

**MINUTES OF THE REGULAR MEETING
OF THE ZIMMERMAN CITY COUNCIL
MONDAY, MAY 20, 2013**

CALL TO ORDER

The regular meeting of the Zimmerman City Council was called to order at 7:00 p.m. at City Hall by Mayor Earenfight, followed by the Pledge of Allegiance.

ROLL CALL

Present: Mayor Earenfight, Council Members Brisbin, Clough, Laney and Mathison. Also present were Clerk/Treasurer Tillmann, Public Works Director Horvath, and Engineer Bittner.

AGENDA APPROVAL

The agenda was approved by unanimous consensus with the following addition:

- **Parade Permit Application from Zimmerman High School Seniors**

APPROVAL OF MINUTES

Laney/Clough unanimous to approve the minutes of the May 6, 2013 Regular Meeting as presented.

CONSENT AGENDA

Mathison/Clough unanimous to approve the consent agenda with the exception of item e. Temporary Liquor License Application – Christ Our Light Catholic Church, and the addition of item g. Parade Permit Application, as follows:

- a. Approve the payment of claims (check #35140 - #35171 in the amount of \$19,060.64 and electronic payments (e-check #895 - #898) in the amount of \$29,692.42 as presented.
- b. Accept Invoice #155990 authorizing payment to Bolton & Menk in the amount of \$5,302.50 (ck #35172) for Project Management Services related to the TH 169 Water Main Crossing, for the month of March, 2013, as recommended by staff.
- c. Accept Invoice #155991 authorizing payment to Bolton & Menk in the amount of \$27,753.00 (ck #35172) for Project Management Services related to the 2013 Street Improvement Project, for the months of February and March, 2013, as recommended by staff
- d. Approve an event permit application for a 5K Run/Walk Fundraiser to be held on Sunday, June 23, 2013, as requested by Kara Hepp and the Isanti 3-Day Team, 611 - 4th Avenue South, Cambridge, MN, with staging at Fitness Evolution, and approve the closing of certain roads identified on the map provided in cooperation City Public Works and the Sherburne County Sheriff's Department, for the duration of the event.
- f. Approve liquor license renewals for the following establishments, for the period of July 1, 2013 – June 30, 2014, pending receipt and acceptance of all application materials, as recommended by staff:
 - Zimmerman Bar & Grill/Angeno's Pizza, Pasta and Bar (On-Sale) – 13100 Fremont Avenue
 - The Whistling Pickle – 12606 Fremont Avenue (On-Sale)
 - Frontier Liquor (Off Sale) – 26207 Fremont Drive
 - Kriesel-Jacobsen American Legion Post 560 (Club On-Sale) – 12674 Fremont Avenue
 - Papa's Italian (Wine On-Sale) – 26140 – 3rd Street East
 - P & A Liquor (Off Sale) – 26025 – 3rd Street East
 - SuperAmerica #4535 (3.2 Off Sale) – 26075 – 3rd Street East
 - Uptown Off-Sale (Off Sale) – 25965 Main Street
- g. Approve a permit application for a parade be held on Friday, May 31, 2013, from 7:00 – 7:30 a.m. and 2:10 – 2:40 p.m. as requested by Nikki O'Keefe and Gabbie Mitchell on behalf of the Zimmerman High School Class of 2013, with staging at Zimmerman Evangelical Free Church, on roads designated on the map provided, with the condition that parade vehicles will only be on designated map route during the times identified on the permit application, and in cooperation with the Sherburne County Sheriff's Department.

Brisbin/Clough to unanimous to approve consent agenda item e. Temporary Liquor License Application – Christ Our Light Catholic Church, as follows:

- e. Adopt **RESOLUTION #13-05-01**, approving a Temporary On-Sale Liquor License for Christ Our Light Catholic Parish for an event to be held July 14, 2013, in the parking lot on the property located at 25909 - 4th Street West, Zimmerman.

Roll call: Brisbin, aye; Clough, aye; Earenfight, aye; Laney, aye; Mathison, abstained; Motion carried.

OPEN FORUM

Renita Tverstol, 7541 Zinnia Way, Maple Grove, was present on behalf of The Whistling Pickle, 12606 Fremont Avenue, to request financial assistance prior to the opening of the bar/restaurant. Tverstol stated that two prior requests for financial assistance have been denied by the Council. The owners are set to open this coming weekend in time for Wild West Days and would like assistance to complete two items prior to their opening Outdoor Festival. They would like assistance removing the rock in front of the building along Fremont Avenue and the installation of two light poles for their front patio area.

