

**PERHAM CITY COUNCIL
REGULAR MEETING MINUTES
July 14, 2014**

The regular meeting of the Perham City Council was called to order by Mayor Meehl at 5:18 pm in the Council Chambers of the City Administration Building at 125 Second Avenue NE, Perham, Minnesota, all members of the Council having been duly notified of the meeting and the business to be transacted. All Council Members were present.

Staff present: City Manager Klemm, Police Chief Hoaby, EDA Director Johnson, Public Works Director Meece, Finance Officer Stokke, Administrative Assistant Nundahl.

Others present: City Engineer Berube, City Attorney Happel

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mayor Meehl requested all in attendance to rise for the Pledge of Allegiance.

CITIZENS CONCERNS

Mayor Meehl stated Council will recognize citizens who may have items for the Council.

Eugene Malikowski, 470 5th Avenue NW, stated he thinks that the City should sell the Golf Course and would like to see this issue on the ballot. Malikowski stated Barrel O Fun's and Tuffy's parking lots have not been sprayed for dust control. City Manager Klemm stated he was told the parking lots would be sprayed this week. Mayor Meehl thanked Malikowski and stated the Golf Course matter will be taken into consideration.

APPROVAL OF AGENDA

Mayor Meehl stated Council Members and Staff may add items to the Agenda which requires Council action.

On a motion by Council Member Johnson, seconded by Council Member Spencer and carried without a dissenting vote, the Council approved the Agenda as presented.

CONSENT AGENDA

Mayor Meehl stated all items listed with an asterisk (*) will be enacted by one motion. There will be no separate discussion of these items unless a Council Member or citizen so requests, in which event, the item will be removed from the general order of business and considered separately in its normal sequence on the agenda.

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved the Consent Agenda as presented.

***APPROVAL OF MINUTES**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved the minutes of the Regular Meeting of the Council held on June 9 and Special Meeting on June 25, 2014.

APPROVAL FOR PAYMENT OF CITY CLAIMS

Mayor Meehl stated Council may wish to approve payment of City claims. Finance Officer Stokke requested Council consider the following additional claims: Howard's Driveway for \$22,722.41, Carmen McCulloch for \$93.75, EOTC Ag Society for \$125.00 and Joe/Becky Esser for \$264.67. Stokke stated the new total for Unpaid Invoices is \$1,270,134.06.

On a motion by Council Member Johnson, seconded by Council Member Lehmkuhl and carried without a dissenting vote, the Council approved payment of Prepaid and Unpaid Invoices in the amount of \$1,673,984.88 for June 2014.

FIRE ALARM SYSTEM FOR CITY HALL

Mayor Meehl stated Council may wish to consider authorizing the purchase of a fire alarm system for City Hall. City Manager Klemm stated Arvig submitted a quote of \$9,987.95 for a Fire Alarm Control System for the City Hall. Staff received three quotes and this was the lowest. The system will be hardwired by local technicians. Calls will be monitored by Wright Hennepin who will forward emergency calls to Otter Tail County Dispatch. It was noted; a monthly monitoring fee is \$20. Discussion ensued.

On a motion by Council Member Johnson, seconded by Council Member Spencer and carried without a dissenting vote, the Council accepted a quote from Arvig for the installation of a Fire Alarm Control System for City Hall not to exceed \$9,987.95.

COUNCIL SALARIES

Mayor Meehl stated Council may wish to consider increasing salaries for Elected Officials. City Manager Klemm stated State Statutes requires cities who wish to increase Council salaries, that it be done prior to the next election and the increase to take effect after the election. Klemm noted that with the Data Practices Act, staff feels it would be wise for Council to purchase their own personal computer or electronic device. Council salaries would increase \$200 per year and Mayor salary would increase \$300 to cover those costs. City Manager Klemm noted that according to the League's Salary Survey and cities our size, the wages of Council are comparable. Discussion ensued.

