

City of Winsted
City Council Work Session
Lewis Room
Tuesday, November 19, 2013
5:00 p.m.

Present: Mayor Steve Stotko
Council Member Bonnie Quast
Council Member Tom Ollig
Council Member George Schulenberg
Council Member Max Fasching

Staff Present: Mr. Clay Wilfahrt, City Administrator
Ms. Deborah R. Boelter, City Clerk-Treasurer
Mr. Mike Henrich, Winsted Police Department Chief

I. Call to Order

Mayor Stotko called the meeting to order at 5:00 p.m.

II. Hotel Feasibility Study

Mr. Wilfahrt stated that on numerous occasions, City staff has heard from a variety of individuals that the City of Winsted would benefit from a hotel in the Community. Business owners and residents have voiced this opinion stating that family, business travelers, and people attending ceremonies and celebrations would patronize the hotel.

Mr. Wilfahrt stated that to follow up on these requests, staff contacted Cobblestone Hotels, a small hotel chain based out of Wisconsin. Cobblestone Hotels have thirty-four (34) hotels in ten (10) states. Of their seventeen (17) hotels in Minnesota, Wisconsin and North Dakota, eleven (11) of them are in populations of under 5,000 people and the City of Winsted would rank as the ninth (9th) largest city Cobblestone Hotels occupies in the aforementioned states.

Mr. Wilfahrt stated that he met with Mr. John Seibert, Vice President of Development of Cobblestone Hotels as well as Mr. Roger Boyce, President of Winsted Security Bank and Trust Company, and Mr. Jeff Campbell, President of the Winsted Area Chamber of Commerce. During that meeting, Mr. Seibert indicated that Winsted could be a good fit for a Cobblestone Hotel, but they would require a Feasibility Study to be conducted in order to determine the potential for a hotel in Winsted. The Feasibility Study would determine the number of hotel rooms the community can support based on data and testimony gathered from local businesses and organizations.

Mr. Wilfahrt stated that presuming that the Feasibility Study favored the location of a hotel in the City of Winsted, Mr. Seibert would work with the Community to find investors for this project. Cobblestone hotels are funded by forty percent (40%) local investments, ten percent (10%) Cobblestone investment, and fifty percent (50%) bank financing. The theory is that attracting local investors makes the hotel a personal investment for the Community and helps the hotel succeed. Once investors are attracted to the project, the investors can determine the location, size and other details of the facility. The hotel could be operational within twelve (12) months following the Feasibility Study.

Mr. Wilfahrt stated that Mr. Seibert indicated that the Feasibility Study is typically funded by the Community or members of the Community. Mr. Wilfahrt stated that this is consistent with his previous experience. After the meeting between Mr. Boyce, Mr. Campbell and the City, the Winsted Area Chamber of Commerce Board of Directors considered offering support for the Feasibility Study. The Chamber Board offered to contribute \$1,000 toward the cost of the Study. This is a significant portion of the Winsted Area Chamber of Commerce budget.

Mr. Wilfahrt stated that he obtained quotes from three (3) companies recommended by Mr. Seibert that have experience with this type of Feasibility Study. Mr. Wilfahrt presented the following quotes:

- ✓ Core Distinction Group \$7,000
- ✓ Hospitality Consulting Group \$7,000
- ✓ HMI, Incorporated \$7,500

Mr. Wilfahrt stated that the differences between the organizations are subtle; and according to Mr. Seibert, all of the organizations have conducted Feasibility Studies that work with the goals of Cobblestone Hotels.

Mr. Wilfahrt stated that staff's recommendation would be for the City to pay the remaining \$6,000 to complete the Feasibility Study through the Hospitality Consulting Group from Minneapolis, Minnesota. The organization has done hundreds of market analyses for hotels across the nation. Given their credentials and low price, staff believes that they are the best choice. The \$6,000 would come out of the balance of the General Fund reserves.

The City Council discussed and directed Mr. Wilfahrt to present the Hotel Feasibility Study proposal at the Tuesday, December 3, 2013 Regular City Council meeting with the City paying for the entire cost of \$7,000. The City Council recommended that the Winsted Area Chamber of Commerce not contribute funding towards the Feasibility Study; but, possibly at a later date if it is determined feasible to build a hotel in the City of Winsted.

III. Year 2014 General Fund Budget Update

Mr. Wilfahrt stated that at the September 3, 2013 Regular City Council meeting, the City Council adopted a Preliminary Levy for the year 2014 in accordance with the year 2014 General Fund Preliminary Budget. The McLeod County Auditor recently provided City staff with the year 2014 Tax Rate based on the year 2014 Preliminary Budget and Levy which is initially at 85.5480%; a 1.695% decrease from the year 2013. The decrease is a result of the City adopting a zero percent (0%) increase from the year 2013 General Fund Budget to the year 2014 General Fund Budget; and tax benefits to industrial businesses expiring which increased the taxable market value in the City.

