

**INVER GROVE HEIGHTS CITY COUNCIL MEETING
MONDAY, DECEMBER 10, 2012 - 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The City Council of Inver Grove Heights met in regular session on Monday, December 10, 2012, in the City Council Chambers. Mayor Tourville called the meeting to order at 7:00 p.m. Present were Council members Grannis, Klein, Madden and Piekarski Krech; City Administrator Lynch, Assistant City Administrator Teppen, City Attorney Kuntz, Parks & Recreation Director Carlson, Community Development Director Link, Public Works Director Thureen, Finance Director Smith, Police Chief Stanger, Fire Chief Thill and Deputy Clerk Kennedy

3. PRESENTATIONS:

Mayor Tourville recognized Council members Grannis and Klein. He stated this would be their last regular meeting as their terms would end in January.

Councilmember Klein stated the moment was bittersweet and he would miss serving on the Council. He felt the Council was able to accomplish a lot of good things for the City and he enjoyed serving the citizens for the past 20 years.

Councilmember Grannis thanked the residents for the privilege of serving them for the past 12 years as a member of the Council.

Mayor Tourville thanked Council members Grannis and Klein on behalf of the Council, City staff, and the residents for their dedication and years of service. He stated their efforts were very much appreciated.

4. CONSENT AGENDA:

Councilmember Madden removed Item 4A(i) from the Consent Agenda.

Councilmember Piekarski Krech removed Item 4I from the Consent Agenda.

- A. ii) Minutes – November 13, 2012 Council Study Session
- iii) Minutes – November 26, 2012 Council Study Session
- iv) Minutes – November 26, 2012 Regular Council Meeting
- B. **Resolution No. 12-198** Approving Disbursements for Period Ending December 5, 2012
- C. Pay Voucher No. 1 for City Project No. 2012-15, Sediment Removal from Storm Water Basin at 79th Street and Blanchard Way
- D. **Resolution Nos. 12-199, 12-208, & 12-209** Receiving Feasibility Report and Scheduling Public Hearings for City Project No. 2011-15, Orchard Trail Storm Water Improvements
- E. **Resolution No. 12-200** Approving a Community Development Block Grant Application
- F. **Resolution No. 12-201** Approving the Final 2013-2017 CIP
- G. **Resolution No. 12-202** Approving Acquisition of Property Located at 8195 Babcock Trail
- H. **Resolution No. 12-203** Approving Transfers to City of Inver Grove Heights Economic Development Authority
- J. Approve Park Maintenance Fund (Fund 444) Funding Transfers
- K. **Resolution No. 12-204** Authorizing Payments to Churches Used as Polling Locations for 2012 Elections
- L. Personnel Actions

Motion by Madden, second by Grannis, to approve the Consent Agenda

Ayes: 5

Nays: 0 Motion carried.

A. i) Minutes – October 22, 2012 Council Study Session

Councilmember Madden made a correction on page one (1) to clarify that his statement was “there is too much uncertainty overall”.

Motion by Klein, second by Madden, to approve the minutes of the October 22, 2012 Council Study Session with the correction as noted

Ayes: 5

Nays: 0 Motion carried.

I. Approve Purchase of Artificial Turf for the VMCC/Grove

Councilmember Piekarski Krech verified with Mr. Carlson that the bid bond was provided by St. Croix Recreation.

Motion by Piekarski Krech, second by Klein, to approve the purchase of artificial turf for the VMCC/Grove

Ayes: 5

Nays: 0 Motion carried.

5. PUBLIC COMMENT:

Allan Cederberg, 1162 82nd St. E., stated he enjoyed serving as an election judge and expressed his belief that it is an experience everyone should take part in. He referenced the canvassed election results and opined that more people voted on and were interested in the constitutional amendments than they were the races for City offices. He felt this was not right and thought people should be more involved in issues concerning the City.

6. PUBLIC HEARINGS:

A. CITY OF INVER GROVE HEIGHTS; Consider Renewal Application of Pawn America for Pawnbroker’s License for Premises Located at 5300 South Robert Trail

Ms. Kennedy explained this item pertained to the renewal of the pawnbroker’s license held by Pawn America for the 2013 calendar year. She stated the original license was approved in the early part of 2012. She noted the applicant submitted all required fees, including the corporate surety bond.

Councilmember Piekarski Krech asked if the background investigation was completed.

Ms. Kennedy responded in the affirmative, noting that no basis for denial of the application was found.

