MINUTES
CITY COUNCIL MEETING

DECEMBER 8, 2025

Mayor Shawn Reinke called the meeting to order at 6:00 p.m. Council members present were Neil Herzberg, Paul Thielen, Donna Potter, and Megan Brick. 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, City Treasurer; Joe Kraemer, Cynthia Spear, and Brad Spear.

The Pledge of Allegiance was recited.

Council members gave verbal activity reports.

Gens reported the following:

- The department has already plowed three times and will be plowing again Wednesday morning
- Plowing has been going well so far; they only have so many people available and don't have the manpower to plow everyday
- The alleys need to be packed down more before they can go over them with the plow, if they're not packed down the plow tears up the alley too much, they will likely be packed down enough the next time it snows

Ludwig reported the following:

- Things have been going well at the new store
- Sales are up 16% since opening on November 20th
- Some work still needs to be done; they are still working on price tags, waiting for soffits, and the post is in for the sign, but they ran into a bit of trouble getting electricity to it
- The Paynesville Liquor sign has been installed on the building
- The bigger parking lot means more snow to remove, they ordered a snowblower for the sidewalks

Al-Rifai mentioned the following:

- He attended the Public Works Board meeting earlier today
- A retirement reception was held at City Hall for Dave Schwandt last week

PUBLIC OPEN FORUM

No one was in attendance to address the Council.

CONSENT AGENDA

Motion to approve the following meeting minutes: November 10, 2025 Regular City Council and October 6, 2025 Special City Council Working Session.

Motion to approve the following vouchers:

11/27/2025	Payroll Direct Deposit		$ 45,344.17

11/27/2025	Payroll Taxes	110563-110566	$	5,352.61
11/27/2025	Payroll - Fed		$	13,628.05
11/27/2025	Payroll - State		$	2,654.48
11/27/2025	Payroll - TASC		$	229.41
11/27/2025	Payroll - PERA		$	12,250.80
11/27/2025	Payroll - Health Equity		$	3,804.94
11/27/2025	Payroll - Health Partners		$	10,121.41
11/27/2025	Payroll - AFLAC		$	219.13
11/27/2025	Payroll - Met Life Dental		$	296.64
11/27/2025	Payroll - Lincoln		$	1,367.81
12/8/2025	Vouchers	110567-110626	$	353,826.91
		Total	$	449,096.36

Motion to approve the gambling permit for the Koronis Ducks Unlimited to hold a raffle event at the American Legion, 770 Diekmann Drive, Paynesville, MN on January 17, 2026.

Motion to approve the 2026 Brew Pub Off-Sale Licenses for Koronis Brewing Company LLC.

Motion to accept the donation of $250.00 from Tractor Supply.

Motion to approve 2025 On-Sale Liquor & Sunday Liquor License for Queen Bee's Bar & Grill Inc, Paynesville American Legion Post #271, and Koronis Brewing Company LLC.

Motion to approve the 2026 Tobacco Licenses for:
Casey's Retail Company (stores 1652 and 3387)
Depot No. V, LLC (Teal's Market-Paynesville)
Paynesville Farmers Union Coop Oil Company (Cenex-Paynesville)
City of Paynesville (Paynesville Municipal Off-Sale Liquor)
Kwik Trip Inc. (Kwik Trip #598).
DG Retail, LLC, (Dollar General Store #15509)

Motion was made by Brick to approve the Consent Agenda. Seconded by Thielen and unanimously carried.

HIRING PROCESS

Council reviewed the Hiring Procedures that were approved by the Policies & Procedures Board on November 12, 2025. Reinke explained that the Policies & Procedures Board has sat in on interviews for all full-time positions, which makes scheduling interviews difficult. The new procedure would be that the Policies & Procedures Board would only be involved in interviews for Department Head positions or the City Administrator. The City Administrator, a member of Human Resources Department, Department Head, and a member of the department would make up the interview team and make recommendations to Council for all other full-time positions.

Motion was made by Brick to approve the Hiring Procedures. Seconded by Herzberg and unanimously carried.

LIQUOR STORE SURPLUS PROPERTY

Bill Ludwig reported that following the completion of the liquor store relocation and the opening of the new store, the following items are no longer needed:

- Lozier and Madix retail shelving
- Wooden shelves – from the old store's back storage room
- Beer Cooler shell, no cooling unit
- Liquor Store signs (2)
- Tall 4 drawer file cabinet
- Traveller display shelf
- Stella Rosa display shelf
- Brady's display shelf
- Bowl display shelf
- Black metal display shelf
- Wood & wire display shelf
- Red Fireball display shelf
- Floor safe

Bill Ludwig noted another liquor store has already shown interest in the shelving.

