

**CITY OF MILACA
COUNCIL MINUTES**

June 18, 2025

Call to Order Roll Call

Mayor Dillan called the meeting of the Milaca City Council to order at 6:00 p.m.

Pledge of Allegiance

Upon roll call, the following council members were present: Mayor Dave Dillan, Councilors: Norris Johnson, Lindsee Larsen and Ken Muller. Absent: Tim Poorker.

Staff present: City Manager Tammy Pfaff, Communications Specialist Mary Mickelson, City Attorney Damien Toven, Milaca Off Sale Manager Vicki Jeys and Fire Chiefs Jesse Gerads and Chris Ehlen.

Others present: Ryan Schmidt (Schlenner Wenner), Kasner Sturm (Circle K), Jesse Hadraua, Jesse Latterell

Approval of Agenda

Mayor Dillan called for a motion to approve the agenda. Larsen made a motion for approval, seconded by Muller. With no further discussion, all in favor of the approval of the agenda; motion passes.

Approval of Consent Agenda

Mayor Dillan called for a motion to approve the Consent Agenda.

- a. Approval of Minutes-May 15, 2025
- b. Approval of Bills
- d. Resolution #25-16 Lawnmowing

Larsen made a motion for approval of Consent Agenda, seconded by Johnson. No further discussion. All in favor of the Consent Agenda; motion passes.

Citizen Open Forum

Mayor Dillan asked if anybody present wanted to address anything not on the agenda. No one came forward.

Public Hearing:

Requests and Communications

Auditors Presentation of the 2024 Audited Financial Statements: Ryan Schmidt of Schlenner Wenner & Co. was present and gave a presentation. Audit went smoothly. As part of the process, we look at the processes and procedures and the controls that are in place. There are 3 that we need to address. First is Audit Adjustments. When we get the numbers from you, we have to make a few adjustments to get them to the accrual basis of accounting and because we assist with that, we have to mention that. Next is the segregation of duties. You only have one or two people that do the accounting and because you don't have a whole team that does accounting, there is a heightened risk that only a certain few people have access to your accounting system. Finally, as a third party we do prepare your financial statements and

whenever you have someone outside the city that prepares them, there is a risk of missing disclosure or errors.

There were no compliance issues with MN Statutes.

New this year was a Federal Grant from HUD for the airport road. Because this amount was over \$700,000, we needed to perform a Federal Program Compliance Audit. Everything was clean and was recorded as it was supposed to be.

General Fund: Revenues exceeded budgeted amounts by \$189,935. Expenditures were below budgeted amounts by \$412,766. The 2024 budget was budgeted for a decrease of \$23,246 but the actual increase in the general fund was about \$349,510.

The City has a policy in place to have a minimum of 5 months or about 42% of your annual operating expenditures set aside. Your percentage was 82% last year and 85% this year so well in excess of your minimum fund policy.

Debt Service Fund: Pretty standard here. Overall, an increase of \$125,000 basically because of the transfer of other funds. You closed out a capital project fund and transferred some money.

Airport Road Project Fund: This is where that Federal Grand fund is. Over a little more than 1 million revenues and then of course the expenditures. Ended with a slight deficit of \$36,055. The Nonmajor Governmental Funds are you EDA, misc. capital projects, TIF, etc. Overall, a decrease of a little over \$250,000.

Water Enterprise Fund: Operating revenues were up about \$73,000 from the previous year and operating expenses were down about \$32,000 so you had an operating income of about \$25,000. Overall, with that nonoperating activity factored in, you had an increase of about \$64,000.

Sewer Enterprise Fund: Operating revenues were up about \$27,000. Expenses held pretty steady – down about \$7,000 so overall a loss of about \$73,000 and with the nonoperating activity factored in, the overall decrease was about \$44,000.

Liquor Enterprise Fund: Net sales were down about \$17,000 for the year and then the operating expenses were also down about \$8,700. Overall operating income of about \$149,000. There was a transfer of about \$300,000 to the General Fund and because of that, there was a decrease overall of about \$139,000.

No further comments or questions. Mayor Dillan called for a motion to accept the 2024 Financial Audit as presented. Motion by Muller, seconded by Johnson. No further discussion. All in favor of the 2024 Audit. Motion passes.

Ordinances and Resolutions

- a. **Resolution #25-17 Resolution Adopting Policies for the Delegation of Authority for Payment of Certain Claims for the City of Milaca:** Mayor Dillan called for a motion to approve. Motion by Muller, seconded by Johnson. City Manager Pfaff stated this comes from a suggestion from the auditors that the bills we pay after the council meeting need to have this policy in place. This would include health insurance, liquor bills and other bills that need to be paid before the first of the month. No further discussion. All in favor of Resolution #25-17. Motion passes.
- b. **Resolution #25-18 to Transfer Funds:** Mayor Dillan called for a motion to approve. Motion by Muller, seconded by Larsen. City Manager stated the airport fund is in a negative balance. Pfaff

explained that within this project there were water and sewer expenses and now that this project is nearing completion, we can transfer monies to the funds. No further discussion. All in favor of Resolution #25-18. Motion passes.

- c. **Ordinance #544 Solar Energy Systems-First Reading:** Mayor Dillan called for a motion to approve. Motion by Larsen, seconded by Johnson. Mayor Dillan stated this Ordinance was to get something in place. No further discussion. All in favor of Ordinance #544 First Reading. Motion passes.