Mr. Wilfahrt presented the following information that shows the difference that the Tax Rate reduction will make on various property types and values:

| RESIDENTIAL | | | | | |
|----------------|----------------------|--------------|--------------------|--------------------|------------|
| Property Value | Taxable Market Value | Tax Capacity | Year 2013 City Tax | Year 2014 City Tax | Difference |
| \$76,000.00 | \$45,600.00 | \$456.00 | \$397.81 | \$390.10 | -\$7.71 |
| \$150,000.00 | \$126,260.00 | \$1,262.60 | \$1,101.49 | \$1,080.13 | -\$21.36 |
| \$250,000.00 | \$235,260.00 | \$2,352.60 | \$2,052.41 | \$2,012.60 | -\$39.81 |
| \$350,000.00 | \$344,260.00 | \$3,442.60 | \$3,003.32 | \$2,945.08 | -\$58.25 |

| COMMERCIAL INDUSTRIAL PROPERTY | | | | | |
|--------------------------------|----------------------|--------------|--------------------|--------------------|-------------|
| Property Value | Taxable Market Value | Tax Capacity | Year 2013 City Tax | Year 2014 City Tax | Difference |
| \$100,000.00 | \$100,000.00 | \$1,500.00 | \$1,308.65 | \$1,283.22 | -\$25.42 |
| \$250,000.00 | \$250,000.00 | \$4,250.00 | \$3,707.83 | \$3,635.79 | -\$72.03 |
| \$500,000.00 | \$500,000.00 | \$9,250.00 | \$8,069.98 | \$7,913.19 | -\$156.78 |
| \$1,000,000.00 | \$1,000,000.00 | \$19,250.00 | \$16,794.28 | \$16,467.99 | -\$326.28 |
| \$2,500,000.00 | \$2,500,000.00 | \$49,250.00 | \$42,967.18 | \$42,132.39 | -\$834.78 |
| \$5,000,000.00 | \$5,000,000.00 | \$99,250.00 | \$86,588.68 | \$84,906.39 | -\$1,682.28 |

Mr. Wilfahrt stated that the year 2014 Preliminary General Fund Budget cannot be increased at this point; however, a reduction can be made. The next step is to hold a Truth-in-Taxation Public Hearing on December 3, 2013 and adopt the Final General Fund Budget and Levy at the December 17, 2013 Regular City Council meeting.

The City Council discussed the year 2014 General Fund Preliminary Budget and Levy and agreed that they did not want to amend the year 2014 General Fund Preliminary Budget and Levy.

IV. Year 2014 Water Fund Budget

Mr. Wilfahrt presented the initial draft of the year 2014 Water Fund Budget. Mr. Wilfahrt stated that the proposed year 2014 Water Fund Budget currently includes a recommended two percent (2%) increase in water rates. He continued by recommending a small increase to water rates in the year 2014 to allow for a larger increase in sewer rates to pay for future projects at the City's Wastewater Treatment Facility (WWTF).

Mr. Wilfahrt presented the following proposed Water Rates:

| | APPROVED FOR YEAR 2013 | PROPOSED FOR YEAR 2014 |
|--|-------------------------------|-------------------------------|
| Water Minimum | \$5.64 | \$5.75 |
| Water Sales per 1,000 Gallons | \$3.12 | \$3.18 |
| Water State of Minnesota Test Fee | \$0.60 | \$0.60 |
| Water Repair/Maintenance Fee | \$2.00 per connection | \$2.00 per connection |

The City Council discussed and did not make any amendments to the proposed year 2014 Water Fund Budget as presented.

V. Year 2014 Sewer Fund Budget

Mr. Wilfahrt presented the initial draft of the year 2014 Sewer Fund Budget. Mr. Wilfahrt stated that the year 2014 Sewer Fund Budget currently includes a recommended eight percent (8%) increase in sewer rates. In the year 2012, the City Council voted to increase sewer rates by eight percent (8%) which was an increase from the typical five percent (5%) to increase the reserves in the Sewer Fund for future capital investments.

Mr. Wilfahrt stated that the proposed year 2014 Sewer Fund Budget includes the eight percent (8%) increase, knowing that the decision of the City Council regarding improvements to the Wastewater Treatment Facility (WWTF) has the potential to impact sewer rates significantly. Changes pursuant to the City Council's decision on the WWTF improvements will be reflected in the final draft of the year 2014 Sewer Fund Budget.

Mr. Wilfahrt presented the following proposed Sewer Rates:

| | APPROVED FOR YEAR 2013 | APPROVED FOR YEAR 2014 |
|--------------------------------------|-------------------------------|-------------------------------|
| Sewer Minimum | \$6.18 | \$6.67 |
| Sewer Sales per 1,000 Gallons | \$7.81 | \$8.43 |

Mayor Stotko asked Mr. Wilfahrt what the proposed increase would be to the sewer rates in the year 2014 if the City Council decides to complete the improvements to the WWTF. Mr. Wilfahrt stated that the sewer rates would have to be increased approximately twelve percent (12%) to fourteen percent (14%). He continued by stating that the aforementioned increase to sewer rates would be consistent for the years 2014 to 2016.

