

Special Closed School Board Meeting

Monday, December 6, 2021 7:00 PM

Conference Room 1148 MS/HS, 1401 7th St SW, Pipestone, MN 56164

1. **Call to Order**
2. **Approval of Agenda**
3. **Consult with Legal Counsel in Regard to Public Library Matter (Attorney-Client Privilege)**
4. **Adjourn**

STATE OF MINNESOTA
COUNTY OF PIPESTONE

IN DISTRICT COURT
FIFTH JUDICIAL DISTRICT
CIVIL DIVISION

Independent School District No. 2689,
Pipestone Area Schools,

Plaintiff

Court File No. 59-CV-21-142

vs.

**ORDER GRANTING MOTIONS
FOR SUMMARY JUDGMENT**

City of Pipestone and Meinders
Community Library Board,

Defendants.

The above-entitled matter came before the Court for hearing on September 2, 2021, on cross summary judgment motions. Plaintiff Independent School District (hereinafter referred to as "Plaintiff") appeared represented by Attorney Ann R. Goering. Defendant City of Pipestone (hereinafter referred to as "Defendant City") appeared represented by Attorney Mychal Bruggeman. Defendant Meinders Community Library Board (hereinafter referred to as "Defendant Library Board") appeared represented by Attorney Peter Frank.

Based upon the files, records and documents herein, the argument of counsel, and the memorandum attached and incorporated herein,

IT IS HEREBY ORDERED:

1. That Defendant City of Pipestone's Motion for Summary Judgment is GRANTED.
2. That Defendant Meinders Community Library Board's Motion for Summary Judgment is GRANTED.
3. That Counts I, II, III, IV, and V of Plaintiff's complaint are dismissed with prejudice.

4. That Defendant City of Pipestone is awarded reasonable costs and disbursements as provided by law.
5. That Defendant Minders Community Library Board is awarded reasonable costs and disbursements as proved by law.

LET JUDGMENT BE ENTERED ACCORDINGLY

Dated this 30th day of November, 2021.

BY THE COURT:

Tricia B. Zimmer
Judge of District Court

MEMORANDUM

This is an action seeking declaratory and injunctive relief to resolve a dispute over the interpretation of a Public Library Agreement and the membership of Defendant Meinders Community Library Board. Defendant City filed a Notice of Motion and Motion for Summary Judgment on June 28, 2021. Plaintiff filed a Notice of Motion and Motion for Summary Judgment on July 2, 2021. Defendant Library Board filed a Notice of Motion and Motion for Summary Judgment on August 5, 2021.

Undisputed Facts

Plaintiff and Defendant City entered into an agreement in 1975 entitled “Community Library Agreement” (hereinafter referred to as the “1975 Agreement”) pursuant to Minn.Stat. 471.59. In 1991, Defendant City enacted an Ordinance (hereinafter referred to as “1991 Ordinance”) that reestablished the public library as a joint agreement pursuant to Minn.Stat. 134.195, subds. 1 and 8. The 1991 Ordinance established a 5-member Library Board with authority to enact bylaws for the Library and authority to contract for the purpose of providing personnel, fiscal or administrative services pursuant to Minn. Stat. 134.195, subd. 9. Plaintiff and Defendant Library Board entered into a “Public Library Agreement” (hereinafter referred to as the “1991 Agreement”) on September 16, 1991.

In 1993, Plaintiff and Defendant Library Board entered into a “Public Library Agreement” (hereinafter referred to as the “1993 Agreement”) which expressly superseded the 1975 Agreement and the 1991 Agreement. The 1993 Agreement sets forth the personnel, fiscal and administrative services delegated to Plaintiff under the agreement as follows:

The District shall employ sufficient full time equivalent staff, as determined annually by the Public Library Board, to operate the public library. The staff are employees of the District, with classification, salary and benefits determined by District policies and labor agreements.

See Paragraph 6.A., 1993 Agreement

The 1993 Agreement further provides that Plaintiff would be the fiscal agent of the Library Fund. See 1993 Agreement, Paragraph 6.E. Plaintiff further agreed it would “administer the library under policies adopted by [Defendant Library Board].” See 1993 Agreement, Paragraph 6.F. The 1993 agreement was signed by four individuals, three of which are now deceased.