Council advised Tverstol that the rock was put in place because there were water issues due to run off from the roof. At one time, the front of the building was all concrete slabs. The rock was put in place when water running off from the roof leaked into the basement of the facility. The rock acts as a buffer to absorb water running onto the ground and prevent it from running into the street. In regard to the light poles, Public Works Director Horvath stated that the lights currently lining Fremont Avenue are rented from Connexus Energy. The City does not own them, nor do we have any extras. There are currently three lights in front of the building. The City has extra Traditionaire style lights that used to line Fremont Avenue, however those are inefficient and expensive to repair.

Council will consider formal action on the request to install two (2) Traditionaire lights at the June 3, 2013 Council meeting, provided The Whistling Pickle provides a plan of what the front “patio” area along Fremont Avenue will look like upon completion. Mayor Earenfight also suggested the business owners contact the Initiative Foundation if they are looking for financial assistance, as the City cannot provide assistance, as stated after the two previous requests.

2012 AUDIT PRESENTATION

Matthew Vos, Audit Manager, Abdo, Eick, and Meyers (AEM), LLP, presented the 2012 City Audit report. Vos referenced the management letter dated May 9, 2013, advising that their job as the City’s audit firm is to give an opinion on the financial statements. According to their testing, the numbers presented are correct and consistent and they are giving an unqualified and clean opinion on the state of the City’s finances. Council was reminded of the importance of their involvement and participation in all areas of finance.

Vos reviewed the Management Letter with the City Council. There are two comments related to internal controls in the 2012 audit, regarding drafting of the financial statements and compliance with MN Statute 118.04 relating to city investments. Comments relating to the preparation of the financial statements are hard to eliminate due to the technical nature of auditing standards under GASB principles. There are good compensating controls in place to help reduce the finding to a significant deficiency. Relating to the investment, the bond rating of one of the City’s investments has fallen below the rating considered acceptable. However, the investment is earning interest at a rate significantly higher than what is currently offered in the market. In 2009, Managing Partner Steve McDonald recommended holding the investment and accepting the finding and limited risk associated with it since the investment is unlikely to default. The investment in question is earning a 7% return, with the average rate of return on a 12-month investment being 1%. The investment matured on January 1, 2013 and is no longer in the City’s investment portfolio.

The comment relating to segregation of duties in Utility Billing has been in the management letter for a number of years. This is a hard comment to eliminate because of the small size of the City's Finance Office and the City has one person fulfilling the utility billing function from start to finish. Staff continues to monitor and review the operation with the controls that are currently in place. Additionally, staff and the auditor have created, and staff has begun using, a checklist for a more detailed review of utility billing at month end. Payroll, cash receipting, payment processing and investments have substantial checks and balances in place. By using this checklist and the other processes that are in place, the segregation of duties comment has been eliminated in the 2012 audit.

Vos noted that this year, only one audit adjustment needed to be completed by audit staff, down from a high of 46 entries six years ago.

In 2012, Council adopted a Fund Balance Policy related to GASB 54. The City's fund balance increased by \$91,000 from 2011, largely due to the change from Market Value Credits to Market Value Exclusions in the State Property Tax system. Currently, the City's General Fund balance is at about 73%, which is higher than the previous year. Council has identified a desire to maintain a minimum 50% of Fund Balance as unrestricted for operating expenses, and has committed approximately \$220,000 for specific purposes. Vos pointed out that while expenditures have maintained constant over the past 5 years, budgeted expenses for 2012 are lower than budgeted expenditures in previous years and the General Fund balance has stayed relatively constant.

The cash balance of the Water Fund has remained relatively stable over the past three years, and appears adequate for debt requirement and operational needs. The City had \$1.5 million in outstanding debt in the Water Fund at the end of 2012. The cash balance in the Sewer fund is healthy; however the outstanding debt is larger at \$4.1 million. For the next few years, debt service payments will be going up. In 2013, the Sewer debt payment will be about \$420,000 and will remain at that level for a number of years. The City completed a utility rate study in 2011, with a tiered rate system going into effect in January 2012. Audit staff recommends that rates continue to be reviewed annually to ensure they are sufficient to cover operating expenses, annual scheduled debt payments, and future project costs.

