CITY OF VERGAS

COUNCIL MINUTES

VERGAS EVENTS CENTER & ZOOM

Tuesday, June 16, 2026

The City Council of Vergas met at 6:39 PM, on Tuesday, June 16, 2026 at the Vergas Event Center and on a Zoom for a hybrid regular public hearing.

2026	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Julie Bruhn, Mayor	P	P	P	P/P	P	P						
Bruce Albright, Member	P	P	P	P/P	P	A						
Paul Pinke, Member	P	P	P	P/P	P	P						
Dean Haarstick, Member	P	P	P	P/P	P	P						
James Stenger, Member	P	P	P	P/P	P	P						
Julie Lammers, Clerk-Treasurer	P	P	P	P/P	P	P						
Mike Dufrane, Utilities Superintendent	P	A	A	A/A	P	A						
Kyle Theisen, Liquor Store Manager	P	A	A	A/A	A	A						

P: Present. A: Absent N/A: No meeting

<u>Present via Zoom:</u> Engineer Blaine Green of the <u>Widseth</u>, Editor Bob Williams of the <u>Frazee-Vergas Forum;</u> and Citizens, Michael Miller, and Marcia Huddleston.

<u>Present in person:</u> Attorney Karen Skoyles, Griffin Peck of <u>West Central Initiative</u>, Cedar Walters of <u>West Central Initiative</u>, Jess Grondahl of <u>Holsen Solar</u>, City Auditor Colleen Hoffman of Hoffman, Philipp & Martell, PLLC; and Citizens, Paul Haarstick.

Call to Order

Mayor Julie Bruhn called the meeting to order at 6:30 PM.

Citizens' Concerns

None.

Agenda Additions and Deletions

Two deletions were noted. The Planning Commission did not meet, so its community report was removed. The Streets/Sidewalks/Yard Waste Committee minutes were pending and therefore also removed from the Committee Reports section of the consent agenda.

Motion by Stenger, seconded by Pinke, to approve the agenda as amended. The motion passed unanimously.

Approval of Consent Agenda

Motion by Pinke, seconded by Stenger, to approve the consent agenda as written, with the deletion of the Planning Commission and Streets/Sidewalks/Yard Waste Committee reports. The motion passed unanimously.

Community Requests

<u>July 31, 2026 Fireworks Long Lake Park</u>

Lammers presented a request from the Vergas Community Club for permission to conduct a fireworks display on July 31, 2026, as part of Looney Days. The fireworks would be launched over Long Lake from the entrance of the Long Lake parking lot, above the boardwalk area. Brief discussion arose regarding fire safety given dry conditions, as well as a prior consideration of launching fireworks from a barge in the middle of the lake. Lammers noted that the Community Club is not obligated to use a certain location simply because permission is granted for the shore location. The Council agreed to approve the request with the condition that a licensed provider conduct the display, with the understanding that the organization carries insurance.

Motion by Stenger, seconded by Pinke, to approve the July 31, 2026 fireworks display over Long Lake, with the requirement that a licensed provider be used. The motion passed unanimously.

<u>Aug. 22, 2026 Ole's Ride - Railway Ave</u>

Lammers presented a request to close Railway Avenue from the corner of the length of Billy's for Friday, August 21 and Saturday, August 22, 2026, in connection with the Ole's Ride event. This was noted to be consistent with prior years, though the Council noted that a prior year had also included a closure of Main Street, which was not being requested this time.

Motion by Stenger, seconded by Pinke, to approve the Railway Avenue closure for Ole's Ride on August 21–22, 2026. The motion passed unanimously.