In 1994, Defendant Library Board adopted bylaws (hereinafter referred to as “1994 Bylaws”) which, among other things, lists Defendant Library Board’s duties. One such duty is that of selecting and appointing a competent administrator or librarian. See Article IV, 1994 Bylaws. The librarian’s duties are described in Article V as follows:

The librarians shall be considered executive officers of the board and shall have sole charge of the administration of the library under the direction and review of the board. The librarians shall be held responsible for the care of the buildings and equipment, for the employment and direction of the staff, for the efficiency of the library’s service to the public, and for the operation of the library under the financial conditions set forth in the annual budget.

See Article V, 1994 Bylaws.

In 2016, Defendant Library Board approved revised bylaws (hereinafter referred to as “2016 Bylaws”). The 2016 Bylaws allow for a seven (7) member library board whose composition differs from the composition of the board allowed by the 1991 Ordinance. The 2016 Bylaws provide that the librarian is responsible for “the administration of the library under the direction and review of the board.” See Section 4, 2016 Bylaws.

Evan Schiller (hereinafter referred to as “Schiller”) is the current President of Defendant Library Board and has held that office since 2020. Schiller has been a member of Defendant Library Board since 2012. As a member of Defendant Library Board, Schiller personally took part in the hiring of the last three library directors. Defendant Library Board was exclusively involved in the hiring and setting the compensation rate of the last three library directors. Defendant City is the primary source of funding for the library, providing approximately 70% of the annual budget. Approximately 75% of the library’s annual budget is for staffing.

Defendant Library Board makes annual budget decisions which include determining an amount allowed for expenditures for part-time staffing. As long as the library director works within the annual budget set for staffing, Defendant Library Board delegates staffing and employment decisions to the library director. The library director has sought approval of Defendant Library Board prior to taking adverse employment action against a library staff person. The current staff at the Library consist of the library director and three part-time staff. One additional part-time staff is employed by Plaintiff. This individual does not report to the library director nor were they hired by Defendant Library Board.

For a period of time after the enactment of the 2016 Bylaws, the composition of Defendant Library Board was 7 members. The current composition of Defendant Library Board consists of 5 members: one city resident appointed by the city mayor, one member of the city council appointed to serve on the board by the city mayor, one school district resident appointed by the school board, one member of the school board, and a person appointed by the mayor with approval of the city council and the school board.

Plaintiff filed this lawsuit for declaratory and injunctive relief regarding 1) the authority to make “employment decisions” regarding hiring, salary, benefits and other terms or conditions of employment, and 2) the membership of Defendant Library Board. All three parties now seek summary judgment.

Analysis

Summary Judgment

Summary judgment is appropriate when the moving party shows there is no genuine issue of material fact and that it is entitled to judgment as a matter of law. Minn. R. Civ. P. 56.01. A fact is material if it will affect the outcome of the case. *Cargill Inc. v. Jorgenson Farms*, 719 N.W.2d 226, 232 (Minn. Ct. App. 2006). There is no genuine issue of material fact where “the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party.” *DLH, Inc. v. Russ*, 566 N.W.2d 60, 69 (Minn. 1997) (quoting *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986)). Once the moving party has made a prima facie case for summary judgment, the burden shifts to the nonmoving party. *Thiele v. Stich*, 425 N.W.2d 580, 583 (Minn. 1988). The nonmoving party must do more than merely show a “metaphysical doubt as to a factual issue.” *DLH, Inc.*, 566 N.W.2d at 71.

Statute of Limitations

A threshold issue for the Court to determine is whether the Statute of limitations bars Plaintiff’s claim. All parties in the case at hand agree that the applicable statute of limitation is six years as stated in Minn.Stat. 541.05. The parties disagree as to when the cause of action began to accrue. Defendants City and Library Board argue that, under Plaintiff’s theory of the case, Defendants were in breach of contract at least as far back as 1994 when

Defendant Library Board enacted the 1994 Bylaws which outlined Defendant Library Board's authority to hire the library director. Defendants rely upon *Park Nicollet Clinic v. Hamann*, 808 N.W.2d 828 (Minn. 2001) in support of their argument that, if a breach occurred, it should be considered a single and continuous breach that became actionable in 1994.

