

City of Winsted
City Council Meeting
Council Chambers
October 18, 2011
6:00 p.m.

Present: Mayor Steve Stotko
Council Member Tom Ollig
Council Member Bonnie Quast
Council Member Dave Mochinski
Council Member George Schulenberg

Staff Present: Brad Martens, City Administrator
Raquel Kirchoff, Administrative Assistant

- 1) **Mayor Stotko called the meeting to order at 6:00 p.m.**
- 2) **Consent Agenda**

Council Member Mochinski motioned to adopt the Consent Agenda as presented. Council Member Schulenberg seconded. Motion carried 5-0.

a) Minutes – City Council Work Session – October 4, 2011

Accepted the minutes of the City Council Work Session of October 4, 2011.

b) Minutes – City Council Regular Meeting – October 4, 2011

Accepted the minutes of the City Council Regular Meeting of October 4, 2011.

c) Volunteer Fire Assistance Grant Agreement – Minnesota Department of Natural Resources, Division of Forestry and Winsted Volunteer Fire Department

Accepted the grant contract between the Minnesota Department of Natural Resources (MN DNR), Division of Forestry and the Winsted Volunteer Fire Department for the total obligation of the DNR for all compensation and reimbursements to the Winsted Volunteer Fire Department under this grant contract to not exceed \$1,200 for the purchase of hoses, nozzles, water movement items, radios/pagers, and wildlife personal protective equipment.

d) Resolution R-11-32 - Winsted Volunteer Fire Department Relief Association – Gambling Contribution

Adopted Resolution R-11-32 to accept a contribution from gambling proceeds from the Winsted Volunteer Fire Department Relief Association in the amount of \$15,000 to be dedicated to the Winsted Volunteer Fire Department's Capital Equipment Fund.

e) Resolution R-11-33 – AWI Manufacturing Incorporated Fire Department Contribution

Adopted Resolution R-11-33 to accept a \$200 cash donation from AWI Manufacturing Incorporated for the Winsted Volunteer Fire Department.

f) Resolution R-11-34 Agreement for Airport Maintenance and Operation

Adopted Resolution R-11-34 authorizing the City of Winsted to enter into a grant agreement for the financial assistance of the State of Minnesota for maintenance and operation of the Winsted Municipal Airport.

- g) Salary Step Increase – Jamie Stotko, Public Works Lead***

Authorized a salary step increase for Jamie Stotko, Public Works Lead, effective October 1, 2011.
- h) Vollmer Room Use Policy**

Adopted the Vollmer Room Use Policy.
- i) Winsted Volunteer Fire Department Purchase - Television**

Approved the quote from Security & Sound Co. for the purchase and installation of a new television for the Winsted Fire Station in the amount of \$1,417.31.
- j) September, 2011 Financial Report**

Approved the September, 2011 Financial Report.
- k) September, 2011 Building Permit Report**

Approved the September, 2011 Building Permit Report.
- l) Claims**

Approved the claims list for October 18, 2011.
- 3) No Public Hearings.**
- 4) Old Business**
- 5) New Business**

 - a) Resolution R-11-35 - Site Plan Review – Casey’s General Store - TABLE**

Mayor Stotko stated that agenda items a.) Resolution R-11-35 – Site Plan Review – Casey’s General Store and b.) Variance – Casey’s General Store will be removed from the agenda for this meeting. Martens stated that Casey’s General Store had contacted him today, October 18, 2011, with a request to change the site plan of the store, to make the store slightly bigger. Martens requested that both Resolution R-11-35 and the variance request for Casey’s be re-visited at the November 1, 2011 City Council Meeting.

Council Member Mochinski motioned to TABLE Resolution R-11-35 approving a Site Plan for the Casey’s General Store construction at 240 - 6th Street North. Council Member Quast seconded. Motion carried 5-0.
 - b) Variance – Casey’s General Store - TABLE**

Council Member Mochinski motioned to TABLE the variance request for the Casey’s General Store construction at 240 - 6th Street North. Council Member Quast seconded. Motion carried 5-0.
 - c) Winsted Volunteer Fire Department Purchase – Rescue Boat**

The Winsted Volunteer Fire Department has requested approval to purchase a rescue boat with necessary accessories. Currently, the department uses a boat on loan from a retired fire fighter that does not meet the needs of the Fire Department. It has been described to be very tippy in rescue situations and is difficult to trailer to the needed location.

