MINUTES
CITY COUNCIL MEETING

APRIL 28, 2025

Mayor Shawn Reinke called the meeting to order at 6:00 p.m. Council members present were Paul Thielen, Neil Herzberg, Megan Brick, and Donna Potter. Others present were Tariq Al-Rifai, City Administrator; Kristin Leither, Social Media Specialist; Dan Gens, Public Works Director; Chuck DeWolf, Bolton & Menk, Inc; Bill Ludwig, Liquor Store Manager; Belinda Ludwig, Treasurer; Jennifer Welling, City Clerk; Ryan Schmidt, Schlenner Wenner & Co.; Reed Ringstad, and Dawn Knoll.

The Pledge of Allegiance was recited.

Council members gave verbal activity reports.

Gens reported the following:

- Spring Clean-Up event went well
- They're collecting bids to repair the roofs of City Hall, the public restrooms, and the water plant
- Working on repairing irrigators
- Will be turning on the water at the parks soon
- They have hydrant painting and crack sealing lined up
- They are discussing with a contractor to see what it would take to heat the cold storage building so they can store a snow plow there in the future
- Working on getting AMPI access from DNR to keep moving forward with their project

Reinke noted that one of the Public Works Department staff called him to say they have been very happy working with Gens.

Al-Rifai mentioned the following:

- Participated in the Spring Clean-Up event with Gens and Reinke
- Attended the Liquor Board, Park & Tree Board, Safety Board, Downtown Committee, and Trail Board meetings
- Conducted interviews for the Part-Time Seasonal Maintenance Worker positions
- Visited Alexandria Technical College with Wegner and Haakonson to try and attract applicants for the open Police Officer position

PUBLIC OPEN FORUM

No one was in attendance to address the Council.

CONSENT AGENDA

Motion to approve the following meeting minutes: January 15, 2025 Joint Planning Board, November 14, 2024 Ad Hoc Library Board, March 10, 2025 Public Works Board, February 26, 2025 Ad Hoc Library Board, March 19, 2025 Ad Hoc Downtown Street Improvement

Committee, January 17, 2025 Safety Board, February 20, 2025 Trail Board, and March 10, 2025 Ad Hoc Downtown Street Improvement Committee.

Motion to approve the following vouchers:

4/17/2025	Payroll Direct Deposit		$ 76,068.15
4/17/2025	Payroll Taxes	109520-109523	$ 6,423.47
4/17/2025	Payroll - Fed		$ 20,044.02
4/17/2025	Payroll - State		$ 3,048.23
4/17/2025	Payroll - TASC		$ 218.44
4/17/2025	Payroll - PERA		$ 10,862.40
4/17/2025	Payroll - Health Equity		$ 2,917.27
4/17/2025	Payroll - Health Partners		$ 8,316.87
4/17/2025	Payroll - AFLAC		$ 232.31
4/17/2025	Payroll - Met Life Dental		$ 261.91
4/17/2025	Payroll - Lincoln		$ 1,483.20
4/22/2025	Vouchers Spec Run	109524	$ 51,652.76
4/28/2025	Vouchers	109525-109578	$ 217,322.55
		Total	$ 398,851.58

Motion was made by Herzberg to approve the Consent Agenda. Seconded by Potter and unanimously carried.

2024 AUDIT

Schmidt presented the 2024 Audit and reported on the following:

- Audit process – expressing an unmodified (clean) opinion (best opinion the City can get)
- Required communications – nothing unusual noted in terms of recorded transactions or accounting policies/treatments, net pension liability/balances, net OPEB liability/balances, positive working relationship with City management and staff, no issues with the audit
- Internal controls over financial reporting:
    - Audit adjustments
    - Lack of segregation of duties – very common for a City of this size
    - Auditors prepare financial statements
- Minnesota legal compliance with state statutes finding:
    - There were no findings for year 2024
- Financial highlights:
    - General fund – revenue and expenses
        - Revenues and Expenses exceeded budget amount
        - Actual increase in fund balance was about $248,000 for the year
    - City's General Fund Revenue balance goal – 55-60% of expenses in reserves
        - City's history of reserves:
            - 2020 71.3%
            - 2021 73.0%
            - 2022 72.9%
            - 2023 65.9%

    - 2024 73.3%
- Cash trends
- Water revenues and expenses
- Sewer revenues and expenses
- Liquor revenues and expenses
- Assets
- Liabilities
- Long-term outstanding debt

Reinke asked if the couple hundred thousand dollars the City lent the parks program was accounted for. Schmidt said that was a short term borrowing so it wouldn't show up as a revenue or expense, that would be a balance sheet item only. Reinke also asked if all the ARPA funds have been spent. Belinda Ludwig replied they had to spend it all by December 31, 2024, but they have to report on it for the next three years. Reinke mentioned that some audits have uncovered things missed in the past and asked if there was anything like that this year. Schmidt said no, there was nothing like that this year.

Motion was made by Thielen to approve the 2024 Audit. Seconded by Brick and unanimously carried.

TRAIL – GLACIAL LAKES TRAIL EXTENSION – BID RESULTS/AWARDING BID

DeWolf presented the letter from Bolton & Menk, Inc. 10 bids were received; however, only 4 bidders included the railroad extension as indicated in the bid specifications. The low bid was received by Land Pride Construction, of Paynesville in the amount of $515,478.60.

DeWolf explained, once Council awards the bid, he will be asking the Council to approve the paperwork for the Active Transportation Grant in the amount $500,000.00 for this project at the next meeting. CP Rail also expects the railroad extension to come in significantly under what they budgeted and hopefully the whole project will be covered by the grant.

