

**CITY OF SAINT PETER, MINNESOTA
AGENDA AND NOTICE OF MEETING**

Regular Workshop Session of Tuesday, February 18, 2020
Community Center, St. Peter Room – 5:30 p.m.
600 South Fifth Street

- I. **CALL TO ORDER**
- II. **DISCUSSION**
 - A. Recreation and Leisure Services Department Presentation
 - B. Property Casualty Insurance Review
 - C. MN Valley Action Council Housing Rehab Project Update
- III. **ADJOURNMENT**

Office of the City Administrator
Todd Prafke

TP/bal



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 2/13/20

FROM: Todd Prafke
City Administrator

RE: Department Presentations: Recreation and Leisure
Services Department

ACTION/RECOMMENDATION

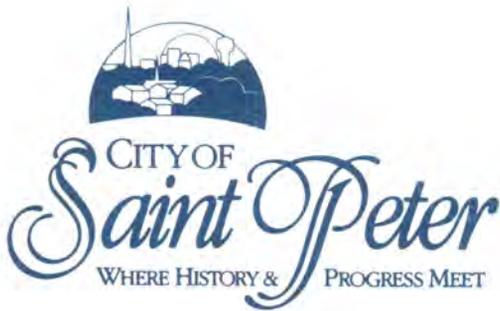
None needed. For Council information and discussion only.

BACKGROUND

The Tuesday, February 18th, workshop session will feature Recreation and Leisure Services Department Director Joey Schugel who will provide a tour of the Community Center (and Library time permitting) and a review of Recreation programming.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal



Memorandum

TO: Todd Prafke
City Administrator

DATE: 2/13/20

FROM: Sally Vogel
Director of Finance

RE: Property and Casualty Insurance 2020

ACTION/RECOMMENDATION

None needed. For Council information and further discussion.

BACKGROUND

This discussion comes to you based on 2020 Property and Casualty insurance renewal, as of January 1, 2020 – January 1, 2021. The insurance coverage is for City property including parks, City buildings and contents (a rider for breakdown of Power Generation plant and substations), City vehicles and trailers, and any incidents involving the City vehicles and open meeting laws.

The 2019 coverage was:

\$50,000 deductible per incident
\$100,000 aggregate deductible
\$181,692 premium cost

The 2020 insurance premium for the same coverage increased to \$199,582.00 or 9.5%. The cost increase is driven by the following:

1. Liability premium increased by about 4%. The experience modification decreased from 0.948 last year to 0.855 this year, but there were a few exposure increases as well as rate increases.
2. Auto premium decreased by about 9%. We now have a standalone auto experience modification at 0.90 for this year.
3. Property premium costs increased by about 15%. In addition to rate increases and inflation factors, the aggregate deductible modifier increased from 1.026 last year to 1.039 this year. The new Veteran's Memorial also contributed to the increase because of its high value (\$900,000).

I asked the League of Minnesota Insurance Trust (LMCIT), the company that holds our policies, to provide a premium quote if the deductible per incident was increased to \$75,000 vs. \$50,000

with no change to the other deductibles. The annual premium would decrease to \$184,997 or a savings of \$14,585 from the quoted 2020 cost. To determine the risk/ value of such a change, I looked at the last five years' worth of claims as shown below:

YEAR	# CLAIMS	TOTAL AMOUNT PAID	HIGHEST CLAIM
2014	7	\$36,488	\$23,923
2015	11	\$46,369	\$78,880*
2016	10	\$37,068	\$16,162
2017	13	\$ 4,370	\$ 2,500
2018	18	\$36,695	\$25,300
2019	31	\$101,076	\$25,601**

*included equipment breakdown so aggregate deductible of \$100,000 was met

**included equipment breakdown \$13,055 separate rider, so aggregate deductible not met

As you can see, there have been no individual claims over \$50,000 and based on that fact, I believe the risk of increasing the City's deductible by \$25,000 for an individual occurrence is low compared to the savings of \$14,585, on the annual premium. If there was a \$75,000 claim, the net additional cost to the City would be \$10,415. The insurance fund has a current cash balance of \$125,030.

I also asked LMCIT for the cost of an additional excess liability for Federal employment claims. \$1,000,000 in coverage would be \$20,975. My recommendation would be to forgo this additional coverage. We have not held this coverage in the past.

