

**COUNCIL MINUTES  
REGULAR  
December 5, 2011**

**1. CALL TO ORDER**

The meeting was called to order by Mayor Larson at 7:00 p.m.

**2. PLEDGE OF ALLEGIANCE**

Mayor Larson led the audience and Council in the Pledge of Allegiance.

**3. ROLL CALL**

Members Present: Larson, Bartholomay, Donnelly, Fogarty, May

Members Absent: None

Also Present: Joel Jamnik, City Attorney; David McKnight, City Administrator; Teresa Walters, Finance Director; Brian Lindquist, Police Chief; Randy Distad, Parks and Recreation Director; Kevin Schorzman, City Engineer; Todd Reiten, Municipal Services Director; Brenda Wendlandt, Human Resources Director; Cynthia Muller, Executive Assistant

Audience: Lenny Hall, Mona Miller, Jeff Thelen, Tim Thompson

**4. APPROVE AGENDA**

Councilmember Fogarty pulled item 7e) Annual Adjustment for Non-Represented Employees for discussion. City Administrator McKnight pulled this item from the agenda.

**MOTION** by Fogarty, second by Donnelly to approve the Agenda. **APIF, MOTION CARRIED.**

**5. ANNOUNCEMENTS**

**6. CITIZEN COMMENTS**

Ms. Michelle Leonard, 1185 Marion Street, St. Paul, was representing the American Legion Auxiliary. The Auxiliary held an omelet breakfast and raised \$1,000 for the Rambling River Center. On Sunday another omelet breakfast will be held and proceeds will go to Toys for Town. Attendees can bring a toy and receive \$1 off their omelet. She presented a check for \$1,000 to the City Council. Ms. Leonard noted the American Legion is in bankruptcy. They have received an extension from the bank so they will be open through the end of the year.

**7. CONSENT AGENDA**

**MOTION** by Fogarty, second by Bartholomay to approve the Consent Agenda as follows:

- a) Approved Council Minutes (11/21/11 Regular) (11/22/11 Workshop) (11/28/11 Special) (11/28/11 Workshop)
- b) Approved Taxicab License Renewal - Administration

- c) Approve Temporary On-Sale Liquor Licenses VFW - Administration
  - d) Approved Not to Waive Tort Liability Limits - Finance
  - f) Adopted **RESOLUTION R55-11** Accepting Omelet Breakfast Fundraiser Donation to the Rambling River Center – Parks and Recreation
  - g) Adopted **RESOLUTION R56-11** Accepting Miscellaneous Donations to the Rambling River Center – Parks and Recreation
  - h) Approved Bills
- APIF, MOTION CARRIED.**

**8. PUBLIC HEARINGS**

**9. AWARD OF CONTRACT**

**10. PETITIONS, REQUESTS AND COMMUNICATIONS**

**11. UNFINISHED BUSINESS**

- a) **Adopt Resolution – Approve 2012 Tax Levy and Budget - Finance**  
The City Council has held numerous workshops over the past six months. In September the Council adopted a preliminary budget with an increase of 11.9%. Three budget open houses were held to allow the public to comment on the budget. At the November 28, 2011 budget workshop, Council directed staff to put together a budget and propose a 1.65% reduction to the levy. This budget is now brought to Council for approval. Finance Director Walters presented a chart showing how the 1.65% reduction is distributed. There was an increase in the general fund of \$227,980. There was also a market value homestead credit reduction of \$412,051. The fire relief levy increased by \$48,825. This brings the general levy total to a negative \$135,246. With a slight decrease in the debt service levy, this brought us to the negative 1.65% which is a negative \$141,192. Many changes were made to the preliminary budget to arrive at this amount:

- We increased the budget by half of an SRO position that will be eliminated by the school in June 2012. Budget reductions were used to offset this increase.
- We utilized \$120,000 in fiscal disparity revenue to eliminate the deficit in the Rambling River Center.
- We transferred an additional \$50,000 to the EDA to eliminate the inter-fund loan.
- Some plans were eliminated from the preliminary budget, but kept the following:

- Seal coating \$350,000
- Fire equipment \$36,000
- Trail maintenance \$15,000
- Building maintenance \$5,000

The preliminary budget included additional fiscal disparity revenue which was used to bring down the levy. There was also \$162,000 in budget reductions from

all departments. Other reductions included the cleaning contract, audit contract, bond refunding, and health and long term liability insurance.

