaede to approve Payment Application No. 2 on the City Hall Boiler Project

to Lundberg Plumbing & Heating in the amount of \$27,550.00 and Proposal Request No. 4 (installation of a bulk chemical feeder tank for the boiler which will result in an increase of \$339.00). Motion carried 5-0.

Administrator George reviewed a Professional Services Agreement Amendment from LHB – the engineering firm employed for the City Hall Boiler and Fire Hall Building projects. Over the course of these projects, there has been additional engineering work done which increases the total bill by \$59,576.60. The additional work includes splitting the two projects and bidding them out a second time. The engineering expense is not being paid from bond funds. The engineering cost for the Boiler project will come out of the General Fund Cap & Bldg. and City Reserve Cash which has a balance of \$220,285.82. The engineering cost for the Fire Hall project will be paid from the Fire Cap & Bldg Reserve Cash which balance is \$77,246.09.

Motion Spartz, second Palmer to approve the amended contract for engineering services related to the City Hall Boiler Project and the Fire Hall Building Project with LHB bringing the total compensation to \$117,545.60. Motion carried 5-0.

SEH – Project Updates

Engineer Greg Anderson came to the meeting to update the Council on the following items:

MCCU Sewer Line – Anderson spoke with the facility manager from the Credit Union regarding splitting the cost to repair the sewer line so that the work can be done before winter sets in. He is waiting for a response.

River Bluff Project – Remaining items on this project include repairing a rolled gasket and following up on two items that showed up when the service lines were televised, along with some clean-up work. Regarding the rolled gasket situation, the City will contribute \$1,873.00 towards the cost to bring in a contractor who can fix the problem without cutting into the new pavement.

Nursing Home Sewer Line – When the owner demolished the old hospital in anticipation of building a new 3-story age in place senior apartment complex, Anderson suggested that the City verify the condition of the sewer line. The City had the line televised and found a broken pipe just east of the building. SEH suggested cleaning and lining the pipe manhole to manhole (from Court to Grant). Previously, the Council authorized Anderson to get bids.

Anderson stated that one bid was received from Visu-Sewer for \$34,637.50. Anderson also asked for an alternate bid to do Minnesota from Court to Grant, Court from Minnesota to Washington, and Washington from Court to the manhole east of Commercial, since he thinks these are also clay pipes. The bid for this additional work is \$43,325.00. Anderson asked if the Council would like to do both areas while the contractor is in town. There was a question regarding the size of the liner. Anderson stated that the liner will decrease the pipe size by about ½” but will provide plenty of flow. The liner is strong enough to act as a pipe even without the clay surround. Administrator George pointed out that there is about \$260,000 in the sewer reserve fund. The contractor can do the work in December and it will be categorized as maintenance. It was suggested to verify the additional pipes before deciding whether to do the lining work. If these additional pipes are not clay, the Council agreed that it would be wise to have the contractor repair other clay lines, if needed, while in town.

Motion Kester, second Spartz to approve proceeding with all of the lining work contingent on verifying the additional clay lines with a total cost of \$77,962.50. Motion carried 5-0.

Water Loop Project – The City was awarded a grant this spring for \$374,000 to do work down at the water plant and to install a second line to the water tower. These two projects were combined with the “water loop” project when the City applied for this grant. The “water loop” project is being delayed now, because the original plan for the “water loop” would not actually create a water loop. Anderson is checking with DEED to determine whether the City can proceed with the water plant and second water line projects, utilizing the grant funds, or if these projects need to wait for the water loop project.

Over the past year, the Council has worked with Anderson to determine the best way to put the hospital on a water loop ensuring the water supply to them. After much discussion, a route was chosen that would run down Old Military Road to Airport Road, and connect into Lundorff Drive. Previously, SEH prepared the plans and specifications for the original “water loop” project. Now that a new route has been chosen, additional survey work, soil borings, permits, plans and specifications are needed before the project can be put out for bids. Anderson presented the Council with a proposal for this additional engineering work for a total compensation of \$22,700.