Motion by Klein, second by Madden, to close the public hearing

Ayes: 5

Nays: 0 Motion carried.

Motion by Madden, second by Klein, to approve the renewal application of Pawn America for a Pawnbroker’s License for premises located at 5300 South Robert Trail

Ayes: 5

Nays: 0 Motion carried.

B. CITY OF INVER GROVE HEIGHTS; Consider Application of Signature Enterprises, Inc. for the Transfer of an Existing Off-Sale Intoxicating Liquor License for premises located at 5300 South Robert Trail, Suite #600

Ms. Kennedy explained the applicant entered into a purchase agreement for the existing liquor store located at 5300 South Robert Trail #600. If approved the applicant would take over operations of the existing business beginning on December 17, 2012. The applicant provided liquor liability insurance documentation for the remainder of 2012 and for the entire 2013 calendar year. The police department completed the background investigation and found no basis for denial of the transfer application.

Councilmember Klein questioned if the applicant had ever owned a liquor store.

Erica Lentsch, applicant, responded in the negative.

Councilmember Madden asked the applicant if she was aware of the alcohol server training requirements set forth in the City Code.

Ms. Lentsch responded in the affirmative.

Motion by Piekarski Krech, second by Klein, to close the public hearing

Ayes: 5

Nays: 0 Motion carried.

Motion by Klein, second by Madden, to approve the application of Signature Enterprises, Inc. for the transfer of an existing Off-Sale Intoxicating Liquor License for premises located at 5300 South Robert Trail, Suite #600

Ayes: 5

Nays: 0 Motion carried.

C. CITY OF INVER GROVE HEIGHTS; Consider Approval of Liquor License Renewals for 2013 Calendar Year

Ms. Kennedy stated 32 renewal applications were submitted for approval. Background investigations were completed and no basis for denial was found. She noted that Arbor Pointe Golf Club did not submit an application and asked that Council remove the establishment from the list of licenses eligible for renewal. The golf course is not currently open for business and could submit a renewal application after the first of the year for Council's consideration. She recommended that the Council impose conditions of approval on Eddy's Bar & Grill for the submission of the appropriate liquor liability insurance documentation, and on Ruby Tuesday for the successful completion of a background investigation on the on-site operations manager.

Mayor Tourville clarified with the exceptions that were noted all other applicants submitted insurance certificates and license fees.

Ms. Kennedy responded in the affirmative.

Allan Cederberg, 1162 82nd St. E., questioned if the Council had approved the optional 2 am license for the King of Diamonds and why no public hearing was held to consider the license.

Ms. Kennedy stated this issue had been previously discussed several times. She explained the City was not the issuing authority for the optional 2 am license and no formal approval process was required. Eligible license holders make application and payment to the State of MN for the optional license. She stated the City's role in the process is merely to acknowledge to the State that the City allows, by code, for the sale of alcoholic beverages until 2 am. She noted the optional licenses do not run concurrently with the liquor licenses that were being considered for renewal by the Council. She reiterated the optional licenses were applied for and renewed separately with the State. With respect to the establishment in question, the optional 2 am license was renewed with the State of Minnesota in September, 2012.

Motion by Klein, second by Piekarski Krech, to close the public hearing

Ayes: 5

Nays: 0 Motion carried.

Motion by Madden, second by Grannis, to approve liquor license renewals of the 2013 calendar year with the exception of Arbor Pointe Golf Club & to attach the recommended conditions of approval to Eddy's Bar & Grill and Ruby Tuesday.

Ayes: 5

Nays: 0 Motion carried.

7. REGULAR AGENDA:**FINANCE:****A. CITY OF INVER GROVE HEIGHTS; Consider Approval of Final 2013 Tax Levies and 2013 Budgets**

Ms. Smith stated this was the regularly scheduled meeting to discuss the budgets and tax levies set by Council on September 10, 2012. She noted the public must be allowed to speak. She explained complete budgets were provided to the Council at their November 26, 2012 study session. Dakota County mailed the proposed property tax notices to residents and property owners on November 16th. She noted she had not received any comments regarding the proposed tax levies or budgets since notices were distributed.