During the 2012 budget process, the State made some changes to the way the market value homestead credit is credited to property owners. The new method will provide homeowners relief by shifting property taxes to commercial, industrial, and non-homestead residential properties. The State will reduce the taxable market value so you are paying property taxes on a taxable value instead of a market value. Finance Director Walters presented a chart showing the impact on various properties. The average homestead property with a market value of \$193,000 has a taxable value of \$173,130. With the preliminary budget, this property saw an increase of \$172.01/year. With the proposed final budget, that same property is now seeing a tax increase of \$27.65/year. There is a significant difference between the preliminary budget, which was reflected on the estimated tax statement, to this proposed final budget.

Ms. Mona Miller, 521 3<sup>rd</sup> Street, stated for the commercial/industrial with a market value of \$750,000 the taxes will increase by \$1,259.73. Finance Director Walters noted that was with the preliminary budget. With the proposed budget it is \$540.15.

Councilmember May stated regarding seal coating she proposed we assess for half so we would delay seal coating until 2013. Councilmember Fogarty stated if we levied \$290,000 instead of \$350,000 we could seal coat in 2012. City Engineer Schorzman stated if you assess 50% you have two options. One is to levy for the full cost of the first year, because assessments come in a year after we do the project, or you levy for half of the cost and then delay seal coating for a year. We have to have the money to pay the contractor. Councilmember Fogarty stated right now we have \$350,000 in the budget, so if we decided to do seal coating in 2012 we could levy for \$290,000 with a \$60,000 savings or do \$175,000 and then not seal coat until 2013. She would be in favor of seal coating for 2012 which would not be as much of a reduction for 2012. Councilmember May wanted to delay until 2013. If we are going to choose a plan, let's stick to the plan. One of the reasons she has changed her mind is to provide more relief for our commercial businesses. Let's make a decision whether it will be to levy for the full amount, or assess for half. There were a lot of workshops and although we did not agree on many things, the SRO position for one, we have worked hard to compromise in a lot of different areas and departments. She congratulated her fellow Councilmembers. To the taxpayers, this plan is an outline for the work that has to be done next year. She looked forward to working with everyone on this next year and to hear from the residents. We can look at things with fresh eyes as to how we want to restructure things and determine what our purpose really is and what the residents really want.

Councilmember Bartholomay was not in favor of assessing half for seal coating. We have made a decision, changed our minds, and made a decision. If we put it

in the general levy it is more transparent. The non-profits would not pay, but it still comes out of the same pockets.

Councilmember Fogarty was not willing to put off seal coating for another year. Last year when they decided to not seal coat for 2011, she made the comment this is a very slippery slope to keep putting it off. We do not know if our budget will be easier or more difficult next year. She was not willing to put seal coating on the table and will not vote for a budget that does not include seal coating. Councilmember May stated if we set it up to assess for half, how can that change for next year. Councilmember Fogarty stated she was told it would not be cut for 2012. This is how it changes.

Councilmember Donnelly stated looking at the big picture, we have decreased the levy, we're doing seal coating, we're taking a chance with fiscal disparities. He wanted to levy for the entire amount for seal coating. If we don't put it in the levy, then maybe we should do a study and determine the value of seal coating. If we think it's useful we should put it in the levy like police and fire and just do it.

Mayor Larson could go both ways. Originally he wanted to do half and half and then at the last workshop, some wanted to levy for the entire amount so he compromised on it and agreed to levy for the entire amount. Right now there are three votes to keep it in the levy. Councilmember May stated she would compromise for the \$290,000 and assess half. It would still give relief to the business community. Mayor Larson stated our plan was \$350,000 every year. Councilmember May stated going forward the levy amount would drop starting in 2013. Councilmember Fogarty agreed, in 2013 the levy amount would be \$175,000 vs. \$290,000.