In *Park Nicollet*, Hamann was employed as a physician at Park Nicollet's Saint Louis Park clinic. In 2005, Hamann asked to be exempt from taking night calls pursuant to 1995 policy that allowed such exemption without a reduction in pay. The department chair told Hamann the policy no longer existed and would not be honored. In 2008, Hamann withdrew from taking night calls for health reasons and Park Nicollet reduced his pay as a result. Hamann sued asserting, among other things, breach of contract. Hamann's breach of contract claim was dismissed by the Court as being barred by the applicable 2-year statute of limitations. Hamann appealed, asserting that each reduced paycheck was a new and actionable breach of contract. The Minnesota Supreme Court held that a single breach of contract occurred in 2005 when Hamann sought performance under the 1995 policy. The fact that Hamann did not appreciate the effects of the breach until 2008 when his paychecks were reduced did not postpone the accrual of his action which occurred in 2005.

Plaintiff argues that separate and distinct breaches occurred as recently as 2016 when Defendant Library Board adopted revised bylaws and again in 2018-2019 with the employment of library staff. Plaintiff relies upon *St. Paul Fire & Marine Ins. Co. v. A.P.I., Inc.*, 738 N.W.2d 401 (Minn.App. 2007) to support its position that each breach of the 1993 Agreement creates a separate and new cause of action. In *St. Paul Fire*, A.P.I. was sued because products it sold, distributed and installed contained asbestos. General Accident, one of A.P.I.'s insurers, declined multiple requests from 1987 through 1999 to defend and

indemnify A.P.I. in the asbestos litigation. The Minnesota Supreme Court concluded “that each failure to defend or indemnify was a distinct breach...” *Id.* at 409.

In the case at hand, it is an undisputed fact that a contract exists in the form of the 1993 Agreement. It is undisputed that multiple library directors have been hired by the Library Board since 1993. Plaintiff does not challenge any specific hire during the past 6 years but rather is challenges Defendant Library Boards continuing exercise of authority for hiring or firing. From this perspective, Plaintiff cause of action dates back to 1994 when the Bylaws were enacted giving the Library Board the duty to select and appoint a competent administrator or librarian and has been a continuing breach since that time. Because Plaintiff’s cause of action accrued in 1994, it is barred by the statute of limitations.

Defendant Library Board’s Authority Under the Terms of the 1993 Agreement

Assuming, for arguments sake, that Plaintiff’s claim is not barred by the six-year statute of limitations, the Court must analyze whether there is a genuine issue of any material fact and whether any party is entitled to judgment as a matter of law.

Public libraries such as Meinders Community Library are governed by Minnesota Statutes chapter 134. The powers given to a library board such as Defendant Library Board are set forth in relevant part as follows:

The library board shall adopt bylaws and regulations for the government of the library and for the conduct of its business as may be expedient and conformable to law. It shall have exclusive control of the expenditure of all money collected for or placed to the credit of the library fund, of interest earned on all money collected for or placed to the credit of the library fund, of the construction of library buildings, and of the grounds, rooms, and buildings provided for library purposes. All money received for the library shall be paid into the city or county treasury, credited to the library fund, kept separate from other money of the city or county, and paid out only upon approval by the board. The library board may lease rooms for library use. The library board shall appoint a qualified library director and other staff as necessary, establish the compensation of employees, and remove any of them for cause.

Minn.Stat. 134, subd. 2.

Where a public library such as Meinders Community Library is jointly funded by both a city and school district, the library board has authority to contract as to “personnel, fiscal, and administrative services and payments to be provided by each party.” See Minn.Stat.

134.195, subd. 9. General, unspecified transfers of responsibilities are not valid because the statute requires the contract to state specifically the personnel, fiscal and administrative services and payments to be provided by each party. *Id.* Unless specifically delegated, the library board retains all statutory powers. Minn.Stat. 134.195, subd. 7.