Ms. Smith presented the proposed 2013 budgets and discussed the proposed tax levies. The proposed General Fund Operating Levy, including the special levy for Police and Fire, totaled \$13,093,012. She noted this figure represented a decrease in dollars from the 2012 amended budget by approximately \$400,000, although the tax levy rate increased. The debt levies were almost identical to the 2012 figures due to a subsidy by the Closed Bond fund to keep the debt levies as they were. The watershed management tax levies were also similar to what was adopted in 2012. An overview of the net tax levies and net tax capacity since 2008 was provided. Net tax capacity decreased 5.5% from 2012 to 2013 and the net tax levy (dollars) from 2010 to 2013 decreased by over \$1,000,000. The tax rate increase is the result of the overall decrease in property values.

Ms. Smith explained the General Fund revenues totaled \$16,185,700 and the primary source of revenue (81%) is the collection of property taxes. General Fund expenditures matched revenues. Public Safety accounted for 48% of the expenditures, while Public Works accounted for 21%. The proposed budget for the Recreation Special Revenue Fund had revenues and expenditures similar to previous years. The largest change was due to position reallocations and the reduction of a position. The proposed budget for the Community Center Special Revenue Fund was reviewed and the most significant change related to a decrease in capital outlay. The EDA Special Revenue Fund was implemented in 2012 and the proposed costs for 2013 remained similar to what was budgeted in 2012. The Storm Water Capital Project Fund was initiated in the middle of 2012 and 2013 would be the first full year of receipts, estimated to be \$309,600. The ADA Capital Project Fund was a new addition for 2013 and would remain in the budget for several years to come. The proposed budget for the Water Enterprise Fund had similar revenues and expenses to 2012 and it was noted that 2013 water rates were previously established by the Council. The Sewer Enterprise Fund reflected the 2013 rates previously established by the Council and included a small capital outlay for the River Road lift station. The Golf Course Enterprise Fund budget remained similar to 2012. It was noted that the debt service bonds for the purchase of the property and improvements were paid off in 2012.

Councilmember Klein asked if it was projected that golf course would break even in 2013 since no more debt service payments were required.

Ms. Smith explained in 2013 the contribution from retained earnings, \$280,000, was equivalent to the depreciation. She stated from a cash flow perspective it appears as though it would balance because depreciation is considered a non-cash item and no capital outlay was proposed for 2013.

Ms. Smith reviewed the five internal service funds. She explained with respect to the Risk Management and Central Equipment Funds an effort was made to keep the charges to other funds equivalent to what they were in the past. The Central Stores Fund was decreased after actual expenses were reviewed. City Facilities costs also decreased primarily due to the fact that more operations were under way in the new building which resulted in a better understanding of the actual ongoing costs. The Technology Fund was not able to keep the allocations consistent from 2012 to 2013 and an increase was reflected in the 2013 budget.

Councilmember Grannis questioned why there was no expenditure proposed in the 2013 General Fund budget for street reconstruction. He stated in 2012 an expenditure of \$1,200,000 was budgeted and the same amount was included in the preliminary 2013 budget that was adopted in September. His understanding was that the expenditure was going to be retained in the budget to avoid the problems

previously encountered by not setting aside money specifically for street reconstruction.

Ms. Smith stated the budget did not reflect a transfer from the General Fund into street reconstruction projects for 2013. She explained the City's financial consultant, Ehlers and Associates, raised concerns regarding the utilization of fund balance and potential impacts to the City's bond rating going forward. She noted funds were still available to transfer \$500,000 from the Host Community Fund directly into the street reconstruction piece; however the transfer was not budgeted to flow through the General Fund as it could be transferred directly from the Host Community Fund.

Mr. Lynch clarified rather than being transferred from the General Fund and made a part of the PMP, the funds would be transferred directly from the Host Community Fund. In 2013 it is believed that new projects could be financed internally without having to bond for the funds. He explained the Council would also discuss how to fix the problem going forward and eliminate the continued use of General Fund balance. He noted no projects would be at risk in 2013.

Councilmember Piekarski Krech stated her concern was that the City would not be able to assess enough for projects to cover the full amount of the bond issues.

Ms. Smith stated the percentage of special assessments required to do a bond issuance under M.S. 429 remains the same whether the City puts cash in or actually bonds for those costs. It is based on a percentage of the total cost of the project.

Councilmember Piekarski Krech questioned if Ehlers recommended that the City bond for the entire cost of the projects. She stated her concerns stemmed from the fact that the City started a street reconstruction program to plan for the ongoing maintenance costs to eliminate the deterioration of the infrastructure and avoid the high costs associated with full reconstructions.