2025 Audit Report
Auditor Colleen Hoffman presented the 2025 audit report. She summarized the City's financial position positively, noting a net worth of approximately $4,000,000 and commending the Council's due diligence and sound financial policies. She highlighted the positive role of West Central Initiative in supporting City projects. Hoffman noted that an unbudgeted parking lot project had drawn down the general fund somewhat, and encouraged the Council to budget for capital outlay when projects are anticipated. She also noted that the City's reserves are being spent down, which she characterized as acceptable given current interest rates and the value of investing in the community. Hoffman directed the Council's attention to pages 36–39 of the audit report, which contain detailed descriptions of the City's six outstanding bond issues, including principal amounts, interest rates, payment schedules, and balances remaining. She noted that the 2015 bonds are nearly paid off, with the final payment due in 2027, and that debt payments extend through 2040. Regarding the utility funds, Hoffman raised concern that the sewer fund is running a deficit of approximately $100,000, and that the water fund is also not generating positive income. She explained that cities with poor fund balances and high rates relative to the region are better positioned to receive grants rather than loans for large infrastructure projects, and noted that the City's sewer fund situation could actually be advantageous when applying for grant funding. She advised the Council that rate increases may need to be considered for both sewer and water, acknowledging that sewer rates had recently been raised for 2026.

Hoffman reported that the municipal liquor store performed very well, describing the manager's work as excellent and the store as the City's primary revenue generator. She noted the store's inventory was clean and well-managed during the audit. She also reported that the City's PERA pension liability has declined from over $250,000 to approximately $100,000, and may eventually become an asset on the City's books.

On the Fire Relief Association, Hoffman explained the requirement for an actuarial study under Government Accounting Standards Board rules, noting that without it the liability figure cannot be included in the audit report. She discussed the fire form process, the special fund for firefighter pensions, and the option for relief associations to join the statewide PERA volunteer firefighter plan, which is 130% funded and eliminates the need for a local audit. She also touched on the importance of sobriety policies for volunteer fire departments.

One corrective transfer was noted to reclassify taxes that had been posted to the wrong account. No other findings or negative items were reported.

Hoffman noted appreciation for Deputy Clerk Rachel Nustad's work in supporting Lammers. Mayor Bruhn thanked Hoffman for her report.

Municipal Solar Cohort
Griffin Peck of West Central Initiative and Jess Grondahl of Holsen Solar presented a proposal to install a solar array on the Vergas CDH Fire Hall as part of the second municipal solar cohort. The cohort process involved a cooperative RFP through the Lakes Region Service Cooperative, with 13 participating communities. A selection committee of cohort members chose Holsen Solar and one other installer to split the cohort projects. Grondahl described the proposed system as an 84-panel array split between east- and west-facing orientations on the metal-roofed middle building of the fire hall. This configuration was selected to avoid roof penetrations and to maximize production across morning and afternoon hours. The system would include four inverters and be set up for net metering, sized to the maximum allowed under Otter Tail Power's rebate program. Peck presented the financial analysis. The fire hall currently consumes approximately 66,000 kilowatt hours annually across three electrical services at a total cost of roughly $3,922 per year, of which $2,289 is energy-based. The proposed 50 kW DC / 40 kW AC array is projected to produce approximately 54,500 kWh per year, offsetting roughly 82% of the building's consumption. Key financial figures included:

- **Total project cost:** $110,356
- **Otter Tail Power rebate:** $55,078
- **Federal 30% tax credit:** $33,047
- **Total incentives:** $88,125
- **Balance after incentives:** $22,231
- **Estimated payback period:** 5 years and 2 months
- **30-year projected savings:** $123,547

Peck explained that because much of the solar production will be exported to the grid at the small general service rate of approximately 8 cents per kWh—while a significant portion of the building's consumption occurs under the fixed time-of-service heating rate of approximately 1 cent per kWh, which is active only from 10 PM to 6 AM and thus cannot be offset by solar—the export payments generate a meaningful premium, estimated at $3,800 per year in year one. The analysis uses a conservative 1.5% annual electric rate escalator. Peck also noted that Otter Tail Power is currently in a rate case with a proposed 19% increase, which would further improve the project's economics. West Central Initiative is again offering 0% interest financing covering 100% of project costs, with repayment structured from the utility rebate, the tax credit, and energy savings over the first five years. WCI will also coordinate with a tax credit filing specialist to handle the federal credit on behalf of the City. Grondahl reported that the previously approved solar array installation is complete and ready for grid tie-in, pending scheduling of a service shutdown with Otter Tail Power. Lammers indicated she would coordinate an appropriate date, noting Mondays or Wednesdays may work. Discussion centered on the need for the Vergas CDH Fire Hall board to formally vote to proceed, as no recorded vote currently exists in the fire board minutes. Mayor Bruhn noted that the fire board meets quarterly and committed to scheduling a special meeting. Peck offered to participate via Zoom. Peck confirmed that Holsen Solar does not have a hard deadline but would prefer a decision within approximately one month to facilitate a bulk order for the cohort. WCI indicated the loan application process would be substantially faster than the first cohort.

