

State of the City for 2024 – Detroit Lakes, Minnesota

January 14, 2025

To the City Council, City Staff and to the Citizens of Detroit Lakes, Minnesota, it is an honor to deliver this evening the annual State of the City Address for the year 2024.

2024 was another good year in the City of Detroit Lakes as we continue to be an excellent place to live, to work and to visit.

Detroit Lakes remains fiscally sound despite reductions in Local Government Aid over the past 20 plus years amounting to millions of dollars in revenue that the city has had to make up locally. Despite these challenges, we continue to enjoy one of the lowest tax rates in the region including cities like Fergus Falls, Bemidji, Thief River Falls and others. And our city tax rate is significantly lower than the average city rate for all greater Minnesota cities with similar populations.

Detroit Lakes is fortunate to have two revenue funds to reduce property taxes. Transfer to the General Fund from the city Electric Utility will be \$661,000 for 2025. Our Municipal Liquor Store had record sales surpassing \$9.4 million in 2024, making our operation the 9th highest grossing municipal liquor store in Minnesota. The city will make an annual transfer from the Liquor Fund to the General Fund of \$540,000 plus an additional \$150,000 for the Detroit Lakes Community & Cultural Center roof replacement project. To put the value of these two revenue funds into perspective, without the combined total direct transfer to the General Fund of these dollars, our tax levy in Detroit Lakes would have to immediately increase approximately 17% across the board to maintain the status quo.

Our Finance Department also projects that final receipts from the city's Food & Beverage Tax in 2024 will be approximately \$550,000 which would be the highest ever collected since its inception. While not a direct funds transfer, the tax provides an ongoing resource for stewardship to our area lakes, for parking and trail improvements and for continued re-development of our business corridor sector.

Detroit Lakes financed several street, utility and infrastructure projects in 2024, most significantly the new Public Works Facility, through the issuance of bonds. To issue that debt, the City had to undergo a bond rating by S&P Global Ratings who reaffirmed the City's 'AA' stable rating due to the City's very strong finances, strong financial management, and growing tax base. This excellent bond rating is evidence of the hard work and dedication by the City Council, the Public Utilities Commission, and city and utility staff in keeping the City's finances

strong and stable. This is an excellent bond rating for a city our size and it saves the citizens of Detroit Lakes significant dollars in lower interest costs.

Upon recommendation of the City Council Finance Committee, city finance staff presented the final budget and levy to the City Council in December, proposing a 7.97% increase in the city's property tax levy. Despite the levy increase, the city's property values grew overall by 6.39%, which increased the overall tax capacity, lessening the impact to property taxpayers.

In addition to our internal financial picture, Detroit Lakes has a long history of stewardship by local and regional individuals and businesses that have helped fund the creation and maintenance of numerous City owned and non-owned facilities including the Detroit Lakes Community & Cultural Center, the Detroit Mountain Recreation Area, the Becker County Museum, the Becker County Food Pantry, the Boys & Girls Club of Detroit Lakes, the Minnesota Flyers Gymnastics facility, the Detroit Country Club and others. This past year the city received over \$800,000 in private and business donations for various projects and departments. These included \$2,525 for the Water Festival, \$9,300 to the Police Department, \$18,315 to the Fire Department, \$14,000 for South Shore Park, \$97,500 to date for the new pickleball courts in People's Park, \$50,000 from Project 412 for the new climbing boulders in City Park, \$35,000 from the Disabled American Veterans group for a handicap accessible dock system at the City Beach and \$2,800 in miscellaneous donations for Veterans Memorial Park and Sucker Creek Preserve. Most notable of the donations this past year was an anonymous personal donation to the Parks and Rec Department of \$572,000.

Detroit Lakes had a good construction year in 2024 with 37 new home permits totaling approximately \$16 million in valuation. Notably, in the past 10 years, 362 new homes have been built in the City of Detroit Lakes. Commercial permits for both new and remodel had an approximate total valuation of just under \$11 million in 2024.

There were several large building and infrastructure projects this past year, three of which were very noteworthy.

