

Owatonna City Council Minutes

The Owatonna City Council met in regular session on Tuesday, July 16, 2019 at 7:00 p.m. in Council Chambers. Council President Schultz called the meeting to order and welcomed everyone in attendance. Attending were Council Members Raney, Voss, Okerberg, Svenby, Burbank, Dotson and Schultz; Mayor Kuntz; City Attorney Walbran; Community Development Director/Interim Park Director Klecker; Chief Hiller; Finance Director Moen, City Administrator Busse and Administrative Specialist Clawson.

Following the Pledge of Allegiance, Council Member Svenby made a motion to approve the agenda as presented, Council Member Dotson seconded the motion, all members voted aye in approval.

At 7:04 p.m., a public hearing was held to consider the proposed annexation of property located in part of Section 18, Township 107N, Range 20W, Steele County, Minnesota. The property is located generally north of 18th Street SW and east of 39th Avenue SW. The property proposed for annexation is approximately 173.23 acres including all right of way areas to be annexed. The petitioners, Smith Heritage, LLC and Buecksler Family Farms, LLC, would like to connect the property to municipal utilities. Tim Johnson, 3799 Lemond Rd, expressed several concerns as his family's farm is adjacent to this property. He and his father, Rodney Johnson met with Community Development Director Klecker to review plans for this site to become a Costco Distribution Center, several of their questions were answered but their main remaining concern is drainage. He suggested the City install storm sewer to this site, so water doesn't backup on their land causing lower crop yields. Another concern is road maintenance, his parents live on SW 10th Street and snow plowing is slow and sometimes missed on this township/city shared road. Mr. Johnson asked if the City is ready to take on a large expansion requiring additional fire, street and police services; he heard Costco won't be paying taxes so the City will be paying for these additional items and not sure the City can afford this.

Rodney Johnson, 3227 SW 10th Street, commented building a large distribution center next to his property will ruin his family farm. Currently, this is a quiet area, but this will change when lots of semis are coming and going. He thinks there are too many unknowns and questions if the property owner is ready to sell; he suggested Council table any action until more information confirmed.

With no additional comments, at 7:14 p.m., Council Member Raney made a motion to close the public hearing. Council Member Dotson seconded the motion; all members voted aye in approval.

Community Development Director Klecker confirmed a purchase agreement has been approved and Costco has requested TIF for their proposed project. He explained the TIF, if approved, would apply the increment generated from the project back towards the project and public infrastructure improvements for a nine-year period. Currently, the property isn't within City Limits so the City is not collecting any taxes but by annexing the property, the site will be improved and increase the property valuation. Additional details will be provided in a development agreement which will require Council approval. The City could use a portion of the TIF towards infrastructure improvements such as construction of 10th Street SW or a paved intersection on 18th Street SW.

Finance Director Moen explained, Costco would pay taxes; however, during the TIF period, tax payments are used for specific purposes as outlined in the Developers Agreements and not towards the General Levy.

Community Development Klecker explained a Development Agreement will address what percentage of the TIF will be available for community infrastructure improvements; Council will consider the

Development Agreement for approval at a future meeting. Staff will be working with Costco to approve a site plan with detail of private storm water ponds to address drainage issues. Also, an Environmental Assessment Worksheet (EAW) is being prepared and will also require council approval at a future meeting.

Community Development Director presented Resolution 48-19 to approve the Annexation Agreement with Owatonna Township. The township will meet on July 23rd to act on this joint resolution. The City will be reimbursing the township for their share of taxes for 2.5 years, the total for this property is \$2,033.35 and will be paid to the township in a lump sum. The property is proposed to be zoned I-1, Light Industrial District with water and sewer available to the site. The City will be taking over maintenance of 10th Street SW and 33rd Avenue SW. Council Member Okerberg made a motion to approve Resolution 48-19, Council Member Svenby seconded the motion; all members voted aye in approval.