Mr. Wilfahrt presented a graph showing a comparison of the City of Winsted's water and sewer rates compared to other cities in the surrounding area.

The City Council discussed and indicated that they will make a decision on the sewer rates when they determine what they want to do in regards to the proposed WWTF improvements.

VI. Year 2014 Winsted Municipal Airport Fund Budget

Mr. Wilfahrt presented the initial draft of the 2014 Airport Fund Budget. Mr. Wilfahrt stated that revenues are anticipated to be \$79,230 and expenditures are budgeted at \$78,240 for a surplus of \$990.

Mr. Wilfahrt stated that the only major change in revenues is the increase in *Other Rents and Royalties* due to the anticipated contract with Westside Skydivers.

Mr. Wilfahrt stated that there were several minor changes in the expenditures, including a drop in the property and liability insurance costs due to the League of Minnesota Cities Insurance Trust (LMCIT) adjusting the formula that calculates premiums.

The City Council discussed Mr. Joe Johnson's, Westside Skydivers, proposal to build a new hangar at the Winsted Municipal Airport.

Council Member Ollig asked about the future of the Winsted Municipal Airport Commission. Mr. Wilfahrt stated that he and Mayor Stotko have discussed the future of the Airport Commission and have determined that it is important to have the Commission continue.

The City Council discussed the proposed year 2014 Airport Fund Budget and did not have any amendments to the Budget as presented.

VII. Winsted Police Department – Part Time Police Officer

Mr. Henrich stated that the City Council gave him permission to start the hiring process for a part-time Police Officer for Winsted Police Department. He continued by giving a brief overview of the hiring process in regards to the application, interviews, background check, physical and psychological testing.

Mr. Henrich stated that he would like approval from the City Council to hire Mr. Benjamin Jarvi as a part-time Police Officer for the Winsted Police Department. He continued by stating that Mr. Jarvi would be paid minimum wage while going through the Field Training Officer (FTO) process and once he completes FTO and working on his own, he would start at the base part-time wage of \$14.50 per hour.

Mr. Henrich stated that it is important to add Mr. Jarvi to the part-time list because many of the other part-time Police Officers on the list have full-time law enforcement jobs somewhere else and are often unable to work for the Winsted Police Department.

Council Member Fasching stated that he discussed the part-time Police Officer position with Mr. Wilfahrt and he was surprised to learn that the part-time Officers work an average of seventy-seven (77) hours per part-time Officer per year.

Mr. Henrich stated that the Winsted Police Department is fortunate to have the McLeod County Sheriff's Department assist the Winsted Police Department by allowing our Officers to partake of their training opportunities. He continued by stating that Mr. Scott Rehmann, McLeod County Sheriff, is unable to collect a salary when he works part-time and/or conducts training for the Winsted Police Department; so, that is a great cost savings and benefit to the City.

The City Council discussed and were in favor of hiring Mr. Jarvi as a part-time Police Officer for the Winsted Police Department.

VIII. Other

a) Winsted Municipal Airport – Luce Line State Trail

Mr. Wilfahrt stated that he is working with the City's Airport Engineer, Ron Roetzel from Bolton and Menk, Incorporated, and the Minnesota Department of Natural Resources (MN DNR) in regards to a letter that is being prepared by Mr. Roetzel and addressed to the Federal Aviation Administration (FAA) in regards to the Luce Line State Trail alignment adjacent to the Winsted Municipal Airport property.

b) Winsted Area Chamber of Commerce – General Membership Lunch Meeting – Thursday, November 21, 2013

Council Member Ollig stated that at the November 21, 2013 General Membership Lunch meeting at 12:00 noon at the Blue Note Restaurant, 320 . 3rd Street South, both Senator Scott J. Newmann and Representative Glenn Gruenhagen will be the guest speakers.

The City Council directed Ms. Boelter to prepare a public notice of a possible City Council quorum at the Winsted Area Chamber of Commerce's General Membership Lunch meeting.

c) Ice Skating Rink Update

Council Member Ollig asked for an update on the proposed ice skating rink.

Mr. Wilfahrt gave an update on the following items in regards to the ice skating rink:

- The temporary location of the ice skating rink for the year 2013 and 2014 season. The ice skating rink is planned to be located in the parking lot of the Denis M. Campbell Baseball Field.
- Warming house.
- Lighting.

d) Winsted Volunteer Fire Department – Monthly Meetings

Council Member Schulenberg recommended that when the City Council members rotate their attendance at the monthly Winsted Volunteer Fire Department (WVFD) meetings, they go to the Fire Department early at 6:00 p.m. and attend the Captains Meeting held in the upstairs office area of the Fire Department.

Council Member Schulenberg complimented WVFD Chief, Mr. Chad Engel, for the good job he does in running the various Fire Department meetings.

IX. Adjourn

Council Member Ollig motioned to adjourn the meeting. Council Member Quast seconded the motion. Motion carried 5-0.

The meeting was adjourned at 5:35 p.m.

Steve Stotka

Steve Stotka
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

Deborah R. Boelter, MCMC
City Clerk-Treasurer
City of Winsted