

**MINUTES OF A STUDY SESSION OF THE PRINCETON CITY COUNCIL HELD ON
MARCH 4, 2009, 4:30 P.M. IN THE CITY HALL COUNCIL CHAMBERS**

Mayor Riddle called the meeting to order. Council members present were Mayor Jeremy Riddle and Councilors Paul Whitcomb and Dick Dobson. Staff present was Steve Jackson, Bob Gerold, Jim Roxbury, Mike Neilson and Katie Hunter.

At 4:40, Council members Victoria Hallin and Lee Steinbrecher arrived.

WASTEWATER TREATMENT PLANT UPDATE

Tracy Ekola and Sam Claassen with SEH Engineering were both present to discuss the Waste Water Treatment Plant expansion. The Council and staff had submitted questions that they wanted answered by the engineers.

1. What is the age of a treatment plant before the equipment and the workings of the plant need replacement?

Ekola answered by explaining the age of treatment plant equipment is approximately twenty to thirty years and the age of the structures is forty plus years.

2. What portion of the cost of a plant is equipment versus building cost?

Ekola estimated that 30 Percent of the plant is equipment.

3. What is the physical difference in equipment and building from a doubling to tripling of the plant?

The cost difference is around 75 percent of the cost of tripling the plant. This percentage assumes you put in a triple sized life station. If you decide not to put in the lift station, this percentage could decrease. The approximate savings is four million dollars if the city decides to cut back from tripling the plant to doubling; minus the costs of re-permitting. To do a minor modification of a permit is a small effort. A permit modification would cost around \$2000. But, the re-permit fee through the Minnesota Pollution Control Agency (MPCA) would be \$5000-\$10,000 because the fees just increased.

4. Can a double-sized plant be changed to increase the capacity and how?

Ekola explained that the plant could be built double-sized and expanded later. Steinbrecher asked if in thirty years the plant could be expanded. Although that process could be done, there could be a change in technology and then the entire plant would have to be rebuilt. Karnowski added that if you triple the plant years down the road, there might be additional requirements that you will need in order to obtain the permit.

Dobson questioned the engineers if there has ever been a time in the past that a city wished to expand their plant but was told that their plant no longer meets requirements and they must start all over again. Claassen reported that sometimes the change in new limits can have a large impact on the building of a plant. There are new limits currently for mercury and other disruptions as well. The state is always looking to tighten things. Karnowski stated that there is also a concern more recently about medications not all used and flushed down the toilet. Clausen stated they found dual-sexed fish and have found some Waste Water facilities are causing it.

Dobson commented that it seems indifferent to spend all of this money today then have the population increase and have to spend even more down the road.

5. Review the present capacity of the plant and how many more households can be added with the present capacity. Also, what will the City of Princeton look like in 20 years?

Blake was asked by the council what he thinks the population will look like in the near future. Besides the households that could be added in the future, we currently know there are several industries adding on or being built. Sterling Pointe Assisted Living Project will have fifty seven living units and the Winkelman Memory Care project will have twenty living units. United States Distilled Products is adding a 40,000 square foot portion to the plant and Glenn Metalcraft is doing a 30,000 square foot expansion as well. The capacity of the plant seems to be critical. Currently, the plant is at 400,000 gallons and the maximum capacity is 600,000 gallons.

On the other hand, Blake alleged that the city will not see single family homes being built in the next few years. Karnowski stated that the mobile home park could be annexed and that is another 100 or 150 units. Steinbrecher asked how many gallons are estimated per household. Karnowski replied that there is an estimated 250 gallons per household or 100 gallons per person.

Karnowski asked Ekola how it factors in if only 25 percent of the people that attend Princeton Schools are city residents. Claassen stated that when the engineering firm projects flows, they take into account events like rain, commercial use, non-residents, and etcetera. 100 gallons per person is a good rule of thumb.

Steinbrecher concluded that if we wanted to be conservative and take into account restaurants and school use; we could rough estimate 400 gallons per household. If the capacity was doubled, that would be 1500 households that could potentially be added. If we go to tripling, 3000 households could be added. Steinbrecher stated the troubling part of tripling the plant size is that he does not foresee the population growing 10,000 in 25 years. Riddle made the point that 25 years ago the population was half its size of today's population. In other words, from 19185 to today, the population has doubled.

Blake said we are not going to see the same sort of development for the next 25 years as we have in the past 25 years. Instead of more single-family homes, we will see twin homes, town-homes and assisted living units. The cost of development will drive people to build more densely. The number of people per household will be slightly less. A lot of this will be driven to bringing in new industry and jobs. More people will come to work in Princeton than to live in Princeton.

