

**ARLINGTON CITY COUNCIL
MEETING AGENDA
DECEMBER 5, 2011 AT 6:00 PM
COUNCIL CHAMBERS**

The City Council is provided background information for agenda items in advance by city staff, committees and boards. Many decisions regarding agenda items are based upon this information, as well as: City policy and practices, input from constituents, questions or information that has not yet been presented or discussed regarding an agenda item. If you have a concern or question, please ask to be recognized by the Mayor during the "Citizens addressing the Council" portion of the agenda— state your name and address for the record. Please keep comments under 5 minutes. Individuals wishing to speak for more than five minutes should ask to be included on the agenda in advance. All comments are appreciated, but please refrain from personal or derogatory attacks on individuals.

1. Call meeting to order and Pledge of Allegiance
2. Roll Call
3. Approve the agenda and any agenda additions

CONSENT AGENDA

The items listed for consideration will be enacted by one motion unless the Mayor, a member of the City Council, City Staff or a person in attendance requests an item to be removed from the Agenda.

4. Approval of Consent Agenda
 - A) Approval of the November 21st Regular Meeting Minutes
 - B) Approval of the November 21st Special Meeting Minutes
 - C) Approval of Bills
 - D) Approval of 2011 Audit Agreement with Abdo, Eick & Meyers
 - E) Approve the Hiring of John Zaske as Fire Chief (2-Year Term)
 - F) Approve the Hiring of Jim Farber as 1st Assistant Chief (1-Year Term)
 - G) Approve the Hiring of Corey Carpenter as 2nd Assistant Chief (2-Year Term)
 - H) Approve the Hiring of Roberta Zaske as Safety/Training Officer (2-Year Term)

PUBLIC HEARINGS

5. Annual Truth-in-Taxation Hearing

PETITIONS, REQUESTS, & COMMUNICATIONS

6. Addressing the Council
 - A) Citizens Addressing the Council
7. Announcements
 - A) Sibley County Municipalities Meeting – Thursday, December 8 @ 6:00 p.m. (Gaylord)
 - B) City Offices will be Closing at Noon on Friday, December 23 and will be closed all day on Monday, December 26 in Observance of the Christmas Holiday
 - C) City Offices will be Closed on Monday, January 2 in Observance of the New Year's Holiday (1st Council Meeting will be on January 3)

8. Communications
 - A) October Water/Wastewater Report
 - B) November Police Calls Report
 - C) November Building Permit Report
 - D) MMPA 3rd Quarter 2011 Financial Statement
 - E) 2011-2012 Insurance Coverage Changes, Rates and Dividends Report

REPORTS OF OFFICERS, BOARDS & COMMITTEES

ORDINANCES & RESOLUTIONS

9. Ordinances
10. Resolutions
 - A) 66-2011 – EDA By-law Amendment
 - B) 67-2011 – Committing Revenues Related to GASB 54
 - C) 68-2011 – Amending City Fund Balance/Reserve Policy

UNFINISHED BUSINESS

NEW BUSINESS

11. Approve/Deny Employee Health Insurance Plan for 2012
12. Approve/Deny Policy on Tax Compliance Procedures
13. Discussion on Staffing Needs in the Public Works Department
14. 2012 Budget/Levy Discussion
- 15.

MISCELLANEOUS BUSINESS

16. Council Committee Updates
17. Open Discussion
18. CLOSED MEETING – To develop or consider an EDA offer for the purchase of real property

ADJOURNMENT

Reminders:

- 1) Planning & Zoning – December 8th @ 7 pm
- 2) Hospital – December 19th @ 5 pm (SMC)
- 3) Parks – ?? @ 7 pm
- 4) EDA – December 27th @ 6 pm

**ARLINGTON CITY COUNCIL
MEETING MINUTES
DECEMBER 5, 2011**

The regular meeting was called to order at 6:42 p.m., Mayor Kreft presiding.

