

**Harris City Council
Special Meeting Minutes
Wednesday, September 24, 2025 @ 5:30 p.m.**

- I. **Call to Order:** Mayor Carlson called the meeting to order at 5:30 p.m.
- II. **Pledge of Allegiance:** Everyone joined in the Pledge of Allegiance.
- III. **Roll Call:** City Clerk Shannon Geier conducted roll call. Present were Mayor Randy Carlson, Councilmember Craig Moline, Councilmember Chell Borash, Councilmember Al Siedow, and Councilmember Garret Pearson. Geier announced that a quorum was present.
- IV. **Public Comment:** None.
- V. **Regular Agenda:**
 - A. **Water and Sewer Projects and related Funding** - Shannon Sweeney of David Drown Associates, Inc., City Auditor Sara Oberloh, and Nathan Feist from Bollig Engineering attended the meeting. The team reviewed two years of audit history and Rural Development (RD) project progress. Financial funding packages are under evaluation for three projects, comprising of well #3, water extension to west side of I35, and wastewater extension to west side of I35.

Well #3 is fully funded with three grants, two state and one federal. The proposed water and wastewater extension to Interstate 35 requires an initial cash investment of \$30,000. With a favorable grant mix, 76% of the funding is sourced from grants, representing an optimal funding opportunity. Loans are finalized at the conclusion of the project; interest rates adjust quarterly and may decrease but will not rise. Establishment of a short-lived asset reserve is necessary and will be monitored to ensure adequate repair funds for system maintenance.

Temporary loan funds should only be used when cash reserves are depleted. The IRS mandates a resolution for reimbursement plans; Sweeney will provide a draft.

Moline expressed concerns regarding future surplus availability, particularly as public works and fire department expenses remain high. There is uncertainty about maintaining surplus over the next two years due to rising costs, levies, and rates. The mayor clarified that local rates are not as elevated as in neighboring communities.

Moline emphasized the importance of fiscal responsibility, discouraging double-digit levy increases. To manage escalating payments on current debt, the overage must be accounted for. Potential development near the freeway would increase system usage and tax revenues. Pearson inquired about current cash reserves, while the mayor stressed the need for long-term planning over a 15–20-year horizon and consideration of zoning changes to encourage growth. Siedow recommended establishing a vision for future operations, and Moline agreed on assessing available cash before proceeding further. The mayor highlighted the necessity of infrastructure extension to support ongoing development and avoid deterioration. Maintaining steady rates, rather than annual increases, was identified as a strategic priority. Pearson raised questions about financing the \$1.4 million required, and Moline asked about the plan for Aho's building. Feist noted that a stub for future expansion

is planned southward, and Moline suggested considering payment options for connection fees.

B. USDA Letter of Conditions for Well 3, Water/Sewer I35 - RD Letters of Conditions for Municipal Well, Water Improvement, and Wastewater Improvement Projects funding were presented for council consideration.

- Moline made a motion to approve and agree to meet the conditions set forth in the letter for Municipal Well Project funding. Borash seconded the motion. Moline, Borash, Siedow, Carlson, and Pearson voted in favor; motion carried unanimously.
- Siedow made a motion to approve and agree to meet the conditions set forth in the letter for Water Improvement Project funding including a \$763,000 loan with annual payments of \$40,000 for forty years. Borash seconded the motion. Motion carried, 3-2. Siedow, Borash, and Carlson voted in favor; Pearson and Moline opposed.
- Siedow made a motion to approve and agree to meet the conditions set forth in the letter for Wastewater Improvement Project funding including a \$685,000 loan with annual payments of \$36,000 for forty years. Carlson seconded the motion. Motion carried, 3-2. Siedow, Borash, and Carlson voted in favor; Pearson and Moline opposed.

Feist will forward the documents to RD and presented the owner/engineer contract for professional services, which requires approval to commence design work. He will update the project schedule in the contract. Siedow made a motion to approve the owner/engineer contract, contingent upon RD approval. Borash seconded the motion. Siedow, Borash, Moline, Carlson, and Pearson voted in favor; motion carried unanimously.

When questioned regarding the assessment of benefiting properties, the mayor responded that the matter had not yet been addressed. Feist clarified that this step was intended to advance the project, with assessments to occur subsequently. Moline inquired about the appropriate timing for these assessments, and Oberloh advised that the process should be completed prior to the commencement of the project rather than upon its conclusion. If the feasibility study requires revision, Feist will update it at no cost. The mayor requested clarification of the assessment amount, to which Oberloh replied that it would be determined in accordance with the special assessment policy and consideration of the public benefit.

C. Resolution 2025-09 Adopting Preliminary Budget for 2026 - The mayor questioned if we should consider leasing the grader, or is it more prudent to pay it off? Will this decision have future implications? Oberloh replied that although much has been processed on paper, these records are not reflected in the system. It would be advisable to put the water and sewer funds as set aside. The water and sewer fund currently shows a negative balance, whereas the general fund reflects a positive status. After 2025, those should be zeroed out. The current cash balance intended for bond payments, specifically to cover increasing bond payment obligations, should be reassessed and directed to a debt holding fund for water/sewer projects. We also need to review remaining operating cash balances.

