

CITY OF ST. FRANCIS
CITY COUNCIL WORK SESSION AGENDA
St. Francis Area Schools District Office 4115 Ambassador Blvd. NW
August 12, 2024
5:30 p.m.

1. CALL TO ORDER

The City Council Work Session meeting was called to order at 5:30 p.m. by Mayor Joe Muehlbauer.

2. ROLL CALL

Members Present: Mayor Joe Muehlbauer and Councilmembers Kevin Robinson, Crystal Kreklow, Sarah Udvig, and Mark Vogel.

Also present: City Administrator Kate Thunstrom, Community Development Director Jessica Rieland, Public Works Director Paul Carpenter, City Planner Beth Richmond, and Finance Director Darcy Mulvihill.

3. AGENDA ITEMS

A. 3503 Bridge Street NW Concept Plan

City Administrator Thunstrom reviewed the Staff report in regard to the 3503 Bridge Street NW concept plan.

Mayor Muehlbauer shared that he does not have an issue with the commercial buildings that will be a part of the first phase and then the applicant can work with Staff as the project continues. He noted that he would like to keep the frontage of Bridge Street commercial.

Vogel agreed. He shared that he does not envision only one building being on this five acre parcel; however, he would like the Bridge Street frontage to remain only commercial.

Udvig said she does not have an issue with this project.

Robinson shared that he also agrees with Mayor Muehlbauer. He noted that the presentation given to the Planning and Zoning Commission was very thorough in explaining this project. He said he likes what he sees with this project and would like it to start with the residential work in the first phase.

Kreklow agreed with the rest of the Council. She noted that it is good for the City anytime they can bring new business in. She added that the residential aspect will also be beneficial for the City.

City Planner Richmond asked if the Council is willing to be negotiable with the

district standards. She explained that one standard that is not currently being met with this design is having parking in front of the building.

Mayor Muehlbauer noted that they could put landscaping along the frontage to give a buffer between the parking. He added that they seem to be willing to make the exception for the commercial aspect of the property as designed. He said they would like to have another commercial building next door to what is proposed.

The applicant asked how they would like the parking designed on the front of the commercial building with the drive thru. She asked if they would want one or two rows of parking. Mayor Muehlbauer said he would like the parking to be as close to the property line as possible. He noted that he does not see an issue with the parking the way it is currently designed.

Kreklow shared that when they are looking at the design and considering what downtown will look like they need to be realistic about having some wiggle room in their standards. She noted that she is comfortable with two rows of parking as long as there is some nice landscaping included in the design.

Robinson agreed and said they need to support these businesses so they can flourish.

Udvig and Vogel agreed with the rest of the Council.

Mr. Weaver shared that they could start working on a PUD to bring back to the Council.

The consensus of the Council was to continue the commercial development along Bridge Street, keeping the residential development behind the commercial development. They were also supportive of a drive thru on the parcel and with the current parking design for the commercial development.

B. 2025 HVAC Contract Discussion

Public Works Director Carpenter shared the Staff report concerning the 2025 HVAC contract. He shared the recommendation to use Yale Mechanical for the 2025 contract.

Kreklow asked if Yale Mechanical is a union shop. Carpenter said he believes it is but he can find out for sure.

Robinson asked who installed the HVAC units on the new building. Carpenter shared that Sentra-Sota did the work on the new building.

Robinson asked if Sentra-Sota offered a service contract for the building. Carpenter said he did not reach out to them to offer an HVAC contract.

Robinson asked if there would be an advantage to having Sentra-Sota offer a contract. Carpenter explained that he had wanted the contract to be a one-stop-shop for all departments so that anyone could make a call to the chosen company to get anything handled. He said he wanted there to be only one contract for the entire City. He noted that he could ask Sentra-Sota if they would be interested in offering a service contract for the whole City.

Mayor Muehlbauer added that it would not hurt to ask Sentra-Sota if they were interested. He noted that there will likely not be a huge savings by using the company that installed the units.

Robinson asked who they would determine what work would be billable and what would be warranted. Carpenter explained that the contract is for preventative maintenance.

Robinson said he would like to get some references on this company. Carpenter shared that they referenced these companies beforehand. He explained that he did not want to consider any underqualified companies. He noted that they have checked references on all the considered companies.

Robinson asked what they have paid in the past for this preventative maintenance. Carpenter shared that in 2024 they spent \$8,600 and that did not include the Police Public Works building.

Robinson asked if this is already in the 2025 budget. Finance Director Mulvihill said this should already be included in the building maintenance budget.

Vogel asked if there is a problem with one of the units if someone would contact Carpenter and he would contact the contracted company. Carpenter said yes. He explained that if something needs to be fixed and it would cost over a certain dollar amount to fix then he would get a few different quotes rather than just having the contracted company do the work. He noted that this would all be outlined in the purchasing policy.

Vogel asked if each proposal includes a negotiated labor rate. Carpenter said he asked each company to provide their labor rate so they can know rates for if an emergency were to happen. He added that all companies did not provide this information.

