

CITY OF APPLE VALLEY
Dakota County, Minnesota
September 9, 2010

Minutes of the regular meeting of the City Council of Apple Valley, Dakota County, Minnesota, held September 9, 2010, at 8:01 o'clock p.m., at Apple Valley Municipal Center.

PRESENT: Mayor Hamann-Roland; Councilmembers Bergman, LaComb, Goodwin, and Grendahl.

ABSENT: None.

City staff members present were: City Administrator Lawell, Deputy City Clerk Murphy, City Attorney Dougherty, City Engineer Manson, Public Works Director Blomstrom, Assistant City Administrator Grawe, Finance Director Hedberg, Parks and Recreation Director Johnson, Police Chief Johnson, Community Development Director Nordquist, Human Resources Manager Pearson, Police Captain Rechtzigel, and Fire Chief Thompson.

Mayor Hamann-Roland called the meeting to order at 8:01 p.m. Everyone took part in the Pledge of Allegiance to the flag led by Boy Scout Kyle Bergevin from Troop 205.

APPROVAL OF AGENDA

MOTION: of LaComb, seconded by Grendahl, approving the agenda for tonight's meeting, as presented. Ayes - 5 - Nays - 0.

AUDIENCE

Mayor Hamann-Roland asked if anyone was present to address the Council, at this time, on any item not on this meeting's agenda. No one requested to speak.

CONSENT AGENDA

Mayor Hamann-Roland asked if the Council or anyone in the audience wished to pull any item from the consent agenda. There were no requests.

MOTION: of Bergman, seconded by Goodwin, approving all items on the consent agenda with no exceptions. Ayes - 5 - Nays - 0.

CONSENT AGENDA ITEMS

MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2010-159** setting a public hearing, at 8:00 p.m., on October 14, 2010, on the application for On-Sale Intoxicating Liquor License and Special License for Sunday Liquor Sales by Apple Minnesota, LLC, d/b/a Applebee's Neighborhood Grill & Bar. Ayes - 5 - Nays - 0.

- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2010-160** approving 2010 Special Assessment Roll No. 594, for hearing purposes, in the total amount of \$14,814.68 for delinquent mowing charges, and setting the public hearing, at 8:00 p.m., on October 14, 2010. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2010-161** approving 2010 Special Assessment Roll No. 595, for hearing purposes, in the total amount of \$14,814.68 for delinquent water/sewer and mowing charges, and setting the public hearing, at 8:00 p.m., on October 14, 2010. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving submittal of Clean Water Fund Grant application by Black Dog Watershed Management Organization, for construction of Whitney Pond, as attached to the Natural Resources Coordinator's memo dated September 9, 2010. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2010-162** approving plans and specifications for AV Project 2010-104, Menards Site Improvements - Flagstaff Avenue; and authorizing advertising for receipt of bids, at 10:00 a.m., on October 8, 2010. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, accepting Senior Center Project # 2302 – Heating/Ventilation/Air Conditioning as complete and authorizing final payment on the agreement with Bostrom Sheet Metal Works, Inc., in the amount of \$46,638.10. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, accepting Senior Center Project # 0930 – Tile, and #0965 – Resilient Flooring/Carpet as complete and authorizing final payment on the agreement with Grazzini Brothers and Company, in the amount of \$6,091.80. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, accepting Senior Center Project # 2500 – Temperature Controls as complete and authorizing final payment on the agreement with Direct Digital Controls, Inc., in the amount of \$6,518.65. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving hiring the seasonal employee and the promotion of Peter Matos to the position of Police Sergeant as listed in the Personnel Report dated September 9, 2010. Ayes - 5 - Nays - 0.

END OF CONSENT AGENDA

FIREFIGHTERS' RELIEF ASSOCIATION BOOYA FUND RAISER

Fire Chief Thompson described activities planned for the Firefighters' Relief Association's 32nd annual booya fund raiser on September 18, 2010, at Fire Station No. 1. Everyone is invited to

attend. The event starts at 11:00 a.m. Activities such as bingo, silent auction, bake sale, kids' games, and face painting continue throughout the day. Raffle tickets are available in advance from all firefighters.

Fire Chief Thompson further stated that on Saturday, September 11, which is the 9 year anniversary of 9/11, Cub Foods would be recognizing fire fighters and public safety officials for all they do.

