

**MINUTES OF A STUDY SESSION OF THE PRINCETON CITY COUNCIL
HELD ON AUGUST 5, 2021 4:30 P.M.**

Mayor Thom Walker called the meeting to order. Council members present were Vicki Hallin, Jenny Gerold, Jules Zimmer and Jeff Reynolds. Staff present, Finance Director Tracy Peters, Public Works Director Bob Gerold, Community Development Manager Stephanie Hillesheim, Police Chief Todd Frederick, Clerk Shawna Jenkins, Wastewater Plant Manager Chris Klinghagen, and Fire Chief Ron Lawrence

PILOT Program

Background:

Per the agreement at the May 6 Study Session joint meeting with the Public Utilities Commission, a work group regarding PILOT was formed comprised of PUC Chair Greg Hanson, Councilor Zimmer, City Administrator McPherson and PPU General Manager Butcher.

Analysis:

The work group met in May and again in July. During the May meeting, staff was asked to assemble the numbers in regards to actual property taxes and the services provided by PPU. The results of that research are contained in the analysis table. Some items of note:

1. The valuation of properties and the resulting tax rate were calculated by the Mille Lacs County Assessor, Daryl Moeller. Staff felt that having a neutral third party calculate these amounts ensured that they were completed consistently with other utilities. Per Mr. Moeller, utility properties that are taxed are classified as commercial.
2. The PILOT amount noted is the amount of the CITY portion of the property taxes that would be generated. This is an important point as past discussions have focused on the amount of taxes not being paid.

During the July meeting, the research was reviewed by the work group.

Recommendation:

General Manager Butcher will be in attendance to assist with questions regarding the information in the analysis table.

The Council is asked to review and discuss the information and provide direction to staff regarding the PILOT program.

Zimmer said they started discussions in May regarding the PILOT payments. McPherson spoke to Moeller at the County and got the property values and taxes that would have been paid.

Zimmer said his first reaction when seeing these numbers is that they pretty much speak for themselves.

Butcher gave a summary of the numbers they came up with, which included the street lights, unbilled water for sewer jetting, street sweeping and fire usage, fire hydrant maintenance, utility billing costs and in-kind contributions.

J Gerold stated that this list appears to only list the PUC Expenditures, and does not include any City Expenditures, such as Fire and Police Protection, Street Maintenance, Sewer fees etc.

J Gerold questioned whether the property values were just for the land and buildings, or did it also include the equipment. She also asked if he used the old rates, or did he use today's numbers. McPherson responded that he did calculate the values using today's numbers.

For Xcel Energy, the property value includes the land, buildings and equipment. McPherson will talk with Moeller from the County to find out about the equipment.

J Gerold questioned the Street Light costs. Butcher replied that was the average over the past 3 years. In most cities, they pay for the street lights, but here the PUC covers that cost. She asked why the numbers estimated was in a large range. Butcher said they vary depending on the wattage, etc.

She asked what the PUC is paying for Sewer. Butcher said it is about \$2300 per year. He uses the same calculations as the other commercial buildings in that he uses the winter water usage calculations to determine the sewer rate.

She questioned the amount listed for utility billing. Butcher replied that it was his best guess including equipment, software, and staff. He suggested the city go out for bid if they believe it can be done cheaper, or to even get a good estimate. She questioned if the sewer could be billed quarterly to cut down on those costs.

He suggestion would be for the PUC to waive all the utility bills for the city, and in exchange the city would waive all pilot fees, police and fire, etc. If they don't bill us, the city won't bill them.

Reynolds agreed with J Gerold on her comments.

Zimmer stated that he was not aware that most cities pay for the street lights. If they were to pay property taxes, but we were required to pay the street lights, we would owe the PUC money.

J Gerold said that the city created the PUC, bought the Equipment to get them started, and then created the Commission to the Council Members were not managing the Utility.

Walker does not see any difference if the taxes need to go up, or the rates, it all effects residents the same.

J Gerold said the PUC originally paid the city 10% of their revenue. Then it was a set amount for about 100 years, which was never an issue until about 2 years ago.

J Gerold said she wants to call it all a wash. They don't pay us and we don't pay them. Zimmer suggested we just do what is being done now. McPherson responded that she believes Butcher had said at one time that the PUC cannot just not meter services, someone has to pay it.

