

**MINUTES OF A STUDY SESSION MEETING OF THE PRINCETON CITY COUNCIL HELD  
ON FEBRUARY 3, 2011, 4:30 P.M. IN THE CITY HALL COUNCIL CHAMBERS**

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Mayor Jeremy Riddle called the meeting to order. Council members present were Paul Whitcomb, Dick Dobson and Thom Walker. Councilor Victoria Hallin was arrived 10 minutes late. Staff present was Administrator Mark Karnowski, Finance Director Steve Jackson, Community Developer Jay Blake, Fire Chief Jim Roxbury, Firefighter Brad Hodgson, Firefighter Troy Thompson and Firefighter Chad Heitschmidt, Public Works Director Bob Gerold, and City Clerk Katie Hunter.

**SALE OF LOTS 5 AND 6, BLOCK 2 MURRAY'S ADDITION**

Blake reminded the City Council that in December of 2010, the City Council authorized the sale of Lots 5 and 6, Block 2, Murray's Addition. This site was previously used for the south side skating rink, but was not officially park land.

Staff advertised for bids on the property and notified real estate agents and builders from our area of the availability of these parcels. The request for bids included a minimum bid price of \$16,500 per lot based on what the Mille Lacs County Assessor uses for vacant city lots within Princeton. The thirty (30) day offer period ended on January 26, 2011 and we received no offers to purchase the lots.

The Council has several options to consider. The City could hold on to the lots until the residential housing market improves or list the parcels with a local real estate professional. In addition, the City could donate one or both of the tracts to the East Central Minnesota Chapter of Habitat for Humanity.

Dobson asked how much was spent by the city on the last lots donated to Habitat for Humanity. Surveying the land was around \$2500. Blake said he would like to recover any costs spent by the city. Blake commented that the initial concern is to get the property back on the tax roles.

Whitcomb said he sees no problem in donating the land, especially if there is a needy family to donate it to. Blake also suggested selling one lot and giving the other up for donation. Walker stated that he foresees a problem with a builder purchasing the lot and sitting on it instead of building on it. Riddle said you could make that part of the sale requirement that the property gets built on right away.

Another suggestion Blake had was to do something with lot 5 this year and revisit the lot 6 at another date and time.

WHITCOMB MOTIONED TO OFFER LOT 5, BLOCK 4 TO HABITAT FOR HUMANITY FOR \$1250. DOBSON SECONDED THE MOTION. ON THE VOTE: AYES - 5; NAYS - 0. THE MOTION CARRIED UNANIMOUSLY.

**FIRE DEPARTMENT RELIEF ASSOCIATION DISCUSSION**

Karnowski explained that the Princeton Fire Department Relief Association had their annual meeting two months ago. The membership promoted going to the council and asking for an increase in the annual benefit. The current benefit level is set at \$2875 per year of service. In 1998, the benefit level was \$2,550. In 1999, it increased to \$2,700 and in June of 2000, it went to \$2,800. In October of 2001, the current level of \$2,875 was approved. The Board of Directors is currently crunching the numbers to see if the benefit level can be increased and, if so, what the maximum level of benefit should be. The city's concern is that if the benefit level is not supported by the amount of money in the Special Fund, the city is responsible for making up the difference. At this point, it is uncertain whether an increase in benefit will be possible.

Firefighters Brad Hodgson, Chad Heitschmidt, and Troy Thompson were present at the meeting to give elucidate the spreadsheets they had brought.

Thompson briefed the City Council that it takes a full twenty (20) years to qualify for the full \$2875 per year. In addition, the Firefighter has to make all of the trainings and all of the calls. The last increase in pension was in 2001. Thompson added that this Special Fund is designated for retirement and is always audited and kept track of by the state. Currently, it is being managed by Wachovia Securities in Minneapolis. At this time, the Fire Department is 100 percent funded right now. By increasing the yearly benefit, the Firefighters believe it will retain the trained men and woman that they currently have on the Department and help to recruit new members.

Heitschmidt explained that he put together three different scenarios with different calculations. Scenario A would be keeping the \$2875 per year with the current members and no retirees.

The only way to grow Special Fund is through interest and dividends on investments, market performance and the majority of the funds being supplied by the State of Minnesota through the collected portion of insurance premiums that property owners pay. In addition, the city contributes to the Special Fund. Currently, that amount is \$17,000 a year. Heitschmidt added that the two percent monies have decreased from \$58,000 to \$50,000 all the way down to \$36,000 recently.