Members present: Mayor Kreft, Pederson, Pichelmann, Reetz, Ruehling, Wills

Members absent: None

Also present: City Administrator Jaunich, City Attorney Arneson, Kevin Weber, Larry Sorenson, EDA Adm. Smith-Strack, EDA President Lundstrom, EDA Member Larry Sorenson, Bill Pinske, Kurt Menk

Motion by Pichelmann, seconded by Ruehling, and passed by unanimous vote to approve the agenda as presented.

Motion by Wills, seconded by Reetz, and passed by unanimous vote to approve the consent agenda as follows:

- A) Approval of the November 21st Regular Meeting Minutes
- B) Approval of the November 21st Special Meeting Minutes
- C) Approval of the Bills
- D) Approval of 2011 Audit Agreement with Abdo, Eick & Meyers
- E) Approve the Hiring of John Zaske as Fire Chief (2-Year Term)
- F) Approve the Hiring of Jim Farber as 1st Assistant Chief (1-Year Term)
- G) Approve the Hiring of Corey Carpenter as 2nd Assistant Chief (2-Year Term)
- H) Approve the Hiring of Roberta Zaske as Safety/Training Officer (2-Year Term).

Mayor Kreft recessed the regular meeting to hold a public hearing.

Mayor Kreft called to order the annual Truth-In-Taxation public hearing. It was noted that Kevin Weber and Larry Sorenson were present. Adm. Jaunich gave a detailed presentation and explained the budget, budget process, and tax process. He stated the purpose of the hearing was to enhance the public participation in the property tax system by allowing a public forum to: discuss the budget, discuss the tax levy, explain the increases and hear public comments and questions on the budget and tax levy. He added that this hearing was not to discuss property valuations; as they are handled in the spring by the County Assessor. Adm. Jaunich explained the changes being made regarding homestead benefits: Homestead Market Value Exclusion versus Homestead Market Value Credit. It was noted that the City's financial status is healthy. Various questions were asked and answered.

Motion by Ruehling, seconded by Wills, and passed by unanimous vote to adjourn the public hearing at 7:07 pm.

Mayor Kreft adjourned the public hearing and reconvened the regular meeting.

It was noted that there were no citizens present to address the Council on non-agenda items.

The following announcements were reviewed:

- 1) Sibley County Municipalities Meeting – Thursday, December 8th @ 6:00 p.m. (Gaylord)
- 2) City Offices will be Closing at Noon on Friday, December 23rd and will be closed all day on Monday, December 26th in Observance of the Christmas Holiday

- 3) City Offices will be Closed on Monday, January 2nd in Observance of the New Year's Holiday (1st Council Meeting will be on January 3rd)

The Council reviewed the following communications:

- 1) October Water/Wastewater Report
- 2) November Police Calls Report
- 3) November Building Permit Report
- 4) MMPA 3rd Quarter 2011 Financial Statement
- 5) 2011-2012 Insurance Coverage Changes, Rates and Dividends Report

It was noted that there were no reports from Officers, Boards & Committees.

Councilmember Reetz introduced the following resolution and moved for its adoption:

RESOLUTION 66-2011
A RESOLUTION APPROVING TECHNICAL CHANGES TO THE ECONOMIC DEVELOPMENT
AUTHORITY BY-LAWS RELATING TO COMMISSIONER TERM LENGTH

WHEREAS, Minnesota Statute 469.095, Subd. (2)(c) specifies term lengths for Economic Development Authority Commission Members; and

WHEREAS, EDA By-laws approved on August 25, 2010 conflict with MN Stat. in that Article III, Subd. 2; and

WHEREAS, the Economic Development Authority Enabling Resolution clarified under City Resolution 15-2010 as approved by the City Council on April 5, 2010 requires Council approval of changes to the administrative structure and management practices; and

WHEREAS, the EDA has reviewed a proposed technical amendment to the EDA By-Laws setting the term lengths for non-Council Commission Members to six (6) years; and

WHEREAS, the EDA approved Resolution 04-2011 recommending the City Council approve a technical amendment to the EDA By-Laws setting the term lengths for non-Council Commission Members to six (6) years.

NOW, THEREFORE, BE IT RESOLVED, the City Council hereby approves a technical amendment to the EDA By-Laws relating to term lengths for non-Council Commission Members.