Steinbrecher asked if there is a large plant that comes into town, such as USDP, how much SAC and WAC is charged. Ekola said usually a debt service fee is charged as well as the operation. It's always hard to get an industry to pay up front, so the most common is a user fee.

6. If Princeton were to remain at its present size, what is the cost increase of the plant per average household for the projected cost?

Steinbrecher commented that he has trouble spending 17 million dollars and if the economy remains stagnant, the tax payers will have to pay for a plant that is sitting there unused. Jackson said he looked at debt service; although he wasn't sure of what the operating cost will be, just

the debt service part of it is about 130 percent more than what we now collect. That only includes the new debt. If the current cost is \$100, it would increase to \$230.

Ekola explained that a targeted amount is to keep each household at an increase of \$40-50.

Karnowski reiterated that the sewer portion of the resident's bill will go up; not the water portion.

If the size of the plant is dropped and it costs less to build, the city will still get the loan, but the grant will go away. Although, it will still benefit the citizens; no one wants to build more than is needed just to get \$850,000. The loan is at a favorable 2.75 percent interest rate.

Riddle stated that he is worried about the 40 year financing and having to add a large amount on top of that 40 years from now because the plant wasn't expanded large enough.

Grady Clark from the audience commented that when he first moved to the area 17 years ago the plant was being built. He recalled USDP having to pre-treat because the city was already at its' capacity. Clark suggested tripling the plant because if the city had the capacity back then, it may not be spending 17 million dollars now for a new plant. Clark asked if there was a portion of the plant made to capture methane.

Ekola said there are several parts of this process that look at energy efficiency; such as reeds beds being a natural process. There is also an energy savings component. Ekola also mentioned that not all of this is a size expansion. There are components of this project that are upgrading the phosphorous reduction, mercury removal and service water discharge.

Jackson stated that when the city built the existing plant, it was built at a 20 year expected growth rate. Had the city known what USDP's size in expansion was going to be, the city would have built it bigger. Unfortunately, USDP's expansion happened simultaneously to the plant being built.

Neilson pointed out that the city has spent a lot of time and money to get where we are thus far. Probably \$200,000 has been spent. Karnowski mentioned that that most likely if the city expanded the plant in the future, the opposition wouldn't be there. It wouldn't be the same costs or the same battle.

If the city has to downsize the plant, the permit process will still have to be completed. There will be reviews again and checks to see if the water quality in the Rum River has changed.

Blake asked if there are any other options besides just doubling and tripling the plant. Riddle and Ekola noted that the reason only doubling or tripling has been looked at is because it processes the units in the equivalent sizes. This makes for easy math and ease of operations. If repairs are ever needed, tanks could be taken down and the rest of the plant could still operate.

Steinbrecher asked if there was a difference in a full time Waste Water Treatment Plant Operator being hired if the plant was doubled or tripled. Gerold stated that currently there is a part time individual and a full time individual would have to be hired either way.

Karnowski mentioned that the grant/loan is based on tripling the plant and on prices the city did two years ago. Those prices are down notably. If the bidding process goes out and includes a lift station as an option, the lift station could be built for free if the plant is tripled and the

\$850,000 grant funds are received. Staff thought of structuring bids so the city can save as much as possible.

Riddle asked Ekola how long a minor modification would take. She thought somewhere in the ballpark of thirty to sixty days.

Riddle stated that there is a lot to be said for the idea for the bidding climate, costs are low, permit already having gone through, and if we delay too much longer, it could have a huge price tag in the future. Karnowski looked back to when this all started 6 or 7 years ago, the cost was considerably smaller.

Steinbrecher expressed his concern for building too large and how it will look to others down the road.

The question was asked what the deterioration was for non-use of the plant. Even if the equipment is rotated and some still sits unused, the life expectancy stays the same.

Karnowski sensed that the council does not want to act tonight but we will table the discussion until next week's regular council meeting.

BUDGET DISCUSSION

Karnowski stated that the governor's proposed budget is decreasing Local Government Aid (LGA) by an additional \$240,000 over and above the \$220,000. Staff put together a list of possibilities.

Unless you get into personnel issues, it's hard to get to the amount of money needed to cover for the loss in LGA.

To discontinue watering the ball fields would save the city around \$30,000. But, then the Public Utilities would also lose \$30,000 in revenues and may have to raise their rates to make up for that loss.

Lighting the ball fields costs the city anywhere from \$10,000 to \$12,000 a year. The city could consider charging people to use the fields in the evening hours in order to keep them lit.

Steinbrecher commented that he wouldn't mind charging for lighting the ball field but would not like to cut the watering. The Council concurred.