Heitschmidt added that the percentage of the amount a Firefighter receives per year increases as you become closer to the twenty years of service. Heitschmidt said that their Special Fund account took a big hit in 2001 with the market crash and again a few years later when the Board decided to change investment companies. Some of the investments were not mature, but in order to clean things up, the investments were cashed out.

Roxbury said that after the presentation was done to the Fire Advisory Board on Tuesday night, the consensus was not to actually request an increase right now, but to use this as an informational meeting. The Relief Association wants the Council's feedback.

Roxbury went on to say that the \$17,000 a year contribution from the city has been the same number for quite some time. The council has tried to compensate with a 3% increase each year, and that money was for wherever the Department felt needed. A proposed increase of five percent annually would be around \$500 a year, which is the suggestion by the Relief Association. In addition, if the fund and the Department do not meet certain criteria, then that year's increase would not be received.

Whitcomb added that the Fire Board had no problem with the increase and they all pay part of this fund in their contract.

Karnowski – fire board – surprised that the 17,000 never went up. It shifted around. Karnowski reported that Stephen Dolin, a Fire Advisory Board member, had mentioned at the meeting that there are some Relief Associations that do not ask the City Council's approval on an increase. If the Relief Association increases the benefit level and the City Council does not ratify it, then the city is not on the hook to make the fund whole. They are on the hook up to the point that the council has agreed to the benefit level. There is a ten year window that the city has to make it up.

Karnowski went on to say that the money that the city collects for charging for fire calls, could also go in the Relief instead of the Equipment Fund. Although, then when it's time to purchase new equipment, that money would no longer be there.

Dobson asked if the City Council did not ratify an increase and the account took a hit, would the Fire Department have to cover that hit, then? There was a case in Willmar, Karnowski said, where several Firefighters retired at one point and the 'pot' got very small. They could not support the future retirees. You lose a lot of your senior people this way. The benefit level would not drop to zero, but back to the ratified amount.

After the September 11, 2001 attack on the Twin Towers, the Princeton Fire Department agreed to reduce their hourly wage \$1 an hour because the city had to kick in more to cover the deficit. Karnowski said normally, you don't see a Fire Department doing that. That was a huge gesture on their part.

Dobson commented that the Princeton Fire Department has done nothing but improved over the past years. They're doing an excellent job and Dobson would just prefer to see a better plan of action.

Walker asked if when a Firefighter retires, if they take a lump sum versus payments. Thompson said yes, and at about ten years of service, a Firefighter is just fifty percent vested.

Dobson asked if a Firefighter passes away, does the spouse receive the funds. Hodgson said yes and it is Immediate with no waiting period.

Walker, Dobson and Riddle all said they would be fine with a benefit increase but would like to see a plan of projected numbers for future years. Riddle asked if a hybrid of the spreadsheets could be accomplished. In addition, the Council would like to see a plan come back to the council each year.

Jackson added that by August of each year, the Relief Association is required to file with the City Clerk and the State their annual numbers. That would be an excellent time to come back to the City Council and be able to tie it all in with the budget.

Dobson said this would be a great way to show that the city and the townships that are involved want to work with the Fire Department.

The Firefighters came to a consensus with the Council that they would meet up at a later Study Session date and have new spreadsheets for the Council to look at.

Karnowski added that Minnesota is the only state in the union that has a program for firefighters for retirement benefits, so this is a unique thing. Volunteers in other states do not have a program. Jackson said that in all of his years, this is the first time that the Fire Department has showed any degree of planning for more than 1 year in advance. Being in his position, Jackson said he knows the amount of work put into this. Whitcomb commended the Firefighters for their work. Karnowski added that in his experience, Fire Departments do not come before a Council and 'discuss' politely an increase. They sometimes force it upon the Council. All appreciated the jobs of the Relief Association Board.

There being no further business, WHITCOMB MOVED TO ADJOURN AT 5:35 PM. HALLIN SECONDED THE MOTION. ON THE VOTE: AYES - 5; NAYS - 0. THE MOTION CARRIED UNANIMOUSLY.

Respectfully Submitted, Katie Hunter, City Clerk

ATTEST:

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