Motion was made by Brick to deem the following equipment as surplus and advertise the equipment on the City's website additional public notification on the City's Facebook page:

- **Lozier and Madix retail shelving**
- **Wooden shelves – from the old store's back storage room**
- **Beer Cooler shell, no cooling unit**
- **Liquor Store signs (2)**
- **Tall 4 drawer file cabinet**
- **Traveller display shelf**
- **Stella Rosa display shelf**
- **Brady's display shelf**
- **Bowl display shelf**
- **Black metal display shelf**
- **Wood & wire display shelf**
- **Red Fireball display shelf**
- **Floor safe**

Seconded by Thielen.

Herzberg confirmed these items will be sold through sealed bids. Bill Ludwig added that the Public Works department has started disassembling some of the shelves.

Motion was unanimously carried.

CANNABINOID/CANNABIS LICENSE FEE CHANGE

Al-Rifai presented the cannabinoid and cannabis license fee change. Moving forward the state has changed the limits to charge for fees. The City can only charge $125 (half of the $250

initial registration from the state) for the cannabinoid license fee instead of our current $500 fee.

Also, the City received a call from someone interested in potentially starting a cannabis retail business in town. With that in mind a cannabis retail license fee needs to be set as well. The state's initial fee for cannabis retail is $2,500, but the City can only charge $500.

Herzberg asked why the state charge was so low. Al-Rifai figures they don't want to over fee the industry. Bill Ludwig noted there are more state charges to retailers than just the $250 initial registration fee. Herzberg confirmed that only the cannabinoid license fee is being lowered, the City is just setting the cannabis retail license fee.

Motion was made by Brick to approve Resolution 2025-39 Amending License & Fee Schedule. Seconded by Thielen and unanimously carried.

2026 CANNABINOID LICENSES

The City has received the 2026 cannabinoid license applications from the following businesses at $125.00 each:

City of Paynesville, DBA Paynesville Municipal Off-Sale Liquor
Kwik Trip #598

Motion was made by Brick to approve the 2026 Cannabinoid Licenses for City of Paynesville, DBA Paynesville Municipal Off-Sale Liquor and Kwik Trip #598. Seconded by Potter and unanimously carried.

HIGHWAY 55 BRIDGE RECONSTRUCTION PROJECT REGARDING TRAIL & LIGHTING – MNDOT COOPERATIVE CONSTRUCTION AGREEMENT & RESOLUTION

DeWolf presented the MnDOT Cooperative Agreement 1060658 and Resolution 2025-33 for the Highway 55 bridge reconstruction project scheduled for 2026 regarding the trail and lighting. Anytime MnDOT does a project in the city limits that involves City funds, they need a cooperative agreement. Along with reconstruction of the bridge this project also includes construction of the new trail and street lighting around the bridge. In the agreement, the City is responsible for 100% of the cost to remove the old lights and 75% of the cost for the new lights for this project, which is estimated to cost $31,701.51. Once MnDOT accepts a bid they will invoice the City upfront for their portion, if there are any differences they will be reconciled at the end of the project. Also included in the agreement, the City would be responsible for the lights moving forward and the routine maintenance of the trail along the bridge.

Herzberg asked if this was included in the 2026 budget. Belinda Ludwig said this should come from the Trail fund. Al-Rifai said they aligned the trail update to coincide with the bridge reconstruction, so they are not paying anything for the trail construction itself. Gens clarified that this was not specifically budgeted for though. DeWolf noted MnDOT is including two decorative lights for the trail at no cost.

Motion was made by Herzberg to approve the MnDOT Cooperative Agreement 1060658 and Resolution 2025-33 for the 2026 Highway 55 Bridge Reconstruction Project. Seconded by Brick and unanimously carried.

INFORMATIONAL

Mayor Reinke reviewed the following: Paynesville Township Variance Public Hearing Notice, Paynesville Township Conditional Use Public Hearing Notice, and Lodging Tax Advisory Committee Meeting Minutes.

Reinke recessed the Regular City Council meeting at 6:20 p.m. to wait for the scheduled public hearing.

Reinke reconvened the Regular City Council meeting at 6:30 p.m. and opened the Truth In Taxation Public Hearing.

