

**CITY COUNCIL WORK SESSION
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Ramsey City Council conducted a City Council Work Session on Tuesday, March 19, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Acting Mayor Randy Backous
 Councilmember David Elvig
 Councilmember Mark Kuzma
 Councilmember John LeTourneau
 Councilmember Chris Riley

Members Absent: Mayor Sarah Strommen
 Councilmember Jason Tossey

Also Present: City Administrator Kurtis Ulrich
 Finance Director Diana Lund
 Parks and Assistant Public Works Superintendent Mark Riverblood
 Public Works Superintendent Grant Riemer
 Development Services Manager Timothy Gladhill
 Interim Engineer Shane Nelson

1. CALL TO ORDER

Acting Mayor Backous called the City Council Work Session to order at 6:05 p.m.

2. TOPICS FOR DISCUSSION

2.01: Consider Implementation of Long Term Road Maintenance Policy

Public Works Superintendent Riemer reviewed the staff report detailing the Council's past consideration of a long-term Road Maintenance Policy and three options to finance road maintenance/reconstruction:

- 1) Raise the general fund levy to accommodate the need
- 2) Assess 100% of the costs to benefiting property owners
- 3) Implement a new revenue source (franchise fee)

Acting Mayor Backous asked whether the AVL System will help track pavement condition.

Public Works Superintendent Riemer explained how that information is currently being tracked.

Acting Mayor Backous asked whether maintenance practices have increased so the sealcoat and overlay schedule can be extended.

Public Works Superintendent Riemer stated there is a better crack fill mix so that may be an impact. He explained how changes in winter weather results in creating additional potholes.

Public Works Superintendent Riemer presented the costs to reconstruct the City's 142 miles of local roadways every 40 years with sealcoating at years 5, 12, 24, and 31, noting that using a \$14 per residential customer franchise fee (split between two franchises at \$7 each), the amount available for use in the reconstruction efforts in 2012 and 2013 would be \$1.53 million annually. With that level of fee, the only way to achieve a program that is fully funded is to require a 50% assessment for reconstruction. However, there would be no assessment for maintenance activities (sealcoats or overlays).

Councilmember Elvig explained that to bond for a project, 20% of the project has to be assessed. However, if it is petitioned against, the project then does not move forward so the road further deteriorates.

Public Works Superintendent Riemer stated an issue yet to be addressed is retroactivity and where you "draw the line" and start instituting a franchise fee. He indicated staff recommends that initially the City begin the franchise fee with a 50% reconstruction assessment, increasing the fee 5% each year for the first five years to ultimately get to an overall reconstruction assessment of 25%.

Acting Mayor Backous stated he does not want to ask a resident to pay for an assessment in addition to a franchise fee. He preferred that once the assessment is paid off, then a franchise fee could be instituted.

Finance Director Lund stated she does not think the utility company will consider that option since it would be difficult to track.

Acting Mayor Backous stated it may be something the City has to address, such as a reduced assessment.

City Administrator Ulrich stated a rebate program may be another option.

Public Works Superintendent Riemer displayed a picture of Garnet Street, considered the Ramsey road in the worst condition. It was reconstructed in 1989 but paved over clay.

Councilmember Elvig noted those residents had postponed reconstructing this road because a developer was interested in splitting the lots for development and the road was to be done at the same time. However, due to the economic downturn, that did not move forward which made the dilemma worse.

Councilmember Kuzma asked if sewer would be installed at the same time as road reconstruction.

Public Works Superintendent Riemer stated the residents do not want to pay for the sewer or water assessments and the City does not want to reconstruct a road and then in ten years have to tear it out to install utilities. He agreed that is one of the biggest questions holding it up.

Councilmember Elvig stated that will be a dilemma for many of the reconstructed roads and whether to add concrete curb and gutter. He noted the City will need to establish a policy.

Acting Mayor Backous asked whether staff's recommendation is to reconstruct to a 9-ton standard even for residential streets.

Public Works Superintendent Riemer answered in the affirmative since the roads will hold up longer.