The Council noted that the resolution text presented referenced the Lake Country Service Cooperative rather than Lakes Region, and agreed to address the formal resolution language after the fire board meeting. The Council voted to indicate its intent to move forward with the project, contingent on fire board approval, and to serve as the fiscal agent for the project for purposes of the federal tax credit.

Motion by Stenger, seconded by Pinke, to proceed with the solar installation on the Vergas CDH Fire Hall, with the city serving as fiscal agent for the project, contingent on fire board approval. The motion passed unanimously.

Committee Reports
<u>Personnel</u>
Mayor Bruhn reported on behalf of the Personnel Committee.

Resignation of Liquor Store Manager: Kyle Theisen submitted his resignation as liquor store manager, effective June 12, 2026.

Motion by Stenger, seconded by Pinke, to accept the resignation of Kyle Theisen as liquor store manager. The motion passed unanimously.

The Council then discussed retaining Theisen as a part-time employee during the transition to support continuity of operations until a new manager is hired.

Motion by Pinke, seconded by Stenger, to retain Kyle Theisen as a part-time liquor store employee until a new manager is hired. The motion passed unanimously.

Liquor Store Manager Salary Adjustment: The Personnel Committee reviewed compensation data from the League of Minnesota Cities and determined that the starting salary for the liquor store manager position was below market. To support active recruitment, the Committee recommended increasing the Step 1 starting salary for the liquor store manager position only—not other positions on the City's salary scale—from approximately $22/hour to $25.23/hour, effective June 16, 2026. It was noted that the salary schedule currently on file reflected an effective date of January 1, 2026, and this would be corrected to reflect the actual approval date.

Motion by Pinke, seconded by Stenger, to increase the liquor store manager Step 1 starting salary to $25.23 per hour, effective June 16, 2026. The motion passed unanimously.

Short-Term Disability Insurance: Lammers had identified that the City's short-term disability insurance and the Minnesota Paid Family and Medical Leave program cover substantially the same benefits and cannot both be utilized simultaneously. The Committee recommended discontinuing the short-term disability insurance, saving approximately $813 per year, while retaining Minnesota Family Leave coverage. It was noted that if the state program is ever rescinded, the City would revisit reinstating short-term disability coverage.

Motion by Pinke, seconded by Stenger, to discontinue the city's short-term disability insurance and rely on Minnesota Paid Family and Medical Leave. The motion passed unanimously.

Liquor Store Manager Job Description: The job description for the liquor store manager was reviewed and updated to reflect that the position reports to the City Clerk/Treasurer rather than to a liquor store committee, as no such committee currently exists.

Motion by Stenger, seconded by Pinke, to approve the updated liquor store manager job description. The motion passed unanimously.

Park Board
D. Haarstick reported on behalf of the Park Board.

Wishing Well Donation — Peterson Park: The Park Board recommended that the Council accept a wishing well donation to be placed in Peterson Park. Bruhn noted that a formal gift acceptance resolution will be required. The Lions Club currently maintains Peterson Park and is expected to care for the planting associated with the wishing well installation, though this has not yet been formally confirmed with them. The wishing well will be located near the Linden Road-side of the park, accessible from the roadside.

Motion by Haarstick, seconded by Stenger, to accept the wishing well donation for Peterson Park. The motion passed unanimously.

Landscaping Around the Loon — Long Lake Park: The Park Board also recommended approving up to $1,000 for the purchase of mulch, peat, and soil to support landscaping improvements around the recently repainted Loon at the Long Lake Park.

Motion by Pinke, seconded by Haarstick, to approve up to $1,000 for mulch, peat, and soil for landscaping around the Loon. The motion passed unanimously.