BE IT FURTHER RESOLVED, that Article III, Subd. 2 of the EDA By-Laws shall be amended as follows:

The City Council members of the Commission shall serve for their term of office on the City Council. **At the inception of the Commission**, initial terms of any non-Council Commissioners shall be for **one (1)**, two (2), three (3), ~~and four (4)~~, **and five (5)** years respectively. Thereafter, all non-Council Commissioners shall be appointed for **six (6)** ~~four (4)~~ year terms.

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember Pederson and upon poll being taken thereon the following voted in favor thereof: Pederson, Pichelmann, Reetz, Ruehling, Wills; and the following voted against the same: None; and the following abstained from voting: None; and the following were absent: None.

Approved by the City Council of the City of Arlington this 5th day of December, 2011.

CITY OF ARLINGTON, MINNESOTA
/s/ James R. Kreft, Mayor

Attest: /s/ Matthew Jaunich, City Administrator

Councilmember Ruehling introduced the following resolution and moved for its adoption:

RESOLUTION 67-2011
A RESOLUTION COMMITTING SPECIFIC REVENUE SOURCES AND CONFIRMING
RESTRICTIONS FOR SPECIFIED PURPOSES IN SPECIAL REVENUE FUNDS RELATED TO GASB 54

WHEREAS, the City Council of the City of Arlington, Minnesota, does hereby find as follows:

WHEREAS, the Governmental Accounting Standards Board's Statement number 54 defines special revenue funds as funds that are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects; and

WHEREAS, the term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund; and

WHEREAS, the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows report in the fund; and

WHEREAS, other resources, including investment earnings and transfers from other funds may also be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund; and

WHEREAS, investment earnings and transfers from other funds alone do not meet the definition of a specific revenue source; and

WHEREAS, Council action is required before year end to formalize the commitment of proceeds of specific revenue sources to specified purposes.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Arlington, Minnesota, that the specific revenue sources for each of the special revenue funds and the specific purpose for which they are restricted or committed are as follows:

Committed

<u>Fund</u>	<u>Specific Revenue Sources</u>	<u>Purpose</u>
Community Center	Charges for services/Tax Levy	Community Center operations, maintenance, and improvements
Fire	Charges for services/Tax Levy	Fire Department operations and maintenance
Ambulance	Charges for services/Tax Levy	Ambulance Department operations and maintenance
Cemetery	Charges for services/Tax Levy	Cemetery operations and maintenance

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember Pichelmann and upon poll being taken thereon the following voted in favor thereof: Pederson, Pichelmann, Reetz, Ruehling, Wills; and the following voted against the same: None; and the following abstained from voting: None; and the following were absent: None.

Approved by the City Council of the City of Arlington this 5th day of December, 2011.

CITY OF ARLINGTON, MINNESOTA
/s/ James R. Kreft, Mayor

Attest: /s/ Matthew Jaunich, City Administrator

Councilmember Wills introduced the following resolution and moved for its adoption:

RESOLUTION 68-2011
A RESOLUTION AMENDING THE CITY'S FUND BALANCE/RESERVE POLICY

WHEREAS, the City Council adopted a *Financial Management Plan* on April 6, 2009; and

WHEREAS, within the *Financial Management Plan* was a Fund Balance/Reserve Policy for the City; and

WHEREAS, due to recent changes associated with GASB 54, changes were required to the Fund Balance/Reserve Policy portion of the *Financial Management Plan*.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Arlington, Minnesota, that the City's Fund Balance/Reserve Policy is hereby amended to read as follows:

FUND BALANCE/RESERVE POLICY

Maintaining adequate fund reserves promotes the long-term City's long-term financial stability, provides funding for unanticipated expenditures or unforeseen emergencies, and provides working capital for current operating needs thereby avoiding the need for short-term borrowing.

PURPOSE

The purpose of this policy is to establish specific guidelines the City of Arlington will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

The purpose of this policy is to also establish specific guidelines the City of Arlington will use to classify fund balances into a categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Non-spendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventories and prepaid amounts.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation.