Udvig said it would not hurt to try someone new considering the current contracted company has had shortfalls.

Mayor Muehlbauer stated that regardless of the cost, this is a service that they will need.

The consensus of the Council was to move forward with a contract for HVAC services with Yale Mechanical.

C. Facility Technician Considerations

Carpenter reviewed the Staff report in regard to a request for a Facility Technician. He discussed the advantages of hiring a Facility Technician rather than contracting this service.

Udvig asked if Kim's Cleaning is doing a good job with the current cleaning services. Carpenter explained that it depends on the location.

Vogel asked if they would need to provide a vehicle for this person to get between the different buildings. Carpenter stated they already have a vehicle at Public Works that will be transferred to the City Hall Fire Station when they move into the new building. He explained that this vehicle is currently being used as an admin vehicle for if Staff needs to go from Public Works to the courthouse or other City facilities.

Udvig asked if this vehicle would be adequate for hauling around any equipment this person would need to use. Carpenter explained that any equipment this person would need will already be onsite.

Kreklow noted that it seems to make the most economic sense for the City to hire someone internally versus contracting this work out.

Robinson asked about the current level of Staff self-policing the cleaning that needs to be done. He noted that he does not expect Staff to do all of the cleaning themselves as they have other jobs to do; however, they should take a certain level of pride in their working space. He asked Carpenter how many employees there currently are in Public Works. Carpenter said there are 10 employees.

Robinson shared that he had previously suggested that they see how things go for the first year of the building just using Kim's Cleaning to assess where they are and what they need. He reiterated that he would like to see Staff do some self-policing of this work and stated that he is not in favor of hiring a Facility Technician.

Mayor Muehlbauer said he can see both sides of this discussion as he does not want to have to hire another City employee; however, they are spending so much money on this new building, and it needs to be taken care of. He stated that the number of this new position is better than what he is seeing with the contracts. He noted that the best option seems to be hiring someone as he does not see Staff being able to do all of their job duties and this work.

Robinson suggested hiring a part-time employee for this position. Udvig said the responsibilities of this role are a lot more than just strictly cleaning services and would be a lot of work for a part-time employee.

Mayor Muehlbauer noted that he does not think it is possible for existing Staff to be able to do the scope of work they would be asking for with this position.

Carpenter noted that he tends to be fiscally conservative; however, this is not something he thinks they could cut out to save money on.

The consensus of the Council was to authorize Staff to hire a Facility Technician.

D. 2025 Levy portion of the budget

Finance Director Mulvihill reviewed the Staff report concerning the 2025 levy. She reviewed the effects of the current proposed tax levy on the average taxpayer.

Vogel asked what the increase was in 2024. Mulvihill said it was a 9.6% increase in 2024.

Mulvihill said they will set the levy in September and from there it cannot go up, it can only go down.

Kreklow asked if they would be able to do special bonding for the Highway 47 project. Mulvihill explained that Thunstrom is working on some Federal funding and after that it may be a bond issue or they would have to move some funds around.

Kreklow shared concerns with putting any more financial responsibility on the homeowners in St. Francis. She noted that costs for everything are going way up. She said that there are people who are one large cost increase away from losing their homes and she does not want to see another large increase. She suggested buying down the levy using money they have saved.

Mayor Muehlbauer asked if Kreklow is suggesting that they have a 0% increase by using funding only from the reserves to cover the increase. Kreklow said no as she does not think this would be fiscally responsible. She acknowledged that there will need to be an increase of some kind; however, she would like it to be as low as possible by using around \$100,000 in reserve funding.

Robinson noted that Highway 47 is still paramount in his mind. He suggested not using any of the funding from the reserves as there will come another time that they need to use this money.

Udvig shared that they cannot keep taking money out of the reserves and never putting money back in. She said if they did have to use funding from the reserves, she would not like the amount to exceed \$100,000. She noted that her preference would be to not use anything from the reserves and just stay with the increase as is. She added that she does not want the City to dig themselves into a hole that they cannot get out of.

Vogel asked for more information on what is in reserves. He asked how much they have and what they are mandated to keep. Mulvihill shared that they are not mandated to keep any amount in reserves; however, the State Auditor's Office recommends that they keep 30%-40% in reserves. She said they are at a good fund balance. She added that they already committed to spending \$200,000 in the current fund balance for Highway 47 design.

Vogel noted that he does not mind a minimal increase; however, he thinks they either need to use some of the fund balance or they need to trim some of their costs so that it is not a huge burden being placed on the taxpayers. He asked how the City would be able to answer residents who ask what they cut from the budget to lessen this burden.

Mayor Muehlbauer shared that has residents who ask him questions like that and there is typically a lack of understanding from those asking the questions. He said they have to explain to the residents where their money is going and why. He noted that there are only so many things that they could cut from the budget. He explained that a lot of people need to be educated on taxes and where the money goes. He noted that a lot of residents will want the budget to be cut but will not want any of the services that they are paying for with their tax dollars to be cut or reduced. He said he tries his best to educate residents who ask these questions of him.