Staff Reports
Engineering Report
Engineer Blaine Green reported that the City is nearly finished identifying all unknown lead service lines, with only a handful remaining. The state-required reporting deadline is the end of July. Green also reported that Keilley Shores has made further adjustments to their pond and that staff are awaiting confirmation from the Keilley Shores engineer that the changes satisfy the requirements of the existing agreement.

Clerk-Treasurer Report
Lammers noted that a written report was included in the packet. One item was raised for discussion: the current policy prohibiting anyone under the age of 21 from entering the municipal liquor store. Lammers explained this policy was adopted based on a misunderstanding that the City was subject to Otter Tail County's Cannabis Ordinance, when in fact the City has its own ordinance. She noted that the restriction is not legally required and is resulting in lost business, particularly during the summer, as customers with young children choose not to enter and go elsewhere instead. After brief discussion, the Council agreed to lift the under-21 restriction, subject to the existing conditions that minors must be accompanied by someone 21 or older and may not handle any product.

Motion by Stenger, seconded by Pinke, to lift the under-21 entry restriction at the municipal liquor store. The motion passed unanimously.

Lammers also briefly addressed the proposed water tower fencing project, noting that the utility superintendent has not yet provided a quote. The water/sewer committee had discussed pursuing two sequential grant applications, as the sewer and water funds currently lack resources to support a full fencing project at once. The Council acknowledged that $15,000 may not cover a complete perimeter fence, but agreed the priority areas—the front and sides—would be addressed first, with the remaining side deferred to a subsequent grant cycle.

Utilities Report
Lammers presented the utilities report. Two related expenditure items were brought forward for approval:

1. **Beach Weed Pesticide Application:** The annual aquatic weed treatment for the beach area has increased in cost from the budgeted $750 to $1,500 this year. The City holds an aquatic plant management permit from the Minnesota DNR authorizing this treatment. Only a small number of licensed applicators in Minnesota are qualified to perform this work.
2. **Weed Removal Around the Fishing Pier:** At the request of the Looney Days committee, the City has in recent years supplemented chemical treatment with mechanical weed removal around the pier, at a rate of approximately $425 per hour. This year's proposed removal is estimated at $850 (two hours).

The Council discussed the broader issue of increasing weed growth in the beach area, attributing it in part to reduced ice and snow cover allowing sunlight to penetrate and promote weed growth earlier in the season. Bruhn noted that weed conditions last summer were noticeably worse and had at times inhibited swimming. D. Haarstick referenced feedback from Otter Tail Lakes Country meetings encouraging municipalities to take pride in and maintain public beaches, and emphasized the safety concern of swimmers becoming entangled in heavy weed growth. The Council agreed to direct staff and the Park Board to consider whether the scope of the weed removal should be expanded to include the swimming area in future seasons. The Council approved the combined expenditure of $2,350 for the pesticide application and pier weed removal.

Motion by Stenger, seconded by Pinke, to approve $1,500 for beach weed pesticide application and $850 for weed removal around the fishing pier, for a total of $2,350. The motion passed unanimously.

Information & Announcements
Bruhn noted the following upcoming meetings and events:

Meetings and Events: A. Household Hazardous Waste Day — Thursday, June 25, 2026, 10:00 AM – 2:00 PM, Vergas Event Center Parking Lot
Employee 2026 Trainings: A. League of MN Cities Annual Conference — June 24–26, 2026, in Rochester (Mayor Bruhn and two additional staff attending) B. 16th Annual Operator Expo (MN Rural Water) — August 25, 2026 (Utilities Superintendent and Maintenance Operator) C. Clerk's Advanced Academy — September 10–11, 2026, in Otsego, MN (Clerk-Treasurer)

Adjournment
Motion by D. Haarstick, seconded by Pinke, to adjourn the meeting. The motion passed unanimously. The business for which the meeting was called was completed and adjourned at 7:37 PM.

Recorded by
Deputy Clerk
Rachel Nustad (assisted by ClerkMinutes)

Julie Lammers, CMC
Vergas City Clerk-Treasurer