Another option could be to cut a staff position. One of the two Liaison Police Officer positions have been cut from the school budget which reduces revenues by about \$19,000 in 2010 and \$37,000 in 2011. Before doing any Police cuts, Dobson stated he would like to have the Chief put together the types of calls and how many are coming in. Riddle commented that to compare numbers of calls for the past few years will be tough with the new computers that they have begun to use.

Seal coating could be reduced. Originally \$140,000 was spent and last year that was reduced to \$130,000. The council concurred that last time seal coating was reduced, the money spent to repave was at a much greater cost.

The city could eliminate participations in community events such as the donations from the liquor store funds. If all of them were cut, the savings could be around \$11,000 or \$12,000. Staff and council agreed that all of these donations go toward important functions.

Another option could be to modify scheduling or eliminate major Capital Improvement (CIP) items and reallocate those amounts in to the General Fund. The Civic Center currently has \$250,000 set aside for improvements and the Public Works has \$140,000 for a Loader. If the city cuts these two items, it will help out for the current year, but something long-term will still need to be done in order to cover for the following years.

Steinbrecher felt that it was almost a given to cut the two items in the CIP and at least give the city time to "breathe" and figure out a long-term plan from here on out. He also asked if the Public Works Department absolutely needed the loader. Another option would be hiring volunteers. There are apprentice programs that need the 'credits'. He expressed that cutting the items from the donation fund would really to have a major effect on citizens. The Council agreed that increases should be made in the city fees.

Riddle asked if the loader for Public Works could replace two pieces of equipment instead of one. Bob explained that the piece of equipment that is being replaced has been with the department for 23 years. Dobson said he trusts bob enough that the item wouldn't be on the budget if it wasn't needed.

If a Police Officer is cut, it would more than likely be the one last hired, not the officer in the school. Jackson explained that if an officer is laid off, unlike a private business the city will pay out of pocket for unemployment. Another option is reduce the Officer to part-time. This will not affect the PERA for the Officer.

Payne added that part of the reason the city got this last officer position on board was for the school. But, with the cuts in the last couple of years, those hours that the police are not able to work, including overtime, still need to be filled. You still need to put someone in the squad car.

Riddle explained that if the hours are cut at the school, the coverage would be kept the same on the street. One Police Officer would go part time.

Payne stated that although there is always the option of the city contracting with Mille Lacs County to cover Princeton, he spoke with Sheriff Brent Lindgren whom stated he would refuse because Princeton is too far away from the County Seat.

Payne also mentioned that he has wanted to make Officer Todd Frederick a full time Investigator position Monday through Friday. On another note, Payne was informed by a Senior Officer that he may apply for a position in the metro area. If an officer left due to being offered a job elsewhere, Payne realizes that position would most likely not be filled.

Because the most recent hired officer is a veteran does not come into play at all.

Dobson stated that he wouldn't want to contract with a county due to the core of officers being different each day. Karnowski said he is not pushing contracting, but if a city contracts with a county, that contract can be set up in a way that certain officers can even be chosen to cover your area.

After all of the discussion, Karnowski assumed that the council concurred to reduce the Civic Center to \$10,000 and take the \$240,000 and put it in the General Fund. In the meantime, the other specifics will be worked out.

PACC Donation

Damien Toven was present to represent the Princeton Area Chamber of Commerce (PACC). Toven stated that the PACC is the largest receiver of donations, at \$6075.00 in 2009 and \$7500 in the years prior. Toven said that the board understands the city's situation. On a personal level, Toven has thought of ways to raise money to cover what the city cannot afford to donate in order for the Chamber to continue. PACC has spent the past three years building the Rum River City Festival up and has been successful in doing so. The PACC is asking for as much as the city can give at this point.

STEINBRECHER MOTIONED TO APPROVE A 25 PERCENT REDUCTION IN DONATION TO THE PRINCETON AREA CHAMBER OF COMMERCE FOR A TOTAL AMOUNT OF \$4500. DOBSON SECONDED THE MOTION.

Whitcomb asked if this will be the policy straight across the board for all of the community events. The Council decided for all except the Senior Van, which is just insurance and gas.

ON THE VOTE: AYES - 5; NAYS - 0. THE MOTION CARRIED UNANIMOUSLY.

There being no further business,

WHITCOMB MOVED TO ADJOURN AT 6:45 P.M. HALLIN SECONDED THE MOTION. ON THE VOTE: AYES - 5; NAYS - 0. THE MOTION CARRIED UNANIMOUSLY.

Respectfully Submitted,

Katie Hunter; City Clerk

ATTEST:

Jeremy Riddle, Mayor