

CITY OF APPLE VALLEY
Dakota County, Minnesota
December 8, 2011

Minutes of the regular meeting of the City Council of Apple Valley, Dakota County, Minnesota, held December 8, 2011, at 8:00 o'clock p.m., at Apple Valley Municipal Center.

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

ABSENT: None.

City staff members present were: City Administrator Lawell, City Clerk Gackstetter, City Attorney Dougherty, Public Works Director Blomstrom, Building Official Brady, Assistant Finance Director Broughten, Assistant City Administrator Grawe, Acting Human Resources Manager Haas, Finance Director Hedberg, Parks and Recreation Director Johnson, Police Chief Johnson, City Engineer Manson, Police Captain Marben, Community Development Director Nordquist, Police Captain Rehtzigel, Fire Chief Thompson, and Liquor Operations Director Swanson.

Mayor Hamann-Roland called the meeting to order at 8:00 p.m. Everyone took part in the Pledge of Allegiance to the flag.

APPROVAL OF AGENDA

MOTION: of Goodwin, seconded by Grendahl, adding item 4.Q – Adopt Resolution Giving Approval to Issuance of Revenue Bonds by Apple Valley Economic Development Authority (Augustana Health Care Center of Apple Valley Project), and approving the agenda for tonight's meeting, as amended. 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, approving the minutes of the regular meeting of November 22, 2011, as written. Ayes - 5 - Nays - 0.

MOTION: of Bergman, seconded by Goodwin, setting the 2012 City Council meeting schedule, in accordance with the adopted policy on the second and fourth Thursdays of each month unless the following Friday is a holiday, with informal meetings beginning at 5:30 p.m. and regular meetings beginning at 7:00 p.m., as listed in the City Clerk's memo dated December 5, 2011. Ayes - 5 - Nays - 0.

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- MOTION: of Bergman, seconded by Goodwin, approving issuance of lawful gambling exempt permits, by the State Gambling Control Board, to Post 1776 American Legion Riders, for use on January 28, 2012, February 18, 2012, September 29, 2012, October 20, 2012, and November 17, 2012, at the Apple Valley American Legion, 14521 Granada Drive, and waiving any waiting period for State approval. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving issuance of a lawful gambling exempt permit, by the State Gambling Control Board, to Dakota County Voiture 1457, for use on March 17, 2012, at the Apple Valley American Legion, 14521 Granada Drive, and waiving any waiting period for State approval. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving issuance of a lawful gambling exempt permit, by the State Gambling Control Board, to Minnesota Zoo Foundation, for use on April 28, 2012, at the Minnesota Zoo, 13000 Zoo Boulevard, and waiving any waiting period for State approval. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving renewal and issuance of On-Sale and Off-Sale 3.2 Percent Malt Liquor Licenses for 2012, as attached to the City Clerk's memo dated December 5, 2011. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving issuance of a new 2012-2013 License to Sell Tobacco and Tobacco Products to Tobacco Valley 1, Inc., d/b/a Tobacco Valley, 7546 149th Street W., as described in the City Clerk's memo dated December 5, 2011. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution 2011-207** establishing a school speed limit zone on 147th Street W. near Garrett Avenue. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution 2011-208** reallocating special assessments in Cobblestone Lake development area. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution 2011-209** approving the final plat and Subdivision Agreement for Eagle Ridge Business Park Addition, and authorizing the Mayor and City Clerk to sign the same. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-210** awarding the contract for Valleywood Clubhouse Project #0340 – Precast Structural Concrete, to Molin Concrete Products, the lowest responsible bidder, in the amount of \$52,636.00. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-211** awarding the contract for Valleywood Clubhouse Project #0420 – Masonry, to Met-Con Construction, Inc., the lowest responsible bidder, in the amount of \$160,300.00. Ayes - 5 - Nays - 0.

