

**MINUTES OF A STUDY SESSION/BUDGET MEETING OF THE PRINCETON CITY COUNCIL
HELD ON DECEMBER 2, 2010, 4:30 P.M. IN THE CITY HALL COUNCIL CHAMBERS**

Mayor Jeremy Riddle called the meeting to order. Council members present were Paul Whitcomb, Dick Dobson, Victoria Hallin and Lee Steinbrecher (who left a bit early for a prior engagement). Staff present was Administrator Mark Karnowski, Finance Director Steve Jackson, Community Developer Jay Blake, Public Works Director Bob Gerold, Liquor Store Manager Nancy Campbell and City Clerk Katie Hunter.

ANDERSON DETACHMENT

Blake explained the background on the Anderson property parcel detachment request from the City of Princeton. In September of this year, the City was notified by the Minnesota Department of Administration (DOA), Office of Municipal Boundary Adjustments, that Gregory and Tamara Anderson had requested the detachment of their property from the City in order to add it to Princeton Township. On September 30, 2010, Christine Scotillo from that office opened a hearing process for the request and directed the City to meet three times with the Andersons and Princeton Township to determine if matter could be resolved. Staff met with Mr. Anderson and Connie Wubben, Princeton Township Clerk, on three separate occasions where Mr. Anderson outlined his reasons for the request.

Mr. Anderson stated that they have four primary concerns:

1. Municipal taxes are higher than Township taxes and Anderson does not believe that he receives a commensurate amount of municipal services.
2. The City does not allow farming operations and feedlots and it was his intention to use the site and the buildings on the site for the agricultural operations associated with his farm.
3. The City does not allow the use of wood burning stoves as a source of heating.
4. The City does not allow hunting on the property.

After the meetings, city staff, Mr. Anderson, and the Princeton Township Clerk submitted the attached letter to the State explaining that we were not able to resolve all of the issues to the petitioner's satisfaction.

We did accomplish the following items to address the petitioner's concerns:

1. The EDA developed a proposed Rural Taxing District that would lessen the tax impacts to the property owner as well as other property in the city similarly situated. The proposal is awaiting review and consideration by the City Council.
2. The subject property was rezoned from R-2 Medium Density Residential to A-1 Agricultural in 2008. As a legally existing agricultural operation, the site would be able to be used for all traditional farming operations, including feedlot use.
3. The Princeton City Code allows wood burning stoves in the Agricultural areas of the City.
4. The Planning Commission is drafting a discharge of firearms ordinance that would allow hunting on certain properties within the City including the Anderson parcel. It appears that it will receive unanimous support at the December Planning Commission meeting and be forwarded to the City Council for consideration.

As far as the history of the property, Blake said that this 5.74 acre site was part of the one of the two farms that made up the Solid Ground Development group's proposed residential development known as Heritage Village. It was annexed into the City of Princeton in 2004 as part of several sixty acre annexation requests that eventually brought in the entire 209 acre site into the City. The proposed development did not get final platted and the preliminary plat was allowed to expire primarily due to the declining housing market,

The site has remained undeveloped, although all of the land still owned by the solid ground development group remains for sale and ready for development. The rest of the solid ground property remains zoned R-2 (Medium Density Residential).

During and after the development review process, the City invested in infrastructure east of the site that would allow for the proposed or any other future development to be served by municipal sanitary sewer and water services. This included the over-sizing of pipes and installation of lift stations in order to service this area. The City also acquired utility easements from numerous land owners in the area to provide trunk sewer and water lines to this site.

The City amended the Comprehensive Land Use Plan in 2009 and for much of the property changed the future development from residential to Commercial/Business Park.

Staff, Mr. Anderson, and the Princeton Township Clerk submitted the required report to the Minnesota Department of Administration. The City will be contacted after the DOA's December meeting to notify the City, Township, and Petitioner of the next steps in the review process. It can take one of two paths, either mediation or a hearing before an Administrative Law Judge (ALJ).

Blake added that the detachment language is not clear like it is with an annexation. In addition, the statutes require a municipality to compensate a township for lost revenues resulting from an annexation for a period of between two and eight years. A detachment carries no such financial requirement for the township to reimburse the City of improvement costs or infrastructure investments in a parcel as part of a detachment process.

Engineer Mike Nielson estimates that the over-sizing of the sewer and water facilities on the west side of town was about 37% of the total project costs or about \$950,000. Current costs may range from \$600 to \$1,000 per acre. In addition, the City's concern is that if land is slowly taken out of the city that the city may have spent money that may not be able to recoup in the future.

