

CITY OF FOLEY, MINNESOTA  
CITY COUNCIL MEETING – August 20, 2024

The Foley City Council held their Budget Workshop meeting on Aug. 20, 2024, at 5:30 p.m. at Foley City Hall.

Members Present: Councilmembers Jeff Gondeck, Deb Mathiowetz, Jack Brosh, Gary Swanson, and Brandon Voit.

Members Absent: None

Mayor Jack Brosh presided and called the meeting to order at 5:30 p.m.

The pledge of allegiance was recited.

Motion by Swanson, seconded by Gondeck, to approve the agenda.

Motion carried, unanimous.

Motion by Gondeck, seconded by Mathiowetz, to approve the consent agenda.

- Approve minutes of Aug. 6, 2024.

Motion carried, unanimous.

**Discussion on the 2025 Budget**

Sarah Brunn, City Administrator, gave an overview and clarified that the franchise fees that will be collected beginning in 2025 are dedicated to street repairs/maintenance in the CIP. They are a 100% user pass-thru fee. They are a revenue line item and certain rules must be followed on how the funds can be used. Brunn also stated that the city is facing budget challenges due to no new tax capacity. Property values are going up but there hasn't been any growth. She reminded the council it is up to them to determine the priorities. Staff can make recommendations, but only the council can decide what money should be budgeted. The increases on the water/sewer side are being recommended to fund project, like the 2025 improvements and future water treatment. Staff hears complaints from residents that water/sewer bills are going up, but it's up to the council to decide on priorities. She reminded the council that the workshop is for the council and staff to come to a consensus and the next meeting there will be an option for the public to speak before the council adopts the preliminary levy.

**City Investment Update**

Monica Shaw, Accounting Technicians and Deputy Clerk, directed the council to their packets. She explained the last few years the city had seen decreases in investment funds, but this past year had been much better as some older investments were moved to CDs that offered a higher rate of return. The first half of the year investments showed a gain of \$78,000.

## **City Debt Update**

Brunn gave an overview explaining how the city's debt had been combined to take advantage of lower interest rates. In order to pay for the new 2025 project, the city needs to levy an additional \$136,000 – starting in 2026. Brunn explained that with this debt and the wastewater project and potential future projects the city has added to its debt load considerably. Questions and discussion followed.

Voit asked in regards to the water treatment plant the council has talked about if the state would at some point require the city to treat the water. Mark Pappenfus, Directed of Public Works, said that the state may not require it.

Brunn explained that the biggest complaint staff gets from residents is the quality of the water. The water is safe to drink, but it can be cloudy/discolored at times. The water treatment plant project would address this issue. The state pressed the city more on the wastewater side. Voit asked if the water treatment project could be delayed. Brunn said it could. The city funded the wastewater project with over 50% grant. The treatment plant project is still in need of more grant funds. It takes a really long time to move a project forward. In the meantime, the city can continue to look for additional funding sources.

More questions followed with discussion turning to the city's current water supply and well capacity. Pappenfus confirmed the city has enough water. Brunn said that adding another well is a separate component from the water treatment project. If needed, the city could move forward with well #6 and do the water treatment plant later.

## **Operational Budget Overview**

Brunn directed the council to review the updated budget numbers and asked what they would like to discuss first. Swanson asked to look at capital expenditures planned for 2025. Voit asked about future CIP projects.

Brunn explained the city will need to levy for those capital dollars. If the council makes changes to the CIP, then that could adjust those numbers. The city has to levy cash to fund those capital accounts. She also stated the city is not funding enough for CIP. The cost of equipment keeps going up.

Questions and discussion followed. Voit asked if the planned water tower reconditioning in 2024 was not going to happen. Pappenfus added that the tower is past due already. It's a little difficult on storage right now.

Discussion turned to the water/sewer fund. Brunn directed the council to the memo she provided that outlines staff concerns that water/sewer revenue is below target. Revenue is down partly due to two major commercial properties closing as well as the new winter sewer rates and also due to a wet season. The numbers in front of the council showed revenue year-to-date from a few days ago. Unclear if this trend will continue (weather component), but she recommended the council not ignore it. Brunn stated the city has spent considerable cash in the sewer fund. The council needs to be mindful of the situation as the city is still using engineer estimates on what the pumping fees will be to St. Cloud.

Discussion and questions followed with Voit stating it was prudent to raise rates a little every year. Brunn agreed stating that there were decades when the city didn't raise water/sewer rates when they should have. She recommended a 5% increase in sewer rates and 10% in water rates. This would raise the minimum to \$68.41 – no change in the storm sewer fee and assuming there would be no change in the MN Test Fee from the state. Brunn also clarified that the city only pays St. Cloud for the wastewater gallons that are sent. Currently, gallons are down considerably which did lower the projected operating expenditures. Brunn stated she expected to see a 4-5% increase from St. Cloud for next year. Questions and discussion continued.

Brunn stated she didn't need the council to answer on the fee schedule right away, but staff would like to have estimates. She explained a lot of cities use rates based on needs. A conservation rate or tier approach would charge residents more based on how much water they use. Higher users would be charged higher rates. Voit asked when water/sewer rates are finalized. Brunn confirmed it would be discussed in December at a Public hearing, but staff would like to know the council's thoughts now.

Shaw reminded the council that the preliminary levy could be lowered but could not be raised after the September meeting.

Voit expressed interest in seeing projected numbers for a tiered water rate from staff. Gondeck asked if it would be for residents and commercial. Brunn confirmed it could be used for both residents and commercial properties. She also stated that the current winter lock rate would be problematic if used for businesses. Voit agreed stating the winter lock was created more for families. It might be better to lock in the average from a period of a few months rather than a single month. More discussion followed on the winter sewer rate.