Community Development Director presented Resolution 49-19 to set the date for a public hearing to consider modifying Development District 3 and establish Tax Increment Financing District 3-12 for the development of a Costco Distribution Center in the Industrial Park. Costco is proposing to construct a 354,000 square foot distribution warehouse at the northeast corner of 39th Avenue NW and 18th Street NW. The project has an assessed value of \$34 million. Consulting fees of the TIF financing will be paid by the EDA; administrative costs will be figured into the TIF Plan for reimbursement of the consulting fees. Council Member Burbank made a motion to approve Resolution 49-19, Council Member Raney seconded the motion; all members voted aye in approval.

Mayor Kuntz made proclamation for Tuesday, August 6, 2019 to be “Night to Unite in Owatonna”. Night to Unite is designed to get to know one another in your neighborhood, build neighborhood involvement by bringing police and communities together; and to bring an awareness to crime prevention and local law enforcement efforts.

Council President Schultz explained council members review the Consent Agenda Items prior to the meeting for approval in one motion. Consent Agenda Items for approval include:

- Minutes - City Council Meeting – July 2, 2019.
- Minutes - Library Board Meeting – June 18, 2019.
- Minutes - Human Rights Commission Meeting – June 11, 2019.
- Event Permit – Crazy Days – July 25-27, 2019.
- Event Permit - OCC Business After Hours – July 23, 2019.
- Building & Inspection Report – June 2019.
- Nuisance Report – July 15, 2019.

Council Member Dotson made a motion to approve these Consent Agenda Items; Council Member Okerberg seconded the motion; all members voted aye in approval.

Vice-President Raney recapped expenses for the period; bills presented for payment total \$769,702.53. Council Member Voss made a motion to approve payment of these bills; Council Member Dotson seconded the motion. All members voted aye for approval.

City Attorney Walbran presented the first reading of Proposed Ordinance 19-5, amendment to Appendix A, Fee Schedule of Chapter 35, “Fees and Charges”. Planning and Zoning Staff received request to

confirm fees charged for administrative and issuance costs; Ordinance 15365 approved April 5, 2016 did not clarify these specific costs:

Planned Unit Development (PUD)	\$400
Annexation Requests	\$350 plus \$10

To defray administrative costs of reviewing and processing annexation request, a fee of \$350, plus \$10 for every acre requested for annexation shall be paid for each annexation requests. For establishing a fee, the land being requested for annexation shall be rounded to the nearest acre.

Environmental Assessment Worksheet (EAW)	\$400
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Council Member Svenby made a motion to approve the first reading of Proposed Ordinance 19-5, Council Member Burbank seconded the motion. With a roll call vote voting aye were Burbank, Raney, Svenby, Voss, Okerberg, Dotson and Schultz; voting nay were none, the motion was approved. A second reading of Proposed Ordinance 19-5 will be heard during the next Council Meeting on August 7, 2019.

Finance Director Moen requested the City issue \$2,225,000 General Obligation Street Reconstruction Bonds, Series 2019A to finance the following street projects:

- a) 2019 Street & Utility projects including 22nd St NE, Holly, 13th St NE, North St West, Lewis Drive NW, West Hills Tennis Center parking lot and LEC parking lot
- b) 2019 Curb & Gutter project which includes Timber Ridge Lane north of White Oak Ln
- c) 2019 Concrete street project which includes 21st Ave NW and 28th Ave both from Park Dr to Hoffman Dr

These bonds will be paid over ten years through a combination of assessments and a debt service levy. Following the sale of bonds, the interest rate the City charges on assessments will be reviewed. We are anticipating no change from the current rate of 4.5% which is based on a recommendation to charge 1.5-2.0% higher than the City's borrowing rate. In accordance with the City's debt service policy, the following recommendations were reviewed:

- a) The net debt service levy should be less than 15% of general fund expenditures. The projected levy is 8.3% of 2019 general fund expenditures.
- b) The impact on future debt service levies is acceptable. We have reviewed the projected levy impact and it is acceptable.
- c) The impacts on the bond rating process – ratio of net direct debt to full market value is .84% which is considered strong (prior year was .87% which was also considered strong); ratio of net direct debt to operating revenues of the general fund and debt service funds is .77 times which is just outside of the strong range of .33x-.67x (prior year was .75 times). The City was aware the influx of projects in 2018 would impact these debt ratios. This impact will reverse itself over the life of the bonds as the City resumes its normal level of issuing debt.

