

MINUTES OF THE PROCEEDINGS OF THE CITY COUNCIL
OF THE CITY OF FOSSTON, POLK COUNTY MINNESOTA
JUNE 8, 2015

The regular meeting of the City Council of the City of Fosston, Polk County Minnesota was held in council chambers on Monday, June 8, 2015 at 7:00 p.m.

The meeting was called to order by Mayor Offerdahl with the following members present: Hoialmen, Anderson, Veum and Dufault. Also present was Dan LaVoi, David Drown-Financial Advisor for the City, Dave Larson, Karen Graham, Ed LaValle, Deputy Zachary Folkert, Superintendent Mark Nohner, Paige Tompkins of Karvakko Engineering, Lee Cariveau of WSN and Woody Enerson.

Motion was made by Hoialmen seconded by Anderson to approve the agenda with the following modifications: Motion carried by unanimous vote.

- A) Consider Resolution accepting bids on Veteran's Memorial.
- B) Superintendent Nohner here to discuss the upcoming School Bond Referendum.
- C) Lee Cariveau to talk about the Natural Play area.

Motion was made by Veum seconded by Hoialmen to approve consent agenda items A and B. Motion carried by unanimous vote:

- A) To approve the minutes of the regular meeting held May 11, 2015, the special meeting held June 1, 2015 and the special meeting held June 5, 2015 as per copies furnished each member.
- B) To approve Accounts Payable Bill Listing #15-06 in the amount of \$108,878.95 and AP Bill Listing #15-06A in the amount of 107,806.61.

COMMITTEES/BOARDS/COMMISSION:

Law Enforcement: Deputy Zach Folkert was present to discuss law enforcement matters. No items of concern were noted.

Streets/Sanitation/Utilities: Dave Larson reported on matters pertaining to his departments:

- Crews have been busy mowing and the new mower really works great.
- Jimmy has been painting curbs and crosswalks as time permits.
- The gas line cut was due to a piece of concrete that fell and cut the line. The contractor immediately called Dave and 911. City crews responded immediately and this was a good training experience for our employees as well as the emergency personnel involved. There were no communications to city hall though to inform administration that there was a problem.
- One pond is being dumped. He would have liked to have had two dumped but that will have to wait until fall.
- The sewer on Second Street by Miller's Building Center was repaired.
- There's a lot of electrical that needs to get done this year.
- Garden Valley is overlaying the City with fiber and that is slated to begin the middle of the month. That is 683 services that will need to be located by our guys.

Civic Center/Parks & Recreation:

- All Summer Rec. programs are now in session. There are 145 kids participating
- The pool is busy now with Bagley, Fosston, Win-E-Mac and Oklee.

- Men's League, Cal Ripkin and Girls' fast pitch are all going on at the sports complex.
- Gregg Roragen will replace 16 boards on the boardwalk.

Bus:

- Lucken informed the council that full time bus driver Norma Quam has retired and submitted her letter of resignation. Motion was made by Hoialmen seconded by Veum to accept the resignation with regret. Motion carried by unanimous vote.
- Motion was made by Dufault seconded by Anderson to approve hiring part time bus driver Gary Schulz as the full time driver and to move him into the step schedule for full time employees. Motion carried by unanimous vote.
- The Sunday Bus Service was discussed. With the resignation of Norma there is not a regular driver willing to work all Sunday mornings as in the past. Also, ridership has decreased making this service more costly to churches. Motion was made by Hoialmen seconded by Veum to discontinue Sunday service on July 1st. Motion carried by unanimous vote.

Community/Economic Development:

- The EDA continues to work to facilitate the grocery store project.
- Tina Klisch met with the EDA board again today. She is the proposed developer of the Taflin property. The board recommends selling the land at a cost of \$15,000 which has 75 feet of frontage. The development is scheduled to begin September 1 and be completed by September 1 of 2016. If the development does not occur the property returns to the city and she will forfeit the payment. The reason being if the development did not occur we would potentially have lost a different developer. Klisch has presented a good proposal and the EDA board recommends that we agree to sell property to her with the contingencies. A development agreement will be drafted. Motion was made by Anderson seconded by Hoialmen to approve the sale of the Taflin property to Tina Klisch. Motion carried by unanimous vote.