Motion Palmer, second Riley to approve the proposal from SEH for additional Engineering Services related to the Water Loop Project for total compensation of \$22,700. Motion carried 5-0.

329 Minnesota

The City offered 329 Minnesota Street (one of the tax forfeited properties) for sale via sealed bids. The City received one bid for \$9,000. The bidder gave the City a check, which has not been cashed. The City Attorney suggested that the City prepare a Purchase Agreement to clarify the transaction. Title insurance would be up to the buyer.

Motion Spartz, second Palmer to approve Resolution 20190918-04 Authorizing the Conveyance of Certain Real Property Located at 329 Minnesota Street to Freda Nelson and Approving a Purchase Agreement. Motion carried 5-0.

NEW BUSINESS:

David Hartwell – Fire Charge Dispute

The Fire Department responded to a call on February 3rd at 52609 Fleming Logging Road in Sandstone. This was a fully involved barn fire. Upon arrival, most of the building had collapsed from flames. The Sandstone Fire Department was assisted by the Askov FD and the Duxbury FD. 1 bull had deceased in the fire. Building and contents were a total loss.

On February 12th, City staff sent an invoice to the owner, Sargeant Farms Family Ranch, LLC, for \$1,750 (\$750 for the first hour; \$250 for each additional hour; total of 5 hours). No payment or response was received. On April 8th, staff sent a reminder “past due” invoice. Payment was received on April 22nd.

On April 25th, the City received an invoice from MPJ Enterprises for excavator work in relation to this fire call in the amount of \$625. On May 14th, City staff sent an invoice to the owner, Sargeant Farms Family Ranch, LLC for the excavator services of \$625. No payment or response was received. On August 2nd, staff sent a reminder “past due” invoice.

On or about August 7th, David Hartwell called City Hall and spoke with Deputy Clerk Tyson. Hartwell objected to the bill because he had already paid the Fire Call invoice and did not expect to receive any other invoices. Also, his insurance claim had been closed. Deputy Clerk Tyson instructed Hartwell to send a letter to the City Council with his objections.

On August 16th, the City received Hartwell's letter of objection dated August 13th. On August 20th, the City Administrator responded to Mr. Hartwell's letter. On August 28th, the City received Hartwell's second letter dated August 26th insisting that his objections be presented to the City Council.

Administrator George reported that Fire Chief Spartz informed her that MPJ was called because the metal building had collapsed on top of the fire. It had to be removed so that the fire could be extinguished; otherwise, it would have kept burning/smoldering.

After discussion, motion Kester, second Riley to split the disputed Fire Charge with David Hartwell, Sargeant Farms Family Ranch, LLC. Motion carried 5-0. Council asked George to address communication of these issues with the Fire Department, and also to request that MPJ provide more timely invoices.

Funds 227, 231, 315 and 323 – Close Out

Administrator George presented the following for consideration:

Fund 227 – Wild River Repair & Replacement: Since the City has now sold the Wild River properties, this fund is no longer necessary. It is recommended that any remaining fund balance be transferred to Fund 228 – Economic Development. As of July 31, 2019, the fund balance is \$184,204.96.

Fund 231 – Wild River Reserves: Since the City has now sold the Wild River properties, this fund is no longer necessary. It is recommended that any remaining fund balance be transferred to Fund 228 – Economic Development. As of July 31, 2019, the fund balance is \$250,451.83.

Fund 315 – 1999 PFA Water G.O. Bond: Since the City has now paid off this bond, the fund is no longer necessary. It is recommended that any remaining fund balance be transferred to Fund 601 – Water Fund. As of July 31, 2019, the fund balance is \$6,000.16.

Fund 323 – 2009B GO Bond: Since the City has now paid off this bond, this fund is no longer necessary. This bond was issued to refinance a water and sewer project and also to undertake the Wagon Bridge Road project. It is recommended that any remaining fund balance be transferred equally (split 3 ways) to Fund 401 – Capital Improvement; Fund 601 – Water; Fund 602 - Sewer. As of July 31, 2019, the fund balance is \$16,420.51.

It is further recommended that any future Special Assessments received regarding the Wagon Bridge Road Project be deposited into Fund 401 – Capital Improvement.