On a motion by Council Member Mattfeld, seconded by Council Member Johnson and carried without a dissenting vote, the Council approved increasing Council salaries to \$3500 per year and Mayor salary to \$4500 per year and approved Ordinance No. 362 entitled "Ordinance In The Matter Of Adopting The Mayor And Council Person's Salary".

***FIRE DEPARTMENT ANNUAL SERVICE AWARDS**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council authorized the use of alcohol at the Perham Emergency Services Building for July 16th in conjunction with the annual service award/summer picnic.

***2013 AUDIT**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council accepted the 2013 Audit as presented by Brady Martz at the Committee of the Whole Meeting held on June 25, 2014.

***ELECTION JUDGES**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved Election Judges for the Primary and General Election and Resolution No. 2014 – 19 entitled “Resolution Appointing Election Judges For The 2014 Primary Election And General Election, City Of Perham, Minnesota”

***SUPPLEMENT ORDINANCE**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council adopted a supplement to the Code of Ordinances and approved Ordinance No. 363 entitled “An Ordinance Enacting And Adopting A Supplement To The Code Of Ordinances For The City Of Perham Minnesota And Declaring An Emergency”.

***ANNUAL LIQUOR LICENSE RENEWAL/ON SALE/SUNDAY LIQUOR**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council authorized renewal of the Liquor Licenses (including Sunday Liquor) for Pamela S. Honer d.b.a. SUDS, Brew, LLC d.b.a. Brew Ales & Eats, Wild Oats, Crossings Inn & Suites by Grandstay (no Sunday liquor) and Paridon Enterprises d.b.a. Station House contingent upon all fees and legal requirements being met as required by the City and State of Minnesota’s Liquor Control Board.

*** ANNUAL LIQUOR LICENSE RENEWAL /WINE LICENSE**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council authorized renewal of a Wine License for Jin Hu Chinese Restaurant contingent upon all fees and legal requirements being met as required by the City and State of Minnesota’s Liquor Control Board.

*** ANNUAL LIQUOR LICENSE RENEWAL/2:00 AM LICENSE**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved a 2:00 AM closing time for Pamela S. Honer d.b.a. SUDS contingent upon all fees and legal requirements being met as required by the City and State of Minnesota’s Liquor Control Board.

***TEMPORARY ON-SALE LICENSE**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved a Temporary On-Sale Liquor License for ITOW Museum for an event at the Pioneer Grounds on July 25, 2014.

***TEMPORARY ON-SALE LICENSE**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved a Temporary On-Sale Liquor License for Church of St. Henry's for an event on August 24, 2014.

***ACCEPTANCE OF PERHAM LAKESIDE GOLF CLUB INCOME STATEMENT**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council accepted the PLGC's Income Statement for May 2014.

***ACCEPTANCE OF PERHAM AREA COMMUNITY CENTER'S FINANCIAL REPORTS**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council accepted the PACC's Financial Reports for May 2014.

***ACCEPTANCE OF THE CITY'S FINANCIAL REPORTS**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council accepted the following reports for June 2014: Cash Balance and Investment Summary, Budget Summary – Revenue and Expense, Enterprise Financials and the Utility Aging Report.

PUBLIC HEARING/TIF/HUEBSCH PROPERTY

Mayor Meehl stated Council may wish to hear comments regarding a modification to the Development Program for Development District No. 2 and the establishment of Tax Increment Financing District No. 2-38. Todd Hagen representing Ehlers stated this is a redevelopment district and is being created to facilitate the construction of a 40,000 square foot expansion of Industrial Finishing Services in the City. The duration of the District will be 25 years. The estimated annual tax increment will be up to \$60,976; the estimated project costs total \$1,768,971. The site map was reviewed.

No written or verbal comments were received prior to the meeting. It was noted, the Planning Commission reviewed the request for Tax Increment Financing and recommended the City Council move forward with the creation of Redevelopment TIF District 2-38 as it conforms to the plans for development or redevelopment of the area as described in the Comprehensive Plan.