The first of the three is the completion of the City Hall renovation project. The existing facility had a long list of deficiencies including roof issues, mechanical and electrical system problems, and inefficient doors and windows to name a few. In addition, the building was not handicap friendly and was out of Americans with Disabilities Act compliance in many areas. The City Council and city staff set out to accomplish several goals for the project such as improved customer access, ADA accessibility, better visibility and better parking. Lots of improvements were made to the City Council Chambers, increasing the seating capacity, meeting ADA compliance and most importantly, improving the audio/visual components of the Chambers. Finally, the newly remodeled building will help employee interaction and efficiency and will

greatly improve staff security with controlled access, a security system and cameras, fire alarms and a fire sprinkler system. The project began in November of 2022 with a total budget of just over \$7.7 million with most of the work completed by local contractors and subcontractors. Two final comments on City Hall are that the building houses both the City Administration and the Detroit Lakes Public Utility Administration which in many cities are in separate buildings. Finally, the project was funded using existing cash balances and therefore the construction expenditures will not affect the tax levy.

The second of the three big projects was the completion in 2024 of the new \$11.5 million Public Works Facility on North Tower Road, a project that had been discussed by several City Councils dating back to 2013 or earlier. As with City Hall, the existing Public Works facilities were outdated, outgrown and suffered numerous deficiencies. The old facilities consisted of two separate buildings along with four other off-site storage buildings – all crammed with equipment. Often, the wood shop, the mechanics shop and the sign shop were used to store equipment. The mobilization of trucks, plows and other equipment was a time-consuming and time-wasting undertaking to say the least. The combined total square footage of the old facilities was just under 20,000 square feet. The new, 58,000 square foot state-of-the-art facility now brings all equipment and all public works employees, both the street department and parks department, under one roof. Some notable improvements to the overall operations include a large wash bay allowing the fleet to be cleaned of salt and dirt as needed and prolonging longevity. Safety features are greatly improved in the new facility with adequate lighting, wide entry doors for trucks and plows with automatic door openers keeping operators in the vehicles and preventing slips and falls on icy equipment. Overall, the new facility will greatly improve efficiency and allow for the city's growth for many decades into the future.

The last of the three significant projects was the passage of the Pavilion/City Park Improvement Project local sales tax referendum. The year began with multiple discussions with the City Council on the design of the new Pavilion ultimately resulting in a concept that could be presented to the public. Next, considerable time was spent developing a set of frequently asked questions about the project for public outreach. A series of articles about the project appeared in the local newspaper. Several open houses were held, and presentations were made to various civic groups and others to disseminate information about the project and details of the referendum. As a result, the referendum passed at the November election and will provide up to \$17.3 million for the project. While much of the work on this project has been done, there remains much more to do. The City Council will likely be making a request for proposals and engage an architect early this year to work on the project design. 2025 will be a planning and design year for the City Council and city staff with commencement of construction in 2026. In addition to design considerations, Council and staff will need to have discussions regarding future operations and management of the Pavilion part of the project.

All three of these major projects will have a positive long-term impact on the City of Detroit Lakes, providing many decades of efficient utilization into the future and creating new economic and recreational opportunities for our citizens and visitors.

In addition to those three projects, several other projects and activities occurred in 2024. Of note, the trolls invaded Detroit Lakes and resulted in a flurry of notoriety and activity in our community last year. From news stories to visitors from all over the country, the trolls provided a fun spotlight on our community and just another reason for people to visit and explore Detroit Lakes. A big thank you for the stewardship of Project 412, bringing the trolls to the Detroit Lakes area.

2024 was another busy year at the Airport. The fueling system replacement project was completed and went online in the fall of 2024.

Another airport project that began in 2023 was the taxi lane extension and t-hangar site prep project. This project creates the foundation for the two new 6-unit T-hangars that are to be constructed. The slabs and first lift of asphalt were completed in 2024, with final paving to occur this year.

The two new T-hangars were also bid on in 2024 with the total construction budget of roughly \$1.3 million. Other than the concrete pads, the rest of the project is not grant eligible. The City and County each provided internal financing of \$650,000. The city portion consisted of loans from the Detroit Lakes Development Authority in the amount of \$250,000 and Public Utilities of \$400,000 to be repaid by utilizing hangar rent revenue. The hangars are expected to be completed by the end of February 2025.

Lastly, the Airport Commission has plans for a major apron renovation project in 2025. The roughly \$2.8 million project, which is 95% federally funded, would complete the renovations of the terminal apron and expand it to provide additional tie down areas. If funded, this would be the final piece of updating and replacing the existing pavement areas at the Airport.

Of note, since 2016, the Detroit Lakes/Becker County Airport has brought in \$25.7 million in federal funding and \$3.2 million in state funding for airport improvements.

While no construction on the Heartland Trail between Detroit Lakes and Frazee took place in 2024, there is good news. Becker County has acquired the property needed around the wetland adjacent to Highway 10 to proceed with the project. In addition, construction bids for the segment from the bridge to Frazee are scheduled to be opened this Thursday, January 16 and awarded on Tuesday, January 21. It now appears that the Heartland Trail from Detroit Lakes to Frazee will finally be completed this summer.

