

City of Ramsey
Agenda
City Council Work Session
Tuesday March 27, 2012
6:00 p.m. or Immediately Following Personnel Committee
Lake Itasca Room 7550 Sunwood Drive NW

- 1. Call to Order**
- 2. Topics for Discussion**
 1. Discuss Updates to the City's Comprehensive Sanitary Sewer and Water Plans
- 3. Future Topics for Discussion - *See Attached Calendar***
 1. Review Future Topics/Calendar
- 4. Mayor/Council/Staff Input**
- 5. Adjournment**

CC Work Session**2. 1.****Meeting Date:** 03/27/2012**By:** Tim Himmer, Engineering/Public Works

Title:

Discuss Updates to the City's Comprehensive Sanitary Sewer and Water Plans

Background:

On August 23, 2011 staff met with the City Council in work session to review the City's 2011 development cost study. This was a comprehensive review of where the City currently stands in relation to other municipalities with regard to development costs (utility trunk fees, building permit fees, escrows, etc.). During that meeting utility rates were discussed; particularly how those rates are determined. Rates are determined by taking a comprehensive look at the City's utility system, projecting future growth, and then determining the infrastructure needs to support such growth. A plan is then developed that outlines potential timelines and costs for infrastructure improvements. The ultimate costs to construct and maintain that utility system is then evaluated to determine the appropriate funding mechanism to distribute those costs to users and/or the development community. Revisions to those rates are then adjusted annually, with the adoption of the annual rates and charges, and are based on the construction index related to inflation and construction costs.

On November 15, 2011 the topic of comprehensive utility plan updates, and corresponding rate studies, were discussed by the Public Works Committee. This conversation was timely, in that the City Council wanted to understand how updates to these plans may impact adoption of the City's annual rates and charges. The Council wanted to delay action on adopting rates and charges for 2012 until these utility plan updates were completed. Since that time the 2012 rates and charges were adopted by the City Council in December, with the idea that the utility fees could be revised (if necessary) once the studies were updated and the results of the rate study completed. On January 10, 2012 the City Council awarded contracts to Bolton & Menk and Landform to undertake this study, which was last completed in 2004.

As stated earlier, the first order of business in advancing these plan updates is to review growth projections, which was the topic of conversation with the City Council on February 6, 2012. Without first understanding the assumptions related to how the City intends to grow, updates to these plans are extremely difficult. At that meeting Council directed staff to proceed with plan updates using the same assumptions from the existing (2004) comprehensive utility plans and 2030 Comprehensive Plan for the City; including growth, densities, and flow projections. Bolton & Menk has analyzed the utility systems, consistent with this direction, and has developed a preliminary Capital Improvement Program (CIP) that evaluates future expenditures and projected revenues from user rates and development fees.

Notification:**Observations:**

Tonight we would like to focus the attention on discussion of the sanitary sewer system. The current capacity of the Metropolitan Council Interceptor trunk lines located in the City of Ramsey is 7.87 mgd, which can accommodate both the existing 2030 Municipal Urban Service Area (MUSA) and full development of the City. It is estimated that system upgrades and expansions in the amount of \$7.3M are required to service the 2030 MUSA area (and NE service area - see below), and projected revenues for this same time period are estimated at \$8.8M. It should be noted that no acquisition costs are included for easement and/or right-of-way to install the required improvements; it is assumed they are part of a development scenario whereby the applicant would be responsible for all associated costs. It is also assumed that the operation and maintenance (O&M) expenses for the sanitary sewer system will be funded with user rates, while system expansion will be funded with

development/connection fees.

In preparing these budget estimates there was discussion about the City's current policy of requiring development to be responsible for all costs associated with the required utility extensions to serve their project; the City does not typically advance utility infrastructure expansion without an available funding source. In preparing these utility plan updates, and in light of recent discussions centered on a long term road reconstruction initiative, it may make sense to consider certain long term utility extensions if we will be undertaking roadway work through the same corridor. This can be evaluated at the time a project is advanced, with funding sources identified in a feasibility study.