Acting Mayor Backous asked if staff recommends curb and gutter because it extends the life of the roadway by creating sides to hold up and protect the blacktop edges.

Public Works Superintendent Riemer confirmed that is the case.

Interim Engineer Nelson stated staff wanted to present information for the Council's discussion. He described the materials of which blacktop is comprised and provided a presentation on pavement maintenance.

Councilmember Elvig asked whether RV sunlight rays also deteriorate blacktop and if the use of granite chips prevents deterioration.

Interim Engineer Nelson stated that is correct and the layer of oil prevents RV sunlight from deteriorating the blacktop. He continued presentation of pavement maintenance by describing how moisture undermines the aggregate road base, and how patching, crack filling, sealcoating, and overlays can extend the life of the pavement. Interim Engineer Nelson reviewed the costs for pavement rehabilitation and number of years it would extend the life of the road. He indicated that Ramsey has good subsurface soils and explained how regular maintenance can extend the pavement and avoid the most costly method, reconstruction.

City Administrator Ulrich asked about the use of geo-textile fabric underlayment to extend pavement life.

Interim Engineer Nelson described how geo-textile fabric underlayment is used and explained that every time he has looked at the costs, he has found the money would be better used to increase the depth of the subsurface or inches of blacktop. In addition, underlayment can cause problems when the road is reconstructed.

Councilmember Riley asked when crack sealing is done.

Public Works Superintendent Riemer stated the City only does crack sealing just prior to sealcoating.

Councilmember Kuzma asked if the City charges other fees that are similar to a utility fee.

Finance Director Lund stated the City does not currently have a franchise fee on the Connexus utility bill. She explained that in 2003, the City collected \$450,000 in a utility fee to replace Local Government Aid the State had cut, but that utility fee sunset after three quarters.

Councilmember Elvig stated when the Council instituted that utility fee, residents did not think it would be sunset, but it was. He noted the City charges a stormwater drainage fee and streetlight fee.

Finance Director Lund stated the City service bill has fees for recycling, streetlights, and stormwater drainage. The franchise fee under consideration would be on the Connexus utility bill.

Acting Mayor Backous stated Connexus is opposed to having a franchise fee because it is on their bill and their customers will think it is a fee from Connexus. He stated he supports a franchise fee because it brings all to the table, including tax-exempt entities that use the roads and bring in traffic. He felt it was fair for those types of properties to also contribute. Acting Mayor Backous stated he did not like the assessment process because residents with 200 feet of road frontage may have one car while others with 100 feet of road frontage may have ten cars. He did not believe the assessment process was fairly tied to use.

Finance Director Lund noted property tax is based on value, and not how much you use the road. She stated the 2013 budget includes \$1,327,500 in the General Fund budget for roads. This was decreased from \$1.5 million when the Riverdale Drive project was dropped. It was noted that another source is Tax Increment Financing (TIF) District 4 but it decertifies in 2014. Finance Director Lund presented a summary of road maintenance funding within the 2013 budget and number of employees that would have to be cut to fund those projects through staff reductions.

Councilmember Kuzma asked if a \$14/month franchise fee makes up the \$520,000.

Finance Director Lund stated at \$14/month it contributes about \$1.5 million based on the number of customers from several years ago.

Interim Engineer Nelson stated \$1.44 million would provide 50% funding for the initiative so the City will have to rely on another revenue source, such as assessments, for the other 50%. At \$28/month, the initiative would be fully funded.

Acting Mayor Backous stated that assumes everything stays flat and asked if it is anticipated there will be property tax increases, population increases, or cost increases.

Finance Director Lund noted it could hold funding within the General Fund and address the additional \$800,000 that has been found by short-term funding.

Acting Mayor Backous stated if the City is funding this level of road projects, it will need to hire additional help so further staff reductions is not a feasible consideration.

Finance Director Lund explained that if we keep \$1.5 million funding within the General Fund budget, about 17 employees would need to be cut. Ramsey currently has 60 full-time employees so that would be cutting over one-fourth of the staff. As an example, Department wise, \$1.5 million would cut administrative by three-fourths and the Police Department by one-third.