APPROVING THE MODIFIED PROGRAM AND TIF PLAN

Mayor Meehl stated Council may wish to consider approving a resolution modifying the Development Program for Development District No. 2 and the establishing Tax Increment Financing District No. 2-38. EDA Director Johnson stated Industrial Finishing Service has

requested the city establish TIF Redevelopment District 2-38 on the parcel adjacent to the west of their property in the Industrial Park. That parcel has been owned by Huebsch Family Farm, and has been primarily used as a grain storage area.

EDA Director Johnson stated IFS is contemplating a new facility there with construction, estimated at \$3,300,000 to take place in early 2015. Part of that project would include a slab that would be used for parking and truck turnaround. They would like to proceed with the slab this summer, ahead of the building construction. The site as it currently sits contains several structures and grain bins. An inspection by Building and Zoning Official Dave Neisen determined that the site contained substandard structures, and is a potential candidate for Redevelopment TIF. The company has entered into a preliminary TIF agreement, and they have paid the Ehlers and Associates consulting fees for the project.

EDA Director Johnson stated IFS has been undergoing significant growth in recent years, and this new facility would be part of that growth pattern. The facility itself is expected to be a standard industrial-type building, and the TIF District itself has been determined to potentially qualify as a Redevelopment District, in keeping with state statute and with Perham's long term development plans. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Johnson and carried without a dissenting vote, the Council approved Resolution No. 2014 – 20 entitled “Resolution Adopting A Modification To The Development Program For Development District No. 2; And Establishing Tax Increment Financing District No 2-38 (IFS) Therein And Adopting A Tax Increment Financing Plan Therefor”.

APPROVING AN INTERFUND LOAN FOR DISTRICT 2-38

Mayor Meehl stated Council may wish to consider approving an interfund loan to advance funds to cover qualifying costs for District No. 2-38. City Manager Klemm requested a change in the Resolution noting staff should have the ability to advance funds from the EDA Fund or another TIF Fund. Hagen stated that is allowable. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Johnson and carried without a dissenting vote, the Council approved Resolution No. 2014 – 21 entitled “Resolution Authorizing An Interfund Loan For Advance Of Certain Costs In Connection With Tax Increment Financing District No. 2-38 (IFS)”.

TIF FOR ASSISTED LIVING FACILITY

Mayor Meehl stated Council may wish to consider approving a TIF Development Agreement for Matt and Jessica Johnson for a proposed assisted living facility. EDA Director Johnson stated the City has received a tax increment financing request from Matt and Jessica Johnson, who are the owners of Someplace Special in Perham, the assisted living facility at 449 West Main. They purchased the building and 7-resident business from Luan Peterson about 7 years ago, and Jessica has been running it ever since.

EDA Director Johnson stated the Johnsons have decided to construct a new 12-unit facility, which would be located in Clearwater 1st Addition. They would be selling the existing facility. The new facility would be re-named to Hadley House Assisted Living. The Johnsons would be purchasing Lots 19, 20, 21 and 22 of Block 2 of Clearwater Addition from the city for \$104,000. It would be constructed so it can be expandable, for 6 units on either end. The individual apartments would be large enough to accommodate married couples. Each would offer private kitchenettes and the resident's own private bathroom. This increase in space gives them the opportunity for more guest space. The facility would also have a common whirlpool tub.

EDA Director Johnson stated these lots are located in Housing TIF District 2-27, the same TIF District in which the 32-unit Roach Townhomes project is being constructed. TIF for this project was approved in 2013. The project has a construction budget of \$1,153,000. Otter Tail County has analyzed the project, and feels it will have an Estimated Market Value of \$824,700. It would have annual property taxes estimated at \$27,646. Based on these figures, the TIF analysis performed by Ehlers and Associates shows the project would be eligible for \$151,600 in increment during the 15 years being considered in a proposed Development Agreement and the increment would be split 80/20, with the Johnsons retaining 80%, and 20% going to the City.

EDA Director Johnson stated the Johnsons are hoping to begin the project in the very near future, and would be ready for occupancy by the end of the year or early 2015. Existing assisted living clients from the current Someplace Special would be transferred to the new facility, and the project would create 5 new assisted living units in Perham. The facility would be staffed 24/7.

