

**Sandstone City Council Meeting Minutes
December 15, 2021**

CALL TO ORDER: 6:05 p.m.

ROLL CALL: Val Palmer, Peter Spartz, Julena Rahier, Randy Riley

Members absent: Cassie Gaede

Staff present: Administrator Kathy George

Others present: Rick & Carol Puissegur, Bill Jansen, Ron Tengwall, Karen Rice-Holder, Garrett Collins, Mike Morris

PLEDGE OF ALLEGIANCE

ADDITIONS OR CORRECTIONS TO THE AGENDA:

Motion Riley, second Palmer to approve the Agenda as presented. Motion carried 4-0.

PETITIONS, COMPLAINTS, OR COMMENTS BY RESIDENTS AND/OR COUNCIL

MEMBERS: Concerns were noted regarding the holes that were dug in town by the gas company. City Staff is following up on the status.

PUBLIC HEARING/ PRESENTATIONS:

Presentation: Truth-in-Taxation

Motion Palmer, second Spartz to open the Truth-in-Taxation meeting at 6:10 p.m. Motion carried 4-0.

Administrator George went through a PowerPoint Presentation regarding the proposed 2022 Levy and Budget. She explained the different tax levels and classifications, estimated market value, taxable market value and tax capacity number. The general fund, EDA, Fire Department, and Capital Improvement fund expenditures were expounded upon. The revenue sources were covered. If the 2022 Proposed Levy is approved, the City tax rate will go from 73.8199% to a projected 72.3718%, a decrease of 1.45%. The tax impact on homeowners and commercial property owners was elaborated upon. George explained that some changes were made to the budget/levy since the 2022 Preliminary Budget and Levy were approved in September; including spending down some fund balance. These changes resulted in a proposed levy increase of 9.47%, instead of the preliminary levy increase of 23.39%. George also reviewed the Tax Capacity and Taxable Market Value numbers for Sandstone, noting that increasing the market value in Sandstone is critical in order to reduce the tax burden on property owners. Questions were asked and answered throughout the presentation.

Motion Palmer, second Rahier to close the Truth-in-Taxation meeting at 7:15 p.m. Motion carried 4-0.

CONSENT AGENDA:

Motion Palmer, second Rahier to approve minutes from the November 17, 2021 Regular Council Meeting and the December 2, 2021 Special Council Meeting. Motion carried 4-0.

NEW BUSINESS:

Ulland Brothers: Appeal Bulk Water Invoice

Garrett Collins attended the meeting via Zoom videoconferencing. He had submitted a letter appealing the bulk water usage invoice on behalf of Ulland Brothers. Ulland Brothers is the contractor working on the MN DOT TH23/TH123 project in Sandstone. During this past summer, they used bulk water from the City for the project. The City Fee Schedule has set the Bulk Water rate at \$4.00 per 100 gallons of bulk water. Ulland Brothers used a total of 372,500 gallons. At \$4.00 per 100 gallons, the bill is \$14,900.00. Sales tax applies to this purchase in the amount of \$1,098.88, bringing the total bill to \$15,998.88.

Collins stated that, in his experience working with other cities, \$4.00 per 100 gallons is excessive. Administrator George stated that a quick review of eight other cities found fees ranging from \$10 to \$25 per 1,000 gallons. She reported that the City amended the Fee Schedule in 2016 and changed the fee from \$7.00 per 1,000 gallons to \$4.00 per 100 gallons. In researching this change further, she found that the thought was that users of bulk water should pay more than residential and commercial users, who pay a base fixed rate combined with a usage rate each month. Mayor Spartz was active with the City Council at that time and remembers that the discussion was about people filling their pools. Looking at past invoices, other companies were charged \$4.00 per 100 gallons.

Collins stated that he was just asking for clarification and verification, doing his due diligence for his company. The billing to Ulland Brothers was not adjusted; however, the Council agreed to take a look at the Fee Schedule in January for possible changes going forward.

2022 Final City Budget & Levy

The Council approved the 2022 Preliminary Budget & Levy on September 15, 2021 with a 23.39% levy increase; although, Council instructed Staff to find ways to reduce the levy increase. Changes have been made to the proposed 2022 Final Budget & Levy that result in a levy increase of 9.47%, which results in a decrease of 1.4481% to the City's tax rate. This means that taxpayers will actually realize a decrease in their property taxes for 2022, based on the projected tax capacity number provided by Pine County for Sandstone.