Motion Palmer, second Kester to approve closing Funds 227, 231, 315 and 323 and approve the transfer of balances from the closed Funds 227 and 231 into Fund 228, closed Fund 315 into Fund 601 and closed Fund 323 to be split between Funds 401, 601 and 602. Motion carried 5-0.

Boards and Commissions

Administrator George brought to the meeting a list detailing the City Council members and the committees they are serving on, stating that she and Mayor Spartz met to discuss changes because of recent changes on the Council. George questioned whether the Finance, Fee Dispute Resolution, and Fire & Rescue committees were necessary.

Following discussion, motion Kester, second Gaede to eliminate the Finance, Fee Dispute Resolution and Fire & Rescue Committees. Motion carried 5-0.

City Council members are assigned as follows:

Peter Spartz – Committees: Personnel, Negotiation, Fire Department Relief Assoc., East Central Regional Development Commission (ECRDC); Council Liaison: Planning Commission, Library Board

Phillip Kester – Committees: Personnel, Negotiation

Val Palmer – Committee: Rental Appeal Board; Council Liaison: Parks & Rec Commission

Cassie Gaede – Committee: Rental Appeal Board

Randy Riley – no assignment as of yet

Motion Riley, second Kester to approve changes to the committees as listed. Motion carried 5-0.

Council Members discussed the Planning Commission. Currently, there are 7 members and one Council Liaison. Discussion centered around whether or not to bring the membership down to 5 and whether one of the 5 should be a Council Member. This discussion will be brought to the next Planning Commission meeting.

REPORTS:

Sheriff's Deputy Report – August 2019

Deputy Bettschen reported that there was an arrest made of a predatory offender. He was supposed to live in Willow River but was in Sandstone repeatedly until committing another offense that will probably send him back to prison. Rental ordinance citations are finished and are at the County Attorney's office. Otherwise, Bettschen reported, it was typical month. He reminded the public that dogs must be on leashes and citations will be given for those that are not.

Fire Department Report – August 2019

The Fire Chief sent his report to the Administrator. The Department had ten calls during the month; one building fire, three medical assists, two gas leaks, one elevator rescue, one motor vehicle accident, one smoke detector activation and one cancelation en route. The tax forfeited property, 310 Park Ave, will be burned on October 19th.

Library Report – August 2019 - Jeanne Coffey

The Summer Reading Program came to an end with almost 300 children participating. The Friends of the Library had a successful Book Sale during the Quarry Days festival and are planning for the Silent Auction in October. The proceeds will go into the Circulation Desk fund. Library staff answered questions from 273 patrons, have had 1449 visitors, and provided story times for 70 children.

EDA Meeting – August 28, 2019

Bradley Brzezinski, the Northeast Business Development representative with the MN Department of Employment and Economic Development (DEED) spoke to the council regarding his role in assisting companies who are looking to develop, relocate, or expand in the northeastern part of Minnesota. The EDA discussed possible property purchases during a closed session. The EDA approved clearing up the question regarding the lots sold to Members Co-Operative Credit Union, the Sandstone Development project, and Essentia Health Sandstone. The EDA decided to pay back money that had been borrowed

from the General, Storm Sewer, Capital Improvement, and Community Economic Development Funds from the proceeds received through the sale of the Wild River properties. Business retention and expansion meetings are currently underway.

Rental Inspection Report – August 2019

Of the 286 total rental units registered, there were 27 that had a second inspection with some corrections still needing to be made. There were no units brought into compliance in August. There have been challenges with the Pine County Sheriff's office issuing citations but they have been worked out. There are still those owners who are working on getting inspection exemptions. Administrator George noted that there are 19 citations and 19 open correction orders.

Building Inspection Report – August 2019

Administrator George informed the Council that she had asked the Building Official to start enforcing the city maintenance ordinances. So far, 19 properties have violations; such as, blight, exterior, windows and doors, roofs, vacant properties, soffit, fascia and long-term camping. 9 letters have gone out. 6 issues have been resolved.