3. Committed

- Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- The City's highest level of decision making authority (City Council) will annually or as deemed necessary commit specific revenue sources for specified purposes by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period.
- To remove the constraint on specified use of committed resources the City Council shall pass a resolution

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General fund includes amounts that are intended to be used for specific purposes.
- The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Administrator.

5. Unassigned

- Unassigned fund balance represents the residual classification for the General fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount.
 - i. The City will maintain an unrestricted fund balance in the General fund of an amount not less than 40% of the next year's budgeted expenditures of the General fund. This will assist in maintaining

an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

- ii. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of \$125,000
- iii. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by budget surplus (funding source) within 3-5 years (period over which replenishment will occur).

6. Enterprise Funds

- It is the goal of the enterprise funds to cover the costs of operations, including depreciation, so as to maintain a financially healthy enterprise. The City will maintain reserves in the Enterprise Funds at a minimum level sufficient to provide adequate working capital for current expenditure needs. Generally the City shall strive for a minimum of 6 months (50%) operating cash in these funds. Annual utility rate reviews will be made in regard to projected expenses and capital improvements. The City Council will, on an annual basis, establish rates in accordance to operating cost recovery and the projected capital improvements.

7. Capital Project Funds

- The Capital Project Funds (designated as an assigned fund) are used to account for the acquisition or construction of capital facilities and equipment other than those financed by Enterprise Funds. Most of these funds should be assigned for the Capital Improvement Plan or reserved for a specific project. Specific capital improvement funds may be negative because they are waiting funding, but should be zeroed at the end of the project. Future capital projects must be identified and quantified in the City's Capital Improvement Plan, which should be included in the City's annual budget document.

STABILIZATION ARRANGEMENTS

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

MONITORING AND REPORTING

The City Administrator and Deputy Clerk shall annually prepare the status of fund balances in relation to this policy and present to the City Council in conjunction with the development of the annual budget.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) Committed; 2) Assigned and 3) Unassigned.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General fund.

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember Pederson and upon poll being taken thereon the following voted in favor thereof: Pederson, Pichelmann, Reetz, Ruehling, Wills; and the following voted against the same: None; and the following abstained from voting: None; and the following were absent: None.

Approved by the City Council of the City of Arlington this 5th day of December, 2011.

CITY OF ARLINGTON, MINNESOTA

/s/ James R. Kreft, Mayor

Attest: /s/ Matthew Jaunich, City Administrator

Adm. Jaunich presented a proposal from each Blue Cross/Blue Shield (current provider) and Medica regarding health insurance for City Employees. He stated that if the City were to stay with its current provider the costs would increase by 10%, but if it would switch providers it would decrease by 22%.

Motion by Reetz, seconded by Pichelmann, and passed by unanimous vote to accept the Health Insurance Plan from Medica for City Employees for 2012.

Adm. Jaunich presented a Policy for Tax Compliance Procedures that the City's Bond Council has recommended the City adopt due to some changes with the IRS' 8038-G form.

Motion by Wills, seconded by Ruehling, and passed by unanimous vote to approve the Policy on Tax Compliance Procedures Relating to Tax-Exempt Bonds and "Build America Bonds". (*See attached for complete copy.*)

Adm. Jaunich informed the Council that Street Supt. Thomes would be having a medical procedure done soon, which will take him out of work for approximately one month. He expressed concern that this would leave the City short-handed during the snow season and suggested advertising for an individual to help on a part-time 'as needed' basis.

Motion by Reetz, seconded by Wills, and passed by unanimous vote to advertise for an individual to work part-time on an as needed basis in the Street Department to assist with snow removal/truck driving at \$13.50 per hour.

Discussion was held on the proposed 2012 Budget/Levy. Adm. Jaunich stated that a 2.2% levy was being proposed. He stated that he wanted to get Council input after the Truth and Taxation public hearing (that had been held earlier in the evening) to see if additional changes should be made to the proposed budget/levy. Concern was expressed if there will continue be cuts with the LGA.