Mayor Hamann-Roland thanked all the volunteers for their time and efforts in coordinating the booya as well as the businesses for their generous support.

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010A

Mr. Steve Mattson, of Northland Securities, Inc., the City's fiscal consultant, presented the sale of General Obligation Refunding Bonds, Series 2010A. The City Council previously authorized Northland Securities, Inc., to proceed with the issuance of the 2010A Bonds and authorized the Mayor and City Administrator to approve the sale with the City Council taking action at this meeting to adopt the necessary approving resolutions. The bonds were marketed on August 30, 2010, and the sale resulted in a total savings of \$270,469 over the remaining life of the bonds. As part of the bond sale process, the City received a credit rating increase to Aaa assigned by Moody's Investor Service and that the City of Apple Valley is 17th out of 854 cities in the State of Minnesota. He stated the Aaa rating is one of the factors in determining the interest rate

MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2010-163** authorizing issuance and sale of the City's \$4,320,000 General Obligation Refunding Bonds, Series 2010A, to Northland Securities, Inc., resulting in a net interest rate to the City of 0.35 percent and authorizing execution of the necessary documents. Ayes - 5 - Nays - 0.

Mr. Mattson presented the City with a plaque from Northland Securities, Inc., in recognition of Moody's Aaa Rating, September 2010.

Mayor Hamann-Roland thanked Mr. Mattson for the plaque and for all the work they have done in the past. She recognized the great relationship the City has with Northland Securities.

PROPOSED 2011 CITY BUDGET AND PROPERTY TAX LEVY

Mr. Lawell presented a budget overview of the timeline of preparing the budget including the goal setting session held in April, staff budget preparation from May through July, and that Council received the budget in early August. He stated the budget workshop was earlier in the evening and that Council is scheduled to adopt the Preliminary Budget and Levy at this meeting. He recommended setting the Truth in Taxation hearing meeting for December 9, 2010, which would also be a regular scheduled Council meeting. The County will send parcel specific notices to all property owners between November 11 and 25, 2010, informing them of the meeting on December

9, 2010. He reviewed economic challenges, long-standing budget assumptions, and the Council's directive to hold the line on the City's share of the property tax bill for the typical Apple Valley home. He anticipates growth in the City. Building permits have been growing and are up significantly from this time last year. He addressed the challenges still faced by residents. He stated the foundation is strong and that the Aaa bond rating has been confirmed. The City's bond rating has been upgraded four times in the past 11 eleven years and is now at the highest possible rating. He explained there are economic challenges the community faces. The nation's economy is in a recession and the State of Minnesota has been affected by this downturn more significantly than in the past. The State faces a \$5.8 billion shortfall. There are impacts in the community with a number of home foreclosures in Dakota County. With the known challenges, the City cannot expect to receive State Aid. He described the budget organization with most of the operation in the General Fund. He described the other Governmental Funds and Enterprise Funds.

The proposed 2011 budget was presented to the City Council on August 27th. The direction received at the informal session was to go forward with the preliminary levy as presented and that additional meetings would be held in the future. Adoption of this proposed budget and property tax levy establishes the maximum levy for 2011. In the coming months the amount of the total levy may decrease, but not increase.

The proposed levy to support the 2011 proposed budget requires a total levy of \$22,700,000, a decrease of \$139,554 or 0.6%. The impact of the 2011 levy on a home valued at \$203,200 that experienced a 6.7% decrease (the median decline) in value will result in the City portion of property taxes paid declining approximately \$8, or 1/2 of 1%, in 2011. For a home that declined 6% in value, the City portion of taxes paid will stay the same for 2011.

Mr. Hedberg reviewed the 2011 proposed budget and property tax levy. He presented the 2011 levy limit calculation. He explained it is basically growth plus inflation and both minimal. Apple Valley's general levy limit base for 2011 is \$21,192,813. In addition to that cities are allowed special levies. The total 2011 estimated levy limit is \$25,586,578. The proposed levy limit is \$22,700,000. That results in an unused levy limit of \$2,886,578.

He stated the biggest share of revenue comes from property taxes and property values are determined by Dakota County. He explained residential, commercial, and industrial property have all declined in value which has an impact on taxes. He summarized, based on current county data, that the median value home will see approximately an \$8 decrease in the City property tax bill and that 94.7% of residential properties will see the City portion of their taxes stay the same or decline in 2011.