Airport:

- Councilman Veum reports the electric heater was running in the back room; light bulbs were lying on the floor and the fuse box is vibrating. DPW Larson will send someone out to check on this in the morning.

The public hearing on Modification No. 2 of Tax Increment Financing District 1-11 Within Municipal Development District #1 was opened at 7:00 p.m. Mayor Offerdahl called upon City Financial Advisor David Drown to explain Tax Increment Financing (TIF) and how Fosston utilizes this tool. TIF is a way to use the property tax system to subsidize a project to move it forward within a TIF District. At that time the new taxes are set aside separately and sent back to the city to use to promote a project to help development. It does not increase any other property taxes in the town. When a TIF district is created you look at today's tax value – that amount is frozen and the districts will enjoy those dollars today. It's only the increase that is captured as TIF. District 1-11 was created a number of years ago and was expanded once. Some parcels not in the original district should now be included looking at the Palubicki project. Adding new parcels simply expands the district and increases the budget giving the ability to go to the next step and provide some financial opportunities. This hearing is the last step in the process. The public hearing was closed at 7:20 p.m. and the Mayor called the regular council meeting to order.

Member Veum introduced the following resolution and moved its adoption:

RESOLUTION #15-28

APPROVING MODIFICATION NO. 2 OF TAX INCREMENT FINANCING DISTRICT
NO. 1-11 WITHIN MUNICIPAL DEVELOPMENT DISTRICT NO. 1, AND THE
ADOPTION OF A MODIFIED TAX INCREMENT FINANCING PLAN RELATING THERETO

WHEREAS:

A It has been proposed that the City of Fosston, Minnesota (the "City"), modify Tax Increment Financing District No. 1-11 within Municipal Development District No. 1 and adopt a tax increment financing plan with respect thereto, under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794 (inclusive, the "Act"); and

B. The City of Fosston has investigated the facts and has caused to be prepared the tax increment financing plan for modification #2 of Tax Increment Financing District No. 1-11 within Municipal Development District No. 1; and

C. The City has performed all actions required by law to be performed prior to the modification of Tax Increment Financing District No. 1-11 within Municipal Development District No. 1 and the adoption of the tax increment financing plan relating thereto, including, but not limited to, notification of Polk County and Fosston School District having taxing jurisdiction over the property to be included in modified Tax Increment Financing District No. 1-11, and the holding of a public hearing upon published and required notice as required by law.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Fosston as follows:

1. Modification #2 of Tax Increment Financing District No. 1-11 within Municipal Development District No. 1. The City hereby approves modification #2 of Tax Increment Financing District No. 1-11 within Municipal Development District No. 1, the boundaries of which are fixed and determined as described in the Tax Increment Financing Plan.
2. Tax Increment Financing Plan. The Tax Increment Financing Plan as modified is adopted as the tax increment financing plan for Tax Increment Financing District No. 1-11 within Municipal Development District No. 1, and the City Council makes the following findings:
 - (a) Tax Increment Financing District No. 1-11 is a redevelopment district as defined in Minnesota Statutes, Section 469.174, Subd. 12.

The reasons and facts supporting this finding are that over 70% of the parcels included in the TIF District are improved parcels, and over 50% of the buildings in the TIF District have been inspected and found to be substandard.

- (b) The proposed development in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable futures and the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Modified Tax Increment Financing District No. 1-11 permitted by the Tax Increment Financing Plan. The costs to redevelop deteriorating properties in the downtown are significantly higher than bare land development on the outskirts of town. Due to the relatively higher costs the redevelopment is feasible only through assistance, in part, from tax increment financing. The Fosston Tri-Coop and Palubicki's Foods and Deli developers have indicated that without TIF assistance to write down the cost of demolition and site improvements, they would be unwilling to move forward with their proposed project.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments has been performed. This analysis indicates that:

- (i) The City's estimate of the amount by which the market value of the entire TIF District will increase **(\$599,650)** without the use of tax increment financing is an amount less than the amount described in clause (iv) below).
 - (ii) If the proposed redevelopment occurs, the total increase in market value will be **\$5,489,000**.
 - (iii) The present value of tax increments from the TIF District for the maximum duration of the TIF District permitted by the TIF Plan is estimated to be **\$2,257,387**.
 - (iv) Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than **\$3,231,613** (the amount in clause (ii) less the amount in clause (iii)) without tax increment assistance.
- (c) The modified Tax Increment Financing Plan for Tax Increment Financing District No. 1-11 conforms to the general plan for development or redevelopment of the City of Fosston as a whole.