EDA Director Johnson stated although there is no job-creation component with Housing TIF, the Johnsons would be retaining their existing 7 full-time employees, and expect to create 3 additional jobs with the new facility. Assisted living has grown substantially in Perham in recent years, and facilities seem to continue to be able to find clients. The draft of the housing study being conducted by Community Partners Research has a section that deals with assisted living facilities. There are 60 units in Perham today and that demand is expected to grow.

EDA Director Johnson stated under Housing TIF guidelines, the Johnsons will need to abide by income restriction guidelines for residents. They have chosen to abide by the guideline whereby at least 20% of their residents would need income at or below the 50% of the county median; at least 3 of their residents must have income lower than \$21,600 for a single person household, or \$24,700 for a 2-person household. This number would rise when/if they expand the facility. Discussion ensued.

Council Member Johnson stated he does not have a conflict of interest with this matter because he is not related.

On a motion by Council Member Johnson, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved the TIF Development Agreement between Matt and Jessica Johnson and the City.

TIF FOR TUFFY'S PET FOODS

Mayor Meehl stated Council may wish to consider modifying the Development Agreement with Tuffy's Pet Foods due to their expansion project. City Manager Klemm stated the purpose of the revised agreements is to increase the percentage of the TIF disbursement from 75% to 90% and to increase the amount of eligible reimbursement for a combined increase of \$375,000. This extra TIF reimbursement is intended to offset the purchase price for the City garage, noting KLN is purchasing the garage for \$375,000 over the appraised value. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Spencer and carried without a dissenting vote, the Council approved the revised Development Agreements between Tuffy's Pet Foods and the City for the Production Facility and the Warehouse contingent on the sale of the City Public Works Facility to KLN Enterprises.

***APPROVING PROPOSED SITE PLAN/LINKS**

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved a proposed addition, a three-season room, to a residential house in the Links Addition.

CITY ENGINEER MONTHLY UPDATE

Mayor Meehl stated the City Engineer will give an update on various projects.

Third Avenue Southwest and Downtown Parking Lot

City Engineer Berube stated the project is nearly complete with minor punch list items remaining. Following completion of the remaining punch list items, final payment and any damages as a result of the construction delays will be further reviewed and discussed with the contractor.

Clearwater Second Addition – Perham Townhomes, LLC

City Engineer Berube stated road construction for the Perham townhomes was completed in early July. Cleanup and turf establishment remain on the project, which is anticipated to be completed in the near future.

Perham Airport – Hangar Apron Improvements

City Engineer Berube stated final paving around the exterior of the hangar and final grading will be completed following the completion of the new Hangar.

Third Avenue Southeast (CSAH No. 8), Fox Street & Fourth Street SE

City Engineer Berube stated preliminary Design Engineering for the rehabilitation of Third Street Southeast and select side streets has commenced a directed by the County Highway Department. Design Surveying has been underway for approximately a week and a half and is

anticipated to be completed in a week. Preliminary layouts have been sent to the County Highway Department for review and approval.

Safe Routes to School

City Engineer Berube stated the Minnesota Department of Transportation has approved the funding list for the 2015 Safe Routes to School Project. Work will commence shortly with a Project Memorandum and preliminary engineering.

City Shop – East Park Site

City Engineer Berube stated site grading design has recently been completed. Utility Design will be completed by the end of the month and will also be bid for a fall construction completion date.

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RADIO READ METERS

Mayor Meehl stated Council may wish to purchase Radio Read Meters. City Manager Klemm stated the rural gas meters are read three times a year by the City. If customers do not forward a meter reading, their gas usage is estimated which takes a significant amount of time and the results are not accurate.

City Manager Klemm stated the City received an estimate to install radio read meters for the rural customers south of the City. The estimate from Groebner was \$135,095. Staff is recommending increasing the base rate from \$12.00 a month to \$14.00 to recoup the cost of the meters. This upgrade would allow more accurate utility billing and customers would not see a spike in their billing for previously used gas. The upgrade will also assist with more accurate monthly financial statements because we will be billing the actual gas usage. The upgrade will also save staff time. Discussion ensued.