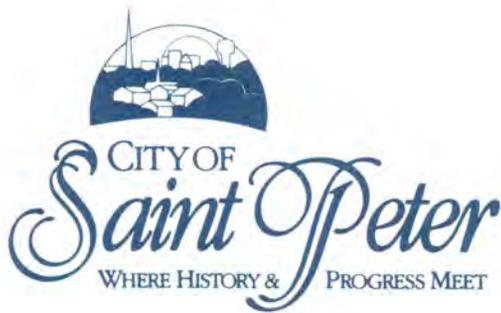
LMCIT provides coverage specific to local governments that is not offered through other insurers and as such they insure over 1,000 local units of government. Their coverage is complete and seamless. Past attempts to find better pricing, coverage or service elsewhere (as recently as two years ago) have provided no results that could come close to providing the coverage needed by the City.

It may be important to note that LMCIT is part of the League of Minnesota Cities and is a "pool" of member cities. Any revenues that are not needed at the end of the year are provided back to members as dividends. While there is no guarantee of a dividend each year, the City has received dividends in the range of \$20,000-\$50,000 in each of the last 20+ years.

My goal for the workshop is to educate Councilmembers about this important part of the City operations and solicit thoughts on the deductible change I am proposing. If the consensus of the Council seems to lean towards making a change, formal action will be proposed at a future meeting.

Please feel free to contact me if you have any questions or concerns on this agenda item.

SV



Memorandum

TO: Todd Prafke
City Administrator

DATE: 02/13/20

FROM: Russ Wille
Community Development Director

RE: Small Cities Development Program Grant –
Project Update

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

In 2019, the City of Saint Peter was awarded \$598,500 in Small Cities Development Program (SCDP) grant funds to partially finance certain improvements to owner occupied dwellings. The City has pledged \$100,000 to match the SCDP fund with the City's contribution from the fund established to "revolve" previous housing grant dollars. These funds can only be used to promote home improvements and cannot be transferred or used for alternative purposes.

Minnesota Valley Action Council (MVAC) prepared the successful application and the City contracted with MVAC to administer the grant program on behalf of the City. As part of their contracted services, MVAC will determine applicant eligibility and review rehabilitation project quotes and bids. MVAC will provide the appropriate loan/grant documents and provide for the closing of loans and distribution of funds. Finally, MVAC will monitor and administer the repayment of funds, loan administration, accounting, grant reporting and close out.

The \$100,000 in City funds will be provided as loans of up to 20% of the identified project costs or \$4,000, whichever is less. This would fund a minimum of 25 properties.

For example, a project with rehabilitation costs of \$10,000 would be eligible to receive a City loan of no more than \$2,000. To receive the maximum loan of \$4,000, the total project costs would need to be in excess of \$20,000.

The Council approved the City loan funds would be made available at a 0% rate of interest and will be repaid over a 10 year term.

The SCDP grant funds provided to the applicant will be forgiven in full if the applicant homeowner remains in the rehabilitated home for a minimum of 10 years. Applicants that sell their home before the 10 year period would need to repay their loan on a pro-rated basis with 10% of the SCDP funds forgiven each year until the conclusion of the tenth year.

A homeowner that accesses the maximum SCDP funds of \$21,000 would repay nothing if they remain in the home for a full ten (10) years. However, if they sold the home after the sixth (6th) year, they would repay forty percent (40%) or \$8,400 of the SCDP funds.

According to the SCDP application, for households with an income of more than 30% of the area median income, the City's portion of the project costs would be provided as a 0% loan amortized over a 10 year period. Monthly loan payments would be established so that the funds will begin revolving immediately to assist other families with qualifying incomes. At the suggestion of the funding agency and to increase the likelihood of being funded, it was determined that households with incomes below 30% of the area median income would receive City funds with terms mirroring the SCDP funds.

The Saint Peter and SCDP funds can be used in concert with other Federal and State funds administered by MVAC. For instance, applicants could access the full \$25,000 available through the proposed SCDP/City grant program and then access additional funds to undertake an energy efficiency or weatherization improvement project administered by MVAC. Co-mingling the funds will increase the impact within the community.

To help identify the target area, three Minnesota State University Mankato graduate students from the Urban and Regional Studies Institute conducted a "sidewalk" survey to evaluate the physical condition of each single family home in Saint Peter. The students noted the condition of roofing, windows, siding, doors, foundation and such. The students created an app for their phone which entered their data directly into the City's mapping software maintained by Bolton and Menk.

The data suggested that the southern portion of Saint Peter included the highest density of what would be considered substandard housing. As such, the area south of Broadway, east of Seventh Street, west of the Minnesota River and generally north of Jefferson Avenue was chosen as the target area (see map).

MVAC received approval to begin spending funds in October, 2019. In November they completed the first round of marketing to the households in the primary target area that responded positively to the survey conducted as part of the application process.