Mr. Lynch stated the sources and uses would not change. It is not anticipated that the City would have to increase the amount that is assessed for projects. The amount that is bonded for would depend on the amount of state aid that is available for a project and the assessments that are able to be levied. He explained in bonding the City would only pay a portion of the costs over time rather than being hit with a one-time expenditure that depletes a particular fund and doesn't allow money to be spent in other areas.

Mayor Tourville stated the main concern is to make sure that street reconstruction program is not forgotten.

Mr. Lynch reiterated that the Pavement Management Program would remain the only difference would be the way in which projects are financed.

Allan Cederberg, 1162 82nd St. E., stated he was surprised to find out that the storm water was back on the budget. He stated his understanding was that the City wanted to make the storm water a separate fund.

Mr. Lynch explained the storm water was reported as a separate, independent fund. Funds that were previously allocated as an operations expense from the General Fund are now reflected in the recently established Storm Water Utility. The City began to collect those funds in 2012, however only a half year of collections, \$150,000, was realized because the program was not started until mid-2012. In 2013 a full year of collections is anticipated for a total of \$300,000. He reiterated the fund is accounted for separate from the General Fund and operational expenses are cost allocated and tracked to that fund.

Mr. Cederberg stated the water fee was increased 2% and the sewer fee was increased by 6% and questioned where that additional money was accounted for in the budget.

Ms. Smith explained within the water fund budget the water charges reflected a 2% increase and the sewer charges reflected a 6% increase and were listed as separate line items under revenues for both the water fund and sewer fund budgets.

Mr. Lynch stated the City had to show in the proposed 2013 budgets adopted in September what was intended to be collected. He explained the City followed the financial plan that was done in conjunction with a financial planner based on the operational costs of the water and sewer systems. He reiterated the City had to anticipate what the revenue would be in order to get the preliminary budget approved in

September.

Mayor Tourville clarified the increased charges were included in the revenues for each fund and were considered by staff when the preliminary budget was prepared in September.

Mr. Cederberg stated he requested the third quarter investment report and questioned why the City was losing money on several of its investments.

Mr. Lynch noted the City's investments were not part of the budget and tax levy discussion. He clarified the City received principal return on investments. He explained the City had money at higher rates of return and now when the issues are called the City cannot get similar rates of return on the investment. The City has other expenditures that they have to pay for going into the future and investment devices are purchased because they time out with those expenditures.

Ms. Smith stated a written response to the specific question was mailed to Mr. Cederberg. She stated the difference between the two figures is the result of one of two factors, or a combination of both. The first is accrued interest at the time of purchase and/or the fact that the City may have paid a premium because the interest rate being received on the investment was greater than what could be received on any other investment in the market.

Councilmember Klein questioned if any progress had been made with the unions regarding the proposed personnel cuts.

Mr. Lynch stated staff did meet with the union. In one of the situations a resolution was reached to the satisfaction of all parties. In essence two positions would trade roles at the request of an individual employee who would like step down from full-time employment in preparation for retirement. This request fulfilled the operational cut the City was looking for while the other position would return to full time. He explained the department heads would determine if there were other employees that would be interested in similar arrangements that the City would be able to afford from an operational standpoint in order to restore one the proposed cuts to either a full-time or part-time, benefitted status. He stated with respect to the third position the City did not have enough development as economic activity remained seasonal. He noted 67% of the permit revenue and number of inspections performed occurred within a six (6) month period of time and it is believed that the job could be done in a different way going forward.

Councilmember Klein opined for many years the City made cuts from the bottom and it affected a number of employees and he would like to see the City look at organizational restructuring in 2013. He stated he was concerned about the proposed reduction of a full-time, benefitted position to a part-time, non-benefitted position and would like to see the employee's benefits remain intact.

Motion by Klein to restore the benefits to the proposed part-time, non-benefitted position.

Motion died due to lack of a second.

Councilmember Madden opined now was not the time to consider the issue and felt it should be discussed after the first of the year with the new Council.

Mayor Tourville opined it was not right to make motions regarding individual employees because the Council's role was to make policy, not day-to-day operations. He stated the better approach would be to have staff continue to look at the issue to see if there are other things that could be done to save money and reallocate funds.

Councilmember Klein stated it was an unusual circumstance that should be looked at.

Councilmember Piekarski Krech questioned how staff would find additional money if it wasn't there before and if there were other things that could be done why weren't they proposed before during the budget process. She opined that she didn't want to lose people and that there were other ways the City could cut back to make it a more efficient government body.