On a motion by Council Member Johnson, seconded by Council Member Spencer and carried without a dissenting vote, the Council authorized the purchase and installation of radio read meters and directed staff to continue the installation of the radio read meters to the rest of the rural gas system.

AIRPORT HANGAR PROJECT

Mayor Meehl stated Council may wish to consider extending the completion date of the Hangar Project due to a delay in the shipment of the building from the manufacturer. City Manager Klemm stated the City received a request from Bristlin Construction to extend the completion date from August 1 to August 22. The delivery date from the building supplier has been delayed. It was noted that Bristlin Construction is current with every phase of the schedule and they are ready to begin erection of the building the day it arrives. They are working with the building supplier to advance the delivery date if possible. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council agreed to extend the completion date for the Airport T Hanger to August 22, 2014.

SITE PREPARATION FOR PUBLIC WORKS FACILITY

Mayor Meehl stated Council may wish to consider authorizing seeking quotes for site preparation for the Public Works Facility. City Engineer Berube reviewed the proposed site plan for the area noting that the berm will be 4 to 5 1/2 feet tall. The berm will be made using the top soil from the site. There will also be a small infiltration basin.

City Engineer Berube stated the plans and specifications are complete. Due to the size and scope of the project, the project will be sent to local contractors for quoting. The improvements are estimated to have a total project cost of \$55,000 and the bidding/quote opening is scheduled for the first week of August. The completion date for the Site Grading is September 26th with interim dates for the completion of the site grading necessary for the Cold Storage construction. Discussion ensued.

On a motion by Council Member Spencer, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council authorized the City Engineer to obtain quotes for the site preparation work for the Public Works Facility.

COLD STORAGE FACILITY FOR PUBLIC WORKS

Mayor Meehl stated Council may wish to consider authorizing bid letting for a cold storage building for the Public Works. City Manager Klemm stated he would recommend proceeding with this construction so that it is completed this fall so that some equipment can be moved prior to the construction of the new Public Works Garage. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Johnson and carried without a dissenting vote, the Council approved bid letting for a cold storage building for the Public Works Facility.

HANGAR RENTAL RATES

Mayor Meehl stated Council may wish to consider increasing hangar rental rates. City Manager Klemm stated the Airport Commission reviewed this issue and is recommending increasing the rates. Commission Members felt that the new hangars should be charged more because they are larger. Demand for the hangars on the south side is higher because the doors don't freeze up, so members thought south side hangars should pay \$10 extra. Existing renters should have first option to move to new hangars. If hangars are not rented, staff would like to rent out by the day for \$25. Discussion ensued.

On a motion by Council Member Lehmkuhl, seconded by Council Member Mattfeld and carried without a dissenting vote, the Council approved rental rates as follows: new 42' hangars shall be \$145, 44' shall be \$155, current hangars shall be \$130, all south side hangar rent shall be \$10 more and daily rental shall be \$25.00.

INFORMATION AND ANNOUNCEMENTS

Filing for Mayor and Council positions opens on Tuesday, July 29 and closes on Tuesday, August 12.

Committee of the Whole is Wednesday, July 30

The next regular Council Meeting is scheduled for Monday, August 11

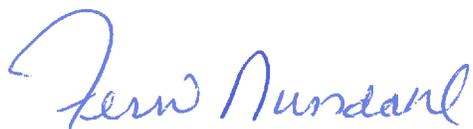
Primary Elections is scheduled for Tuesday, August 12 from 7:00 – 8:00

Tentative Schedule for Budget Meetings at 7:00 am: Friday, August 1, Friday, August 15, Friday, August 22 and Friday, August 29

ADJOURNMENT

On a motion by Council Member Lehmkuhl, seconded by Council Member Johnson and carried without a dissenting vote, the meeting was adjourned at 6:22.

Respectfully submitted by,



Fern Nundahl
Administrative Assistant