He said the Council is requested to adopt a preliminary budget and property tax levy and set the date for the public meeting, which was formerly called the Truth-in-Taxation meeting, for December 9, 2010.

Councilmember Grendahl stated that overall the budget looks very stable but expressed concern for the Public Employee Retirement Association (PERA) and how much it is increasing. She

asked if it could be explained how pensions are negotiated. She receives numerous questions regarding pensions and does not feel these are sustainable government pensions any longer. She believes the City needs to become proactive and find something sustainable for the future.

Mr. Lawell explained that PERA of Minnesota affects municipal employees. He stated the downturn in economy has had an impact and it is not something that is negotiated city by city. Contribution rates are negotiated at the state level through the legislature. He explained the way it works is the employer and the employee are required to contribute a certain percentage of payroll. He stated in the last legislative session those percentage have gone up and that directly affects the City's budget. The City does not have any individual authority to reduce those amounts.

Councilmember Goodwin stated he has spent plenty of time looking at this issue in the past and had the same questions as to why the City just cannot make changes. He felt further explanation was needed for the public. He made a comparison to other states where there is not a state pension system and that individual cities and counties have an individual pension system. He explained the pension plan is based on how the legislature wants to handle it and that currently Minnesota has one mandated system administered by the State of Minnesota and the State will mandate how much cities and counties have to pay in every year.

Mayor Hamann-Roland wanted to share that 94.7 percent of the City's homeowners will not see an increase in their property taxes. She stated that the City is levying approximately \$140,000 less for 2011 than in 2010. She thanked staff for their fiscal constraint and for coming in at zero percent.

Councilmember Goodwin commented on the 2011 levy limit calculation slide. He stated the State of Minnesota limits the amount of money the City can raise. The 2011 estimated levy limit is \$25,586,578 and the City can levy up to that amount without going over the mandated maximum state level. He said that in 2011 there is an unused levy of \$2,886,578 that the City could tax for but is not and one of the reasons is just how tough this economy is. He feels the City is leaving more unused levy money than any other city in the area.

Councilmember Grendahl asked for Mr. Hedberg to explain for the viewing public why the total tax levy is \$22,700,000 and showing an unused portion of \$2,886,578.

Mr. Hedberg explained that the levy limit is determined by a formula enacted by the state and by law the City could have levied for \$25,586,578. He stated staff had clear direction from the Council earlier in the budget process what the resources that relate to property taxes would be and the budget presented is lower than the budget established by the state. If the City had levied to the limit the property taxes would go up. He stated that is not what is being proposed tonight.

MOTION: of Grendahl, seconded by Bergman, adopting **Resolution No. 2010-164** approving the proposed 2011 budgets, with total revenue of \$48,650,580.00 and expenditures of \$51,657,265.00, and approving the proposed tax levy collectible in 2011 of \$22,700,000.00 consisting of \$20,778,000.00 for general purposes and \$1,922,000.00 for debt purposes. Ayes - 5 - Nays - 0.

MOTION: of Bergman, seconded LaComb, setting a public budget meeting on the proposed 2011 budgets and tax levy, at 8:00 p.m. on December 9, 2010. Ayes - 5 - Nays - 0.

COUNCIL COMMUNICATIONS

Mayor Hamann-Roland stated that on Sunday, September 12, would be the last concert in Kelley Park for the year and this would be an event for the community.

CALENDAR OF UPCOMING EVENTS

MOTION: of LaComb, seconded by Grendahl, approving the calendar of upcoming events as included in the City Clerk's memo dated September 3, 2010, and noting that each event listed is hereby deemed a Special Meeting of the City Council. Ayes - 5 - Nays - 0.

CLAIMS AND BILLS

MOTION: of Bergman, seconded by Goodwin, to pay the claims and bills, check registers dated September 1, 2010, in the amount of \$905,566.77; and September 8, 2010, in the amount of \$591,654.73. Ayes - 5 - Nays - 0.

MOTION: of Grendahl, seconded by LaComb, to adjourn. Ayes - 5 - Nays - 0.

The meeting was adjourned at 8:56 o'clock p.m.

Respectfully Submitted,

/s/ Joanne Murphy _____
Joanne Murphy, Deputy City Clerk

Approved by the Apple Valley City Council on 9-23-10