Brunn asked the council if they'd like to use the collected storm sewer fees to use on a future storm sewer project such as Mariah Drive or 13<sup>th</sup> Avenue. Pappenfus said he could get estimates. Discussion followed. Brunn stated she would add to next month's agenda so the council could talk through those items with the city engineer.

Gondeck asked if there was any timeline from the federal government on when the lead pipes needed to be replaced. Pappenfus confirmed the deadline was 2044. He also shared that Sauk Rapids had received funds to help with their replacement. He also suggested the city look at replacing pipes on the north side. Discussion continued.

Brunn stated that with current numbers the levy was at 7.6%. To lower it further, the council would need to make cuts in the general fund, equipment, CIP, or a line item. Discussion turned to fire truck equipment listed in the CIP. Shaw recommended changing the CIP dates so that equipment (fire trucks #5 and #1) could be held longer to stretch out their usage before replacement and reduce the annual amount.

Questions and discussion continued. Brunn shared she didn't have any information on what other cities are projected for the levies yet. She also stated the city doesn't have any new construction as of yet. New regulations from the state are costing more money. Insurance rates are going up.

Shaw added that staff had received the worker's compensation projections and they are not nearly as bad as the past couple years.

Discussion and questions followed regarding funds for the Façade Program, microphones for the council room, phone system upgrade, and tablets for the council to replace paper council packets. The city currently spends \$2,500 annually on paper printing costs. The website also needs to be updated with new ADA compliance regulations by 2027.

Chief Katie McMillin gave an overview on the current state of the squad cars. Both the 2019 and 2021 squads are going in for maintenance. The 2019 squad does not have air conditioning. Gondeck stated the 2019 squad needs to go. McMillin agreed and said she tries to replace squads after four years of service.

Discussion turned to potential park improvements including replacing/adding new skate park equipment, walking trail improvements and maintenance, and play structures. \$16,000 is budgeted for park improvements.

Pappenfus gave an overview of the cost to redo the tennis courts. Proposal would be for tennis and pickleball courts, new tennis net and pull system, and 5-year warranty for \$53,400. Similar to the school's courts. Proposal is good for 60 days so no decision needed tonight. The tennis court was built in 1982. Proposal includes one tennis court with movable pickleball on either end. Discussion and questions followed. Voit stated the Lion's Club might be interested in donating some funds. Brunn said she would add to the September meeting's agenda. Pappenfus also gave an overview of the recommended repairs to the Scout House. Public Works would complete the work. More discussion followed. Repairs would include windows and soffit and fascia. Pappenfus said the warming house could also use some work. Council agreed \$10,000 for Scout House maintenance and \$7,500 for warming house maintenance.

Discussion continued regarding other park maintenance and improvements including play structures. Mathiowetz and Voit expressed support for replacing the oldest play structure. Gondeck suggested asking residents what they would like to replace the old play structure. Brunn recommended if not funding entirely this year we could consider splitting the cost and setting aside \$25,000 in 2025 and another in \$25,000 in 2026 for the play structure as it would reduce the general fund by \$20,000. Levy currently stands at 5.1%.

Pappenfus expressed the need for a new ditch mowing tractor. The current tractor needs to be replaced as it's become too difficult to maintain. Discussion and questions followed. He also asked for the purchase of a second mower for \$40,000. One mower can't keep up with the work. Discussion continued on other equipment for Public Works. Discussion turned to street projects. Doing maintenance in between major road repairs helps to preserve the streets. Brunn said there may be possible funding source from the service fees the state recently imposed in July. More discussion followed.

Discussion turned to the fire hall parking lot overlay, roof, and equipment. Decision made to move the roof maintenance to 2027 and purchase new bombardier to 2026. Discussion followed on other Fire Fund items. Decision to add \$25,000 to the Fire Department.

Council agreed to add \$20,000 to replenish the Façade Grant Fund. Current levy stands at 4.71%.

Brunn stated that another variable for the budget would be the upcoming negotiations with the police union. Discussion and questions followed on Local Government Aid (LGA) from the state. The city has no control over any changes the state may decide.

The COLA stands at 3.5% across the board for employees. Health insurance has estimated increases at 10% the last two years, but typically less. Discussion followed on other local contributions the city makes to Foley Area Care, the Initiative Foundation, and the Cross Center.

Decision made to delay the decision on the possible purchase of tablets for the council to reduce paper printing costs – continue discussion at September meeting.

McMillin presented her research on the possibility of purchasing an electric squad car. Discussion followed. Council agreed it was not the right time to consider. McMillin stated she preferred the new squad be a Durango – lower price, better for tax payers. She will present her official recommendation at the next meeting. Council expressed that they were pleased with the work McMillin put into her report.

Brunn presented the fee schedule recommendations from staff including water/sewer rates, and \$30 fee for Crime Free course for rental property owners. She also recommended increasing flat stipend to \$100 for Planning Commission and Economic Development Authority (EDA) members.

A special meeting was scheduled for Aug. 27 at 5:30 p.m. for the council to review/approve the RFP for development services.

Brunn asked the council to approve the insurance renewal for tort limit.

Motion by Mathiowetz, seconded by Gondeck, to approve to not waive statutory tort limits and process insurance renewal.

Motion carried, unanimous.

Motion by Gondeck, seconded by Mathiowetz, to adjourn.

Motion carried, unanimous.

Meeting adjourned 7:53 p.m.



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Sarah A. Brunn, Administrator  
(Minutes By: Sara Judson Brown, Administrative Assistant)