The Fire Department covers several small lakes and numerous small swamp areas. In order to keep Fire Fighters and victims safe during a rescue operation, a boat for such

purpose should be purchased. The department has received one water related call in each of the last four (4) years.

The purchase includes a Mercury Marine 430 Hypalon boat, a Four-Stroke 25 HP EFI motor, a boat trailer (with modifications), and additional water rescue equipment. The motor carries a five (5) year warranty; a one (1) year warranty exists for the boat and trailer. Useful life of the equipment is estimated at fifteen to twenty (15-20) years.

The Purchasing Policy states that Fire Department personnel will notify all member Townships of non-budgeted expenditures, prior to seeking approval from the Winsted City Council. At the August 31, 2011 Fire Board meeting, a request was made by Fire Chief Chad Engel to purchase a rescue boat for the Winsted Volunteer Fire Department. The Fire Board unanimously approved the request.

The cost of the boat, motor, and trailer is \$7,256.19. Additional accessories including lights, rope, and water rescue gear will be approximately \$4,800. The purchases will be paid for out of the Fire Department Capital Improvement Plan.

Council Member Quast motioned to approve the purchase request from the Winsted Volunteer Fire Department for a rescue boat and related equipment in an amount not to exceed \$12,000. Council Member Ollig seconded. Motion carried 5-0.

d) Phosphorous Reduction Grant – Bolton and Menk, Incorporated

Mayor Stotko stated that the topic of the Phosphorous Reduction Grant was removed from today's City Council Work Session Agenda (10-18-2011) and placed onto this agenda.

Jake Saulsbury and Seth Peterson, of Bolton and Menk, Incorporated, were present at the meeting to update the City Council on various aspects of the wastewater treatment facility. Saulsbury reviewed with the City Council that Bolton and Menk, Incorporated completed a Facility Plan for the City of Winsted in March, 2010, and within that plan, \$4.4 million dollars of wastewater treatment plant improvements were outlined, with the largest portion of improvements needing to go toward the reduction of phosphorous. The City of Winsted has applied for Public Facilities Authority (PFA) financing, and for the Phosphorous Reduction Grant for two (2) years, in 2010 and 2011. The City has not scored high enough to be awarded the financing from PFA in either year; however, has been able to receive the Phosphorous Reduction Grant in the amount \$500,000, in both years. In 2010, the City decided to not accept the grant as there were not enough funds available to complete the project, and the instructions to City Staff were to increase rates to prepare for this project cost. The City Council needs to decide if they will accept the current Phosphorous Reduction Grant offer of \$500,000.

Council Member Ollig asked if the phosphorous reduction that the City is required to adhere to now, is a result of the change that the State made in emissions. Saulsbury replied that the State is making changes in the amount of total maximum daily loads so it depends on the discharge of the plant; but yes, as the Minnesota Pollution Control Agency (MPCA) is evolving through these processes, all of these plants are getting more stringent for phosphorous limits.

Council Member Ollig asked if the current phosphorous emission were fine, but on another date, they will not be fine, and because of this State change, the City will have an approximately \$4 million dollar bill. Saulsbury stated yes, that it is all coming from requirements from the State that are all tied with the City's discharge permit which is now expired.

Saulsbury stated that another change has taken place since the Facility Plan was created in 2010, which is that the draft permit from the MPCA has been released and that Peterson has been working with the MPCA regarding this permit.

Peterson reviewed that in March, 2010, a Facility Plan was prepared and submitted to the MPCA for review and approval. Peterson reviewed that a Facility Plan is a planning document for the City and it is used by the MPCA to determine funding applicability with

the PFA. The main focus of the Facility Plan was to review several alternatives for alternate discharge locations, other than the South Lake discharge location. Discharges to a lake require very stringent phosphorous limits of 0.06 milligram per liter (mg/l) versus the typical 1.0 mg/l for rivers, streams and ditches. The Facility Plan outlined several treatment alternatives which are:

- Alternative 1 – Keep existing discharge to South Lake
- Alternative 2A – Discharge to an unnamed ditch to Judicial Ditch No. 1
- Alternative 2B – Discharge to Judicial Ditch No. 1
- Alternative 2C – Discharge to Crane Creek

The recommendation in March, 2010 was to move forward with Alternative 2C – Discharge to Crane Creek.

Council Member Ollig asked what our current emissions were. Peterson stated that the facility currently runs on no limits for phosphorous and he believes that the City typically discharges four (4) to six (6) mg/l.