Blake did find a similar case in Breezy Point Minnesota where the land owner won the dispute and was able to detach from the city. The piece of property was on the other side of the lake and not physically "attached" to the city, though.

Blake said the Council may either go ahead and allow the detachment or to continue to object to the detachment request and proceed to mediation or a hearing to an Administrative Law Judge.

An Attorney will have to be paid to do the work. Jay has already compiled a significant amount of data, but we would need someone to represent the City. That person is critical. If the City Council settles on objecting the detachment, City Staff recommends Chris Hood from the law firm of Flaherty and Hood. Hood is considered by many to be the preeminent expert on annexation and detachment and would afford the city its best chance of mounting a successful challenge. Mr. Hood's fee is \$10.00 an hour more than our City Attorney Dick Schieffer. While, in staff's opinion, Mr. Schieffer is one of the best City Attorney's serving Minnesota municipalities, Mr. Hood's previous experience in these matters would be valuable. If the Council opts to consider retaining Mr. Hood, staff suggests that Mr. Hood be invited to meet with the Council and discuss the legal strategy he would suggest before making a decision on how to precede.

Karnowski added that Schieffer brought a good point up this afternoon. It is not always a good idea to bring in outside people to represent your city. They don't always know the people involved that well. They don't know who would be a good witness. Karnowski looked back at a

time when the City was attempting to terminate an employee and a preeminent attorney was brought in to stand for the City and the City did not prevail. In comparison, Schieffer worked on the following attempt to terminate another employee, and the City won. In all, there are advantages and disadvantages.

Hallin added that for whatever its worth, she has worked with Chris Hood and sensed that he was a very good lawyer and has represented a lot of cities across the state. Dobson put in that he would like to concur with Hallin in that when he attended the Coalition of Greater Minnesota Cities, Hood was the presenter on a lot of the land issues, and he is very knowledgeable and very passionate in what he does.

In addition, Blake said an Administrative Judge can charge the fees up as ever they feel appropriate. Blake has seen it done both ways: where the City pays the majority, or the land owner pays majority, or it is split 50/50 down the middle. Blake said he believed that the City needed to take this to a hearing.

Hallin added that her concern is that if this detachment happens, little pieces of land will chip away from the city, one after another. Blake said the only requirement right now is that you have to be located on the border of the city.

Hallin asked if Hood came in to talk to the city or if Staff went to meet with him at his office what the cost would be. Karnowski was unsure of the cost but suggested bringing Chris Hood to a Council Meeting versus sending some staff members to meet with Hood in his office. Then, the Council would have an opportunity to ask questions.

Dobson asked if there is a certain timeframe that the Council has to make a decision. Whether to hear from Chris Hood to see what is all involved or to be able to say 'go ahead' to the detachment before the administrative hearing. Karnowski reassured the Council that they could pull the plug at any point. Blake suggested meeting with Hood before the 14th of December because the State will be meeting on that day to determine whether this issue will go to mediation or an Administrative Law Judge.

Dobson asked if the costs to the infrastructure work that was done were assessed to land or not. Blake said those costs were not collected because the plat did not get finalized.

Dobson asked if Staff had a rough idea on what the tax assessment is on agricultural land. Blake stated that Anderson currently pays \$1500.00 a year. If the land goes into the Township, the cost would be around \$500.00 to \$800.00 a year. Keep in mind that since 2004, the city has plowed, grated and graveled the road. Money has been invested there. Dobson added that he knows there have been non-routine scheduled times that the city has been called out to maintain the road as well.

Steinbrecher said he would like to hear from Attorney Chris Hood.

DOBSON MOTIONED TO MEET WITH ATTORNEY CHRIS HOOD FROM THE LAW FIRM OF FLAHERTY AND HOOD FOR A CONSULT INTERVIEW AND EXPLORE THE LEGAL STRATEGY THAT THE CITY COULD TAKE. HALLIN SECONDED THE MOTION. ON THE VOTE: AYES – 5; NAYS – 0. THE MOTION CARRIED UNANIMOUSLY.

BUDGET DISCUSSION

Jackson commented that the City has making every effort to contain spending. The preliminary

Levy Increase is being presented another \$50,000.00 higher.

In the far right column of the Levy Analysis handout, shows what the effect would be with a zero percent tax increase. The Total certified levy would go from \$2,292,501 (if a five percent increase was given) to \$2,183,350 (for a zero percent increase.) The Estimated tax capacity rate would go from a 76.52 (17.51 percent change) with a five percent increase from the prior year to a 72.88 estimated tax capacity rate (11.91 percent change) with a zero percent increase.

