

VIRGINIA CITY COUNCIL

COUNCIL PROCEEDINGS

CITY OF VIRGINIA, MINNESOTA, FEBRUARY 12, 2013

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

Roll Call:

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

Absent: None

Mayor Russo led the Pledge of Allegiance.

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

1. Approval/correction of minutes of Regular Meeting held January 22, 2013.
2. Adoption of Finance Resolution No. 13-003 – Schedule of Bills.
3. Approve 2013 Massage License for Mesabi Therapeutic Massage, 310 2nd Avenue South.
4. Approve 2013 Sunday On-Sale Liquor License for Flaimer's, Inc., 127 Chestnut Street, contingent upon meeting the licensing requirements.
5. Approve 2013 Tobacco License for DG Retail, LLC, d/b/a Dollar General Store, 529 9th Street North.
6. Approve Temporary On-Sale Liquor License for the Friends of the Greenhouse for March 2, 2013.

Motions carried and Finance Resolution adopted unanimously.

On behalf of the Lloyd Bachman family, John Bachman appeared to present donations from friends and family totaling \$4,000 for the Miners Memorial Reconstruction Fund. The Bachman family is requesting that a larger piece of kitchen equipment be purchased for the Miners Memorial Building, in memory of Lloyd Bachman. Mr. Bachman noted acknowledged the \$500 donation from the Virginia Youth Hockey Association in memory of his dad. Mr. Bachman also presented a donation from the Lloyd Bachman family, in the amount of \$500.00, to be used for the reconstruction of the Olcott Park Fountain.

Moved by Baribeau and supported by Ralston to approve the placement of an engraved plate on the kitchen equipment that will be purchased for the Miners Memorial Building in memory of Lloyd Bachman. Motion carried.

Rob Raplinger appeared and encouraged the City Council and staff to attend the 2013 Clean Energy Resource Teams Conference, which will be held February 20-21, 2013, in St. Cloud. Mr. Raplinger noted the workshops on February 21st include benchmarking and financial tools for energy efficiency measures for local governments.

Moved by Littlewolf and supported by Baribeau to authorize the City Council and/or staff to attend the 2013 Clean Energy Resource Team Conference, to be held February 20-21, 2013, in St. Cloud, Minnesota. Motion carried.

Councillor Ralston reported on the Finance Committee-of-the-Whole meeting held on February 5, 2013, and stated Roberta Dwyer from the Minnesota Department of Transportation gave an update on the relocation of Highway 53. MnDOT will hold a public hearing once the environmental impact statement is published and a thirty day comment period will follow. The final decision on the option to relocate Highway 53 will be made in early 2014.

Moved by Ralston and supported by Baribeau to adopt Resolution No. 13044, approving a Mutual Aid Agreement with the Cook Area Ambulance Service. Resolution adopted unanimously.

Moved by Ralston and supported to Cuffe to authorize the Fire Chief and City Operations Director to negotiate a contract with United States Steel - Minntac to provide technical rescue services. Motion carried.

Moved by Ralston and supported by Littlewolf to authorize the Fire Chief to open discussions with Bois Forte to provide a Virginia ladder truck and staff to Fortune Bay, as needed for emergency situations. Motion carried.

Moved by Ralston and supported by Littlewolf to adopt Resolution No. 13045, approving the extension of the Fire and Rescue Services Agreement with United Taconite, LLC, for the period March 1, 2013, through February 28, 2015, with no changes to the current fee structure. Resolution adopted unanimously.

Moved by Ralston and supported by Cuffe to adopt Resolution No. 13046, accepting the grant through the Minnesota Board of Firefighter Training and Education and authorize the City to upfront the costs for the training sessions. Resolution adopted unanimously.

Moved by Ralston and supported by Baribeau to adopt Resolution No. 13047, approving Change Order No. 2 to increase the contract with Minnesota Power, by the amount of \$21,201.44, for the P & H Electrical Substation & Distribution System. Resolution adopted unanimously.

Moved by Ralston and supported by Cuffe to approve Pay Estimate No. 2 due Minnesota Power, in the amount of \$515,594.51, for the P & H Electrical Substation and Distribution System. Motion carried.