City Engineer Schorzman stated if you choose to levy \$290,000 this year, which will cover seal coating for 2012, if you intend to even out the levy which was the \$350,000, you will have to make up the difference between \$290,000 and \$350,000 in the future. Councilmember Donnelly stated you cannot assess for more than it costs. If it only costs \$290,000 we can only assess for half of the \$290,000. So we levy for \$175,000, we assess for \$145,000, we still are not where we want to be. City Engineer Schorzman stated that is correct; every year there will be adjustments. Councilmember May stated the levy would go down even more as it would be based off of \$290,000. City Engineer Schorzman stated what you would levy for in the next year's budget is whatever assessments you get from the last cycle, and you need to levy for the difference for the next year which would be more than \$175,000 in some of those years. Councilmember Fogarty stated eventually it will level off. Our goal is to have a steady number. Mayor Larson stated if we levy \$350,000 for seven years, it will pay for 100% of the seven year cycle. Councilmember Fogarty stated Councilmember May is proposing assessments and assessments would eventually level off at \$175,000. City Engineer Schorzman stated it would level off towards the end of the seven years. Mayor Larson stated we came up with a plan at the last meeting to put

\$350,000 in for seal coating, it is our seven year plan, so that is what we should do. This will go back and forth forever. Councilmember Fogarty stated this is a philosophical discussion. Is seal coating something we think should be assessed or levied? She felt the assessment policy we have we should keep and we should seal coat in 2012. Councilmember May stated this is also a discussion about an 11% increase to the business community which was double with the preliminary budget. That is what is driving her discussion. Councilmember Bartholomay stated the 11% is driven by the market value homestead credit adjustment. We cannot compromise for every agency in the County. Finance Director Walters stated a portion of the 11% is due to the MVHC, but not the entire amount. Councilmember Bartholomay asked what that percent is.

Ms. Mona Miller, 521 3<sup>rd</sup> Street, spoke with the County to find out that answer because she was told by Councilmember Bartholomay that it was due to homestead credit. About 1.5% is due to the homestead credit, the rest is due to a tax increase. Councilmember Fogarty stated that cannot be right. We are lowering the levy and asking for less money. Ms. Miller stated her property has had the same market value for the last five years. The other cities have gone down in their tax base, not up and everybody else's taxes in commercial property have gone down. Mayor Larson noted Ms. Miller is talking about an apartment, a non-homestead property. Finance Director Walters stated you need to look at different cities. Farmington has a small percentage of commercial property. When you take a lot of homestead properties and you reduce the taxable value on those homestead properties you are reducing that portion. You still have the same budget that we need to fund. The portion taken from the homestead properties has to be distributed to the commercial base. When you have a City with a large commercial base, you do not see the impact as much. When you have a City with a small commercial base and a large residential base, you are taking a huge chunk and moving it to a small area. It is very different for all cities. Ms. Miller agreed and stated we are comparable with Hastings and Rosemount in commercial vs. residential. City Administrator McKnight noted there is significant difference. Councilmember Fogarty stated we do not have near the commercial as Rosemount or Hastings. Ms. Miller stated we are 10% more. Councilmember Fogarty stated that is because we have vastly smaller commercial. Ms. Miller stated the issue we are dealing with now is in taxing those people for the market valuation of each and every property is going down. The rents received here are not the rents received in Apple Valley and other places. Councilmember Fogarty stated the changes made create a progressive tax system in the cities. If you own a higher value home or a non-homesteaded property, you will not get the buy down the state is offering. The concept your taxes are going up 11% because we are raising taxes is not true. We are not raising the levy at all. It is the way the taxes are being distributed throughout the City. If you own a home in the City, now the State is taking down the value we can tax and that pushes taxes to the non-homestead and commercial properties. If the County is telling you it is because we are raising taxes 11%, they are giving you bad information. Ms. Miller did not think so. She was on the phone for two hours and went through it