The decision regarding whether to lease or pay off the grader early will require Council consideration, taking into account future needs and post-earmarking balances. The City should establish financial projections; only escrowed dollars and funds reserved for debt and capital projects are fully restricted. Six-month operating reserves for the general and water/sewer funds should range between \$450,000 and \$550,000. Bond money and

abatement funds can be used to pay off debt, which resides in a debt holding fund, not in the general fund. Previous council practices can be reevaluated if circumstances have changed.

The City's cash flow peaks in July but typically dips before major revenues are received. Future project requirements will determine the minimum acceptable cash balance. Debt service, escrow accounts, road bonds, prepaid assessments, tax abatements, and capital improvement funds are all earmarked, while discretionary funds fall under Council authority, provided there is a plan for replacement funding. Funds should be properly allocated so that cash balances accurately reflect real reserves. It is important to earmark funds for necessary items such as radios, trucks, and graders. Financial planning must reflect the City's current circumstances rather than past conditions, especially with escalating payment obligations and equipment purchases. Reserve funds should support bond payments, including for the grader.

After asking several questions regarding City Treasurer Reising's financial summary, Pearson stated it is imperative to refine accounting procedures and ensure proper earmarking of funds. Sue's approach and recommendations will aid in mitigating future financial risks. Funds must be clearly designated for their respective purposes. Oberloh concurred, adding, complete the preliminary budget, allocate resources accordingly, and plan for fiscal years 2026 through 2029 by setting aside funds to reduce reliance on continual borrowing.

Pearson's initial position on the budget was to express strong opposition to the Fire Department (FD) increasing their wages by 8% or \$15,000. Concerns were raised regarding the current compensation structure, which provides payments per meeting: \$9 per meeting, increasing to \$15, and \$15 for EMS and fire calls increasing to \$20, noting this is above minimum wage. Pearson asserted that the Fire Department is fundamentally a volunteer organization. Siedow pointed out that this is 2025 and things are different now.

The mayor countered this by stating that FD personnel are employees and have not received a 3% general raise previously. Siedow also noted that it is the Fire Chief proposing the wage increase.

Moline pointed out that the city has limited funds. Pearson suggested reallocating the wage increase funds to line items such as repairs or other necessary expenditures. The discussion also touched on the principle of individual wage determination, with Pearson emphatically stating that the Council must not permit individuals to unilaterally decide their own compensation, reiterating the volunteer status of the department.

A significant portion of the discussion centered on the need for stricter budgetary discipline and accountability across all departments. The potential for FD overspending led to a discussion about funding sources: Pearson suggested that overruns would necessitate taking funds from the General Fund.

Moline emphasized the need for the city to be "run as a business," with all departments, including Public Works, being accountable for their spending. Moline, emphasizing a focus on budgets, asserted that if departments run out of money, they run out of money, expressing concern that "nobody is stopping it right now," and that the Council must intervene.

Siedow stated that neither the Fire Department nor Public Works should be permitted to exceed their budget unless it is for repairs. Pearson then suggested the FD \$15,000 in question be formally moved to the repair budget.

The mayor pointed out a lack of precise data, stating that the FD does not even know the exact number of calls they respond to.

Moline and Pearson agreed on the volunteer nature of the FD, with Moline noting that while the personnel are doing a good job, budgetary restrictions must be implemented. Moline mentioned that the current budget is "steep for 20 sq miles" and noted the lack of revenue from EMS or mutual aid calls, highlighting that the number of fire calls is the critical metric.

The Mayor advocated for giving the FD the 8% increase and allowing them to allocate the spending as they wish. Pearson rejected any increase in pay. Moline countered that an increase is acceptable if it remains within their overall departmental budget. Pearson questioned if the same rule would apply to Public Works, to which Moline agreed. Moline, however, cautioned that the overall spending is becoming "out of hand."

The discussion turned to the levy. Pearson stated that he had proposed an increase up to 8% and had corrected this figure twice, emphasizing that the Council must agree with the final figure. Pearson suggested letting departments set up their proposed budgets, which the Council would then approve of or deny.

Pearson inquired about the compensation paid by comparable fire departments and requested that information be gathered. He noted that if a \$5 increase is the primary concern, personnel may be involved for the "wrong reason." Projections show that 25% of the FD's 2026 budget will be dedicated to wages. Moline countered that the city is not comparable to others due to a lack of revenue sources like gambling or contracts with townships, stating he would approve the increase if the funds were available.

The mayor calculated that an 8% increase in the preliminary levy would require a \$18,000 cut to the budget. Or we could do a 10% increase followed by a later reduction.

Siedow made a motion to approve Resolution 2025-09, a Resolution Adopting the Preliminary 2026 Property Tax Levy in the amount of \$862,416.55. This is a 10% increase over 2025. Moline seconded the motion. All in favor, motion carried.

- D. **Fire Department Command Vehicle repair** – Siedow made a motion to approve payment of the invoice from Russell's Automotive to replace rear brake pads, rotors, and calipers on the 2006 Chevrolet Tahoe at a cost of \$514.97. Moline seconded the motion. All in favor, motion carried. Siedow made a motion to authorize work to be done on the 2006 Chevrolet Tahoe consisting of replacing upper control arms and lower ball joints, mount, and balance four tires at a cost of \$2,234.63. Borash seconded the motion. All in favor, motion carried.

- VI. **Adjourn:** Siedow made a motion to adjourn. Borash seconded the motion. All in favor, motion carried. The meeting was adjourned at 8:51 p.m.