Hallin asked if the land was given to PUC, or purchased. Walker replied that the land was likely depreciated many years ago. He does not see the point of them paying us a PILOT fee, if that would cause the rates to increase.

Reynolds stated he would like to see the true costs for people so they can make an informed choice.

Walker said it is unfortunate that we are having this conversation and that it appears we could argue over \$50,000 all day long. Hallin agreed, and said that it isn't worth the relationship with the PUC. Walker added that he believes the PUC commissioners truly care about the rate payers.

Walker commented that he wishes the budget didn't have to take a \$50,000 hit, but he wants the City and PUC to work together and see lower rates if possible.

Zimmer would like to see this discussion go away; it can always be revisited down the road. He would like to see the PUC continue to operate as they are, and the city can continue to provide their services to the residents. The city cut the PILOT out of the budget and reabsorbed that cost without needing to cut services. He does not want to continue to argue over this.

Walker stated that he does not want to continue this discussion at all. Hallin agreed.

McPherson said she can check with the assessor to see if the Equipment was included in the property values. She can also look into J Gerold's suggestion that both entities not pay for utilities.

Butcher said he is aware of one city that operates that way, but there are also not any in-kind services. Walker replied that if they are going to look into that option, he would like to see how that would affect the rates to the taxpayers.

Walker would like to let this go for now. Maybe it can be reviewed again when it's time for Board and Commission appointments. Zimmer agreed.

Reynolds said he would like to see more accurate numbers for people to see where costs are. Walker added that we could look at this numbers mid-December when appointments are made. The 2 questions are if the equipment values are included in the property values, or how non-paid utilities are absorbed.

Review of Body Worn Camera Policy

McPherson reported that Staff has been working on a draft Body Camera Policy.

Walker asked what was decided for the storage of the footage. Frederick responded that they have had lengthy conversations with the company. The problem is most of these companies want a once-a-year payment and agreement. They are trying to get a company to agree to a 6-year agreement and rate. They have verbally agreed to that as of now. This would be an offsite cloud storage option, and there is some redaction software that comes with the package.

Hallin asked What the offsite storage costs will be. Frederick replied that as of right now, it would be approximately \$2000 per year. In year 6, he may have to increase his budget slightly to cover costs. In this package deal, if the cameras are updated during that time, they will be replaced with the new cameras. It's nice with the package deal they negotiated, is that when cameras are updated, they will be replaced with the new cameras.

J Gerold questioned where the language for the proposed policy came from. Frederick said he has taken bits and pieces from various cities and Sheriff's departments, and the League of MN Cities.

Officers are excited to get these. There have been a few instances where accounts have not been accurate. Body cameras are a great tool to show transparency, and protect the officers and the public.

Hallin stated that she can see this as being an unfunded mandate soon.

Frederick has selected three officers to review the newest draft policy. Once approved, the PDF policy will be posted on the PD's website.

Hallin asked if there is a cost for data requests. Frederick replied that the state statute has maximum costs listed for copies and DVD's. He then takes the hourly fee for the lowest paid hourly rate for support staff to calculate for data gathering.

Annexation update

McPherson advised that Jenkins got a copy of the Rogers and Hassan Orderly Annexation. It spells out the various phases of annexation, the tax payments, etc. It is a fairly complicated process.

As of now, we are really in a holding pattern. Until we see a notice of intent to Incorporate by the Town Board, we can only wait. It is only when we receive that notice, can we make our case to the administrative law judge. It is still in our best interest in looking at orderly annexation.

Walker added that he met with a couple Town Board Chairs a month or so ago, and surprisingly, when he mentioned a merger, he was met with some responses that were not negative.

Rum River Residential Suites

Walker reported that around the end of last year, a TIF district was approved and since then the building supplies and labor costs have gone through the roof. They would like to begin the project, but would like to add an additional 6 years to the TIF. McPherson responded that the TIF is set up for the max of 26 years, but the Developer's Agreement is at 20 years. The Developer's Agreement will need to be amended to 26 years. They would also like to add an additional party to the Agreement. The permits have been approved and are just waiting to be picked up.

Adjournment

ZIMMER MOVED TO ADJOURN THE STUDY SESSION AT 5:58 PM. HALLIN SECONDED THE MOTION. MEETING ADJOURNED

Respectfully Submitted,

Shawna Jenkins Tadych
City Clerk

ATTEST:

Thom Walker, Mayor