The reasons and facts supporting this finding are that the current zoning of the property provides for commercial development as a permitted use.

- (d) The modified Tax Increment Financing Plan will afford maximum opportunity, consistent with the sound needs of the City of Fosston as a whole, for the development or redevelopment of Tax Increment Financing District No. 1-11 by private enterprise.

The reasons and facts supporting this finding are that the proposed redevelopment will result in the renovation of a substandard property, as well as an increase to the tax base of the City and the State of Minnesota, and the addition of jobs to the City.

3. Public Purpose. The adoption of the modified Tax Increment Financing Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up to provide employment opportunities to improve the tax base, and to improve the general economy of the State and thereby serves a public purpose.
4. Authorization of Interfund Loan. The City hereby authorizes internal funding in a principal amount equal to all Project costs listed in the TIF Budget. Funds will be provided from the General Fund, repaid over the term of the TIF District, and include interest at a fixed rate of 4.0%. (This interest rate is the greater of the rates specified under Minnesota Statutes 270C.40 and 549.09.)
5. Certification. The Auditor of Polk County is requested to certify the original net tax capacity of modified Tax Increment Financing District No. 1-11 as described in the Modified Tax Increment Financing Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Administrator is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within Modified Tax Increment District No. 1-11 for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.
6. Filing. The City Administrator is further authorized and directed to file a copy of the Tax Increment Financing Plan with the Commissioner of Revenue and Office of the State Auditor.

The motion for the adoption of the foregoing resolution was duly seconded by member Dufault and upon vote being taken thereon, the following voted in favor thereof: Veum, Dufault, Anderson, Hoialmen and Offerdahl

and the following voted against the same: None

Whereupon said resolution was declared duly passed and adopted this 8th day of June, 2015

James Offerdahl, Mayor

ATTEST:

Charles Lucken, City Administrator

Council considered the Resolution Determining the Necessity to issue \$386,000 General Obligation Equipment Certificates, Series 2015A. David Drown also spoke on this item. As he explained, we have a list of equipment purchases and intend to borrow to finance these purchases. The most efficient way to borrow is to use the Minnesota Rural Water micro-loan program. Administrator Lucken submitted an application that was approved at 2.8%. The amount we are borrowing exceeds the statutory threshold so we must publish this in the paper.

Council member Hoialmen introduced the following resolution and moved its adoption:

**RESOLUTION #15-29
DETERMINING THE NECESSTIY TO ISSUE \$386,000 GENERAL OBLIGATION
EQUIPMENT CERTIFICATES, SERIES 2015A**

WHEREAS, Minnesota Statutes, Section 412.301 authorizes the issuance of equipment certificates within existing debt limits for the purpose of purchasing capital equipment; and

WHEREAS, the statute also provides that if the amount of the equipment certificates to be issued to finance such equipment exceeds 0.25% of the market value of taxable property in the city, excluding money and credits, the equipment certificates shall not be issued for at least ten days after publication in the official newspaper of the city of a council resolution determining to issue the equipment certificates; and, if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the City Administrator, equipment certificates shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election; and

WHEREAS, the council contemplates issuing equipment certificates for said purpose in an amount which exceeds 0.25% of the market value of taxable property in the city, excluding money and credits; and

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Fosston (the "City"), as follows:

1. Necessity to Issue Equipment Certificates. It is necessary and expedient for the city council to issue general obligation equipment certificates, pursuant to Minnesota Statutes, Section 412.301 in the amount of \$386,000 for the purpose of financing the acquisition of various pieces of equipment for the City.
2. Equipment Certificates in Excess of 0.25% of Market Value. The amount of equipment certificates is hereby determined and declared to be in excess of 0.25% of the market value of the City, excluding money and credits.
3. Publication of Resolution and Days to Lapse Before Equipment Certificates are Issued. The City Administrator is authorized and directed to publish this resolution in the City's official newspaper and at least ten days shall elapse after publication before the equipment certificates may be issued.