Councilmember Riley stated this would fix only one-half of the problem so the City would still need to do assessments but it sounds like there are problems with the assessment process. But if paying a franchise fee each month, it does not feel like the Council has solved anything.

Acting Mayor Backous stated he does not support assessments because it is not an efficient way to address road reconstruction. He pointed out that one argument made to keep 20% assessments is to keep a bonding ability but he does not know how big of an issue that is.

Interim Engineer Nelson stated there is a fairly new Statute, the Street Reconstruction Act, under which the City would prepare a five-year CIP, hold one hearing, and then if the CIP is approved the City can bond for the improvements under a different State Statute.

Finance Director Lund noted, in regard to bonding, that is still a tax levy and has to be incorporated into the budget. If only assessing 20%, the City still needs to fund 80% on the General Budget tax levy.

Acting Mayor Backous stated a portion of the project could be funded through franchise fee.

Councilmember Riley pointed out this is a long-term problem and if the City bonds now, it would be revolving funding. He felt it would be better to pay it now and then continually pay it.

Parks and Assistant Public Works Superintendent Riverblood stated the franchise fee only covers one-half with numbers based upon the ordinary schedule but streets in the system now could be phased in other than the optimal schedule. He raised the option of matching projects to the franchise fee without resorting to assessments.

Public Works Superintendent Riemer agreed the road reconstruction schedule could be stretched out.

City Administrator Ulrich stated that is a good point and the estimated numbers can be refined from a \$40 million effort to perhaps a \$30 million effort. In addition, staff can refine the standards such as whether it is an urban design (more costly) or more rural design. He stated a \$28/month franchise fee may not even be allowed by State Statute and he thinks residents would not support that high of a franchise fee. City Administrator Ulrich noted the financing will need to be a combination of franchise fees, assessments, and General Fund with the Enterprise Funds also paying a portion.

Finance Director Lund stated this scenario did not include any franchise funds.

City Administrator Ulrich stated the Stormsewer Fund and Utility Fund are potential sources.

Councilmember Elvig pointed out that assessments can be charged by PIN instead of front footage. He felt it may not be as big of a problem at the 40-year mark as it has been made out to be because Ramsey has a good sand base and maintenance processes are better. He stated he had checked with other cities and learned they do not tear out a road until there is a water or utility problem. Then they use their Water Fund or Sewer Fund to cover the costs. Councilmember Elvig stated the City needs to hire additional engineering staff to generate revenue through charges for plan review and engineering of projects, which can be a significant amount of \$1.2 million to \$2 million/year from developers and road projects.

Finance Director Lund explained that if it is a sewer project, water project, or MSA road project, the percentage of engineering costs provided by the City helps to offset General Fund costs.

Councilmember Elvig pointed out that as population increases, growth can be part of the equation. In addition, the Council needs to address whether to improve road standards. He noted that some of the 40-year roads are located between two sewer pipes and if there will be growth in that area, sewer and water utilities should be included when the road is reconstructed. Councilmember Elvig asked if the City can identify redevelopment zones such as that, noting growth will take care of the road cost. He suggested the City bring Legislative pressure to get a Road Improvement District approved.

Interim Engineer Nelson stated that issue is again being considered by the Legislature this year.

Councilmember Elvig stated if the Legislature approves the use of a Road Improvement District, the City can then charge a road fee to all in the City to cover the road costs. He felt a franchise fee was the fairest way to go, noting the resident survey showed that 73-75% supported that option. He stated he would propose a \$14/month franchise fee.

Councilmember Kuzma stated the question is that at the \$1.3 million, it deals with roads only and not sewer and water utilities, which would be assessed.

Interim Engineer Nelson confirmed it does not include sewer and water, and that those costs could be paid from respective Enterprise Funds. He explained that the City has a unique Charter. Rather than assessing the cost at the time of utility construction, the City charges a connection fee that is about equivalent. In this way, the City fronts the money and then when the property connects, the owner pays a connection fee that is about equivalent.

