

City of LeRoy MN – Council Meeting Minutes, May 29, 2018

A special meeting of the LeRoy City Council was called to order by Mayor Brian Thiel on Tuesday, May 29, 2018, at 6:30 PM at the LeRoy Community Center with the following members present: Mayor Brian Thiel, Council Members Kathleen Gottschalk, Ashley Huntley, Gene Miller, Jan Whisler, and City Clerk Patty White. Maintenance Supervisor John Jones was absent.

Also attending: Craig Jacobson, Axel Gumbel, Dave Perkins

Thiel read the due call for the special meeting, “The City Council of the City of LeRoy will meet in special session on Tuesday, May 29, 2018, at 6:30 PM at the LeRoy Community Center. The purpose of this special meeting is to discuss LeRoy City Lines operations and funding sources.” The LeRoy EDA had met in special session on Thursday, May 24, 2018, to address the future of LeRoy City Lines. The EDA had a motion made and approved to request the city council to meet in special session to address financing to upgrade the LeRoy City Lines fleet of buses with funding up to \$260,000.

Council reviewed the newest cash projections based on revenue through May 24, 2018, and expenditures through April, 2018. All of these figures were gathered from financial reports from LeRoy City Lines. Thiel presented Plan A which would be to purchase two nearly new buses and keep Bus #1. This plan would leave a deficit in the operation of \$32,657 based on current revenues and a deficit of \$18,910 based on projected revenue increases. Plan B would be to purchase two nearly new buses and keep the Ford bus. This plan would leave a deficit in the operation of \$16,657 based on current revenues and a deficit of \$2,910 based on projected revenue increases.

Thiel reminded council of the number of things the city contributes funds to for the betterment of the community including parks, library, pool, and community center. Thiel also noted the city does have unencumbered cash in a savings account of at least \$500,000. He suggested the city could pledge this as security for a bank loan at 3.5% interest or the city could use these unencumbered funds and purchase the buses and lease them back to the EDA.

Motion by Thiel to purchase two buses using unencumbered cash from the city savings account and lease them back to the LeRoy EDA/LeRoy City Lines and charging interest on this lease in the amount of 3.5%. Council discussed the balances in the city general fund checking account and investment savings account. Whisler questioned if the city would be responsible for the cost of repairs and maintenance on the buses. Thiel replied a lease agreement would be set up as financial only; repairs and maintenance would be the responsibility of LeRoy City Lines. Huntley questioned how LeRoy City Lines got short on funds so quickly. Craig Jacobson noted LeRoy City Lines was started with no operating cash; it was started with \$1.00 in the checking account. The cost of repairs has been extremely high. Huntley questioned if there would be any cap on funds from the city going forward. Thiel also noted that the LeRoy City Lines drivers are city employees and paid by the city. Those figures are documented in the LeRoy City Lines financial reports.

Huntley questioned if Jacobson and Axel Gumbel are committed to continuing their volunteer work with LeRoy City Lines. Both replied they are committed to this project unless either of them would have a major life change happen. Miller noted the city subsidizes the library, pool, and parks. He could see the city putting a subsidy figure into the 2019 budget for LeRoy City Lines in the amount of \$25,000.

Huntley questioned why two nearly new buses need to be purchased; she questioned if one new bus could be purchased and keep two of the older buses. Both Jacobson and Gumbel expressed concern that LeRoy City Lines could lose riders due to the differing buses. A question was posed as to the cost of Wi-Fi. Thiel questioned what the prospects are that revenue will increase; what are the projections that expenditures will decrease? Huntley questioned about city subsidies to other entities; she felt

council should be prepared for what some people may say. She also expressed concern that there may be no end in sight for funding for this venture.

Whisler questioned how the purchasing would work. Would one bus be purchased at a time, or would two buses be purchased at the same time? Miller questioned about using a broker to assist with the purchase. Jacobson didn't feel the need to bring in a broker; he would like to go look at any bus in person.

Thiel withdrew his motion.

Motion by Huntley to move forward with the purchase of two buses with funding up to \$260,000 and review the operations of LeRoy City Lines in one year with interim reviews, both financial and operational, on a quarterly basis. Second by Miller. Motion carried 5-0.

Motion by Gottschalk to use unencumbered funds of the city to make the purchase of two buses; this will be done as a loan to LeRoy City Lines at 3.5% interest amortized over six years. Second by Whisler. Motion carried 5-0.

Motion by Thiel that the council intends to include a \$25,000 budget item in the 2019 budget for a subsidy for LeRoy City Lines. Second by Miller. Motion carried 5-0.

Thiel questioned if the council intended to keep the balance owed by LeRoy City Lines to the city on the books. Miller would like to see this dollar amount remain on the books, even though these funds will probably never be repaid to the city.

Council further discussed which bus to keep. Council felt it best to keep the Ford bus as the backup bus. Jacobson noted he felt it more feasible to keep Bus #1. He reported the Ford has things to be repaired. He also noted Bus #1 could be used for bachelor/bachelorette parties. Jacobson was hopeful that at least one bus could be purchased and have it in operation by sometime next week.

Jacobson thanked the council for their support of LeRoy City Lines. The council thanked Jacobson and Gumbel for their dedication to LeRoy City Lines.

Being no further business to come before the council, the meeting was adjourned on a motion by Thiel and seconded by Miller at 7:56 PM.

Brian Thiel, Mayor

Attest:

Patty A. White, City Clerk-Treasurer