Councilmember Madden stated it made more sense to have staff continue to look at the situation and bring back any new options to the Council for approval after the first of the year.

Councilmember Grannis clarified that the budget projections for 2014 were even bleaker than 2013. He stated even if staff was able to find a way to salvage the three (3) positions in 2013 it is likely that even more positions would need to be cut in 2014.

Mr. Lynch stated that was correct. If the City did not see an increase in its taxable market value and if the City continued to reduce the revenue sources that have been utilized to support the General Fund in recent years, a double digit tax levy increase would be needed to balance the budget. He explained during the 2014 budget process the City would need to take a hard look at operations and the services that are provided.

Councilmember Klein opined that sacrifices needed to be made at the top to keep the organization strong.

Mayor Tourville stated the challenge is to balance the operational needs with what the citizens expect and need in terms of services.

Mr. Lynch stated the challenge would be to determine if what is being proposed with respect to the restoration of benefits could be accomplished within the budget that is adopted by the Council. He explained staff could try to accomplish that if Council so directed.

Councilmember Madden stated nobody likes going through this process and they all would like to do everything possible to find a way to help improve the situation.

Motion by Madden, second by Grannis, to adopt Resolution No. 12-205 Approving the Final 2013 Tax Levies, Resolution No. 12-206 Approving the Final 2013 Budgets, and Resolution No. 12-207 Adopting the Final Watershed Management Taxing Districts' Tax Levies for the Year 2013 and to direct staff to look at operational needs and requirements within the adopted budget.

Ayes: 4

Nays: 1 (Piekarski Krech) Motion carried.

COMMUNITY DEVELOPMENT:

B. CITY OF INVER GROVE HEIGHTS; Consider Adopting the Concord Neighborhood Design Guidelines

Mr. Link explained a couple of years ago the Council expressed an interest in encouraging private development in the Concord Boulevard neighborhood. The City subsequently undertook a two-year planning study during which the land use plan was updated, potential redevelopment sites were selected, discussions were held with members of the development community, concept site plans were prepared, financial feasibility was analyzed, potential financial tools were identified, and open houses were held for the neighborhood businesses and residents. He stated the design guidelines focused on the four (4) redevelopment sites previously identified by Council. The components of the guidelines included concept plans, elevation cross-sections, and guiding principles for transportation, mixed use, signage, visual character, historical character, and densities. The purpose of the design guidelines is to determine if the City's ideas for redevelopment would actually work on a site and provides an example of what the development may look like and whether it is financially feasible. Planning staff recommended adoption of the design guidelines. He noted adoption of the design guidelines would not commit the City to anything and the Council would continue to discuss potential implementation strategies after the first of the year. He stated the City was not required to adopt the design guidelines in order to receive funding from the Metropolitan Council, however adoption was still recommended so as not to jeopardize future grant opportunities from the Metropolitan Council because they are one of the greatest sources of grants for redevelopment.

Councilmember Klein stated he was in favor of it because adoption of the guidelines would not tie the City's hands and they could be changed going forward. He noted he was concerned that the Metropolitan Council was the biggest source of grant funds.

Mr. Link stated the Metropolitan Council had received funds from the State legislature. He noted that adoption of the design guidelines did not mean that any properties in the area would be rezoned and it would not obligate the City to do anything in the future.

Mayor Tourville stated all of the information needs to be made as public as possible and the neighborhoods need to be updated as often as possible. He suggested that staff compile a summary of the neighborhood and business meetings that were held so it could be made available to those who are interested in the information.

Councilmember Madden stated one his biggest priorities was to look out for the interests of the existing business owners in the Concord area to make sure the redevelopment plans do not negatively affect them.

Councilmember Piekarski Krech stated she wanted to make sure that the concept plans and guidelines were not set in stone and that developers would have flexibility.

Mr. Cederberg commented that the Housing Committee was not listed as part of the program.

Mr. Link stated he made a presentation to the Housing Committee regarding the study.

Motion by Klein, second by Grannis, to adopt the Concord Neighborhood Design Guidelines

Ayes: 5

Nays: 0 Motion carried.

8. MAYOR & COUNCIL COMMENTS:

Councilmember Klein advertised for Holiday on Main Street on December 15th at the VMCC.

9. ADJOURN: Motion by Grannis, second by Klein, to adjourn. The meeting was adjourned by a unanimous vote at 8:30 p.m.