all. Councilmember Fogarty clarified the county told you the City of Farmington is raising taxes 11%. Ms. Miller stated they went up 14%. Councilmember Fogarty stated this is a shift in what the State did. We did not choose for them to lower the homestead values. City Administrator McKnight stated in the preliminary budget we proposed to raise taxes 11%. Now that has changed to a reduction of 1.65% so Ms. Miller may have been working off the proposed numbers. Now they have changed significantly where we are asking for \$141,000 less in tax money than 2011. Ms. Miller stated she was working off the first set of numbers. She noted we have to be aware for the exact reason that there are very few of us paying the taxes on the buildings we have so we need to be cognizant of the things that are happening such as seal coating. She has friends that are putting buildings up for sale because they cannot pay everything. Councilmember May stated this is the reason she is bringing up the assessment piece again. Because of the shift, it is putting more of the burden on all properties rather than so much on the commercial. Because of our small commercial tax base we have to do what we can to help them out. We cannot afford to lose anymore. Councilmember Fogarty agreed, but cities cannot continue to make up for what the State does. Councilmember May asked how are we making it up? Councilmember Fogarty replied because we are lowering our levy to help offset what they have done in their tax system. We cannot continue to drop our levy every year because the State decides to restructure things and hit our businesses. They created a progressive tax system in our City and there is nothing we can do about it. Councilmember May stated that is why we have to talk about things we can do and one of them is assessing half for seal coating. Ms. Miller stated every City reduced their levy to support their business people. Any way there is to keep it lower would be beneficial.

Councilmember Donnelly would like to leave the levy the way we had it otherwise we have to raise the levy again next year. He did not see the \$175,000 would make or break a business. Finance Director Walters stated with the seal coating at \$290,000 the highest commercial property would increase \$502 instead of \$540 with levying \$350,000 for seal coating. If we levy \$175,000 and not seal coat in 2012, this means a \$429 increase to commercial properties. Mayor Larson stated we will be going through this every year at seal coating time unless we levy. Councilmember Donnelly stated we left the workshop on Tuesday in agreement that we would levy and everyone knew the numbers. He understood people talk, but nothing has changed; we had all the facts last Tuesday to levy for the \$350,000 and agreed on the budget as presented tonight. Councilmember Fogarty wanted to seal coat in 2012. She felt we should assess for half. She will not vote on a budget that does not include seal coating for 2012. Mayor Larson felt we should levy for seal coating. We have a plan to seal coat the whole City in seven years for \$350,000. At the end of the seven years we should be close to even. Councilmember Bartholomay agreed with Mayor Larson. We have talked about this since he has been on the Council. We need to make a decision and stick with it. Let's just put it in the levy, be transparent, and be done.

Councilmember May stated spreading out the cost among a larger pool of people is the right thing to do. It puts our commercial businesses under a 10% increase.

Councilmember Fogarty asked if Mayor Larson and Councilmember Bartholomay are comfortable with the budget as it stands. She knew they had a lot of concerns about using fiscal disparities dollars. Mayor Larson stated he did not want to use fiscal disparities dollars to buy down the levy. It is setting us up for a fall next year, but it was a 3-2 vote in the workshop. Councilmember Bartholomay agreed it could potentially be very dangerous for us. He spoke with the Met Council and asked if buying down the levy would set us up worse next year and it will. You are already putting yourself behind by buying down the levy. We would not get as much fiscal disparities next year. We need to at least come up with a compromise such as half of that. Councilmember Fogarty stated the reason she asked, is with using all the fiscal disparities numbers to buy down the levy, you will affect, and we don't know how much, but it will negatively affect our fiscal disparities for next year which puts us in the hole with \$367,000 that we will need to find and that was concerning to her. Her anger is with the State that they continue to fix their budget with our cities. She wonders what would happen if we left the levy flat and levied exactly what we levied last year. Any increases will have 100% to do with MVHC changes. It also gives the City a contingency budget for any crisis so we would not have to dip into our general fund. She does not like what it does to businesses and non-homestead properties. That is us not asking our taxpayers for a dime more. The shift is all outside our control. Maybe our elected officials at the State need to hear from our residents about the changes they make and how they affect the residents. Councilmember Donnelly stated that is true, but it will hit the commercial harder than we have proposed. The bottom line is Farmington is collecting fewer taxes from the residents than we did last year. The split between homestead and non-homestead is worse than last year, but we cannot fix that. Councilmember Bartholomay stated if the State keeps doing this it is not fair what they are doing to businesses and non-homestead properties. Councilmember May asked if a change is being proposed in the fiscal disparities money. Mayor Larson stated right now it is just a comment on a change. Councilmember May stated calling their State representative is a good idea, but she was not going to tell the tax payers why it is what it is. She was looking at the number as everyone else is, and it is 11% for the businesses. The reason we are looking at using fiscal disparity money is to keep that number as low as we possibly can. She did not look at it as a bad thing. It will give us a great opportunity next year to look at what the residents want us to provide and how can we provide that. If that means some organizational type changes, that is not a bad thing. That is what the private sector has done. Councilmember Bartholomay stated don't you think it is responsible to do a study or make a calculated decision. You are saying if we make this decision, we have no idea the hole we could be in next year. We could be talking about a budget that could bankrupt the City. Councilmember May stated fiscal disparities are not going away. Councilmember Bartholomay stated the State has taken everything else away and they are already working on it. He would like to extend the City

