

COUNCIL PROCEEDINGS

CITY OF VIRGINIA, MINNESOTA, NOVEMBER 23, 2010

Regular meeting of the City Council of the City of Virginia, Minnesota, was called to order by Mayor Peterson at 6:30 P.M. in the Council Chambers, City Hall.

Roll Call:

Present: Councillors Cuffe, Littlewolf, Ralston, Baribeau, Sipola, Russo, Mayor Peterson - 7

Absent: None

Mayor Peterson led the City Council in the Pledge of Allegiance.

Moved by Sipola and supported to open the public hearing discuss options to change the current plan for the use of the Excess Police Pension Fund. Motion carried.

Mayor Peterson stated that, pursuant to the Omnibus Pension Bill, SF 319, Article 4, Section 10, the City of Virginia adopted a plan in 1999 for the expenditure of the residual asset amount of the overfunded PERA consolidated Virginia Police Pension Fund. An Excess Police Pension Fund was created and the plan designated specific expenditures for the use of the fund, pursuant to State law.

Attorney Butorac stated the City Council must rescind the original resolution setting up the plan, by resolution, and adopt a new resolution to set up a revised plan for the use of the Excess Police Pension Fund. City Attorney Butorac stated the original plan designated the use of the interest from the fund to finance police department items. The City Council is considering repayment of the \$3.4 million, with interest, that was expended by the City from the Excess Police Pension Fund by funding the police department budget over the next three years and City Attorney Butorac stated there is nothing that would prohibit the City from doing that. Mayor Peterson recommended that the repayment begin retroactive to January 1, 2010.

Finance Director Erickson stated she has spoken with Kathy Docter of the State Auditor's Office and a new resolution must be adopted to change the current plan to allow the use of the entire fund, rather than just interest, along with a plan to reconcile the fund.

Councillor Littlewolf stated, according to the City's auditor, the funds were never expended, and that is causing confusion.

Councillor Baribeau stated the City Council adopted the original resolution in 1999 and the City has the right to rescind that resolution and develop a new resolution to change the use of the fund.

Councillor Cuffe questioned if there are expenditures that the Police Department may incur in 2011 or 2012 that would not be covered through the Excess Police Pension Fund. City Attorney Butorac replied that he was not aware of any expenditure that would not be covered.

Finance Director Erickson stated the current plan restricts the use of the fund to the interest and the funds can be used to fund a public safety facility, purchase capital items or to defray the annual costs for the Police Department.

Mayor Peterson stated a revised resolution for the use of the fund will be formatted by the City Attorney and distributed to the City Council prior to approval.

Councillor Ralston stated the resolution adopted in 1999 was based on information that available at that time and needs to be reviewed due to the current budget situation. Mayor Peterson commended the City Council that was in place in 1999 by investing the funds and stated he was not aware of any action by the City Council that allowed the use of funds from the Excess Police Pension Fund.

Councillor Russo stated the plan must be forwarded to the State Auditor for approval, prior to the final acceptance by the City Council.

Police Chief Waldron stated he was the administrator of the Virginia Police Relief Association when the plan was consolidated. Police Chief Waldron noted that when he previously

disagreed with the City Council, he had been reprimanded with a letter, called a name, or threatened to do away with his job by hiring a public safety director.

Police Chief Waldron stated he emailed the State Auditor at 5:13 P.M. and asked if the funds would have to come from the reserves to repay the Excess Police Pension Fund, if the City adopts a revised plan. According to the State Auditor, the funds that were taken from the Excess Police Pension Fund were not spent. Investments for the Excess Police Pension Funds were cashed in and comingled with other City funds.

Police Chief Waldron questioned why the Mayor responded to his email to the State Auditor the next day and excluded him from the reply. The email stated the Police Department would be funded through the Excess Police Pension Fund retroactive to January 1, 2010, and included a statement that the Mayor had asked the Finance Director to add the hiring of a Public Safety Director to the next Finance Committee agenda.

Mayor Peterson replied that the addition to the Finance Committee agenda was not a threat, but he felt the Police Chief's letter to the State Auditor was out of line. Mayor Peterson questioned if Mr. Waldron was representing himself to the State Auditor as the Police Chief or a citizen.

Police Chief Waldron stated his only issue is that the City follows the parameters to utilize the Excess Police Pension Fund. Police Chief Waldron explained that the excess funds were not due to overpayments. In the 1980's, the Police Relief Association hired an investment advisor to handle their investments. Once the fund was 100% funded by employer and employee contributions, they could consolidate with PERA, which happened in 1996.