Moved by Ralston and supported by Baranzelli to adopt Resolution No. 13048, approving Change Order No. 3 to increase the contract with Minnesota Power, in the amount of \$165,535.46, for the P & H Electrical Substation and Distribution System. Resolution adopted unanimously.

Moved by Ralston and supported by Littlewolf, to approve Final Pay Estimate No. 3 due Minnesota Power, in the amount of \$172,750.81, for the P & H Electrical Substation and Distribution System, contingent upon receipt of the final signed documents from Minnesota Power. Motion carried.

Moved by Ralston and supported by Cuffe to set a public hearing for 6:30 P.M. on Tuesday, March 12, 2013, on the proposed amendments to the City Charter, Section 3.02 “Administrative Commissions” and Section 3.04 “Hospital Commission”, as recommended by the Charter Commission. Motion carried.

Moved by Ralston and supported by Cuffe to refer the costs to insure the Children’s and Veterans’ Memorial Parks to the Buildings/Grounds Committee and request that they review other memorial parks that are currently insured by the City. Motion carried.

Moved by Ralston and supported by Baribeau to accept the changes to the Virginia Economic Development Authority’s by-laws to expand the eligibility criteria to include “be employed by a business that serves the community and residents of Virginia”, as recommended by the VEDA board. Motion carried.

Moved by Ralston and supported by Sipola to authorize the City Operations Director and City Attorney to prepare a purchase agreement with St Louis County to acquire the remaining tax forfeited former Staver property. Motion carried.

Moved by Ralston and supported by Baribeau to authorize the City Operations Director and City Attorney to prepare a purchase agreement with St Louis County to sell the City-owned parcel located at 409-411 Second Street South. Motion carried.

Councillor Ralston stated the Virginia Local Board of Appeal & Equalization has been scheduled to be held from 10:00 A.M. until Noon on Tuesday, April 16, 2013.

Councillor Baribeau reported on the Street/Alley/Public Safety Committee meeting held on February 12, 2013.

Moved by Baribeau and supported by Ralston to approve the elimination a total of eight parking spaces along 9th Avenue South at the two entrances into the Miners Memorial Building parking lot near 6th and 7th Street South and authorize the placement of “No Parking from Here to Corner” signage in those locations. Motion carried.

Councillor Baribeau stated the Park/Recreation Director will work on the elimination of parking spaces within the Miners Memorial parking lot to increase safety near the entrances.

Moved by Baribeau and supported by Baranzelli to authorize Councillor Cuffe and the City Attorney to develop an ordinance to control noise issues with the outdoor patios at liquor establishments, with the draft ordinance presented to the Street/Alley/Public Safety Committee for review. Motion carried.

Councillor Baribeau stated Councillors Cuffe and Sipola will continue to work with the Mesabi Humane Society on a renewed contract for animal control services. The City Council was encouraged to submit any recommendations for the animal control services to the City Attorney to incorporate into the new contract.

Moved by Baribeau and supported by Ralston to adopt Resolution No. 13049, entering into a Mass Dispensing Site Agreement with the St. Louis County Public Health and Human Services, contingent upon verification that the City is not responsible for providing equipment. Resolution adopted unanimously.

Moved by Baribeau and supported by Ralston to adopt Resolution No. 13050, entering into a contract with Short, Elliott and Hendrickson, Inc., to provide professional engineering services for the year 2013, at a cost of \$80 per hour, with other contracted services provided at rates to be agreed upon prior to the work being performed. Resolution adopted unanimously.

Moved by Baribeau and Baranzelli to authorize the City Operations Director and Engineering Department to meet with Jessica Werder of Short Elliott Hendrickson, Inc., to begin the process to upgrade the sewer lift stations, with a recommendation provided to the Finance Committee. Motion carried.

Moved by Baribeau and supported by Baranzelli to adopt Resolution No. 13051, approving the Master Partnership Contract with the State of Minnesota. Resolution adopted unanimously.