Streets & Parks Supervisor Report – August 2019

The crew has been trimming trees and grading gravel in alleys. Road ditches and shoulders have been mowed. S&P Supervisor Hiler has been meeting with the City engineer, working on cost estimates for major repair or replacement of roads. Hiler is also working on a list of street signs to replace. Garbage has been collected as needed and rest rooms maintained in the parks. The grass was mowed and the set up and clean up was taken care of in Train Park for National Night Out and Quarry Days. The boulder wall and ditch by the cemetery have been completed by Roberts Excavating. More work on the ditch is necessary. Hiler is getting quotes on repairing the roof of the Rock. The City Hall has a new flag and cable. A broken window at City Hall has been repaired and a tree has been removed. Blight has been cleaned up at 422 Court and 717 Commercial. Grass was cut at City-owned residential properties. A brush pile was burned at the compost site. They are planning on moving the site when time allows. The sewer ponds were mowed and general blight around the City was cleaned up. Maintenance and repairs were performed on City owned equipment.

PeopleService Report – August 2019

The water treatment plant lost power twice during the month of August due to the weather. This messes up the water quality. Contractor Alex Leger has gone around town and pushed down the stand pipes to eliminate trip hazards. George Minerich from the Minnesota Department of Health visited to look at the wells. The sludge pump went out and parts were ordered. American Septic was out to pump the sludge tank. Leger has been changing the way the water is moved around in the sewer ponds to see if that will decrease the phosphorus levels.

Financial Reports – August 2019

Motion Palmer, second Kester to approve the Cash Balance, Revenue & Expenditure Report for August and to approve August Claims in the total amount of \$272,050.77. Motion carried 5-0.

WRITTEN NOTICES AND COMMUNICATIONS:

The City received a thank you letter from the Pine County Historical Society for the \$1500 contribution.

ADMINISTRATOR'S REPORT: The Administrator reported on the following items.

- **MN Rural Water – Pond Optimization Study – September 9 Phone Conference**
 - Working with UofM – Technical Assistance Program

- Studying phosphorus in the wastewater ponds
- Most significant finding is to add alum sulfate and to modify the existing pond flow scheme
- **NPDES (National Pollutant Discharge Elimination System) Permit**
 - Draft Permit is out – comments were due September 13
 - The Permit should be issued by October 1
- **Preserve MN Conference – September 11 – 13**
 - Councilor Palmer and Administrator George attended
 - Economic of Historic Preservation
 - Benefits of a State Historic Tax Credit Program
 - Reuse as a Process; Creative Reuse of Schools and other Public Buildings
 - Story Maps – interactive web applications
 - MN Historic Society Grants to Maintain a Historic Building
 - Historic Theaters as a Catalyst for Downtown Revival
 - Saving Wood Windows
- **Computer Replacements**
 - Five of the office computers need to be replaced by the end of the year
 - Microsoft will no longer be supporting Windows 10
 - Working with CW Technology and Dell
 - The cost to replace the 5 computers, add additional RAM to 3 of them, add Office 365 to 5 work stations, add 4 monitors, and equipment for the broadcast computer is \$5,424.05
- **Transportation Meeting – August 22 at 5:00 p.m.**
 - Mayor Spartz and Administrator George met with Arrowhead Transit and interested community members
 - Discussing needs, Dial-a-Ride possibilities
 - Next meeting is September 24 at 11:00 a.m.
- **Prefer Paving & Ready-Mix**
 - They will be in town doing the patch at the Fire Hall
 - Craige is working with them for some additional work:
 - Paving on Old Military Road, Aspen Court and Pine Ave/Division Street for \$5,600
 - Reclaim and base alley between Pine and Grant, and alley between 5th and 6th (by the water tower) for \$5,400
- **Small Cities Development Grant Program – Correction**
 - Only \$696.49 remains for commercial projects
- **League of MN Cities Regional Meetings**
 - Happening from September 25 through October 30
 - Various Locations

ADJOURN

Motion Palmer, second Riley to adjourn at 9:02 p.m. Motion carried 5-0.

Peter Spartz, Mayor

Kathy George, Administrator