Police Chief Waldron stated it is fair to compare the Police Relief Association to the Fire Relief Association, which the City continued to pay the unfunded liability until 2009. In 1999, the City received \$4.3 million, which was placed in a special revenue Excess Police Pension Fund. Police Chief Waldron stated the City Council was forward in their decision by setting up a plan to use the

excess funds. Once former City Clerk/Finance Director Lackner retired, the City hired an accountant to perform an investigation on the use of the Police Pension Fund and found that a crime was not committed, but the fund was mismanaged. The State Auditor reported that the money was not spent, but transferred from Police investments and comingled with City funds. Police Chief Waldron stated the \$3.4 million should be returned to the Excess Police Pension Fund and felt people should be held accountable. Police Chief Waldron stated the City's budget was overspent by \$3.4, which was transferred from the Police Pension Fund, because the Council did not have a plan to fund projects. He felt a trust fund should be set up with the remaining \$800,000 in the Excess Police Pension Fund, with restrictions. Police Chief Waldron stated a loan was made to the City of Eveleth when a large portion of the fund was cashed in and felt the payments from the City of Eveleth should be returned to the Excess Police Pension Fund. He stated the Council has to take partial accountability and should be using the remaining money to set up a fund to cover the liability for the retiree health insurance, instead of writing off the entire Excess Police Pension Fund.

Councillor Baribeau stated the use of the remaining \$800,000 in the Excess Police Pension fund was not included in the revised plan. Councillor Baribeau stated the City must offset the huge increases with levies to take the burden off the taxpayers. Councillor Baribeau further stated that the City has not replaced or laid off any employees.

Mayor Peterson stated the Council has been fiscally responsible and consolidated departments to make things better.

Councillor Russo stated the police employees have not been shortchanged and if the old pension was in place, their return would have been less, with the City obligated to pay the difference.

Councillor Cuffe questioned the City's ability to fund post employment health benefit and the amount of the liability.

Finance Director Erickson stated the City's portion of the OPEB (Other Post Employment Benefits) liability would be \$18 million, if it was fully funded, but the City has opted to pay as we go.

Councillor Ralston commented that Mr. Waldron's presentation was his opinion and that City has a financial director to provide advice on how to develop a plan.

Police Chief Waldron stated the health care benefits are not provided by Police Relief Association, but a benefit that is provided by the City.

Councillor Littlewolf stated she does not see the OPEB liability tied to the resolution and that the City is not reducing the police department to zero, but trying to repay the expended money by utilizing the residual funds for the operation of the police department.

Mayor Peterson stated the revised plan will be done by resolution and submitted to the State Auditor's Office for final review, prior to formal adoption.

Councillor Sipola stated the Resolution adopted in 1999 limited any expenditure to the interest only and it is the desire of the Council to rescind that resolution and pass a new resolution to utilize the principal to pay down the \$3.4 million that was transferred from the Excess Police Pension Fund.

Lee Brown, resident, questioned if the general fund budget will be reduced if the money from the Excess Police Pension Fund will be used to fund the Police Department for two to three years.

Mayor Peterson stated the General Fund will not be reduced, as the funds will be transferred from the General Fund back to the Excess Police Pension Fund. Mr. Brown replied that he will further discuss the budget at the Truth in Taxation Hearing.

Moved by Ralston and supported to close the public hearing regarding the Excess Police Pension Fund. Motion carried.

Moved by Baribeau and supported by Russo to waive the written resolution for the following motion. Motion carried.

Moved by Russo and supported to adopt Resolution No. 10136, rescinding Resolution No. 99212 to establish a plan for expenditures of the residual asset amount of the overfunded PERA Consolidated Virginia Police Pension Fund, which was adopted on November 9, 1999. Resolution adopted unanimously.

Moved by Russo and supported to adopt Resolution No. 10137, to establish a plan for repayment of the expenditures from the overfunded PERA Consolidated Virginia Police Pension Fund. Resolution adopted unanimously.

Moved by Littlewolf and supported to open the public hearing to discuss the submission of a Community Development Block Grant application for the proposed reconstruction of 4th Street North from 6th Avenue West to 9th Avenue West. Motion carried.

Mayor Peterson reviewed the proposed project, which includes widening the street surface from 24' to 44' and adding new boulevards, sidewalks, curbs, sanitary sewers, storm sewers and trees. The proposed project will cost approximately \$344,000 per block, or a total of \$1,000,000. The City is applying for a \$350,000 Community Development Block Grant to offset any possible assessments against the low and moderate income property owners in this area for the sanitary sewer improvements.

There was no input from the public.

Moved by Ralston and supported to close the public hearing on the project for the Community Development Block Grant Program. Motion carried, with Councillor Baribeau abstaining from the vote. Motion carried.

Moved by Russo and supported to adopt Resolution No. 10138, authorizing submission of a CDBG application for the proposed reconstruction of 4th Street North from 6th Avenue West to 9th Avenue West. Resolution adopted, with Councillor Baribeau abstaining from the vote.

Reynold Renzaglia, Calvary Cemetery Board Chairman, requested that the City of Virginia's appropriation be increased to \$8,000 for the year 2011, due to increased costs for fuel and salaries.

Barb Politano, Calvary Cemetery Board, stated their revenue has decreased, as more people are choosing the cremation over the full burial.

Mayor Peterson stated the City may have a truck that could be donated to the Calvary Cemetery.

Moved by Baribeau and supported to approve an \$8,000 budget appropriation for the Calvary Cemetery for the year 2011. Motion carried.

D. Marvin Hill, Vice President, Senior Citizens Center, reviewed the expenditures for the year 2010 and requested the City's \$1,200 appropriation. Finance Director Erickson stated the future appropriations for the Senior Citizens Center will be paid in January.