The motion for the adoption of the foregoing resolution was duly seconded by member Anderson and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof: Hoialmen, Anderson, Dufault, Veum and Offerdahl

And the following voted against the same: None

Whereupon the resolution was declared duly passed and adopted this 8th day of June, 2015

James Offerdahl, Mayor

ATTEST:

Charles Lucken, City Administrator

Council considered Resolution Determining the Necessity to Issue General Obligation Notes for 2015 First Street Alley and Mary Avenue Project. David Drown spoke on this item as well. The City will be issuing bonds for street work this year. These are improvement bonds and 20% of costs are assessed to benefitted property owners. This amount of debt is larger and the term will be 15 years (the same term as assessments). The documents should be ready for the July council meeting. The action tonight directs David Drown to seek Minnesota Rural Water funding for this project as well, or in the alternative, negotiate another financing package to consider at the July meeting. Motion was made by Dufault, seconded by Anderson authorizing David Drown to seek a financing package for the 2015 First Street Alley and Mary Avenue Project. Motion carried by unanimous vote.

Lee Cariveau of Widseth Smith Nolting gave an update on City projects:

2015 Street Project – Bid Opening: When bids were opened last month the apparent low bidder was Hagen Construction. The second low bidder was Gordon Construction. Gordon's issued a complaint on the bid and Cariveau researched this and spoke with LMC. The issue was that Hagen did not supply the list of subcontractors and suppliers; the other issue was the Responsible Contractor form. Cariveau requested these from Hagen and got them the next day. The bid documents did call for this to be submitted. The difference between the two bids is about \$20,000. We can rebid the project, we can award to the low bidder and we could be sued by Gordon Construction. If that happens the suit would be to recover the cost of his bid prep. The council also reviewed the opinion submitted by City Attorney Brouse. After discussion motion was made by Anderson seconded by Hoialmen to formally accept the bid and award the contract for the 2015 First Street Alley and Mary Avenue Improvements Project – Resolution #15-20 dated May 11, 2015. Motion carried by unanimous vote.

Civic Center Stone Wall & Sidewalk: The City owns the stone wall but the column is leaning. The wall was a WPA project. Cariveau recommends that the column be torn down and hand re-built. Also, the entire wall needs work. Rough estimate is around \$8,000. Larson also asked Dennis Killian to look at it as well. Civic Center sidewalk needs some work and Cariveau will prepare an estimate.

East side of N. Johnson Avenue: Cariveau prepared a sketch and sent it to Gordon's to replace concrete. Pavers will be removed.

Downtown Street Project – 2014: Gordon's tentative plan is to come in after July 24th to remove/replace some sidewalk. The current completion date has been modified to the end of September. Woody Enerson questioned what will be different this year. What guarantees do they have that they can open their door this winter at the Pet Clinic. After discussing issues, causes and possible remedies, it was determined that Larson can try to de-water the ground, we can put insulation under the new sidewalk and dig out some of that clay and replace with more aggregate.

FIT Trail: Cariveau is waiting for a letter from Hagen on the bike path to see what he's going to do. Cariveau proposes Hagen take 1/3 of the cost; Bemidji Bituminous take 1/3 of the cost and the City 1/3 as we see some benefit. Nothing less. The Industrial Park road could also receive a fog while they're in town. Offerdahl stated there is still some dispute on materials between the City and Hagen as well. There will be more information before a decision is made on this issue.

Blower Building: The pre-con was held last week. Duct work inside the blower building will have to be eliminated.

Second Street Paving: Knife River will be here mid to end June. That completion date is July 4.

Industrial Park- Wetland Delineation: WSN has looked and marked.

Motion was made by Hoialmen seconded by Anderson to approve the Application for Amendment to Zoning Ordinance for Kevin Moore as recommended by the Planning Commission. Motion carried by unanimous vote.

Lucken has received one quote for asbestos removal from the Taflin Building. He is waiting for another one but that did not come in yet. Once that is in and the low quote is determined, motion was made by Anderson seconded by Hoialmen to authorize Lucken to proceed with this project. Motion carried by unanimous vote.