Progress was also made on the Heartland Trail Trailhead project in Detroit Lakes with a bid being awarded late in 2024. The project is located on city owned property adjacent to the Country Inn & Suites. The city received a Carbon Reduction Grant from MnDOT in the amount of \$398,000 to make improvements to the parking area, install EV charging stations, and construct a park shelter. Construction will commence early this year.

Progress was made on the Detroit Mountain Recreation Area Legacy Grant with bids being awarded in the fall of 2024. Construction is expected in early 2025. This is a \$1.65 million project that includes the addition of a lighted Nordic ski loop with snow making, additional mountain biking trails, treehouse construction in the natural playground, and paving of the trailhead. The City's contribution is \$200,000 towards the paving project utilizing Food & Beverage Tax funds.

Fundraising for the roughly \$4.2 million Minnesota Flyers Gymnastics expansion project is making progress with over half of the needed pledges in hand. The city will need to raze the former food pantry building prior to the expansion of the gymnastics facility. Parking lot improvements will be another "to-do" item for the city.

As a part of the 2024 West Downtown Reconstruct Project, the Library parking lot was resurfaced. The project included new curbs, underground infiltration basins, concrete ADA parking stalls, and a new asphalt surface.

The library has been working on addressing the roof and other needed repairs over the last two seasons. Due to the high cost of replacing the roof, a grant application was made to the MN Department of Education Library Construction Improvement grant program. Funding of \$749,999 was approved for building improvements including roof replacement/rehab, exterior building rehab, interior ADA improvements – including replacing the elevator.

A large street rehab project for 2024 was the "West Downtown" street and utility reconstruction project which included portions of Frazee St, Holmes St., Front St., Lake Ave., and an alley. The \$4.1 million project was funded by a combination of special assessments, Minnesota State Aid funds, utility funds, and property taxes. The project provides an extension of the streetscapes on Washington Avenue over to Summit Avenue. The second lift of asphalt will occur this spring.

The city also tackled another large street rehab project in 2024; a project that was postponed from 2023 due to unfavorable bid prices. The \$3.3 million project included paving improvements to over 5.5 miles of roadway including portions of 11th Avenue, Randloph Rd, 8th Street SE, North Shore Drive, White Clover Beach Rd, and the entire Willow Springs neighborhood.

The new water tower was bid and awarded in 2024. The \$8.2 million project will consist of a new 1.5-million-gallon water tower to replace the existing 1-million-gallon tower on Oak Grove Avenue and Rossman Avenue. The pilings for the footings started in 2024 and should be completed possibly later this week. Final construction will be late this year or in the spring of 2026 and will result in improved water pressure throughout the city.

Here are some additional activities from this past year:

Entered into a lease agreement with the Fritz Family Foundation for Ortenstone Gardens, a developing park and the site of another troll.

The city held a public meeting with residents of the Big Floyd Lake area regarding possible municipal utility extensions that was then followed by a survey distributed to 260 properties. Currently the project is in limbo as Becker County proceeds with septic system inspections this spring and summer.

The City Council has initiated a Joint Planning Board with Lakeview Township in hopes of improving the city's ability to expand with planning for future infrastructure.

This past year the Detroit Lakes Police Department encountered a hiring and officer retention crisis; a trend that has affected cities across the state of Minnesota. The City Council reacted to the situation, authorizing a sizeable pay increase for our police officers effective July 1 of last year and placing their pay in close range to that of other area departments, including departments we had been losing officers to. Additionally, a tuition reimbursement program was established for new candidates. The steps taken by the City Council resulted in a surge of new candidate applications and had the desired effect of retaining the existing staff. With the hiring of two new officers in 2024, the Police Department is currently fully staffed.

For several years the City Council, city staff and the Police Chief have been discussing a Deputy Chief position for the Police Department. Establishing this new position helps ensure a smooth transfer of knowledge and skills, provides a single person in command in the absence of the Chief and marks a transitional phase for the Police Department as Chief Todd is within three years of retirement. Ultimately, it was determined that a promotion of one of our 3 sergeants would be the most economically feasible choice, and the City Council approved this option during the 2025 Budget discussions. The new position was posted for applications this past fall and the Police Civil Service Commission interviewed candidate Sergeant Robert Strand and recommended him for promotion. Sgt. Strand has been working in law enforcement for over 25 years, the past 22 in Detroit Lakes as a patrol officer and as a sergeant since 2007.