Jackson added that the County Assessor ended up giving a great reduction in residential home values and no reduction in commercial and industrial values. This was due to the fact that several homes were sold and/or foreclosed upon in the past year and nearly no commercial buildings sold, so there were no selling values to go off of.

Steinbrecher said that the commercial and industrial increase in value was really shocking. Steinbrecher estimated business owners will be paying 4 percent of their value. So, if a business is worth one million dollars, that property owner would pay \$40,000.000 in taxes. In this economic time, that could literally wipe out a business.

Steinbrecher asked who sets the tax rate or the multiplier. Jackson said the state sets the conversion factor from assessed value to tax capacity. It is different between commercial and residential. Once that is done it becomes a calculation of what we need as a levy, and what the total tax capacity is for the city. Steinbrecher commented that at the tax hearing in April, the City should expect to see some businesses in here.

Blake remarked that if the City Council decides on a zero percent increase, that Princeton will be the uncommon one of cities. Hallin appeared to be concerned that if next year's Local Government Aid (LGA) cut was even less than this year, that we would be having to fill an even larger gap.

Riddle commented that he would like to fix a problem that he knows exists now. He sees that the businesses downtown have had a rough summer with the bridge construction and they need some recovery time.

Karnowski said that he has learned from watching the League of Cities' forecasting out for the next five years, that it will probably be a future of really tight spending. It is not going to get better next year, he would think.

Hallin said she would still like to see an increase of at least one or two percent.

Whitcomb commented that ten years ago or so, the City Council went with a zero percent increase and it was very difficult to catch up in the following years. Jackson said he recalled that incident as well.

Hallin said she believes that Steve Jackson has the expertise in this field and is going to rely on whatever suggestions he has.

Jackson said that typically, the City Council would make a decision enough for the budget documents to be presented at next week's meeting. Although, the Council does not need to make a final decision, a direction to go would be nice. Jackson said he feels if there was a commitment by council to be willing to seriously consider levying back whatever the LGA cut is. Things would be doable with a zero or small increase for this year, anyway.

Whitcomb added that it would still be difficult to go with a zero percent increase this year and

have to jump to a fourteen or more percent next year. Riddle said that the General Fund balance is about 64% of the budget and ten years ago, it was maybe only fifty percent of the fund balance to expenditures. Riddle feels we are a little healthier than we were ten years ago.

Karnowski said he feels comfortable that Staff has done all that they can in cutting costs. On the other hand, a Police Officer was cut out of the school district budget last year, and now the city has picked up the line share of that officer. In the Union contract, it states that the last one hired is the first one fired. The City has been operating with that officer, and the population has not increased at all. Hard decisions could have to be reached by the end of next year.

Dobson said if it comes to that, he would like to see a report of Police Calls. Not just how many calls, but what types they are, by separating part 1 and part 2 crimes. Karnowski said the new Finance Clerk has been working part time and another option may be that some full time positions may have to go to part time in other departments as well.

Steinbrecher left at 5:30 PM to go to another function.

DOBSON MOTIONED TO DIRECT STAFF TO PREPARE A BUDGET AT THE NEXT COUNCIL MEETING WITH A ZERO PERCENT INCREASE IN LEVY. RIDDLE SECONDED THE MOTION.

Whitcomb said he would still like to voice his concern that a zero percent increase in levy will be difficult to mend in the future.

ON THE VOTE: AYES – 4; NAYS – 0. THE MOTION CARRIED UNANIMOUSLY.

HALLIN MOTIONED TO RECONSIDER THE APPROVAL OF DIRECTING STAFF TO PREPARE A BUDGET WITH A ZERO PERCENT INCREASE. DOBSON SECONDED THE MOTION. ON THE VOTE: VOTING AYE – DOBSON, HALLIN AND WHITCOMB. VOTING NAY – RIDDLE. THE MOTION CARRIED.

DOBSON MOTIONED TO DIRECT STAFF TO PREPARE A BUDGET AT THE NEXT COUNCIL MEETING WITH A ZERO PERCENT INCREASE IN LEVY. RIDDLE SECONDED THE MOTION. ON THE VOTE: VOTING AYE – RIDDLE, DOBSON AND WHITCOMB. VOTING NAY – HALLIN. THE MOTION CARRIED.

There being no further business,
RIDDLE MOVED TO ADJOURN AT 5:45 P.M. DOBSON SECONDED THE MOTION. ON THE VOTE: AYES - 4; NAYS - 0. THE MOTION CARRIED UNANIMOUSLY.

Respectfully Submitted,

Katie Hunter; City Clerk

ATTEST:

Jeremy Riddle, Mayor