Member Veum introduced the following resolution and moved its adoption:

RESOLUTION ACCEPTING BID AND AWARDING CONTRACT
FOR AIRPORT CRACK SEAL REPAIR PROJECT
#15-30

WHEREAS, pursuant to an advertisement for bids for the improvement of the following project:

Airport Crack Seal which includes large and small crack repair.

WHEREAS, bids were received, opened and tabulated according to law, and three (3) bids were received complying with the advertisement as follows:

Struck & Irwin Paving, Inc.	Bid -	\$43,782.00
Northwest Asphalt & Maintenance	Bid -	\$74,635.00
All Things Asphalt	Bid -	\$47,915.00

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FOSSTON, MINNESOTA

1. The Mayor and City Administrator are hereby authorized to enter into an agreement with Struck & Irwin Paving, Inc., in the name of the City of Fosston for the 2015 Airport Crack Seal Project, Bid, in the amount of \$43,782.00.
2. The City Administrator is hereby authorized and directed to return forthwith to all bidders the deposits made with their bids, except that the deposits of the successful bidder and the next lowest bidder shall be retained until a contract has been signed.

The motion for the adoption of the foregoing resolution was duly seconded by member Anderson and upon vote being taken thereon, the following members voted in favor thereof: Veum, Anderson, Hoialmen, Dufault and Offerdahl

And the following voted against same: None

Whereupon said resolution was declared passed and adopted this 8th day of June, 2015

James Offerdahl, Mayor

ATTEST:

Charles Lucken, City Administrator

Member Anderson introduced the following resolution and moved its adoption:

RESOLUTION ACCEPTING BID AND AWARDING CONTRACT
FOR VETERAN'S MEMORIAL PARK UPDATES PROJECT
#15-31

WHEREAS, pursuant to an advertisement for bids for the updates at the Veteran's Memorial Park.

WHEREAS, bids were received, opened and tabulated according to law, and two (2) bids were received complying with the advertisement as follows:

Dennis Killian Killian Construction Fosston, MN 56542	TOTAL BID	\$ 59,500.00
Gordon Construction of Mahnommen, Inc. 2222 270th Ave. Mahnommen, MN 56557	TOTAL BID	\$ 83,719.00

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FOSSTON, MINNESOTA

1. The Mayor and City Administrator are hereby authorized to enter into an agreement with Dennis Killian, Killian Construction, Fosston, Minnesota in the name of the City of Fosston for the Veteran's Memorial Park Updates Project, Total Bid of \$59,500.00.

2. The City Administrator is hereby authorized and directed to return forthwith to all bidders the deposits made with their bids, except that the deposits of the successful bidder and the next lowest bidder shall be retained until a contract has been signed.

The motion for the adoption of the foregoing resolution was duly seconded by member Hoialmen and upon vote being taken thereon, the following members voted in favor thereof: Anderson, Hoialmen, Dufault, Veum and Offerdahl

And the following voted against same: None

Whereupon said resolution was declared passed and adopted this 8th day of June, 2015.

James Offerdahl, Mayor

ATTEST:

Charles Lucken, City Administrator

Superintendent Mark Nohner was present to discuss the Fosston School Referendum that will be voted on June 16. He wanted to get the information out and presented a handout to all present. He explained the purpose of the referendum and the planning that was done beforehand. They looked at enrollment projections, safety, academics, HVAC and air handlers, security, energy savings, condition of roofs and others. He explained that the last referendum that was passed was an operating referendum. This is buildings. The old gym repair or replace is NOT on this referendum. A separate task force is being created to explore the best option for this. The estimated tax impact for people has been a concern. Especially for farmers as building bonds tax all properties – homestead as well as non-homestead ag properties. \$3.02/acre is the highest ag can go for non-homestead but he encouraged all to go to the website to see what the tax impact will be for people.

The Natural Play Space Area: Lee Cariveau presented a map with a potential new location for the natural play space area. The new area proposed is behind the school bus garage. It is more visible and closer. Rotary has a \$10,000 grant and D. Vikan has matched it. This proposed new location also needs to be approved by the school.

There being no further business to come before the council, motion was made by Hoialmen seconded by Anderson to adjourn. Motion carried by unanimous vote.

Charles Lucken, City Administrator