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- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-212** awarding the contract for Valleywood Clubhouse Project #0512 – Steel Supply, to Thurnbeck Steel Fabrication, Inc., the lowest responsible bidder, in the amount of \$104,650.00. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving the Agreement for AV Project 2011-150, Lebanon Cemetery Irrigation System, with Curbside Landscape & Irrigation, Inc., in the amount of \$11,795.00, and authorizing the Mayor and City Clerk to sign the same. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving the Agreement for AV Project 2011-149, Well Pumps 1, 2, 18, and LZP4 Maintenance, with Keys Well Drilling Company, in the amount of \$67,760.00, and authorizing the Mayor and City Clerk to sign the same. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving the Professional Services Agreement for AV Project 2011-153, Non-Invasive Pipe Condition Assessment, with Short Elliott Hendrickson, Inc., in the amount of \$21,226.58, and authorizing the Mayor and City Clerk to sign the same. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving Change Order No. 1 to the contract with Thompson Construction of Princeton, Inc., for Valleywood Clubhouse Contract #0330 – Cast-In-Place, resulting in no change to the contract amount. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving Change Order No. 1 to the contract with Urban Companies, LLC, for Valleywood Clubhouse Contract #3100 – Earthwork, resulting in no change to the contract amount. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving Change Order No. 1 to the contract with McNamara Contracting, Inc., in the amount of an additional \$3,297.81; and accepting AV Project 2011-104, 2011 Utility Improvements, as complete and authorizing final payment in the amount of \$37,385.10. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, accepting AV Project 2011-117, 2011 Concrete Removal and Replacement Services, as complete and authorizing final payment on the agreement with Ron Kassa Construction, Inc., in the amount of \$13,681.49. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, approving hiring the seasonal employees, promotion of employees, and resignation of employee, as listed in the Personnel Report dated December 8, 2011. Ayes - 5 - Nays - 0.
- MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-213** giving approval to the issuance of Revenue Bonds by the Apple Valley Economic Development Authority (Augustana Health Care Center of Apple Valley Project). Ayes - 5 - Nays - 0.

END OF CONSENT AGENDA

APPRECIATION AWARD TO POLICE DEPARTMENT

Mr. Mark Ceminsky, Commander/Director of the Post 1776 American Legion Riders, presented Police Chief Johnson an eagle Appreciation Award in recognition of the outstanding service and assistance by the Police Department during their charitable events.

Mayor Hamann-Roland thanked Mr. Ceminsky and the American Legion Riders for the great work they do for the community.

PROPERTY TAX LEVY & 2012 CITY BUDGET

Mr. Hedberg gave a presentation on the 2012 proposed budget and tax levy. He reviewed the budget development process. All properties in the City received mailed notice of the Truth-in-Taxation meeting and the notice included proposed property taxes for 2012 based on preliminary budgets and tax levies approved in September. Staff is recommending the budget be adopted this evening. However, if the Council needs additional time to consider it, adoption can be postponed to December 22, 2011. He then reviewed the budget assumptions, noting that during the goal setting session in April, the Council gave clear direction to staff to hold the line on the City's share of the property tax bill for the typical Apple Valley home. He also reviewed the budget challenges and economic challenges. One of the challenges that has caused a lot of confusion is the transition from Market Value Homestead Credit (MVHC) to Homestead Market Value Exclusion (HMVE). He stated Apple Valley's foundation is strong and the City's Aaa bond rating, which is the highest rating possible, is confirmed. He summarized the budget highlights which included road construction and reconstruction, the Water Treatment Plant expansion project, engineering staff conversion, the equipment replacement program, Valleywood clubhouse replacement, liquor store operations, stormwater management activities, cable television franchise renewal, infrastructure preservation, energy improvements, and staffing.

Mr. Hedberg showed 2011 and 2012 comparisons of Taxable Market Values by property classification and property tax levy components. He added the majority of properties in Apple Valley are classified as residential and the decline in market values appears to be moderating. Property values are determined by the Dakota County Assessor's Office and there is nothing the City can do at this meeting relative to property valuation. He reviewed the timeline for setting property valuations and noted it is a two-year process.

Mr. Hedberg stated the proposed property tax levy for 2012 is \$22,025,249, which is a decrease of 2.97% or \$674,751 from 2011. He pointed out the preliminary levy adopted in September can be decreased but cannot be increased. He then showed how the tax rate is determined and how the property tax capacity for individual properties is calculated. He explained the difference between Market Value Homestead Credit and Homestead Market Value Exclusion. It is important to note that the amount listed under "Taxes Payable 2012" on the Truth-in-Taxation Notice is not the value of the home as determined by the Dakota County Assessor. Instead, that is the Taxable Market Value or the value used for tax purposes. Mr. Hedberg also showed how the HMVE impacts the City budget and levy as well as how it would apply to the median-valued home and a home valued at the maximum exclusion.