Councilmember Elvig stated the cost to bring a sewer pipe to the house is \$12,000 compared to a cost of \$20,000 to install a new septic system.

Councilmember Riley stated every city has to deal with this issue and asked whether staff has looked at how it was resolved by other cities that are 15 years old. He stated he would like to hear what other cities have done to address this issue. He asked when the Municipal Center will be paid off.

Finance Director Lund stated it is 2032-2033.

Councilmember Riley stated the City has historically funded \$500,000 annually for road projects so it is looking for \$2.5 million. He stated if the City taxes it, the costs are deductible, which saves everyone one-third of the tax. In addition, for the same reasons the utility companies do not want a franchise fee on their bill, he felt it was disingenuous to push this issue onto the utility companies.

Acting Mayor Backous stated the utility company can present the franchise fee on the bill any way they want.

City Administrator Ulrich stated staff did look at how several other cities have addressed road reconstruction and can provide that information. Coon Rapids has a flat fee for residential that is reasonable and not challenged. He noted road assessments are usually \$7,000/property and the Coon Rapids' flat fee is in the area of \$2,500/property. Another option is to hold public hearings prior to extensive engineering. In that way, the City would not invest several hundred thousand dollars on a project that is challenged and does not move forward.

Finance Director Lund stated Coon Rapids also has a franchise fee but it is based on a percentage of the utility bill.

Acting Mayor Backous agreed that a franchise fee is a tax and he would not object to having it so stated on the Connexus bill.

Councilmember Riley asked why the City would then not tax.

Councilmember Elvig explained that franchise fees do not come into the General Fund so those funds cannot be used to balance the General Fund.

Acting Mayor Backous stated it also brings in all property owners, which does not occur with taxes. He stated he does not want the City to sneak something in, but wanted to make it clear that franchise fees are a tax.

Councilmember Kuzma stated it is the responsibility of the City to provide services and good roads are one of those services.

Acting Mayor Backous stated he does not support a franchise fee of \$28/month but would support a single-digit franchise fee that is not a burden for residents but would allow the immediate problems to be addressed. Then the funding can be refined over time as better numbers come in.

Councilmember Riley asked how the other 50% would be funded.

Councilmember Kuzma stated one option is to stretch out the reconstruction schedule.

Councilmember Elvig stated all of the criteria has not yet been entered in so he does not think this scenario is accurate.

Councilmember LeTourneau stated this is a complicated issue and he thinks the easy solution is a tax or franchise fee but he prefers the idea of coming up with a revenue solution. For him, it would be more about coming up with opportunities, but he knows that cannot always be guaranteed as an assessment can be guaranteed. Councilmember LeTourneau suggested addressing this issue in five-year increments and creating specific strategies in how to reach a revenue goal for each five-year segment.

Councilmember Elvig suggested considering land proceeds.

Councilmember LeTourneau stated some will have to be a tax and then the Council can address an avenue of sustainable revenue.

Acting Mayor Backous stated he does not support “double dipping” by charging both a franchise fee and an assessment.

City Administrator Ulrich stated if approved by the Legislature, a Street Improvement District would allow the City to declare the entire City a Street Improvement District and institute a street fee. But, the disadvantage is in that fee not being discounted one-third as is available with property taxes.

Councilmember Elvig stated he has no problem raising the General Fund by \$14/household if there is a way to lock those funds into road reconstruction. He stated he likes the idea mentioned for a one-time assessment or ten-year assessment on every household as a property tax assessment, such as a fee of \$2,500 for ten years on ever property.

City Administrator Ulrich stated that has to be done in areas of projects to charge benefiting properties a fee. He stated an advantage of street reconstruction bonds is that you are committed to making those payments and the proceeds would have to be dedicated for that purpose and not eligible for other uses, which would “tie the hands” of future Councils.

Councilmember Riley stated he wants this issue to be resolved and the funds dedicated to road projects and not available for any other use.

Acting Mayor Backous stated another option besides a flat fee is to raise the General Fund taxes but he knows the situation will be changing each year so he preferred to start with a low fee and then increase it, if necessary.