Moved by Baribeau and supported by Sipola to adopt Resolution No. 13052, entering into a contract with the St. Louis County for the 2013 Street Striping Maintenance Program. Resolution adopted unanimously.

Councillor Sipola reported on attending the Library Commission meeting and felt it was a good session.

Councillor Cuffe reported on the Public Utilities Commission meeting and requested that discussions begin on the possibility of changing the Public Utilities Commission from administrative to advisory. Councillor Cuffe stated there is a need to inform the public on the operations of the Public Utilities and the partnership with the Laurentian Energy Authority.

Councillor Baribeau reported on attending the Range Association of Municipalities and School's annual banquet. Discussion was held regarding the partnership with MNSCU and private industry on business education and the possibility of obtaining State funding to upgrade technology.

Councillor Littlewolf reported on attending the meeting of local elected officials and the Iron Range Resources and Rehabilitation Board and stated their programs are easily accessible on their website.

Councillor Littlewolf also reported on attending the Coalition of Greater Minnesota Legislative Action Day and stated she was able to meet with representatives to discuss Virginia's issues, including the upgrades to the Fire Hall and Miners Memorial Building, relocation of Highway 53, and the 2014 local government aid.

Mayor Russo stated Councillor Sipola has resigned from the Virginia Economic Development Authority, as he is unable to attend the meetings, and recommended appointing Councillor Cuffe for the term ending December 31, 2016.

Moved by Ralston and supported by Baribeau to appoint Councillor Cuffe to the Virginia Economic Development Authority for a term ending December 31, 2016. Motion carried.

Moved by Cuffe and supported by Baribeau to authorize the Mayor to send a letter to Governor Dayton urging him to include funds in the bonding bill to assist with the relocation of utilities for the Highway 53 project. Motion carried.

Moved by Cuffe and supported by Baribeau to adopt Resolution No. 13053, approving the hiring of Richelle Perreault for the Library Maintenance Clerk position, with a start date on or after February 23, 2013, and subject to a ninety shift probation period and the terms of the American Federation of State, County and Municipal Employees, AFL-CIO, Local 454 labor agreement. Resolution adopted unanimously.

Moved by Cuffe and supported by Baranzelli to adjourn the City Council meeting at this time, in order to hold a public hearing. Motion carried.

Moved by Baranzelli and supported by Baribeau to open the public hearing on a proposal to grant property tax abatements from the property located at 4100 P & H Drive in the City of Virginia. Motion carried.

Steve Bubul, Attorney with Kennedy and Graven, stated the purpose of the public hearing is to consider the property tax abatement for P & H Mining Equipment, Inc. The City Council will also consider resolutions to revise the Contract for Private Development and Ground Lease with P & H Mining Equipment, Inc., and consider the issuance of bonds. Mr. Bubul stated the City previously agreed to provide tax abatement for the City's share of taxes on the new facility, and use them to reimburse P & H Mining Equipment, Inc., for their costs to construct a manufacturing and office facility on the property. Mr. Bubul noted P & H Minepro had agreed to invest a minimum of \$8 million in the project, but ended up investing a total of \$12 million. As part of the contract, the City Council will consider a resolution to allow the City to collect the City's share of property taxes from improvements to the property for a period of twenty years and pledge those revenues to pay the debt service on bonds that will be issued by the City. The net proceeds from the bonds will reimburse P & H Minepro for improvements to their building. P & H Minepro agreed to maintain a total market value of \$12 million for the project for a twenty year period and also guaranteed that the class rates will stay the same.

In light of city's current credit rating, Mr. Bubul stated the City will issue a smaller bond to produce \$1.2 million in net amounts to be paid to P & H Minepro, which may produce extra tax abatement dollars that would also be reimbursed to P & H Minepro on a "pay as you go" basis. Two years from now, a provision allows P & H Minepro to request the City to issue a second bond issue to utilize the rest of the City abatement dollars. The initial bond will be in the amount of \$1.4

million. The second bond issue is anticipated at \$770,000. A provision is also included to postpone the bond issue for one additional year, if the City is still on a credit watch.

Councillor Baribeau questioned why we did not use Standard & Poor for the credit rating and also asked if the City could use another government entity to issue the bonds, such as St. Louis County, as they have a better credit rating.