Noteworthy changes include the following:

1. Interfund Loan for John Wright Building Improvement Project:
 - a. Spending down \$250,000 of General Fund reserves
 - b. Spending down \$250,000 of EDA Fund reserves
 - c. Reducing the Loan amount from \$1,900,000 to \$1,400,000
 - d. Reducing the interest from 2% to 1%
 - e. These changes reduced the annual debt service payment from \$120,000 to \$78,000
 - f. The loan will be from the Sewer Fund reserves
 - g. The annual debt service payment will come from the Capital Improvement Fund
2. Community Service Partner
 - a. The Preliminary Budget stated that \$120,000 in General Fund reserves would be used to fund the CSP position because prior years' budgets included funding for this position. This intent was misstated as an expense in the Preliminary Budget that was presented; however, it is not an expense for 2022, it is a drawdown of reserves.
3. Fire Department Fund:
 - a. Due to the loss of Kroschel and Sandstone Townships, the City's obligation increased to \$138,217 (an increase of \$27,559).
 - b. This increase affects the City General Fund and, therefore, the Levy.
 - c. According to the Fire Formula, the City would transfer \$39,203 into the Fire Department Equipment Reserve fund. Over the past many years, the City has been using a portion of its

share of the annual deposit into the Equipment Reserve Fund to “pay back” a truck loan in the amount of \$27,094. 2021 was the last year for this payment. The revised Fire Department budget holds back \$27,094 to cover the losses from Kroschel and Sandstone Townships, and only transfers \$12,109 into the reserve fund.

Motion Palmer, second Rahier to adopt Resolution No. 20211215-01 approving the Final 2022 Budget in the total amount of \$2,743,966. Motion carried 4-0.

Motion Palmer, second Spartz to adopt Resolution No. 20211215-02 approving the Final 2022 Levy in the amount of \$551,502. Motion carried 4-0.

2022 Final EDA Budget & Levy

The Council approved the 2022 Preliminary EDA Budget & Levy on September 15, 2021. No changes have been made. The final 2022 EDA Levy represents a 9.1% increase (\$1,098) over the 2021 EDA Levy. The EDA Levy is set by calculating 0.01813 percent of the City’s estimated market value. EMV for 2021, used to calculate the 2022 amount, is \$72,355,400.

$72,355,400 \times 0.01813 = 13,118$ (EDA Levy amount)

Motion Spartz, second Riley to adopt Resolution No. 20211215-03 approving the final 2022 EDA Budget in the total amount of \$42,312 and Resolution No. 20211215-04 approving the final 2022 EDA Levy in the amount of \$13,118. Motion carried 4-0.

American Rescue Plan Act Funds

In November, the City received an additional \$4,572.35 as the State redistributed unclaimed ARPA funds. The City will receive another \$4,572.35 in 2022, bringing the total of ARPA funds for the City of Sandstone to 288,394.70 (½ received in 2021; ½ to be received in 2022). **Motion Spartz, second Palmer to adopt Resolution No. 20211215-04 accepting an additional \$9,503.82 of American Rescue Plan Act funds. Motion carried 4-0.**

At the August 26, 2021 budget work session, the Council discussed the Water Fund. With the addition of the PFA loan payment for the Waterloop project, the fund will be running at a deficit of \$35,351. Additionally, the City has not been able to account for depreciation (savings for the future) for the past several years. The 2022 payment for the PFA Loan is \$62,255. The total project loan amount is \$1,052,726. The Change Order to upgrade to red rock on Airport Road added \$22,116 to the project, bringing the total anticipated loan amount to 1,074,842. The Council discussed off-setting the loan with the American Recovery Plan Act funds. **Motion Spartz, second Palmer to designate \$288,394.70 of ARPA Funds to the 2021 Waterloop Project. Motion carried 4-0.**

In July, the City received \$25,680.50 in Small Cities Assistance for Streets. This revenue was not budgeted because the Legislature did not approve their allocation of these funds until 2021. The City had discussed using these funds to off-set the increase in the Waterloop project expenses to upgrade to red rock on Airport Road (which ended up being \$22,116). **Motion Spartz, second Palmer to designate \$22,116 of the Small Cities Assistance for Streets funds to the 2021 Waterloop Project. Motion carried 4-0.**