Also factoring into these budgets is the current utility reimbursement agreement with 21st Century Bank related to the NW Sewer and Water extensions to serve BROOKFIELD, SWEETBAY RIDGE, and other Oakwood Land projects. Under this agreement we are required to pay back utility connection charges as properties and/or developments tie into this system, which currently stands at approximately \$5.3M in outstanding eligible connection charges. The City is still able to offer fee credits for lateral extensions to serve the connecting properties, so the total eligible trunk fee reimbursements on a development would likely be reduced by the infrastructure costs to the serve the development. Impacts of this agreement on the sanitary sewer utility are easy to quantify as the only available credits are for future unplatted properties associated with the BROOKFIELD development. When we discuss the water utility at a future date we will have to consider options to budget for these non-revenues/expenses.

Staff is seeking Council direction on a couple of key items so the sanitary sewer CIP budget can be refined, and determination of utility rates can be further analyzed:

- 1. The potential savings in constructing a lift station/forcemain to service the Northeast Sewer Area (TH 47 and 167th Ave), as opposed to a gravity system.** Staff would like to point out that the Northeast sewer area falls outside of the current 2030 MUSA, but since it has been discussed as a strategic goal for development of a commercial node we felt it appropriate to include this area in the budget preparation. Doing so does increase overall expenses to extend sanitary sewer to the area, but also introduces additional users above the projected 260 units/year to assist in funding the improvement. The current budget contemplates the installation of a forcemain to service the immediate area around the commercial node, with the ability to expand the system at a later date to accommodate ultimate build out of the City. While installation costs for the forcemain are approximately half that of a gravity system, long term O&M costs would be higher.
- 2. Potential residential equivalency factor for computing development fees on multi-family/high density properties.** In the recent past we have utilized the Met Council's Service Availability Charge (SAC) determination as the basis for computing fees, as opposed to per unit. In reviewing the impacts of calculating fees in this manner, it has been found that the number of SAC units equals the number of apartments, while the SAC unit determination for senior facilities are approximately half the number of units created. SAC is a Met Council capital cost allocation for conveyance and treatment of effluent, which doesn't accurately reflect the City's infrastructure costs for development of high density projects. It may make sense to look at a residential equivalency factor to compute fees on high density properties. Doing so would allow a standard rate to be applied with certainty, as opposed to the unknown SAC units as determined by the Met Council at the time of building permit issuance. It also creates flexibility for the developer in determining the types of amenities they would like to incorporate into their project (swimming pool, washing machines, etc.) without impacting their fees - it is a known quantity from the beginning of the development process based upon the number of units charged at a lesser rate. One factor to consider in this discussion is that by applying a lesser rate for high density properties it would ultimately reduce the total units paying into the system - while the development fees and rates would be reduced for those types of projects, user rates would likely increase for all other uses as there would be less units to spread the costs against. For the purposes of a budget analysis and Council discussion on the sanitary sewer system Bolton & Menk has used 0.7 as the residential equivalency factor for high density residential properties; this number is based upon the Census Bureau's Community Survey for the City of Ramsey's demographics from 2006 to 2010.
- 3. Consideration of a minimum fund balance.** Staff is recommending a minimum end of year balance equal to the average annual expenses (O&M and debt service) for the study period to cash flow the account during

down years when growth projections may not be met.

If time allows we would like to set the stage for the next round of policy discussions by delving into the water system. While there are similarities between the two systems, there is another level of complexity to the water distribution system, which includes a discussion related to source (surface water vs. groundwater).

• **SURFACE WATER VS. GROUNDWATER**

- Discussions at the Council level to date have focused on a surface water treatment plant being more of a regional need, and not solely a City of Ramsey source. Considering it in this fashion expands on the potential funding sources that may be available to construct it, but much work would be required with governmental regulators and legislators to secure such funding.
- To meet the demands of the study period the City would need to drill 4 more groundwater wells to serve the 2030 MUSA. Due to potential groundwater/surface water connections and supply concerns in the Franconia-Ironton-Galesville aquifer (the City's municipal water supply) expressed by the Minnesota Department of Natural Resources, securing approval for additional wells could be challenging. While the City may be able to obtain the additional wells needed for growth, treatment may still be required to address current iron and manganese concerns and/or potential future contamination that has been experienced in neighboring communities.