Councilmember Kuzma stated that would be palatable.

Acting Mayor Backous agreed and noted residents have to realize the roads are falling apart and the City needs to build a “war chest.”

Interim Engineer Nelson stated based on this work the needs are \$5.5 million and if spent, it would address needs for an extended period of time. He stated the issue is that a lot of the roads are approaching 40 years and if the City is not proactive, it could sneak up and require doing all

of them within 3-5 years. He recommended looking at the needs for a five-year period and reviewing those needs every few years to identify whether goals are being met or the schedule is slipping behind.

Councilmember LeTourneau stated then the first five-year segment would require some form of tax. He supported a proactive approach to the second and third five-year segments to build a “war chest” so the costs are more sustainable and less reliable on taxes.

City Administrator Ulrich stated that was the genesis of the Public Service Revolving Fund, to use excess fees from growth years and put 40% into a Public Improvement Fund for use in rebuilding streets. This process had worked during the good economic years to build a positive balance but in recent years, more funds were taken from it for road projects than contributed.

Councilmember Riley asked what role MSA plays in this consideration.

Finance Director Lund stated the City receives about \$1 million in MSA each year but has two outstanding bonds, leaving about \$400,000. She explained that there are so many projects, that Riverdale Drive took what was left of those funds so the MSA Fund is in the negative.

Councilmember Riley asked whether those projects would have been considered for this funding program.

Finance Director Lund stated part of The COR was the AUAR projects that had been bonded through MSA to get those two roads constructed. When that land is sold, those funds will reimburse and replenish the MSA fund.

Councilmember Elvig stated if a project area is between County roads, it qualifies for use of MSA funds, and the City can bond out two years for MSA projects.

Interim Engineer Nelson stated overall, the State encourages cities to advance encumber MSA but Ramsey does not have that option since it already has two bonds with a balance nearly at zero and is only accumulating \$400,000/year. In addition, the Bunker Lake Boulevard project will create a significant MSA shortfall so, for this discussion, MSA is not a funding source.

Acting Mayor Backous asked how much revenue would be raised through a franchise fee on tax-exempt properties.

Parks and Assistant Public Works Superintendent Riverblood stated there are 60 tax-exempt properties.

City Administrator Ulrich stated staff will look up the amount of revenue that can be raised through a franchise fee on tax-exempt properties.

Councilmember Riley asked how many properties are undeveloped and do not receive a utility bill, noting that would be the offsetting issue.

Councilmember LeTourneau asked who has a utility bill compared to who does not have a utility bill.

Acting Mayor Backous stated if there is a way to lock down property taxes for road use, he would support that option. He stated he does not want Connexus viewed as the “bad guy” but wants to do away with assessments.

Councilmember LeTourneau stated all want to solve this problem and asked if shorter increments of time can be addressed, such as a five-year term.

Councilmember Riley noted it is a 30- or 40-year problem, not a five-year problem. He supported making a 30-year decision and then revisiting it in shorter terms, such as five years.

Acting Mayor Backous stated the Council knows it is a 30- or 40-year problem but is looking for a solution for the next five years.

Councilmember LeTourneau stated the Council can be cognitive that it is a bigger problem but prefers to address it in shorter and more manageable terms.

Councilmember Elvig stated he could support resolving it through a General Fund issue but does not know how those funds can be locked for road use. He indicated he had witnessed too many times when a council has diverted funds.

Acting Mayor Backous asked whether the Charter Commission would consider locking up the dollars for road reconstruction.

Councilmember Elvig asked if the Council can take that action with all seven members supporting.

City Administrator Ulrich advised it has to be a Charter initiative.

Councilmember LeTourneau stated you make a decision based on the best information available at the time and if it does not work, then it can be changed or reversed by a future Council.

City Administrator Ulrich stated in Ramsey the previous franchise fee had a sunset date but in other cities, it is an annual franchise fee and the decision is made each year. He noted with a five-year solution, such as a franchise fee that is sunset, it would address a stopgap solution but not address the long vision.