TRUTH IN TAXATION PUBLIC HEARING

Belinda Ludwig gave a presentation outlining the following:

- 2026 Levy totaling $1,577,729
- Salary and Benefits
- General Fund Expenditures
- General Fund Revenues
- Local Government Aid and Un-allotments
- EDAP

Gens reviewed the following:

- Water Fund & Water Expenditures
- Flat/Base rate for users increased to $24.50
- Flat/Base rate for multi-unit and commercial users increased to $18.38
- Bulk water rate received a $0.05 increase
- Sewer Fund & Sewer Expenditures
- Flat/Base rate for users increased to $26.50
- Flat/Base rate for multi-unit and commercial users decreased to $19.88 due to a previous miscalculation
- Bulk sewer rate received at $0.06 increase

Bill Ludwig highlighted the following:

- Liquor Fund Expenditures
- Liquor Fund Revenues

Joe Kraemer noted his property taxes went up 23.8%, the value of his home went up $28,000 while the homestead exclusion went down about $3,000. He's wondering if most of the homes in the City had a similar increase in value. Reinke said he can't speak for the City as whole, but his home value also went up by $50,000, which was the bulk of the tax increase.

Belinda Ludwig said with the proposed budget, taxes would increase about $19 on a $200,000 home for the City's portion of the property taxes. Reinke said the City did what they could to minimize the impact on residents, most of the City's increase is due to salaries which they have no choice, but to increase. A lot of the tax increase that residents see is due to the increase in property values. Belinda Ludwig noted the majority share of the increase tends to hit the industrial businesses more than basic homes. Business has been growing in

Paynesville and as it continues to do so homeowners will see less of an impact on their taxes. Kraemer said his lot is zoned commercial so that affects his taxes.

Reinke asked Belinda Ludwig to review the new state mandates and how that affects the City's budget. Belinda Ludwig said one of the mandates is Earned Sick and Safe Time. This doesn't change much for full-time employees, but part-time employees now get some paid leave, which the City needs to pay for. Another mandate is MN Paid Leave, which starts this January. It guarantees the employee's position if they take extended medical or family leave and allows them to be paid a partial wage during that time. Both the employee and the employer pay a portion for this. Estimated costs to the City are about $2,000 for Earned Sick and Safe Time and about $8,500 for MN Paid Leave.

There being no further comments or questions, Reinke closed the Public Hearing at 6:50 p.m. and re-opened the Regular City Council meeting.

2026 WATER & SEWER RATES

Council reviewed Resolution 2025-36 Regarding Chapter 34 setting water and sewer rates. Herzberg asked how the City charges for flooding skating rinks and filling swimming pools. Belinda Ludwig said if the Fire Department does it, they collect a donation for their Fire Relief Association. The Resolution outlines the cost if someone rents a meter to connect to a fire hydrant for construction work or to fill their pool or skating rink.

Motion was made by Herzberg to approve Resolution 2025-36 Regarding Chapter 34 setting water and sewer rates. Seconded by Brick and unanimously carried.

2026 BUDGET

Council reviewed the Truth In Taxation public hearing presentation, proposed 2026 Budget, and Resolution 2025-37 Adopting the 2026 City Budget. They discussed the donations to:

- Paynesville Historical Society
- Green Roof Area Center
- Paynesville Area Community Education
- Koronis Lake Association

Herzberg recommended increasing the donations to the Paynesville Historical Society, Green Roof Area Center, and Paynesville Area Community Education by $500 each for 2026 like they promised and giving the Koronis Lake Association their budgeted $1,500.

Motion was made by Herzberg to approve the following donations in 2026: $6,000 to the Paynesville Historical Society, $5,500 to the Green Roof Area Center, $6,750 to Paynesville Area Community Education, and $1,500 for fireworks to the Koronis Lake Association, with the increased money to come from the General Fund Reserves. Seconded by Thielen and unanimously carried.

Reinke pointed out that they lowered the EDAP transfer last year to help with the budget and is wondering if they can do the same thing this year. Part of the reason for the increase in the levy is due to the loss of the usual $40,000 transfer from the Liquor Store to the general fund.

He's wondering if it makes sense to lower the EDAP fund transfer by $40,000 to help lower the levy this year. Al-Rifai noted the EDAP fund is healthy, but he doesn't want to make a precedent of taking from the EDAP fund every year. Reinke said the EDAP fund is mainly used to pay for salaries and not much else in the past few years.