Of the total tax bill residents pay, approximately 35% of it goes to the City. The remainder goes to the school district, Dakota County, or other taxing jurisdictions. He presented various comparisons to

neighboring communities and other services. Not including voter approved debt, the tax dollars paid on a median-valued home in 2012 will be less than the amount paid in 2009.

There are three fund types included in the budget: the General Fund, other Governmental Funds, and Enterprise Funds. The total General Fund revenues for 2012 are \$24,521,314. Approximately 74% of the revenue comes from property taxes. General Fund expenditures are divided into three categories: Personnel Services, Commodities/Other, and Capital Outlay. Mr. Hedberg explained how the levy is divided amongst the categories and compared the expenses for 2011 and 2012.

He received 13 contacts in response to the Truth-in-Taxation notice, most of which had to do with property valuation. He then described various property tax refund programs available to residents. He said ongoing challenges include maintaining a “structurally balanced budget”, the impacts of the slowing housing market and economy, and State fiscal issues. In 2012, a median-valued home will see approximately a \$7 increase in the City portion of their property tax bill. Mr. Hedberg said the complete budget document as well as additional information is available on the City’s website.

Councilmember Grendahl asked if the City received funds under the Market Value Homestead Credit.

Mr. Hedberg said the City has not received Market Value Homestead Credit aid for three years.

Councilmember Grendahl asked if the Fund Balance that is referred to in the auditor’s Management Letter is supposed to be called the Capital Fund. She pointed out unspent dollars from the Operating Budget are added to the Fund Balance.

Mr. Hedberg said the Future Capital Project Fund was established a number of years ago and was funded through Market Value Homestead Credit aid and any surplus from the General Fund.

Councilmember Grendahl asked approximately how much money will be unspent from the General Fund this year.

Mr. Hedberg estimates it will be approximately \$400,000.

Councilmember Grendahl said she would like to see that money go towards road reconstruction. In addition, she assumes there will be a significant savings in salaries considering the recent resignations. She pointed out the Sports Arena Fund has been called out in the Management Letter the last several years and asked if staff is working on a plan to eliminate the deficit.

Mr. Hedberg said he believes a business plan should be developed for the ice arena similar to what was done for Valleywood.

Councilmember Grendahl said Valleywood is making money because of its food. She does not want the golf course to be in competition with restaurants in the City.

Councilmember Bergman thanked staff for their work on the budget. He said everyone continues to try to find ways to save money. He encouraged all employees to share their cost-saving ideas with their supervisors. He pointed out the ice arena is an enterprise fund and the Council expects all other enterprise funds to show a profit. He encouraged staff to continue to look for ways to generate revenue. He further recommended contacting other cities that have ice arenas to learn what they are doing.

Councilmember Goodwin supports the idea of looking more closely at the Sports Arena Fund. He commented on how confusing and complicated the Minnesota tax law is and recommended the presentation be posted on the City's website. Even with all the changes made to the tax law this last year, because Apple Valley has a strong financial foundation, the City is able to keep the property tax increase to 1-2%, with some properties experiencing a decrease. He stated many communities will not be nearly as fortunate.

Councilmember Hooppaw commented about the additional \$200,000 budgeted for delinquent property taxes, the need to continue to watch foreclosures, and the impact of shifting the overall tax burden to higher valued properties including commercial properties. He encouraged the public not to panic over the Taxable Market Value listed on the Truth-in-Taxation Notice, because that is not the estimated market value of home.

Mayor Hamann-Roland said earlier today members of the Municipal Legislative Commission Board spoke to legislators and recommended Dakota County's Notices include both the Taxable Market Value and the actual home value. She also agrees with taking a look at the Sports Arena Fund and applying the anticipated \$400,000 surplus from the 2011 budget towards road reconstruction. She would like to do everything they can to keep property taxes as stable as possible. She recognized the City Administrator, the Finance Director, and staff for working together to produce a budget that meets the goal set by the City Council.