Parks and Assistant Public Works Superintendent Riverblood asked if a franchise fee could be put in and sunset in five years or whenever the Road Improvement District occurs. Then it would build legislative support to institute a Road Improvement District by those who do not support franchise fees and result in creating dedicated funding.

Councilmember Kuzma stated he likes it as part of the General Fund levy taxes, noting it is not much of an adjustment, only several hundred dollars a year. In addition, it is tax deductible.

Acting Mayor Backous noted a general levy tax would leave out tax-exempt properties.

Finance Director Lund stated when the budget is presented and the tax rate is shown, the City needs to focus on what the budget encompasses.

City Attorney Ulrich stated for those opposed to a franchise fee, would a smaller amount (\$3/month) that generates \$200,000 per year be acceptable. He explained the City allows utility companies to use its rights-of-way to make money for their operation and then the utility company passes the fee on to its customers.

Councilmember LeTourneau asked how often the utility companies pass on the franchise fee cost.

City Administrator Ulrich advised utility companies pass on the cost (franchise fee) 100% of the time.

Councilmember LeTourneau noted the utility companies then do not look at it as a fee for using the City's rights-of-way.

Acting Mayor Backous indicated a lower franchise fee may not be enough to make it worthwhile.

Councilmember Elvig stated if a future Council decides to cut taxes, it may use funds dedicated for road purposes. He supported holding an open forum to gain public input, noting the survey showed 73% supported a franchise fee to fund road reconstruction. Councilmember Elvig stated in this case, a franchise fee can probably not be sunset since road reconstruction is an ongoing issue. He suggested franchise fee language clearly explaining this is a City of Ramsey fee for roads.

Councilmember Riley stated he thinks instituting a smaller franchise fee makes things worse and does not fix the problem. He noted if only a five-year plan, it would not get to the "blip" shown on a previous chart when the biggest need exists. Councilmember Riley stated support to consider a General Fund increase with those funds being locked up for road projects. He agreed it will be a sales job to describe the need, that all are involved, there would be no assessments, and it is tax deductible. He noted all have indicated the calculations can be refined and if the schedule can be pushed out, then the formula can be recalculated.

Interim Engineer Nelson reviewed the franchise fee calculation and resulting revenue it would generate. He asked what additional information is needed for the Council to make a decision and reminded all that Garnet and 168th is in the CIP for 2013. If it is to be constructed, plans and specs will need to start fairly soon and policy decisions made whether or not to levy an assessment. He indicated this will be presented at the April meeting and in the mean time, staff will refine the numbers.

Acting Mayor Backous asked if additional discussion should be postponed until the numbers are refined.

Councilmember Riley supported receiving additional public input, noting a survey of 300 is not very many residents. He would like residents to be asked if they are willing to pay “X” dollars a month for a road fund with the understanding that some day it will be their road.

Acting Mayor Backous indicated the City paid \$43,000 for the survey of 300 people that was conducted by a professional surveying company. He stated that survey, theoretically, reflected the opinion of the entire City. He agreed with the need for additional public input.

City Administrator Ulrich asked whether this plan can be refined, considering the time the City has left with the interim engineering firm.

Interim Engineer Nelson stated they can dedicate some time to it but they still have significant other responsibilities with the Riverdale Drive project, sealcoat plans and specs, and Armstrong Boulevard bike path. He stated he will let the Council determine what the priority is. Interim Engineer Nelson noted that in any case, assumptions will still have to be made because no one can predict how long a road will last since it is dependent on weather, maintenance, and other conditions. He noted that planned overlays and reclaim/paves will stretch the life of some roads 15-20 years and eliminate the big bump in the chart. That information can be provided in April.

Councilmember LeTourneau noted that scenario is pushing him to make a decision to prioritize but he cannot do so because he does not have enough information. He stated he understands the constraint on resources so it is a difficult decision. Councilmember LeTourneau asked what is the Council’s “stomach” for this and what does it have to do. He noted there is \$1.3 million in this year’s budget so the Council can step back to gather a bigger project and discuss it later this year, in how to pin down priorities. Or, he would ask if roads will crumble and turn into sinkholes during this year. Councilmember LeTourneau asked what the current condition is and to what date can this discussion be pushed to get additional information.