With the ARPA funds and Small Cities Assistance funds, totaling \$310,510.32, used to off-set the PFA loan, the loan would be reduced to 764,332. The City can also apply the \$52,000 that was levied in 2021 for debt service in anticipation of the PFA loan. This would bring the loan amount down to \$712,332. The loan payment would then be reduced to \$40,000. With these off-sets, the Water fund will still be showing a

deficit of \$15,096. A water rate increase is necessary. **Motion Spartz, second Riley to set a Public Hearing for a Water Rate increase on February 16, 2022 at 6:00 p.m. Motion carried 4-0.**

Interfund Loan for John Wright Building Improvement Project

At the August 26th budget work session, the Council discussed the John Wright Building redevelopment expenses. These expenses total \$1,900,000, and were coded to the Capital Improvement Fund, leaving that fund balance in a deficit. The Council considered a 20-year interfund loan at 2% interest from the General Fund (101) to the Capital Improvement Fund (401). The annual payment would be \$120,000, which was included in the Preliminary Budget adopted in September.

With the Preliminary Levy showing a 23.39% increase, staff has been looking for ways to bring the 2022 levy down. If the City decides to use some undesignated fund balance from the General Fund (250,000) and from the EDA Fund (250,000), the loan could be reduced to \$1,400,000 and the loan payment would be reduced to \$86,000. If the interfund loan in the amount of \$1,400,000 is made at 1% interest, the loan payment would be reduced to \$78,000, assuming the proposed transfers from General Fund and EDA Fund reserves are approved. As of November 30th, cash and unrestricted fund balances are as follows:

General Fund – Cash	\$1,362,836
General Fund – unrestricted reserves	\$ 981,770
EDA Fund – Cash	\$ 362,277
EDA Fund – unrestricted reserves	\$ 796,382

EDA funds are proposed to be used in support of the day care center improvements/modifications. Rather than a loan from 101 (General Fund) to 401 (Capital Improvement Fund), staff recommends the loan come from 602 (Sewer Fund reserves) to 401 (Capital Improvement Fund). The Sewer Fund reserves balance as of November 30th is \$3,457,441.

Motion Riley, second Spartz to authorize the transfer of \$250,000 from General Fund Reserves and \$250,000 from the EDA Fund Reserves to the Capital Improvement Fund and further to authorize an interfund loan in the amount of \$1,400,000 at 1% interest for a 20-year term from the Sewer Fund reserves to the Capital Improvement Fund for the John Wright Building Redevelopment project. Motion carried 4-0.

Public Works Director Position

As discussed at the August 26th budget work session, Administrator George proposed converting the Streets & Parks Supervisor position into that of Public Works Director effective January 1, 2022. The Council reviewed the proposed position description, which better reflects all that is expected of the role.

With the change in position, George recommended an increase in the hourly wage from 27.26 to 32.07; \$56,701/year to \$66,706/year. The final 2022 budget allows for this increase. This increase would be instead of the Union negotiated wage increase of 4% for 2022. However, the Union negotiated wage increases for 2023 and beyond would apply. This position is not a Union position; however, the employment contract states that the annual cost of living increase will be equal to that negotiated for other employees in the Union contract.

Motion Riley, second Palmer to approve converting the Streets & Parks Supervisor Position to Public Works Director effective January 1, 2022, to approve the wage of \$32.07 per hour effective January 1, 2022, and to designate Craige Hiler as the Public Works Director. Motion carried 4-0.

Warming House Attendant 2021-2022

Barbara Heil has applied for the Warming House Attendant position for the 2021-2022 season. This will be her 3rd season at this position. **Motion Rahier, second Spartz to hire Barbara Heil as Warming House Attendant for the 2021-2022 season at the wage of \$13 per hour. Motion carried 4-0.**

Temporary Liquor License: MN Climbers Association – Ice Fest

The Minnesota Climbers Association is planning Ice Fest this year for January 7th – 9th. They estimate there will be 300 participants throughout the weekend. They do not charge a fee for attending. They have requested a 1-4 day Temporary On-Site Liquor License for the event. **Motion Palmer, second Riley to approve the Special Event Permit for Ice Fest to take place January 7-9 and further to approve the 1-4 day Temporary On-Sale Liquor License. Motion carried 4-0.**

Rental Registration Fee

The annual Rental Registration fee is \$25 per unit. Due to staffing shortages and COVID restrictions, inspections were not conducted in 2021 and were only minimally conducted in 2020. Property owners were billed for Rental Registration fees in 2020; however, 2021 fees were waived. Administrator George requested the 2022 fees also be waived. With the Rental Inspection duties included in the new Community Service Partner job description, inspections and follow up activities will be re-established.