Doug Green, the City's Municipal Advisor was present to review the key events relative to these bonds and to answer questions. Baker Tilly Municipal Advisors, LLC will advertise the Bonds for sale due the morning of August 20, 2019, these bids will be brought to Council that evening. Finance Director presented Resolution 50-19 for approval, this will authorize issuance and provide sale of Series 2019A bonds. Council Member Dotson made a motion to approve Resolution 50-19, Council Member Voss seconded the motion; all members voted aye in approval.

Community Development Director Klecker requested approval of Resolution 51-19 to set the date for a public hearing to consider modification to Development District 3 and establishment of TIF District 3-13. Daikin is requesting use of tax increment financing to assist with the costs associated with the development of a new warehouse facility. The new warehouse, 150,000 square feet in size, located just east of the Daikin main plant on Hoffman Drive. The new warehouse space will allow Daikin to convert current warehouse space into manufacturing space in their main plant. The project has an estimated assessed value of \$5.3 million and would create 50 new jobs. Consulting fees for the TIF financing will be paid by the EDA; the administrative costs will be in the TIF Plan so the consulting expenses can be reimbursed through the life of the TIF District. Council Member Raney made a motion to approve Resolution 51-19, Council Member Dotson seconded the motion, all members voted aye in approval. This public hearing date will be held on Tuesday, September 3, 2019 at 7:00 p.m. in Council Chambers.

Community Development Director Klecker requested approval of Resolution 52-19 to set the date for a public hearing to consider modification to Development District 8 and establishment of TIF District 8-2. Tax increment financing is being requested to assist with the costs associated with redeveloping property at 175 18th Street SW into a 28-unit apartment building. The new apartment building would be the second phase of South Pointe Apartments. It is located east of, and across the street from the current apartment building and would replace the existing block building that sits on the site. The project has an estimated assessed value of \$2.1 million. The consulting fees for the TIF financing will be paid by the HRA; administrative costs will be figured into the TIF plan for reimbursement of the consulting expenses. Council Member Raney made a motion to approve Resolution 52-19, Council Member Burbank seconded the motion; all members voted aye in approval. Council Member Raney acknowledged presence of Mac Hamilton, CEO of Hamilton Real Estate, Inc. and thanked him for proposing this project; this will be their company's third project in Owatonna and believes this as an opportunity to improve a blighted building. This public hearing date will also be held Tuesday, September 3, 2019 at 7:00 p.m. in Council Chambers.

Community Development Director Klecker presented Resolution 53-19 approving Application No. V-1419. This is a request from Tony and Teresa Jacobsen to allow for a 12' x 14' accessory structure within a utility easement at 1905 Hemlock Avenue. Code allows a 120 square foot accessory structure within a utility easement and this proposed structure measures 168 square feet. The Planning Commission held a public hearing on this request and recommend Council approval with these conditions:

- 1) The applicant shall remove the shed from the easement within 48-hour notice if work is going to occur within the easement.
- 2) The shed shall be compatible with the house.

Council Member Dotson made a motion to approve Resolution 53-19, Council Member Svenby seconded the motion, all members voted aye in approval.

City Administrator Busse presented the 3-Year Strategic Plan for 2020-2022. Council Members and Department Directors met earlier in the year to discuss, revise and update Owatonna's Strategic Plan to ensure the plan reflects the council's current priorities. Input was received from Council Members, Board and Commission Members and staff. The four Key Focus Areas remain: Infrastructure, Economic Vitality, Quality of Life, and Efficient Effective Government. This plan allows the City to continue to align its efforts and resources to accomplish goals and make positive progress for Owatonna

citizens. Council Member Okerberg made a motion to approve the 2020-2022 Strategic Plan, Council Member Burbank seconded the motion. Council President Schultz commented the plan plays an important part in planning and greatly appreciated.