Moved by Baribeau and supported to approve a set a budget of \$22,000 for the Virginia Senior Citizens Center for the year 2011. Motion carried.

Moved by Russo and supported to approve the Consent Agenda, as follows:

1. Approval/correction of minutes of Regular Meeting held November 9, 2010.
2. Adoption of Finance Resolution No. 010-022 – Schedule of Bills.

Motion carried and Finance Resolution adopted unanimously.

Paul Steinman, Springsted, was present to discuss the use of capital equipment certificates or charter bonds to finance the capital items, which total \$917,050.00. The City would have the ability to borrow funds to purchase the capital items at 5, 10 or 15 year terms. The Finance

Committee will review the capital equipment list at their next meeting and further discuss the use of charter bonds or capital equipment certificates.

City Operations Director Tourville stated he would also like the Finance Committee to discuss the purchase of a demo ambulance from the General Fund, with a reimbursement resolution adopted in order to have the ability to reimburse the General Fund from the bond sale.

Mr. Steinman stated the City will have some debt that will be paid off in 2011 or 2012, which will minimize the impact of the bond payments. Mr. Steinman recommended taking formal action on January 11, 2011, to establish February 8, 2011, as the date for the bond sale, which would make the funds available in early March.

City Operations Director Tourville stated the Finance committee will review the entire list of capital items, including the purchase of a demo ambulance at their next meeting.

Moved by Russo and supported by Littlewolf to approve the transfer of the 2011 On-Sale and Sunday Liquor License from Regner Hotel Group, Inc., d/b/a Coates Plaza Hotel, to Brian Vilbrandt, d/b/a Brantz Roadhouse, 502 Chestnut Street. Motion carried.

Moved by Littlewolf and supported by Baribeau to approve transfer of the 2010 On-Sale and Sunday Liquor License from Enrique Banales and Sofia Ayala, d/b/a Cazadores, to Catarino Lozova, Thunderbird Mall, contingent upon landlord/owner approval of the lease assignment. Motion carried.

Moved by Baribeau and supported to refer the projected sewer rates to the next Finance Committee meeting. Motion carried.

Moved by Russo and supported to set the December meetings, as follows: Committee meeting - December 7th; City Council meeting on December 14th. Motion carried.

Mayor Peterson reported on the Finance Committee meeting held as a Committee-of-the-Whole on November 16, 2010.

Moved by Russo and supported to adopt Resolution No. 10139, entering into a renewal contract with the Mesabi Humane Society, in the amount of \$15,900, for animal control services, for the period January 1, 2011, through June 30, 2011, contingent upon the removing the language regarding a 10% fee that will be charged for each late payment. Resolution adopted unanimously.

Moved by Cuffe and supported to set the 2011 budget for the Laurentian Chamber of Commerce/Mineview in the Sky at \$23,605, including a maximum tax increase of \$4,500 for the Mineview-in-the-Sky, and to pay their appropriation biannually in June and December. Motion carried.

Moved by Littlewolf and supported to approve the travel request for Karin Krueger, Police Department, to attend the Criminal Justice Reporting System seminar, which will be held from January 10-12, 2011, in St. Paul, Minnesota. Motion carried.

Moved by Russo and supported to approve the 2011 membership dues with the League of Minnesota Cities, in the amount of \$7,116.00. Motion carried.

Moved by Baribeau and supported to refer the Legislative Protocol for City employees to the Personnel Committee. Motion carried.

Moved by Baribeau and supported to set the 2011 budget for the Tennis for All Facility at \$58,300. Motion carried.

Moved by Baribeau and supported to set the 2011 budget for Fund 499 - VEEDA Appropriation and Taxes Fund, at \$25,000. Motion carried.

Moved by Littlewolf and supported to move forward with a final tax levy of \$3,779,411 for 2010, collectible in 2011, which is a total increase of 12.16% over last year's levy. Motion carried.

Moved by Baribeau and supported to authorize City Clerk to renew the liquor licenses for the period January 1, 2011, through December 31, 2011, contingent upon meeting the licensing requirements. Motion carried.

Councillor Russo reported on the Personnel Committee meeting held on November 16, 2010.

Moved by Russo and supported to reappoint Bob Cohn to the Cable Commission for three year term ending December 1, 2013. Motion carried.

Moved by Russo and supported to approve the reappointment of Delores Cunningham to the Housing and Redevelopment Authority for a five year term ending November 22, 2015, as recommended by Mayor Peterson. Motion carried.

Moved by Russo and supported to request the Finance/Human Resources Director to obtain a sample job description for a Public Safety Director. Motion carried.

Moved by Russo and supported to begin the process to establish a list for the Firefighter/Paramedic position. Motion carried.

See 2010 Resolution Book for Resolution Nos. 10136 – 10139 and Finance Resolution No. 01022.

Meeting was adjourned at 8:40 P.M., with the next regular City Council meeting to be held at 6:30 P.M. on Tuesday, December 14, 2010.

(CORPORATE SEAL)

STEVE PETERSON
Mayor

LOIS ROSKOSKI
City Clerk