Pederson commented on the most recent County Trail Committee meeting. He stated that individuals from the Legacy Grant Program, along with the DNR, spent some time in Arlington looking at the proposed trail system. It was noted that the Legacy Grant was to be awarded by the end of the year.

Attorney Arneson provided an update on the Neisen property. He stated that a plea agreement had been negotiated wherein Neisen would be allowed to stay on probation (from previous a conviction) for an additional year and not incur jail time if he vacated the property on Hwy 5 by December 1st. Arneson added that the property was in foreclosure and the sale was scheduled for this month, however, Neisen and/or junior creditors had six months to redeem the property. He recently became aware that the Bank and Neisen had entered into a Purchase Agreement with Klehr for the purchase of the property; who is also current owner/occupant via a Lease Agreement with the Bank (Lien Holder). He explained the reason for the Lease Agreement was that clear title could not be given on the property until the redemption period expired. Arneson commented that Neisen had vacated all of his equipment from the property, except for one excavator. He stated that the hydraulics were out so the machine could not move, but arrangements were being made to get it moved off the property. Arneson commented that if the machine gets moved before December 12th, the criminal trial would be cancelled against Neisen. Arneson explained that Neisen's Conditional Use Permit allowed for a small car repair business on site. He noted that this business was still operating on the site, but now renting (sub-leasing) the space from Klehr versus Neisen. It was also verified that none of the equipment for the repair business belonged to Neisen.

Adm. Jaunich questioned the continued use of the Neisen property given the foreclosure circumstances. Arneson commented that the property's zoning was in 'limbo' until the foreclosure expired; however

Klehr could be issued his own Conditional Use Permit (CUP). Reetz expressed his opposition to the renter being allowed to stay as he was originally Neisen's tenant. Arneson commented that the renter was not directly involved, was a neutral third party and was now covered under the sub-lease with Klehr. Zoning Adm. Smith-Strack expressed her concerns with the situation at hand. She stated that Klehr's had talked to her and where willing to apply for an amended CUP in the interim.

At 7:52 pm Mayor Kreft recessed the regular meeting to hold a closed meeting. He stated the purpose of the closed meeting was to develop and consider an EDA offer for the purchase of real property. It was noted that EDA Adm. Smith-Strack, EDA President Lundstrom, EDA Member Sorenson and Consulting Real Estate Agent Pinske were present. Smith-Strack stated that the EDA, as one of their top goals, wants to secure a purchase option for industrial property. In doing so, they looked at 15 different properties based on: proximity to municipal utilities, proximity to the railway corridor, volume of acreage available, and suitability for industrial development. She stated that the scope was then narrowed down to two properties and eventually one was eliminated based on the proposed selling price being over \$30,000 per acre. Smith-Strack explained that the EDA is currently working with two businesses (one in Arlington and one outside Arlington), both looking for 'shovel' ready sites. The EDA was recommending that the City Council support the EDA entering into an option agreement with Aaron Doehling et al with the intent of purchasing the property within one year at a rate of \$12,000/acre whether or not a specific project moves forward. Smith-Strack noted that the EDA has leased its existing property for farming purposes at a rate of \$4,902/year applicable to budget years 2012-2013; and finds the lease income sufficient to cover the cost of the purchase option. She added that the EDA has identified cash reserves suitable to purchase 20 acres of property. Smith-Strack highlighted some benefits with the EDA's proposed ownership of the property. Wills expressed concern about the EDA/City purchasing more land and not having a use for it. Sorenson commented that the land would be an asset to have and would hopefully draw a business to town and then would increase the tax base. Mayor Kreft commented he was in favor of the purchase.

Motion by Pederson, seconded by Pichelmann, and carried (Wills and Reetz opposed) to support the EDA entering into an option agreement with Aaron Doehling et al with the intent of purchasing the property within one year at a rate of \$12,000/acre whether or not a specific project moves forward.

Motion by Ruehling, seconded by Wills and passed by unanimous vote to adjourn the closed portion of the meeting at 8:24 pm.

Motion by Wills, seconded by Pederson, and passed by unanimous vote to adjourn the meeting at 8:25 pm.

City Administrator Matthew Jaunich

Mayor James R. Kreft