The terms of a contract must be read in the context of the entire contract. *Quade v. Secura Ins.*, 814 N.W.2d 703, 705 (Minn. 2012). Where the terms of a contract are unambiguous, the Court must apply the clear language contained therein. *Halla Nursery, Inc. v. City of Chanhassen*, 781 N.W.2d, 880, 884 (Minn. 2010). Conversely, where the terms of a contract are ambiguous, extrinsic evidence may be examined. See *Housing and Redevelopment Authority of Chisholm v. Norman*, 696 N.W.2d 329, 337 (Minn. 2005).

In the case at hand, the plain language of the 1993 Agreement supports the positions of Defendant City and Defendant Library Board. The library is funded by both a city and school district and therefore statutory powers may be specifically delegated pursuant to Minn.Stat. 134.195, subd. 9. The 1993 Agreement sets forth duties specifically delegated by Defendant Library Board to Plaintiff as follows:

The District shall employ sufficient full time equivalent staff, as determined annually by the Public Library Board, to operate the public library. The staff are employees of the District, with classification, salary and benefits determined by District policies and labor agreements.

See 1993 Agreement, para. 6.

The 1993 Agreement does not specifically delegate to Plaintiff the authority to hire, fire and establish compensation. Given the lack of specific delegation in the plain language of the 1993 Agreement, the acts of hiring, firing and establishing compensation are retained by Defendant Library Board pursuant to Minn.Stat. 134.195, subd. 7. The 1993 Agreement and Minn.Stat. 134.11, subd. 2 both give Defendant Library Board exclusive control over the Library Fund. Approximately 75% of the current annual budget of the library is for employee compensation and benefit costs. Plaintiff's position that it has the power to establish compensation, thereby controlling a majority of the Library Fund, is contradictory to statute and to the provision of the 1993 Agreement giving Defendant Library Board exclusive control over the Library Fund. Plaintiff's position that it has the power to establish compensation is inconsistent with the provision of the 1993 Agreement designating Plaintiff's role as "fiscal agent" of the Library Fund. See 1993 Agreement, paragraph 6B. Finally, the plain language of the 1993 Agreement establishes that the library staff employed by the District are determined annually by Defendant Library Board. See 1993 Agreement, paragraph 6A ("The District shall employ sufficient full time equivalent staff, *as determined annually by the Public Library Board*, to operate the public library.") (emphasis added). Reading the 1993 Agreement as a whole and harmonizing all clauses of the contract, the plain language of the agreement supports the position of Defendant City and Defendant Library Board that Defendant Library Board retains the right to hire, fire and determine compensation.

Assuming for the sake of argument that the 1993 Agreement was determined to be ambiguous, the Court may consider extrinsic evidence to interpret the agreement. Extrinsic evidence in this case includes the 1994 Bylaws and past actions of Plaintiff, Defendant City and Defendant Library Board.

The 1994 Bylaws are in alignment with Defendants' interpretation of the 1993 Agreement in that Defendant Library Board has a duty to select and appoint the librarian. Subsequent conduct of the parties supports Defendant's interpretation of the 1993 Agreement. Defendant Library Board has made hiring decisions regarding the past three library directors and has set composition of the director and staff. The composition of Defendant Library Board is an equal representation of the entities involved in the joint powers agreement. Because Defendant City provides a majority of the funding, and because staffing costs take up a majority of the library's budget, it is reasonable to conclude the intent of the signing parties were that Defendant Library Board would make hiring, firing and compensation decisions instead of the Plaintiff exclusively.

Composition of the Library Board

Defendant Library Board currently consists of 5 members, consistent with the 1991 Ordinance and 1993 Bylaws. Furthermore, Defendant Library Board represented to the Court that it agrees the composition of the board must remain consistent with the 1991 Ordinance as long as it remains in effect. The Plaintiff's claims on this issue are moot. *Hickman v. State of Mo.*, 144 F.3d 1141, 1142 (8th Cir. 1998).

Conclusion

For the foregoing reasons, summary judgment in favor of Defendants is appropriate and the complaint is hereby dismissed with prejudice.

TBZ