Peterson stated that the City would have to use biological, chemicals and install very expensive filtration equipment to get to 0.06 mg/l and that the better option for the City was to discharge to Crane Creek to not have to meet the stringent 0.06 mg/l.

Draft NPDES Permit

Peterson stated that the National Pollutant Discharge Elimination System (NPDES) permit is what governs the discharge limits for the wastewater treatment facility and the treatment facility has been operating on an expired permit since March 2007. The MPCA has chosen to not renew the permit since 2007 as they determined how to handle the discharge to South Lake. The MPCA has now assembled a draft permit and once the draft permit has gone through a 30-day public notice period, the City will be issued a new, revised permit. The new permit will be good for five (5) years, the typical permit cycle. The draft permit contains new requirements and one of them is that:

- The facility will need to comply with a one (1) mg/l phosphorous limit within six (6) months of permit issuance. In order to meet this limit, immediate improvements will be required at the facility. It is proposed to meet the phosphorous limit using chemical addition in the final clarifiers. These improvements will consist of storage tanks to store the chemical and the addition of chemical feed pumps and chemical feed piping to the final clarifiers. The addition of the chemical will allow the facility to meet the one (1) mg/l phosphorous limit; however, this will also increase the amount of biosolids produced at the facility.

Council Member Mochinski asked how large the tanks were. Peterson stated that the tanks are needed for a temporary fix until the City moves forward with moving the discharge to Crane Creek, and that the tanks are round, circular polypropylene tanks, three (3) feet in diameter, five (5) feet high, that will hold approximately 500 gallons of storage for chemical. Bolton and Menk, Incorporated is working with People Service to create a plan to bring back to the City Council regarding this compliance order needed.

Mayor Stotko asked what the cost of this compliance to one (1) mg/l phosphorous limit within six (6) months will cost. Martens stated that he is working with People Service to find this cost. He stated that Dan Wroge, People Service, expects the chemicals to cost \$12/day or \$4,300 per year. In addition to that, there are more testing requirements of our water which will increase labor costs. Martens is expecting a new contract with People Service to review, soon.

Mayor Stotko asked Peterson if he was working with People Service too, and Peterson stated yes, he was working with them on the tanks and the chemical feed. Mayor Stotko asked if this would tie in with the bigger plan and Peterson replied they are working toward that.

Council Member Mochinski asked if the plans have to be submitted at the time the discharge permit is applied for. Peterson stated no. Mochinski asked if the City would just need to let the MPCA know that it will meet the requirement of one (1) part per million. Peterson explained the permit process and stated that for this phosphorous upgrade required within the six (6) months, Bolton and Menk, Incorporated will draft a letter explaining the processes that will be used to get to the required limit. When it comes to the project, like the rerouting to Crane Creek, that will require plans submitted.

Council Member Mochinski asked if once a plan was submitted to the MPCA, can the plan be revised because of new technologies being developed that offer a better solution. Peterson stated yes, that the Facility Plan is a general plan and that amendments can be made to it.

Peterson stated that another requirement is that:

- The draft permit will contain a compliance schedule for meeting the stringent 0.06 mg/l phosphorous limit for South Lake. The City is requesting a time frame of twelve (12) years to allow the City to meet this limit. Based on the recommendation from the Facility Plan, the discharge point will be removed from South Lake as part of a future project and, therefore, the stringent limit of 0.06 mg/l will not be required. The City will need to move forward with a significant project to move the discharge point some point before the twelve (12) year period expires.

Saulsbury stated that the twelve (12) year period is not finalized for the draft permit.

Mayor Stotko asked if that period could be less than twelve (12) years and Peterson stated yes, but that he did not think that it would be less than ten (10) years.

Ollig asked that with the one (1) mg/l and the reroute to Crane Creek, do we still have to make improvements to the wastewater treatment facility? Peterson stated yes. Ollig replied that no matter what, there will need to be a \$4 million dollar investment? Peterson again stated yes, that option 2.c. would cost \$4.4 million dollars.

Ollig asked at what time do we have to spend the \$4.4 million; for example, if it is a ten (10) year period, do we have to have the money in nine (9) years? Peterson replied that you have to back up from the year that you need to be compliant and plan for a two (2) year construction period, etc.

Ollig asked if it would be fair to state that it would be seven (7) years before they would have to bond for the money for the project, if the time frame was a ten (10) year period, and Peterson stated yes.