Paul Steinman, Springsted, stated it is their recommendation to move forward with an unrated bond, as a bond rating would open the door for a potential downgrade. Mr. Steinman stated the City is considering a commitment of a tax abatement stream over twenty years at \$169,000 per year. Because the revenue stream is committed to the developer, higher interest rates would mean less net proceeds to the developer.

Mr. Bubul explained that tax abatement is a tax rebate to P & H Minepro, which will be converted to upfront cash by selling bonds. St. Louis County has also been asked to participate in the abatement of \$10,000 of taxes per year for the project. Mr. Bubul further stated the State Statute requires the City to be the issuer of tax abatement bonds.

Councillor Ralston questioned the Schedule A, which showed the City's proposed 2013 tax rates at 97.1 percent. Mr. Steinman explained the proposed 2013 City tax rates were used to calculate the tax abatement amount. By utilizing the market value and applying the class rates and tax rates, a tax amount is determined. The rate of 97.118 percent is the current City's rate that would apply to the property.

Mr. Steinman stated the City will be selling \$1.41 General Obligation Tax Abatement Revenue Bonds, which will commit \$169,000 to P & H Minepro for a period of twenty years. The first bond issue will include a minimum of \$100,000 that could be reimbursed to the City for professional administrative costs for the P & H Minepro project.

Councillor Sipola confirmed that a tax abatement special levy of \$169,000 will be certified for a period of twenty years, which is equivalent to the new taxes that would be paid by P & H Minepro. There will be no impact to the taxpayers, as the City is only levying the amount of taxes that the property would produce.

Mr. Steinman stated the first levy would be done in the fall of 2103, payable in 2014, and is only for the land value. The full value of the property would be levied in the fall of 2014, payable in 2015.

Councillor Littlewolf questioned if the special abatement levy is a separate line than the regular tax levy. Mr. Bubul explained that this is a separate levy, but it will not show up on the tax statements as a separate levy. Tax abatement levies can also be above the levy limits.

Mr. Steinman noted the City agreed to the tax abatement in the original development agreement that was approved two years ago and the City is selling the bonds after the fact. The first bond issue will be considered tonight, in the amount of \$1.41 million, and will have a total future value of \$3.4 million including interest. Mr. Steinman stated the interest rate used to calculate the first bond issue is 3.87 percent.

City Operations Director Tourville stated it is important to remember that the Virginia School District is held harmless in this tax abatement issue. He also noted that Joy Global invested over \$22 million in the project. Without the P & H project, the City would not have been able to utilize the grants that were obtained to install infrastructure to that area. City Operation Director Tourville stated he is optimistic that other businesses will locate in the new industrial park.

Councillor Cuffe stated the City's long term goal is to produce economic stability for this region and, as other entities come forward, this project will benefit Virginia.

Moved by Ralston and supported by Cuffe to close the public hearing. Motion carried.

Moved by Baribeau and supported by Ralston to reconvene the regular City Council meeting at this time. Motion carried.

Moved by Baribeau and supported by Cuffe to adopt Resolution No. 13054, approving property tax abatement for P & H Minepro Project located at 4100 P & H Drive in the City of Virginia. Resolution adopted unanimously.

Moved by Ralston and supported by Sipola to adopt Resolution No. 13055, approving a second amendment to the contract for Private Development and revised Ground Lease Agreement by and between the City of Virginia and P & H Mining Equipment, Inc., d/b/a P & H Mine Pro Services. Resolution adopted unanimously.

Moved by Ralston and supported by Littlewolf to adopt Resolution No. 13056, providing for the issuance and sale of Taxable General Obligation Tax Abatement Bonds, Series 2013A, in the proposed aggregate principal amount of \$1,410,000. Resolution adopted unanimously.

Meeting adjourned at 8:10 P.M., with the next regular City Council meeting to be held at 6:30 P.M. on Tuesday, February 26, 2013.

LOUIS J. RUSSO

Mayor

(CORPORATE SEAL)

LOIS ROSKOSKI

City Clerk