Motion Spartz, second Palmer to waive Rental Registration Fees in 2022 with the understanding that these fees will resume in 2023. Motion carried 4-0.

2022 LMC Elected Leaders Institute

The League of Minnesota Cities is offering the Elected Leaders Institute in January and February, 2022. Registration is \$275. Council Members expressed interest in attending and will confirm their availability with staff so that arrangements can be made.

OLD & CONTINUING BUSINESS

Sale of Property to Joshua & Alexa Beecher

The City is in the process of selling a portion of Parcel 45.0069.000 to Joshua & Alexa Beecher. The Council previously approved the Purchase Agreement. There are 2 items that need to be amended in the Purchase Agreement: adding the legal descriptions now that the parcels to be sold have been split from the larger parcel; and extending the closing date, which was previously stated as no later than September 30, 2021. **Motion Riley, second Spartz to approve the First Amendment to Purchase Agreement between City of Sandstone and Joshua & Alexa Beecher. Motion carried 4-0.**

REPORTS:

Sheriff's Deputy Report – November, 2021

The Sheriff's Department submitted reports for the calls logged during the specific contracted hours. In November, there were 99 calls during the contracted hours.

Fire Department – November, 2021

Fire Chief Resignation – Fire Chief Andy Spartz has submitted his resignation as Fire Chief effective December 31, 2021. He will still remain an active member of the Fire Department. **Motion Spartz, second Palmer, to accept the resignation of Fire Chief Andy Spartz, with appreciation, effective December 31, 2021. Motion carried 4-0.** The Personnel Committee will meet and discuss next steps.

New Firefighter: Michael Volz - The Fire Department received an application from Michael Volz. Volz has 6 years of experience as a firefighter and has his Firefighter I and Firefighter II training, as well as EMT training. He also has a Class D commercial driver's license. The Fire Department interviewed Volz and recommends hiring him as a probationary firefighter. **Motion Spartz, second Riley to approve hiring Michael Volz as a probationary firefighter. Motion carried 4-0.**

Library Report – November, 2021

Librarian Josh Menter reported that there were 19 computer appointments, 414 visitors, 227 reference questions answered. The D&D adventures are continuing. The Library is distributing winter crafts for kids.

A library planning meeting took place December 2nd, with Mayor Spartz and Councilor Palmer attending, along with Administrator George. Also present were representatives from engineering firm LHB, library design firm MSR, and East Central Regional Library (ECRL). The group visited the existing Sandstone Library space to review operations, and inventory furniture and audio-visual equipment. The group then met together to go over floor plan revisions for the new space, review details of space needs and review room data sheets (looking at power/data needs, displays, storage, access). LHB, MSR and ECRL representatives then went over to the PHASE building to take measurements and review the space in more detail. The next meeting was set for December 22nd at 2:00 p.m. It is hoped that the project will be advertised for bids in February, with construction to start in April and final completion by September 16th.

Building Inspection Report – November, 2021

Permits issued during the month: 0 building permit, 1 maintenance permit, and 2 right-of-way permits. There are currently 9 on-going building projects and 2 right-of-way projects active in town.

Streets & Parks Supervisor Report – November, 2021

Supervisor Craige Hiler reported the crew is continuing to replace old and faded street/traffic signs. Other work included grading roads, cleaning catch basins, pothole patching, sanding/salting roads as needed, changing banners on the downtown decorative lights, working on building up the road in Robinson Park, new fencing installed at Eagle Field, winterized drinking fountains in Train Park, repairs and maintenance at Lions Hill, installed new signage at the John Wright building & installed washer & dryer and sealed up doors & openings, attending to History Center building (heat/furnace issues, getting quotes for HVAC work, replaced curb stand pipe, winterized). Equipment maintenance included replacing muffler and exhaust system on the 2000 Ford Sterling, replacing transmission pan gasket on the 2005 Chevy 2500, repairing the starter and fuel pump on the Generator, and installing plows/sanders for the season.

PeopleService Report – November, 2021

Matthew Wold reported that the two pumps at Lift Station #3 (by Victory) overheated due to rag blockage; pump #1 was wore out and was replaced. He attended to routine maintenance checks and monitoring activities.