out as far as possible and not close up shop. Councilmember May stated if we don't use any fiscal disparity money then the businesses will be closing. Councilmember Fogarty stated even with what she proposed we would still be using the vast majority of the \$367,000 to buy down the levy. Councilmember May asked if she was making a proposal to make a change. Councilmember Fogarty was torn; we have left zero cushion for next year. Councilmember May stated we have been very good about figuring out what to do in a disaster.

Councilmember Fogarty proposed a zero levy increase. Councilmember Bartholomay stated that would put the remaining \$141,000 in contingency. **MOTION** by Fogarty, second by Bartholomay to present a zero levy change. Mayor Larson stated he left the workshop saying using fiscal disparities to buy down the levy was a bad idea. Everyone he talked to in finance says it is a bad idea and we are setting ourselves up for failure next year. Voting for: Larson, Bartholomay, Fogarty. Voting against: Donnelly, May. **MOTION CARRIED.**

Finance Director Walters stated this means you have \$141,192 remaining in fiscal disparities. Mayor Larson stated that will go into a contingency fund. City Administrator McKnight noted the levy resolution to be approved will reflect the net levy staying at zero for 2012 and the same changes will be reflected in the budget resolution adding \$141,192 as a contingency line item. **MOTION** by Fogarty, second by Bartholomay to adopt **RESOLUTION R57-11** adopting the tax levy for the year 2012 collectible, changing the numbers to reflect 0% levy increase comparing 2011 to 2012. Voting for: Larson, Bartholomay, Fogarty. Voting against: Donnelly, May. **MOTION CARRIED.** **MOTION** by Fogarty, second by Bartholomay to adopt **RESOLUTION R58-11** adopting the 2012 budget adjusting the general fund expenditures to reflect a \$141,192 addition as a contingency line item. Voting for: Larson, Bartholomay, Fogarty. Voting against: Donnelly, May. **MOTION CARRIED.**

## 12. ***NEW BUSINESS***

## 13. ***COUNCIL ROUNDTABLE***

***Councilmember Fogarty:*** Toys and donations are being collected for Toys for Town until December 17, 2011. Wrapping is at Boeckmann Middle School on December 17, 2011. These donations stay within our community so it is our community taking care of itself.

***Councilmember Bartholomay:*** He attended the Tree Lighting and it was a great turnout. The new location worked out well. The Junior Miss Farmington's were there along with school district members.

**Councilmember May:** Stated she was here as a representative of the tax payer and she is doing what she can to keep our taxes as low as possible. She apologized to the business community as we could have done more.

**Mayor Larson:** Thanked everyone who attended Dazzle Days and Councilmember Bartholomay for taking his place at the Tree Lighting. He has heard it was a great success. He spoke to a downtown business this weekend and was told it was the best weekend they have ever had in the City business wise. It was an incredible weekend and appreciated everyone's support. On small business Saturday, there were people shopping everywhere in town. Mayor Larson thanked residents for supporting local businesses. The omelet breakfast on Sunday at the Legion does support Toys for Town and the demand is high this year.

**14. EXECUTIVE SESSION**

**MOTION** by Fogarty, second by Bartholomay to go into Executive Session to discuss labor negotiations with the AFSCME group and to discuss the potential sale of City property at 431 Third Street at 8:04 p.m. **APIF, MOTION CARRIED.**

Mayor Larson moved the meeting back into open session at 8:30 p.m.

**15. ADJOURN**

**MOTION** by Fogarty, second by May to adjourn at 8:39 p.m. **APIF, MOTION CARRIED.**

Respectfully submitted,

Cynthia Muller  
Executive Assistant