Councilmember Grendahl asked if employee sick and vacation pay is included in the Operating Budget or if it is an additional liability.

Mr. Hedberg said the liability for unused annual leave is fully funded within the Internal Service Self-Insurance Fund.

Mayor Hamann-Roland opened the public comment portion of the Truth-in-Taxation hearing at 9:09 p.m. She asked for questions or comments from the public. There were none and the hearing was declared closed at 9:10 p.m.

MOTION: of Goodwin, seconded by Hooppaw, adopting **Resolution No. 2011-214** approving setting the City tax levy collectible in 2012 at \$22,025,249 and approving 2012 budgets with total revenue of \$52,080,422 and expenditures of \$54,006,058.

Councilmember Grendahl asked if there is a commitment to use the reserves from this year's budget for road reconstruction.

Councilmember Goodwin recommended holding that discussion for the next meeting. He invited the public to attend. He said the Apple Valley is going to need to start rebuilding roads, which is a new chapter in the City's life. It is probably one of the most important things the City Council is going to do in the next five years and will require considerable discussion.

Vote was taken on the motion. Ayes - 4 - Nays - 1 (Grendahl).

Mr. Hedberg presented the proposed water, sanitary sewer, and storm water rates for 2012 and explained the reasoning behind the proposed changes. There are no amendments to the rate structure presented last year. There are no proposed changes to the street light utility rate. The overall combined rates for water, sanitary sewer, storm water, and street lights represent approximately a 2.6 percent increase from 2011 for the average residential utility customer.

MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-215** setting the sewer and water rates and related procedures, effective January 1, 2012. Ayes - 5 - Nays - 0.

MOTION: of Bergman, seconded by Goodwin, adopting **Resolution No. 2011-216** setting the storm water drainage rates, effective January 1, 2012. Ayes - 5 - Nays - 0.

2011 LIQUOR FUND TRANSFER

Mr. Hedberg reviewed his memo dated December 4, 2011, regarding the transfer from the Liquor Fund to the General Fund. In 2011 the proposed budgeted transfer amount is \$525,000 and the operations of the Liquor Fund are sufficient to support that transfer.

MOTION: of Goodwin, seconded by Bergman, adopting **Resolution No. 2011-217** approving the transfer of \$525,000.00 from the Liquor Fund to the General Fund for 2011. Ayes - 5 - Nays - 0.

ORDINANCE AMENDING FEES CONTAINED IN CITY CODE

Ms. Gackstetter reviewed proposed amendments to the Fee Schedule Appendix of Title III of the City Code. Fee adjustments are proposed for the cemetery, City fees and materials, consultant and engineering services, building inspections and permits, subdivision and development fees, and utility fees. The fees would be effective January 1, 2012. She noted the proposed rates more accurately reflect the City's costs. Some changes were also recommended as a result of increased fees being charged the City and some were increased according to the Engineering News Record Construction Cost Index. Staff recommends accepting the first reading. The second reading is scheduled for December 20, 2011.

COMMUNICATIONS

Mr. Lawell thanked Police Chief Johnson for 10 years of service to the City of Apple Valley and over 31 years of public service in law enforcement in Dakota County. He then presented Police Chief Johnson with a marble apple in recognition of his retirement from the City.

Mayor Hamann-Roland presented Police Chief Johnson with the Key to the City in recognition and honor of his distinguished service to the City of Apple Valley. The Council wished the Police Chief a happy and well-deserved retirement.

Councilmember Bergman said the holiday lights that residents have put up are phenomenal and recommended the public tour the City to view them.

Police Chief Johnson warned that it is not yet safe to enter the ice on lakes and ponds.

CALENDAR OF UPCOMING EVENTS

MOTION: of Grendahl, seconded by Goodwin, approving the calendar of upcoming events as included in the City Clerk's memo dated December 5, 2011, 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 Grendahl, to pay the claims and bills, check registers dated, December 1, 2011, in the amount of \$298,196.03, and December 8, 2011, in the amount of \$1,070,317.40. Ayes - 5 - Nays - 0.

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

The meeting was adjourned at 9:31 o'clock p.m.

Respectfully Submitted,

/s/ Pamela J. Gackstetter
Pamela J. Gackstetter, City Clerk

Approved by the Apple Valley City Council on 12-20-11.