Of note, the Detroit Lakes Police Department responded to 12,827 calls for service in 2024, roughly the same number of calls from the previous year.

The Detroit Lakes Fire Department responded to 318 calls for service this past year. In addition, our volunteer department logged over 2000 hours of training in 2024. Our department continues to be engaged in the community participating in school fire safety programs to over 15 classes and the annual Fire prevention Week which was attended by over 400 community members. The department welcomed three new firefighter recruits this past year bringing the total to 28 personnel.

The Detroit Lakes Public Utility was recognized this past year by the American Public Power Association for exceptional performance. The utility received the APPA Safety Award, was recognized for reliability receiving the Excellence in Reliability Award, received the Communications Award for communicating with utility customers, and received the Smart Energy Provider award for offering renewable and carbon free energy options. In addition, the utility maintained the Platinum RP3 designation, the highest level achievable. RP3 benchmarks against other municipal utilities throughout the United States for reliability, safety, work force development and system improvements. Detroit Lakes can be proud that we are recognized as being in the top tier of municipal utilities in the country.

The Detroit Lakes Water Reclamation Facility E2Q continues to be a top performer not only in the United States but worldwide. This past year, with exceptional plant performance and staff's hard work, international attention came to Detroit Lakes to study our operation, find out what is different and how it can be applied to other membrane bioreactor facilities. A team from the Veolia Company flew in for a week this fall to see the facility and study the data in person. These upper-level managers from Veolia were from France, Sweden and Toronto Canada. They commented that we are the only MBR facility achieving the ultra-low total Phosphorus removal of .06 milligrams per liter biologically, without chemical addition for 10 + months of the year.

As we look to 2025 and beyond, the City Council, the Public Utilities and city staff will have much to do, to plan for and to implement.

Patience is running short on Washington Ball Park and another swing at the bonding bill will be made in this legislative session. Regardless of the outcome of the bonding request, the ad hoc ballpark committee is currently leaning towards moving forward this year with final design plans and a fundraising plan so the project can move forward.

Several street and utility projects will finish up this spring including the west downtown reconstruction project. The only significant reconstruction project that is currently on the docket for 2025 is the Forest Street and utility reconstruction project. This project was moved up in the Capital Improvement Plan so that it can provide a detour route for the 2026 West Lake Drive Phase 3 project. The other paving project that is being discussed for 2025 is a full depth reclamation of Shorewood Drive.

Administration of the Library grant and execution of the rehabilitation project will occur in 2025 and 2026.

West Lake Drive Phase 3, the beachfront from the Pavilion to Legion Road is slated for construction in 2026, however the final planning, design and bidding must occur early this year. Design is in full swing and there will be a lot to review in early 2025 with streetscapes, tree planting, wayfinding signage, parking, lighting, bathhouse disposition, and much more.

Design of the Pavilion/City Park project is probably the biggest project that will require City Council and staff time in 2025. A request for proposals for architect services will be an early step but so will be the landscaping component that must tie into West Lake Drive.

With the vacancy of the old Public Works facility and the former Police Department building, the City Council will need to have discussions about future use or disposition of those facilities.

A couple of projects providing for future housing in Detroit Lakes are currently underway. Southwood Shores Estates, the new subdivision on the south part of Detroit Lake, Providence Lakes, a town home development on Hwy 59, 1510 Randolph Road, a multi-family development, and the Port on Little Detroit, a town home development on the current bowling alley site.

I urge all the City Council members to review the annual reports from

the City Administrator and all the various department heads which are included in tonight's agenda packet. These reports detail and outline the significant activities and accomplishments of our various departments and advisory boards and commissions.

In conclusion, 2024 was certainly a busy year in the City of Detroit Lakes with many accomplishments. As we move into the new year, I believe 2025 will be just as exciting and productive as we continue to grow and prosper.

On behalf of the City Council, I want to thank the volunteers serving on our various Advisory Boards & Commissions assisting the City Council in making important decisions for the city's future.

Thank you also to our City Administrator, our department heads and to all our dedicated employees for making Detroit Lakes the dynamic and beautiful city that it is.

To the 2024 City Council and Vice Mayor Zeman. Thank you from all the citizens of Detroit Lakes for your service, leadership, and accomplishments this past year.

Finally, to the citizens and businesses of Detroit Lakes, on behalf of the City Council, thank you for your ongoing support in helping to make Detroit Lakes the great community that it is.

It is an honor to serve as your Mayor and I look forward to working with all of you in 2025.