Reports of Departments, Boards and Commissions

City Manager – Nothing

Police –

Parks –

Public Works – Contractor's Request for Payment No. 6 to Northern Lines Contracting in the Amount of \$418,167.14 (110th Avenue Project-Airport Road): Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Muller. Mayor Dillan asked if this comes close to closing this out and Pfaff stated that there will be a final payment yet. No further discussion. All in favor of the Contractor's Request for Payment No. 6 to Northern Lines Contracting in the Amount of \$418,167.14 (110th Avenue Project-Airport Road). Motion passes.

Liquor Store – Vicki stated they have moved their ice machine one outside and one in the entryway to create more room for displaying some bigger buys.

Fire Department – Fire Chief Jesse Gerads stated the new engine is in service. Soon they will have the sale of their fire truck – Engine 2. All the new recruits passed their classes and training. Golf tournament is July 12 and they are full for golfers but looking for donations and volunteers.

Planning and Zoning – **Resolution #25-19 Approving a Conditional Use Permit to Have a Multiple Family Dwelling in a B-1 Zoning District:** Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Muller. Jesse Latterell was present and stated the only difference is that they will be moving the balconies even with the lot lines. Mayor Dillan asked if the first level was housing and Jesse explained that there would be one unit but most would be community space. Then there are only 2 units per level – total of 5 units. Mayor Dillan asked if people would be living in them and Jesse stated they would be. Johnson stated that the main concern that came up at Planning Commission was off-street parking and that was addressed that the residents wouldn't drive. Jesse stated that part of the approval process was that it was geared toward a system living for autism that would not be able to drive. Basically putting some language in there to keep the facility like that to where it doesn't become apartments so parking won't be an issue. Mayor Dillan asked when he hopes to start this and Jesse stated he hopes to start in the fall. Mayor Dillan asked if there were some issues with water and sewer and Jesse stated yes and that he has talked with Gary and the engineer. Johnson stated the main concern was access to the alley for trucks for the food shelf but it shouldn't obstruct the alley at all. Larsen stated the only designated parking would be adjacent to the alley as there is nothing designated in front of the building. Johnson stated there was a curb cut for a driveway but that will go away when the sidewalk is done and that would be eliminated so that would increase off-street parking may be about 4 spots (on 1st Street). Larsen asked if they would be related to the apartment? Pfaff stated no. They would be public parking. Johnson stated that right now there is no designated parking where the building would go so it could turn into 4-5 spots, maybe 6.

No further discussion. All in favor of Resolution #25-19 Approving a Conditional Use Permit to Have a Multiple Family Dwelling in a B-1 Zoning District. Motion passes.

Resolution #25-20 Approving a Conditional Use Permit to Allow High Speed Diesel Fuel Tanks in a B-2 General Business District: Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Larsen. Pfaff stated that their intentions are to start this summer to late summer. Mayor Dillan asked where this canopy sits, is there additional land to the south? Pfaff stated not a lot because that turn is there and there is an easement on the very south end where the water and sewer lines went in. No further discussion. All in favor of Resolution #25-20. Motion passes.

Airport -

Committees

Budget:

EDC:

Unfinished Business

New Business

- a. Approve plans and specs for 2025 1st St Sidewalk Improvement Project: Mayor Dillan called for a motion to approve. Motion by Larsen, seconded by Johnson. Pfaff stated there will be issues with the water and sewer lines in that area. Mayor Dillan asked what the timeline was and Pfaff stated September. No further discussion. All in favor of the Plans and Specs for 2025 1st St Sidewalk Improvement Project. Motion Passes.
- b. Initiative Foundation Request: Mayor Dillan called for a motion to approve. Motion by Muller, seconded by Johnson. Mayor Dillan stated he contacted him today and stated in the fall there would be a little bit about Milaca in their IQ magazine. Larsen asked if this was for \$3,100 and Pfaff stated yes. No further discussion. All in favor of the Initiative Foundation Request. Motion passes.
- c. Lot Split for Jesse Latterell-Mid-MN Investments: Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Muller. No further discussion. All in favor of Lot Split for Jesse Latterell. Motion passes.

Miscellaneous

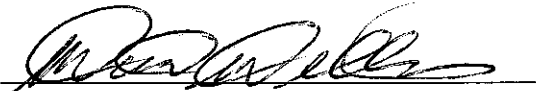
Council Comments

Johnson mentioned that he had the opportunity to look at some rental properties to a town to the west and Sounds like there are a lot of infrastructure costs that would be passed on to the owners and I was thinking we don't do that. The property that I was looking at had a street assessment improvement of \$100,000. I was able to say we don't do that in Milaca. Their water and sewer rates are astronomical too. They also said in summer time if they water their lawns, they get soaked for both water and sewer and I said we don't do that in Milaca. Jesse Gerads stated yes you do. Johnson stated you pay for the water but not the sewer. Pfaff stated we do charge for whatever goes through the meter and the sewer gets the same. Mayor Dillan stated you used to put down June, July and August. Pfaff stated we haven't done that for quite a few years. Johnson stated he remembers passing a cap on sewer usage. Pfaff stated we'd go broke in the sewer fund if we continued to do that.

Mayor Dillan commented that they have started on the apartments on Hwy. 23. Also want to mention the Kiddie Parade on Monday, parade on Tuesday, and Music in the Park on Thursday and Abbie Lingle has an open house. And Big Rigs out at Milaca Meats and Legion on Sunday.

Adjourn:

Mayor Dillan called for a motion to adjourn. Motion made by Johnson, seconded by Muller to adjourn. No further discussion. All in favor, motion to adjourn passes. Meeting adjourned at 6:39 p.m.


Mayor Dave Dillan

Attest:


Tammy Pfaff, City Manager