Acting Mayor Backous stated this issue has been pushed back for too long and decisions now need to be made. He stated the Council needs to take a leadership role and that may involve making a decision that is not comfortable because the longer it goes unresolved, the more money will be needed.

Councilmember LeTourneau asked whether the Council can make this decision in six months after new tooling and refining of numbers.

Councilmember Elvig stated the only draw back in waiting is if we do work this year, it is under the auspice for which the City took in funds to pay for it. If the Council does not make a different decision, the rule now is to assess. However, those property owners will not support the assessment and petition against the project. Councilmember Elvig stated it is known that Ramsey has a road problem and this Council has to decide to spend between \$1.5 million and \$3 million each year to address it. He felt it would be closer to \$1.5 million but would like to know the range for the high and low numbers. On public input, he noted the City would be saying it

has to reconstruct roads and the only question is how do you want to pay for it. Councilmember Elvig asked staff to address how to lock the funds once in the General Fund in case that is a viable option. He believed it was a 30-year plan and supported review each five years. He also supported a \$14/month franchise fee or a \$20/month/property General Fund fee.

Finance Director Lund explained that to lock the funds, they would be transferred out of the General Fund into a Capital Improvement Fund. But, it would not be the exact dollar amount levied because there is about \$300,000 in delinquencies each year. Staff will probably have to determine a percentage applicable for road construction. With regard to the question of putting this decision off for six to nine months, Finance Director Lund advised the City needs to adopt the preliminary budget in September so budget discussions start in June.

Councilmember LeTourneau stated in that case the Council may have to decide to go for it and increase the General Fund levy.

Acting Mayor Backous agreed with Councilmember Elvig that it has to be done and the only issue is how to pay for it. He stated the Council did not create this problem, it has been looming forever, and residents want the City to be proactive. He stated he would support a franchise fee of \$10/month, which would raise \$1 million, in addition to the \$500,000 the City already budgets annually. Acting Mayor Backous noted this would build a “war chest,” be palatable to most residents, and provide an education of this problem that needs to be resolved long term.

Councilmember LeTourneau stated that method only addresses the taxation side and not the revenue side. He preferred a revenue solution so the City does not have to tax its residents.

Acting Mayor Backous stated that may resolve itself in the near future through land sales.

City Administrator Ulrich indicated staff will refine the plan, consider balanced funding approaches with several funding sources, a General Fund approach and what it means to the tax base, and resulting percentage of increase. Staff will also look at a five-year window to determine what is most urgent. He indicated that Mounds View has the same Charter provision and was unable to fund road projects. That City sold its golf course to Medtronics, generating \$10 million to a dedicated fund, which may be similar to The COR land proceeds. Mounds View also had existing TIF money that was pooled and agreed to increase taxes \$100,000 per year to fund road projects so there would be no assessments. City Administrator Ulrich noted Mounds View is smaller and more condensed than Ramsey, but that is how it solved the issue of funding road projects.

Acting Mayor Backous stated the other issue with this complex problem is the five different policy decisions contained in the staff report, which are intertwined. He asked if there is a better way to present solution options.

Councilmember Kuzma indicated another issue is if no assessments, how do you deal with those who have already paid assessments.

City Administrator Ulrich explained the Charter provision is inefficient and the City had attempted to change that Charter provision by increasing the percentage required to kill a project. Another approach is to hold the assessment hearing on the front end prior to drafting the plans, or to consider assessing a flat fee. City Administrator Ulrich stated staff will present different scenarios for the Council to consider at an upcoming meeting, research the Street Reconstruction bond and Transportation Improvement District, and try to narrow the policy decisions.

Acting Mayor Backous noted property owners will have to pay sooner or later and the issue is how to pay for it. He polled the Council whether it supported assessments.

Acting Mayor Backous, Councilmembers Elvig, Kuzma, LeTourneau, and Riley supported eliminating assessments for road projects.