Ollig then stated that the City would have seven (7) years to raise the rates to be able to pay for the bonds. Peterson stated that Bolton and Menk, Incorporated will keep pursuing the financing from PFA, which has very appealing interest rates and keep applying for the Phosphorous Reduction Grant if the City decides to not accept it in 2011.

Council Member Quast asked if the City would have any other landowners that the City would have to deal with in order to get to Crane Creek. Peterson stated no, that this was researched and that most of the reroute would be able to be done along County right of ways and road right of ways.

Mochinski stated that he understands the advantage of going to Crane Creek regarding the phosphorous load, but wondered if it was worth the amount of dollars spent to get there. Peterson stated that within the Facility Plan, Bolton and Menk, Incorporated researched all of the capital

costs and operation and maintenance costs associated with it and it was the best option to become compliant.

Ollig asked if the plant that the City is going to refit capable of getting to the 0.06 mg/l? Saulsbury stated that he had the Facility Plan with him and that upfront cost to get to 0.06 mg/l was \$7.7 million, and the maintenance costs to stay at the current location are \$170,000 versus \$50,000 for the new location. The costs to keep the discharge going to South Lake are significantly higher than rerouting the discharge to Crane Creek.

Peterson stated that another requirement is that:

- The permit contains a compliance schedule for removal of the biosolids from the ponds. By November 1, 2012, a report must be submitted to the MPCA and the report must analyze the quantity of biosolids to be removed and the chemical make-up of the biosolids. By May 1, 2013, the City must submit a plan to the MPCA documenting how the biosolids in the ponds will be disposed. The removal of the biosolids must be removed from the ponds by the end of the permit cycle, which is five (5) years from the date of issuance (approximately November or December, 2016).

Council Member Mochinski asked if the lagoons could be utilized in any way to reduce the phosphorous load. Peterson stated no. those lagoons were used for biosolid storage but are not used for that any longer. Some of them have been decommissioned and the rest need to be decommissioned. This draft permit is telling the City that those biosolids from these ponds need to be removed properly by the end of the next permit (five (5) years).

Project Costs/Funding

Peterson reviewed that the City will need to pay for the improvements at the treatment facility to meet the one (1) mg/l phosphorous limit within six (6) months, and that these costs were not included in the cost for Alternative 2C. The total cost for Alternative 2C in the Facility Plan was \$4.4 million. This project cost includes costs for biosolids removal. Bolton and Menk, Incorporated re-evaluated the cost estimate from the Facility Plan to see if a "reduced scope" plan is possible. Through our evaluation, we were able to determine that a "reduced scope" plan was an option and the final project cost is approximately \$3.9 million. This "reduced scope" project still contains the biosolids removal costs from the existing ponds.

Peterson reviewed that a Facility Plan is required to apply for funding through the PFA for the Clean Water Revolving Loan fund low interest loan program. Interest rates have been very favorable (two percent (2 %) or less for 20 years) in the past. This program works on a point system and each facility that applies for funding is assigned points based on various criteria. For the second year in a row, the City has not obtained enough points to fall within the fundable range of PFA low interest loan program. This means that the City is not eligible for the Clean Water Revolving Loan program; however, the City has applied for a Phosphorous Reduction Grant and has again been awarded a grant. This grant has a maximum amount of \$500,000 and the City is currently qualified for the maximum grant amount. In order to utilize the grant, the City would need to have the project bid and certified by the MPCA no later than May 1, 2012.

Mayor Stotko asked if the list of cities that was provided, that have qualified as a grant recipient, is an all inclusive list. Peterson stated yes.

Mayor Stotko asked what the City needed to do to obtain more points for the PFA loan. Peterson stated that they have maximized each point already and there is nothing the City can do; it is just how their point system works. Peterson has tried to work with the MPCA to score Winsted differently. He explained that the funding point limit has risen recently; in the past, the limit has been lower due to stimulus funds available, but those funds are no longer available.

Peterson stated that should the City decide to move forward with a project there are other financing options available to the City besides the Clean Water Revolving Fund from the PFA. One option is to issue General Obligation bonds and the City's financial consultant was contacted. They estimated an interest rate of approximately 3.6% for 20 years.

Another program to consider is the Credit Enhancement Program through the PFA and this program utilizes the bonding and borrowing power of the State to obtain good rates for cities looking to do water and sewer projects. The City would still bond for the project as a normal project but the bonds would be based on the State bond rating which is AA+. Using the State bond rating would result in an approximate rate decrease of 0.35%. Based on the 3.6% rate quoted above the Credit Enhancement Program would reduce that rate to roughly 3.25%. In order to be eligible for the Credit Enhancement Program, the City would need to pass a resolution to get into the program, submit a one page application, and also a \$500 non-refundable application fee.