• **TREATMENT**

- Whether the decision is to utilize surface water or groundwater for the City's supply needs it is apparent that water treatment in some capacity will most likely be required in the future. If Council direction is to continue CIP budgeting for a surface water treatment facility, should it be funded 100% by the City
- Comparing existing users to the projected service population over the study period shows that approximately 45% of the 2030 MUSA service population are already connected to the water distribution system. Based upon this information staff believes an equitable cost share for funding a future treatment facility (surface or groundwater) should be split based upon this distribution.

Similar to the sanitary sewer items discussed above budgeting for the water distribution system also needs Council direction on minimum fund balance, residential equivalency factor for multi-family/high density developments, and carrying of capital expenditures in the CIP if it is the Council's desire to consider a proactive approach to installing certain improvements with a corresponding road improvement project in the area.

Bolton & Menk will be in attendance to present the results of their evaluation and supporting information that has been developed to date, along with a couple of scenarios for determining user rates.

Recommendation:

Staff is looking for concurrence and direction from the Council on the assumptions used to formulate the CIP budget and proposed rates for the utility plan updates. Further, staff is recommending:

1. Planning for a forcemain sanitary sewer extension into the Northeast Sewer Area, and including the associated costs within the 2030 MUSA study period.
2. Creation of a residential equivalency factor for determining connection charges on high density residential developments. As stated earlier 0.7 has been used in a couple of funding scenarios prepared by Bolton & Menk, and is based upon census data for the City of Ramsey from 2006-2010.
3. Maintaining a minimum fund balance in an amount equal to the average annual expenses over the study period.

We will be coming back to the Council on a few more occasions in the future to receive additional direction on other policy decisions that will assist in finalizing these comprehensive utility plan updates and rate determinations.

Funding Source:

Funding for these comprehensive utility plan updates are being financed through the corresponding City enterprise funds.

Council Action:

Based upon discussion.

Form Review

Inbox	Reviewed By	Date
Brian Olson	Brian Olson	03/22/2012 03:13 PM
Kurt Ulrich	Amy Dietl	03/22/2012 04:31 PM
Form Started By: Tim Himmer		Started On: 03/20/2012 02:59 PM
Final Approval Date: 03/22/2012		

CC Work Session

3. 1.

Meeting Date: 03/27/2012

By: Jo Thieling, Administrative Services

Title:

Review Future Topics/Calendar

Background:

Attached is a list of future work session topics for Council review.

Funding Source:

N/A

Council Action:

For review - no formal action necessary.

Attachments

Future Topics/Calendar

Form Review

Inbox

Kurt Ulrich

Form Started By: Jo Thieling

Reviewed By

Kurt Ulrich

Final Approval Date: 03/21/2012

Date

03/21/2012 11:27 AM

Started On: 03/19/2012 02:52 PM

**Work Session Calendars
2011**

Month	Date	Topics for Discussion
April	10	<ul style="list-style-type: none"> • Discuss Four-Wheeler Riding within the City (Jim Way) • Discuss Special Events Permit if Received by Applicant (Jo)
Others on List – including 2011 Strategic Planning Items		<ul style="list-style-type: none"> • Lot Combination Policy (TG) • Consider Request Management (CRM) Proposal (Patrick/Kurt) • Discuss City Space/Booth at Game Fair 2012 (Kurt/Heidi) • Residential Uses Permitted by State Statute (Tim G.) • Update Animal Ordinance (Tim G.) • Update Landfill Land use Plan (Tim G) • Consider Amendments to Facility Use Program (Jo) • Discuss Leash Law (JW) • 167th & 47 Water Services Extension/Master Planning • Review Pilot Programs (e.g. volunteer programs – low maintenance options) • Build on outdoors/sportsmen’s market (e.g. stock pond/lake) • Develop community center/indoor sports complex • Old Town Hall relocation • Strategic Action Plan Update • Seek grant funding for transportation projects and service delivery • Complete US 10/ County Road 83 interchange design – pursue funding • Establish position on TH #47 South of Bunker to Highway #10 <p><u>HRA</u></p> <ul style="list-style-type: none"> • Discuss Housing Assistance Policy (TG) <p><u>Public Works</u></p> <ul style="list-style-type: none"> • Review plan for US Highway #10 pedestrian overpass and connection with Municipal Center ramp • Consider opportunities for four-wheeler & golf cart use • Review Project Management Issues (e.g. 151st & 167th Projects)