Acting Mayor Backous polled the Council about support for franchise fees.

Councilmembers Kuzma, LeTourneau, and Riley indicated a willingness to entertain that option, but not yet supported it.

Councilmember Elvig supported franchise fees since 73% of residents surveyed supported that option.

City Administrator Ulrich asked if staff should survey communities to ask how they are funding road projects.

The Council stated they would like to receive that information.

Acting Mayor Backous, Councilmembers Elvig, Kuzma, LeTourneau, and Riley stated the funds raised for road projects must be dedicated and not eligible for other uses. The Council asked staff to research the new Legislation for a Road Improvement District.

The consensus of the Council found there was need for a 30-year vision that is planned in five-year increments. It agreed to concentrate on the first-five year increment at this time.

Councilmember Riley stated he intends to rely on professional staff to determine appropriate street standards.

Councilmember Elvig indicated when staff is determining the high and mid-range, it may assist to have a policy relating to pockets of redevelopment/advanced development where roads will be left alone knowing they will redevelop at some point. He believed those zones should be marked out, which may help to balance the high mark of road needs.

Parks and Assistant Public Works Superintendent Riverblood stated you cannot go only on year constructed and offered the option of using a weighted scale for clay soils, high potential for redevelopment, potential for MSA road designation by virtue of future connection, and looking at a whole range of possibilities. He did not think year built was a consideration because it was not an accurate read on road condition. Rather, pavement rating is more reliable.

Interim Engineer Nelson stated it is not realistic to have that type of report completed by April because it would involve looking at each individual road and take several months to complete.

Public Works Superintendent Riemer stated he has last year's pavement ratings and would have to look at "high mark" roads separately.

Councilmember Elvig felt there was a need to address assumptions made five years ago, assumptions for the next five years, and determine whether the peak of road project demand still looms over us. Staff also needs to determine costs that can be applied to the Utility Funds

Interim Engineer Nelson indicated this analysis will require a big report and several months to address all of the assumptions.

Councilmember Elvig felt it may be worth it since it may result in saving Ramsey residents from spending \$40 million.

Councilmember LeTourneau asked that the analysis also include revenue commitment from land sales that would be dedicated to solve this problem.

Acting Mayor Backous supported that suggestion.

Councilmember LeTourneau stated he would like staff to identify how that money will be used to protect the tax base and put us in a better position as a City.

Councilmember Elvig agreed but noted staff should also report on what is already committed from future land sales.

City Administrator Ulrich stated the City has hired a new engineer who has a Masters Degree on infrastructure so he may have something to say about how to best handle this issue.

Councilmember Riley asked if the decision was made to reconstruct Garnet Street.

Interim Engineer Nelson stated that project is in the CIP but subject to Council action to advance the project. He noted the \$1.3 million budgeted includes a portion for sealcoating and the rest is for Garnet and 168th Streets. Interim Engineer Nelson stated that project is on a timeline to do this year but if the City moves forward without an assessment process, it will set the stage prior to making a longer-term decision. If the Council is comfortable that assessments are not part of the funding solution, that project can move forward without assessing.

Public Works Superintendent Riemer stated decisions remain related to the sewer, water, and sidewalk.

Councilmember Riley asked if residents have spoken on sewer and water

Councilmember Elvig stated they do not want to pay for it.

3. FUTURE TOPICS FOR DISCUSSION

City Administrator Ulrich reviewed future topics that will be under discussion in the next few weeks.

4. MAYOR / COUNCIL / STAFF INPUT

Councilmember LeTourneau requested an update on the meeting with Representative Michelle Bachman.

City Administrator Ulrich reported on the positive press conference held by Representative Michelle Bachman and resulting media coverage. He advised that Representative Bachman has gone on record supporting the Highway 10 initiative.

5. ADJOURNMENT

Motion by Councilmember Elvig, seconded by Councilmember Riley, to adjourn the Work Session meeting.

The Work Session of the City Council was adjourned at 8:19 p.m.

Respectfully submitted,

Kurtis G. Ulrich
City Administrator

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.