Vos commented that City staff were extremely helpful with all aspects of the audit and stated that overall, the audit was very positive. Fund balance deficits are being eliminated, staff has good processes in place and the audit was completed in a reasonable amount of time. City staff is extremely prepared for field work and works through things very well with audit staff. All the requested information was well put together and easily accessible by audit staff.

Council reviewed upcoming GASB requirements, as identified on page 16 in the management letter.

Brisbin/Mathison unanimous to accept the 2012 Audit Report and Financial Statements as presented and approve the submission of said reports to the Office of the State Auditor, as recommended by staff.

PARK BOARD REPORT

Brisbin/Clough unanimous to accept the minutes of the May 8, 2013 Park Board meeting as presented. Roll call: Brisbin, aye; Clough, aye; Earenfight, aye; Laney, aye; Mathison, abstained; Motion carried.

Mayor Earenfight declared a recess at 8:00 p.m. and reconvened the meeting at 8:03 p.m.

LMCIT INSURANCE RENEWAL

Mary Eberley, Agency Consultant, and Randy Hadaway, Agent, Liberty Insurance, were present to provide renewal information for the city's property and liability insurance policies. Coverage has been bound since March 7, 2013. In terms of general activities and rate changes, LMCIT has changed their rating system, effective January 1, 2013. This change has caused an increase in the City's premium, primarily due to liability language in

the contract between the City and the Sherburne County Sheriff's Department. The League feels that the contract does not adequately address the transfer of liability to the Sheriff's Department. However, Eberley feels that if the wording is changed to satisfy the LMCIT Attorney, the premium could be reduced by approximately \$6,500. Brief discussion was held regarding the effect on the overall premium if Council opted to increase the deductible amount for liability insurance. In past years, Council has chosen not to increase the deductible and Eberley does not recommend changing the deductible at this time. The experience rating for Worker's Compensation remained at 1.18, which results in a significant increase to the renewal premium.

Brisbin/Clough unanimous to approve the 2013 - 2014 League of Minnesota Cities Insurance Trust policy renewal as presented, and authorize premium payment to the League of Minnesota Cities Insurance Trust as recommended by staff.

PUBLIC WORKS REPORT

Award Bids – 2013 Street & Utility Improvements

Engineer Bittner reported bid opening for the 2013 Street & Utility Improvement project was held on May 15. Seven bids were received, which were checked and tabulated by staff prior to the meeting, with all seven bids complete and accepted. The low bid of \$909,064.33 was received from C & L Excavating, and is 20% lower than the Engineer's estimate. Bittner recommends the bid be awarded to C & L Excavating. Potentially there could be a 15 – 20% reduction in assessments because the bids came in that much lower. Council requested Bittner re-calculate the proposed assessment roll and delay executing the contracts until an informational meeting regarding re-calculated assessments is held at the June 3 meeting.

RESOLUTION #13-05-02 Brisbin/Clough unanimous to adopt RESOLUTION #13-05-02, accepting the low bid of C & L Excavating for the 2013 Street and Utility Improvement Project as recommended by staff.

TH 169 Water Main Crossing

Bittner reported that work continues on the TH 169 Water Main Crossing. Work has been delayed slightly due to recent rains. No action taken.

MAYOR/COUNCIL ITEMS

Mayor Earenfight noted the following upcoming events:

- May 18 -- Passing the Bread Food Distribution – This will be the last distribution event until October, 2013. Mayor Earenfight expressed his gratitude to those that have volunteered time and made financial contributions to Passing the Bread over the past five months.
- May 23 – 27 – Wild West Days activities throughout the City
- May 22 – Boys & Girls Club Golf Tournament at Elk River Golf Course
- June 8 -- Zimmerman/Livonia Fire District Golf Tournament at Fairway Shores Golf Course
- June 14 – Zimmerman Area Chamber of Commerce Golf Tournament at Princeton Golf Course

Before adjourning, Mayor Earenfight asked for a moment of silence in honor of US Military Personnel.

Mathison/Clough unanimous to adjourn the meeting at 8:43 p.m. Motion carried.

Approved this 3rd day of June, 2013.

s/s Kary Tillmann, Clerk/Treasurer