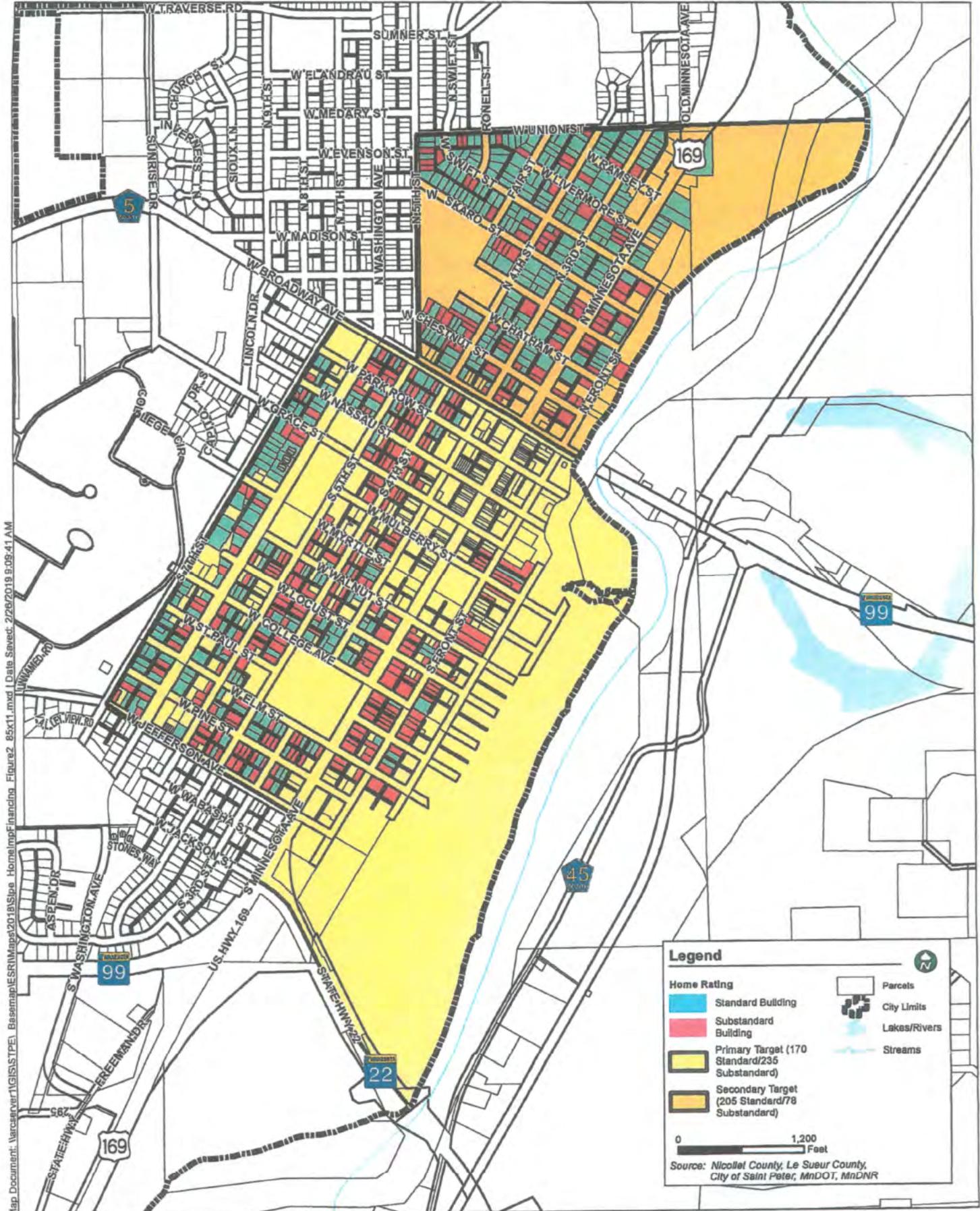
A secondary target area is also shown on the map. MVAC will continue to market the program to the primary target area until August, 2020. If funds remain uncommitted at that time, the marketing will be expanded to the secondary target area as approved by the Council

At this time MVAC has received seven applications while another five are in the pipeline. MVAC staff is following up to receive all the required eligibility documentation. Two prospects are ready for inspection, specification writing and bidding.

The grant ends on September 30, 2022. MVAC would like to have all of the rehabilitation projects completed by the spring of 2022. At that time, MVAC will provide for a final report to the funding agency to close out the grant program.

Please feel free to contact me should you have any questions or concerns about this agenda item.

RJW



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