Council Member Schulenberg asked if this bonding was generally approved. Peterson stated yes.

Peterson stated that two tables were provided within the City Council packet showing the annual debt service and the increased cost per user per year (based on 867 connections) if the City decides to move forward with the project. One table shows costs using the normal bond rates and the other table shows the costs if the City utilized the Credit Enhancement Program. Both tables show rates for both the full project and the reduced scope project and both scenarios were run assuming the City would accept the \$500,000 phosphorous reduction grant. The grant reduces the annual debt service by approximately \$36,000/year and reduces the user increase by approximately \$40/year. The Credit Enhancement Program reduces the annual debt service by approximately \$8,000/year and reduces the user increase by approximately \$9 - \$10/year.

Annual Debt Service Comparisons for General Obligation Bonds @ 3.6%			
Item	Cost	Annual Debt Service	User Increase/Year
Full Project w/ \$500K Grant	\$3,900,000	\$276,897	\$319.37
Reduced Scope Project w/ \$500K Grant	\$3,400,000	\$241,397	\$278.43

Annual Debt Service Comparisons for General Obligation Bonds @ 3.25%			
(Credit Enhancement Program)			
Item	Cost	Annual Debt Service	User Increase/Year
Full Project w/ \$500K Grant	\$3,900,000	\$268,238	\$309.39
Reduced Scope Project w/ \$500K Grant	\$3,400,000	\$233,848	\$269.72

If the City wants to move forward with a project and take advantage of the \$500,000 grant, Saulsbury requested that the City Council decide by the next City Council Meeting, scheduled for November 1, 2011 in order to meet the May 1, 2012 deadline. If the City does not want to pursue a wastewater project this year, then the City should continue to plan for a future project and continue to increase wastewater user rates to help pay for the upcoming projects. Peterson also reminded the City Council members to consider the interest rates and construction costs which will likely increase as each year goes by, when making their decision.

Ollig asked if the percentage that the rates would need to be increased was known. Saulsbury stated that the tables provided reflect these numbers, but he estimates it would be approximately \$25 increase per connection per month, if it was to be paid with just user rates.

Mochinski asked if there would be any new information to consider between now and the next City Council Meeting. The project has to be done. He would like to make a decision tonight.

Saulsbury suggested to look at the rates more and the financing more to make a decision. Martens stated that if the City decided to do the project now, it does not have sufficient cash on hand and would not be able to raise the rates incrementally to help offset the bond payment. If the City waits, it can raise rates incrementally.

Mochinski stated that Bolton and Menk, Incorporated needs to have a decision on the \$500,000 and Martens replied that we could decline the grant like we have in the past and reapply for it again in a future year. Mayor Stotko liked this option.

Council Member Schulenberg asked how often we have applied and been approved for this grant. Peterson stated two (2) years. Council Member Mochinski asked if you turn down the grant, does that count against you the next time you apply. Saulsbury stated that there is not a guarantee that the money will be there in the future and he is uncertain if the MPCA counts the denials against a City.

Martens stated that he would contact the MPCA to explain that the City wants the \$500,000 because it understands that the improvements are mandatory, but it is not the best timing to bond right now, versus implementing the rates necessary to pay for the bonding in the future.

Peterson reminded the City Council that within the ten or twelve year period time frame that they have to make the improvement, the biosolids must be removed from the ponds within the permit timeframe, or five years. Martens stated that the cost of that removal was figured into the \$4.4 million and that if the City wants to pay for this removal through bonds, it would have to bond within the next two (2) years in order to complete the biosolid removal project within the five years. The removal is a two or three year process.

6) Department Report

a) Waste Management – REMOVED from the Agenda

7) No Open Forum.

8) Announcements.

Martens stated that the Winsted Volunteer Police Department and Fire Department held a city wide Emergency Management Services (EMS) Preparedness drill at Linden Wood Apartments , 215 Linden Avenue West, on Monday, October 17, 2011. Martens commended the departments for their work that was well done.

9) Adjournment

Council Member Quast motioned to adjourn. Council Member Schulenberg seconded. Motion carried 5-0.

The meeting was adjourned at 6:45 p.m.

ATTEST:

Steve Stotko

Steve Stotko
Mayor
City of Winsted

Raquel Kirchoff

Raquel Kirchoff
Administrative Assistant
City of Winsted