Financial Reports

Motion Riley, second Spartz to approve the November reports: Cash Balance, Revenue & Expenditure Report; the Total Residual Income/Loss Report; and A/P Clerk Claims in the total amount of \$151,579.57. Motion carried 4-0.

2021 Operating Transfers

The following Operating Transfers were presented for approval:

From Fund	To Fund	Amount	Comments
101 Gen	401 CapImp	2,589	(budgeted) City Hall rent – reserve for bldg improvements
101 Gen	316 Bond	20,538	(budgeted) City Hall rent - Boiler project pymt (2035 last year)
101 Gen	401 CapImp	15,000	(budgeted) For Street Dept Equipment reserves
101 Gen	PFA Loan	144,198	(if approved tonight) ARPA funds received in 2021 – off-set loan amount
101 Gen	401 CapImp	250,000	(if approved tonight) Towards JW Building Improvements from General Fund reserves
201 Fire	401 CapImp	6,900	(budgeted) Pymt on Fire Bldg Loan (2025 last year)
201 Fire	316 Bond	33,217	(budgeted) For Fire Dept Bldg Improvements (2035 last year)
201 Fire	201-1002	25,132	(budgeted) Fire Formula – Equipment Acct – City portion
201 Fire	201-1007	1,369	(budgeted) Fire Formula – Building Acct – City portion
201 Fire	201-1002	26,408	(budgeted) Fire Formula – Equipment Acct – Township portion
201 Fire	201-1007	3,631	(budgeted) Fire Formula – Building Acct – Township portion
228 EDA	401 CapImp	250,000	(if approved tonight) Towards JW Building Improvements from EDA Fund reserves
228 EDA	Panther Park	50,000	Approved by EDA 9/22/2021
401 CapImp	317 Bond	19,023	(budgeted) 2020 Street Project – (2021 only)
401 CapImp	PFA Loan	22,116	(if approved tonight) Small Cities Assistance for Roads – off-set loan amount
601 Water	322 Bond	12,600	(budgeted) Debt Service Pymt (2024 last year)
601 Water	PFA Loan	52,000	(if approved tonight) Off-set loan amount
602 Sewer	317 Bond	1,771	(less than budgeted amount) 2020 Street Project (2041 last year)
603 Storm	325 Bond	5,400	(budgeted) Debt Service Pymt (2023 last year)
603 Storm	317 Bond	3,067	(less than budget amount) 2020 Street Proj (2041 last year)

Motion Riley, second Spartz to approve the 2021 Operating Transfers as presented. Motion carried 4-0.

WRITTEN NOTICES AND COMMUNICATIONS: None

ADMINISTRATOR’S REPORT: The Administrator reported on the following items:

Community Service Partner

- Sirena Samuelson started December 6th

Sewer Forcemain Concerns - Update

- In order to access some of the air release valves, manholes need to be removed
- At this time of the year, it was decided to hold off on proceeding until next spring

- Pressure gauge will be installed (\$1,837) so the system can be evaluated over the winter
- A quote will be coming regarding installing temporary insulation

Fire Marshall Inspection Services

- Dave Hill (Pine City) offered to serve Sandstone as Fire Marshall
- A 3-year contract has been secured
- The fee is \$50/hour plus mileage
- Entities needing Fire Marshall services will be billed for reimbursement

Lift Station #3 (Quarry Place)

- General Repair has notified PeopleService that the pumps are old and have significant wear, which allows rags and debris to “slip” around the impellers and become wrapped instead of pushed through
- One of the pumps is worse than the other; so, that pump has been replaced at a cost of \$5,475
- The second pump will need to be replaced – PeopleService will continue to monitor it and get quotes next year for replacement

Former Shop Property

- Heat went out in the shop; D&E checked it out and found 2 of the heaters not working and the 3rd not too far behind (being over 20 years old); they also said the boiler (which heats the office area) needs to be replaced
- Quotes were received from D&E and from Lundberg’s Plumbing & Heating
- D&E is proceeding to replace the 3 heaters in the shop for \$11,783
- D&E is getting a price together for the boiler

Miscellaneous Updates

- City Hall Flagpole – installation has been scheduled for December 28th
- Small Cities Development Program Grant – application was submitted November 17th

ADJOURN

Motion Palmer, second Riley to adjourn at 8:37 p.m. Motion carried 4-0.

Peter Spartz, Mayor

Kathy George, Administrator