Herzberg thought the Liquor Store's transfer went towards sidewalks. Belinda Ludwig said it used to but now it just goes into the general fund. Brick said she was not opposed to lowering the EDAP fund transfer by $40,000 this year. Thielen asked what the downside would be to lowering the EDAP transfer. Reinke said they would have to increase the 2027 budget $40,000 to get back to covering the full transfer. Thielen summarized the end result would be the same either way. Reinke noted there's not a lot the City can do to keep taxes down, but this is one thing they could do.

Thielen said he would prefer to leave it as is, lowering the EDAP transfer is just moving money from one area to another. They knew they wouldn't get the usual transfer from the Liquor Store when they decided to build a new store. Belinda Ludwig noted they are making a good amount of interest on some EDAP loans that get paid to the revolving loan fund, it's not the same fund as the EDAP fund, but they go hand in hand. Herzberg said he is fine leaving it the way it is in the current proposed budget. It's an increase, but they've had worse increases before. Reinke did thank the department heads who spent a lot of time figuring out how to keep the budget down.

Motion was made by Herzberg to approve Resolution 2025-37 Adopting the 2026 City Budget. Seconded by Brick and carried 4:1 (Potter, yes; Herzberg, yes; Reinke, no; Brick, yes; Thielen, yes).

2026 TAX LEVY

Council reviewed Resolution 2025-38 Adopting Final 2026 Tax Levy Collectible in 2026.

Motion was made by Herzberg to approve Resolution 2025-38 Adopting Final 2026 Tax Levy Collectible in 2026. Seconded by Thielen and unanimously carried.

PUBLIC WORKS DIRECTOR/AIRPORT MANAGER EMPLOYMENT CONTRACT

Public Works Director/Airport Manager, Dan Gens was hired on December 12, 2024, his employment contract was approved on January 13, 2025 and he started on January 21, 2025 with a one year probation period. Council reviewed the proposed 1-year contract for Public Works Director/Airport Manager Dan Gens from January 1, 2026 – December 31, 2026.

Motion was made by Brick to meet in closed session as permitted by MN State Statute Section 13.D.05, Subdivision 3a. to discuss the Public Works Director's Performance Evaluation. Seconded by Herzberg and unanimously carried.

Mayor Reinke recessed the Regular City Council meeting at 7:07 p.m. to go into Closed Session to discuss the Public Works Director's Performance Evaluation.

Mayor Reinke closed the Closed Session at 7:41 p.m. and re-opened the Regular City Council meeting.

Reinke said Gens stepped into some entrenched shoes in this department and there are some growing pains. Council had some concerns, but Gens has shown a willingness to address those.

Motion was made by Thielen to approve the 1-year contract for Public Works Director/Airport Manager Dan Gens from January 1, 2026 – December 31, 2026. Seconded by Brick.

Reinke said this contract is a renewal of the old contract just without the probation period. His preference would be to sign a six-month contract and then reevaluate after the six months to sign a one-year contract. Herzberg asked if Reinke's suggestion would extend the probation period. Reinke said that would be up to Council.

Thielen said he would like to stick with his motion. Gens already served his one-year probation period and some issues have already been addressed, other issues can still be addressed outside of the probation period during the year or at the end of the one-year contract. Al-Rifai said they wouldn't extend probation, it's a matter of whether they want to extend the contract for another year or a different time span. Thielen said the Council will be the same when they discuss the new contract again, they'll have a better indication of where the City is headed. Herzberg noted that any further issues can be put in the employee file. Thielen also noted that if the need arises, he thinks they won't have much trouble hiring someone else.

Motion was unanimously carried.

CITY ADMINISTRATOR'S ANNUAL PERFORMANCE APPRAISAL

Motion was made Brick to meet in closed session as permitted by MN State Statute Section 13.D.05, Subdivision 3a. to discuss the City Administrator's Annual Performance Appraisal. Seconded by Potter and unanimously carried.

Mayor Reinke recessed the Regular City Council meeting at 7:49 p.m. to go into Closed Session to discuss the City Administrator's Annual Performance Appraisal.

Mayor Reinke closed the Closed Session at 7:55 p.m. and re-opened the Regular City Council meeting.

Reinke said that Al-Rifai is meeting and exceeding expectations.

There being no further business, Mayor Reinke adjourned the meeting at 7:55 p.m.

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Tariq Al-Rifai, City Administrator