During Staff Comments, Chief Hiller advised the City's 2019 Crime Rate is down from last year; Part 1 Crimes are down 23.8%, Part 2 Crimes are down 7.0% to average the rate down 14.4%. He thanked Council for the tools and resources to do their jobs and thanked everyone in the community for keeping the City a safe place to live. Council Member Raney said a message recently received from Gold Cross Ambulance Service praised the police assistance received during medical emergencies, Raney congratulated Chief Hiller and staff for their high-quality service. Chief Hiller explained the new Hands-Free Law to become effective August 1st, if you are driving, you cannot have a cell phone in your hand. He thanked social media posts, the Police Departments newsletter, Just the Facts, the local paper and radio, Federated Insurance and other groups for getting information out to reduce distracted driving. He anticipates a heavy volume of warning tickets during the first few weeks which will decrease significantly when citations are issued, and fines imposed. The department has increased foot patrol in the downtown area and citizen comments have been favorable. Staffing at the LEC is currently stable and doing well, able to offer services and heading in the right direction.

Finance Director Moen commented Finance is busy with preparation of the 2020 Budget and meeting with each Department Head to discuss their budget requests.

Community Development Director Klecker gave a brief update on Building Permits issued this year: 14 single homes issued and 2 more pending. Many projects are in process including renovations at Pillsbury, SCFF is putting up a new barn at the fairgrounds, Taco Bell is doing a major renovation to their store front.

Chief Hiller introduced Officer Melissa Michaels. Officer Michaels works with the department's Explorer Post and they are currently doing some fundraising to allow participation in competitions. She asked anyone dining at Buffalo Wild Wings (BWW) tell their server they want to support the Explorers and BWW will donate 10% of your bill to the Explorer Posts' fund account. This campaign is available at the Owatonna BWW until the end of the year. There are currently 12 members in the Explorer Post, this program began in 2008 with 3 members and efforts continue to grow the program. Participants are between the ages of 14-20 years old.

City Administrator Busse reported status of the current street improvement projects.

During Public Comments, Roger Wacek, 646 E Vine Street thanked Council Member Dotson and staff for the report detailing 2018 expense at Brooktree Golf Course and River Springs Water Park. Last December, during the Truth in Taxation Hearing, I requested distinction between education and recreational amenities, and I challenged Council to increase participation fees to cover costs of recreational activities. I believe recreational amenities are not amenities but tax subsidies as these items compete for tax dollars within the budget. Last year the expense at Brooktree was \$242,743 and \$37,243 at the waterpark, the budget could be reduced by approximately \$283,000 if these costs were covered by participation fees. The City of Duluth incurred a huge expense last year for operation of their golf course, this is a copy of the Duluth paper with headline, "Duluth finds golf in the rough". Duluth spent \$2.4 million on their golf course and I don't want that to happen here.

During Council Comments, Council Member Raney commented last week was the second of three Thursday Markets planned, their last event will be Thursday, August 1st and then thanked Shirley

Schultz and staff for organizing this event which is becoming more popular each time. Tomorrow morning there will be a Hwy 14 Commission Meeting in Owatonna, which should be a very informative meeting as there is currently a lot going on with Highway 14. Council Member Voss also thanked Shirley Schultz and Main Street staff for their event which he believes has become a good social event for community. Voss then thanked the Street Department for doing a great job cleaning storm drains during recent heavy storms and asked residents to also assist clearing drains near their homes to prevent backups.

At 8:00 p.m., Council Member Raney made a motion to adjourn, Council Member Dotson seconded the motion and the meeting adjourned.

Dated: July 23, 2019

Respectfully submitted,
Jeanette Clawson, Administrative Specialist