Thunstrom explained that when Staff went through the budget, all department heads were well aware of what they were facing for 2025. She noted that it takes a lot of cuts to have a big impact. She said when they cut things, they have to find items that are big enough to make an impact. She shared that even if they were to cut every line item by \$100, this would barely move the needle at all.

Vogel suggested using a combination of reserve funding and making cuts, no matter how small, as every penny adds up. He noted that he has seen back-to-back increases on his City taxes over the past two years.

Mulvihill shared that with the market value exclusion, commercial and industrial users will end up taking the brunt of this. She added that the market value exclusion is set by the State and the City does not have anything to do with this.

Kreklow stated that when she first started on the Council there were talks of having all of the departments sitting down and honing in on their budgets. She noted that the departments are running very lean and efficient, which she did not realize until she sat down and had these conversations. She shared that cutting a few hundred dollars here and there will not make a huge difference other than potentially affecting the services that the City provides for the residents. She said she is not interested in cutting the current budget as Staff has done an amazing job at putting together lean budgets.

Vogel shared that there seems to be a communication issue. He noted that they send surveys out to residents asking about their interest in different things like dog parks or a community center; however, they do not include any dollar amounts in what these projects would end up costing them.

Kreklow reiterated that she would be interested in taking \$100,000 out of reserves to buy down the levy.

Vogel said he would be interested in using \$200,000 in reserves to buy down the levy.

Mayor Muehlbauer said he is leaning towards not taking anything from reserves as his proposed taxes will only increase around \$10 per month just with the City portion. He explained that if they took \$100,000 out of reserves then his City taxes would increase by only about \$5 a month.

Kreklow said she would not be willing to take more than \$100,000 out of the reserves.

Vogel shared that he understands that Staff is doing the best job to manage the budget with what they have; however, he thinks they do have to show the residents that they are doing everything they can to cut the budget to lessen the effects on the taxpayers.

Mayor Muehlbauer noted that anything that they cut will likely have to be made up in the next year's budget. He said the reserves are in place to be used for emergencies.

Thunstrom explained that they received \$7,000,000 for Highway 47; however, there is still up to a \$10,000,000 gap that they are currently working with MnDOT to fill. She noted that they have a \$6,000,000 ask in Federal appropriations. She shared that they did not get these funds, so they are likely going to need to go to the State for this funding. She stated that if they have to bond for this \$6,000,000, it will negatively affect the water and sewer rates. She explained that they are going to need a lobbyist to go to the State which will cost money.

Robinson shared that the residents have elected the Council to do this job and look into these types of things because the residents do not have time to themselves. He noted that they were elected to make these decisions. He stood firm on his desire to not use any funds from the reserves to buy down the levy.

Vogel asked what the proposed increase for each budget is. Mulvihill shared that the general fund is increasing by less than \$300,000 in expenditures, which is less than 10%.

Mayor Muehlbauer shared that they have a placeholder in the budget for negotiations and if things happen to not go their way then they have to get the extra money from somewhere, which would likely be from the reserves.

Vogel noted that with the 9%-10% increase, not every household is seeing a 9%-10% increase in their income. He said they are passing the buck down to the taxpayers who have to figure out how to pay this increase.

Mulvihill stated that if they want to leave the levy where it is for now and let the truth and taxation notices go out, then they can tell the residents during the truth and taxation time that they can take the \$100,000 out of the reserves to help with the increase. She said if they were to take the \$100,000 out right now, then the residents will not see that the Council made this decision.

Mayor Muehlbauer shared that he thinks it would be beneficial to keep the levy high for now while they wait for the negotiations to conclude and they can make the decision whether or not to use the reserves after the truth and taxation hearings.

Thunstrom noted that with the new market value exclusion everyone will be recognizing different rates on the truth and taxation notice this year.

Mulvihill added that everything is estimated as they are preliminary numbers from the County.

Mayor Muehlbauer asked if these are conservative estimates. Mulvihill said these are the estimates that she receives from the County. She noted that she does not see a huge change happening with these numbers before they are set in the spring.

Udvig shared that she is okay if they hold off on taking money from reserves until the truth and taxation hearing.

Mayor Muehlbauer added that as time goes on they will get more information that will aid them in making informed decisions.

Vogel agreed with Udvig that they can hold off on using funds from reserves. He noted that he will still be interested in asking departments and Staff to make more cuts from the budget.

Kreklow agreed and noted that this gives them more time to get more exact numbers before making any decisions. She reiterated that she is not interested in cutting anything from the City's budget as they are already lean and efficient, and Staff has done an amazing job with the budget.

Robinson said he is still not in favor of using any money from reserves to buy down the levy.

The consensus of the Council was to move forward with the discussed changes to the 2025 levy without taking any funds from the reserves for the time being.

4. **ADJOURNMENT**

There being no further business, Mayor Muehlbauer adjourned the City Council Work Session at 7:23 p.m.

Jennifer Wida, City Clerk

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