Reinke asked if there were any uncertainties with the grant in light of the budget difficulties at the state capitol. DeWolf said it should be a sure thing but they will hold off on executing the contract until the grant agreement is signed by MnDOT.

Motion was made by Herzberg to award the bid to Land Pride Construction in the amount of $515,478.60 for the Glacial Lakes Trail Extension; contingent on receiving the Active Transportation Grant in the amount of $500,000.00. Seconded by Brick and unanimously carried.

LIQUOR STORE – BID RESULTS/AWARDING BID & QUOTES AND DISCUSS BOND

DeWolf presented the letter from Bolton & Menk, Inc. 12 bids were received for the construction of the new liquor store with the low bid from Project One Construction, Inc. of Kimball, MN in the amount of $1,064,530.00.

Bill Ludwig explained they researched pricing on shelving, counters, coolers, security systems, signs, and with a 10% incidental they are asking for a bond of 1.6 million. The bids for the previously mentioned items are for everything on their wish list, so there are opportunities to

lower those costs like reusing some of their current equipment. The store will be paid for from Liquor Store profits. They just don't have the space right now to keep up with increasing expenses. Thielen added that there is a grant available to help pay for the security system.

Al-Rifai presented the bonding options given to them by the City's financial advisor at Northland Securities. The first option is to take out a revenue bond based on the revenue of the Liquor Store. The second option is to go through EDAP and offer a lease bond. The numbers for both options are the same and the Liquor Store will own their own building, it's just a matter of how the Council wants to handle the financials. They have gone through the numbers and bonding is possible and sustainable at this time. Al-Rifai noted for a 1.6 million bond, payments would be roughly $10,000 per month. Bill Ludwig said they add $13,000 to their CIP fund every year as well as $40,000 that is transferred to the City's general fund.

Revenue is projected to increase 20% with a new store, according to experts Bill Ludwig spoke to. The new location is more visible and with the right signage, they'll attract more customers from the highway as well. There is no more room for growth with the current store. A new store and location would allow for growth and to keep up with increasing demands for new and trendy products.

Herzberg asked if the quotes include the parking lot and landscaping. Bill Ludwig said they include everything. They may need to draw on their building fund next year, but this year they won't need to. According to the numbers, their revenue should exceed their payments by 2027.

Bill Ludwig said they will be able to spread out more in the new building, which will make it easier to get around on the retail floor and in the back room. They'll have more product readily available for customers and they'll be able to declutter the backroom and make that safer for staff. Currently, someone is in the backroom moving product every day to make room for the next shipment. With the new store, vendors will be able to bring product directly to the cooler and staff will spend less time restocking and rearranging products, which will cut down on staff time. Brick noted it would be nice to have more space for THC products since that's a big seller. Bill Ludwig said that THC sales are only going to increase. The new property will also give them room to grow, including potentially adding a dispensary.

Reinke said he's a little worried about the City not receiving that $40,000 for two years. But looking at their recent audit and how their revenue exceed their budgeted amount, plus the new housing going up, he feels that they are ready to move forward. Brick thinks the current store has reached the point where it's making as much money as it's going to. Bill Ludwig said sales have doubled since he started working and they can grow even more.

Bill Ludwig noted the highway will only get busier. Plus, that property hasn't sold in 10 years and building the liquor store there may attract other business to that area. Reinke asked what the timeline would be. Bill Ludwig noted their current lease is up on December 31, 2025. DeWolf added the substantial completion date would be November 1, 2025.

Herzberg asked if taking a bond out for this project would affect their ability to get bonding or funding for other projects, like the new library, new public safety building, and/or snow plowing trucks. Al-Rifai said it wouldn't as this project is completely funded by the Liquor Store, not the City. The City is in a good credit position. Belinda Ludwig noted that the City's debt will drop

drastically in 2027. Thielen added that this won't affect property taxes since the Liquor Store is funding it.

Bill Ludwig reiterated that the Liquor Store is an asset to the community. They have helped fund many City projects and hosted a number of fundraisers. They have a growing business in which those opportunities can also grow.

> **Motion was made by Thielen to award the bid to Project One Construction, Inc. for the construction of the Liquor Store in the amount of $1,064,530.00. Seconded by Brick and passed 4:0 (Reinke, yes; Thielen, yes; Brick, yes; Herzberg, yes; and Potter, abstained).**

DeWolf noted the cooler is over the bidding threshold and suggested clarifying with the auditor if they can award that as a quote instead of a bid. Bill Ludwig said he's still looking to lower the quotes, and with lower quotes or bids they can lower the bond amount. Reinke suggested approving a total budget for bonding instead of the individual quotes, that would approve the bidding process for any items that need to go that route.

> **Motion was made by Thielen to approve the Engagement Letter between the City of Paynesville and Northland Securities regarding a bond for the liquor store project with a bond in the amount of $1,600,707.00 which would encapsulate the total project budget not to exceed the bonded amount. Seconded by Herzberg and passed 4:0 (Reinke, yes; Thielen, yes; Brick, yes; Herzberg, yes; and Potter, abstained).**

INFORMATIONAL

Mayor Reinke reviewed the May & June Meeting Schedules.

Reinke added that they have applied for federal support money from Senator Tina Smith for the new Fire Hall. They did receive letters of support from Speaker Demuth and Senator Howe for receiving federal aid for the project.

There being no further business, Mayor Reinke adjourned the meeting at 6:53 p.m.

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Tariq Al-Rifai, City Administrator