

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, July 9, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Acting Mayor Randy Backous
 Councilmember Mark Kuzma
 Councilmember John LeTourneau
 Councilmember Chris Riley
 Councilmember Jason Tossey (arrived at 6:09 p.m.)

Member Absent: Mayor Sarah Strommen

Also Present: City Administrator Kurtis Ulrich
 Finance Director Diana Lund
 Fire Chief Dean Kapler
 Public Works Superintendent Grant Riemer
 Human Resources Manager Colleen Lasher
 Development Services Manager Timothy Gladhill
 City Engineer Bruce Westby
 Assistant to the City Administrator Patrick Brama
 City Attorney Joe Langel
 Bond Counsel Paul Donna

1. CALL TO ORDER

Acting Mayor Backous called the City Council Work Session to order at 5:31 p.m. and indicated Mayor Strommen has been involved in a traffic accident and would not be in attendance. Acting Mayor Backous welcomed newly appointed City Attorney Joe Langel.

2. TOPICS FOR DISCUSSION

2.01: Issuance of Capital Equipment Certificates for 2013 Capital Equipment Purchases

Finance Director Lund reviewed the staff report and noted during budget discussions it was discussed that the equipment purchased in 2013 was to be funded by Capital Equipment Certificates (CEC) since the Equipment Fund balance is being drained. This would be a debt levy outside of the levy limits. She asked if the Council supports using CEC to take advantage of the lower interest rates, noting it is easier to bond for CEC than for road improvements that require a percentage of assessments. It would also leave funds available for projects that are more difficult to bond for.

Paul Donna, Bond Counsel with Northland Securities, presented the finance plan summary based on the City's estimated needs of \$630,000 of CEC. The maximum term is a ten-year issuance so what is being financed has to have a useful life of longer than ten years to meet that requirement. Mr. Donna projected an estimated all-inclusive cost of 3.65% but it could change since the bonds will not be issued until early August. The average coupon would be 2.6%, an attractive rate. Mr. Donna stated in the past, the City has gone through a private bank placement and with this size and length of term, it can be done efficiently. However, with the potential bond issue by the PACT Charter School, these CEC bonds would be non-bank qualified so a local placement is not an option. These CEC would be issued on the open market so the rates have been adjusted accordingly (one-quarter percent interest impact). It was noted the City has a policy in place to be reimbursed for that additional cost.

Finance Director Lund stated Mr. Donna is able to answer questions on conduit debt. She noted the one-quarter percent interest impact would equal about \$9,000.

Mr. Donna stated a federal statute requires a non-profit borrower that wants to enjoy a tax-exempt bond to find a sponsor, such as a municipality. For the Charter School bond, Ramsey would be the issuer and the Charter School would be the borrower. If issued, it would not impact the City's bond rating or debt level. In addition, the Charter School would indemnify the City against all liability.

Finance Director Lund stated the Charter School was going to bring it forward the end of July or beginning of August but because of the spike of interest rates, may decide to not refinance. However, the Charter School would still be responsible for paying the additional cost to the City in the bonds being non-bank qualified.

Mr. Donna explained the Charter School is reevaluating and it is likely to be delayed, possibly indefinitely, but since the Charter School declared it could issue the bonds, it causes the City's bonds to be non-bank qualified. He stated he received a call from the Charter School asking when the City would like to be paid for the impact, at the close of this CEC bond issue or when the school's bonds are issued. Mr. Donna stated he would recommend the earlier of when their bonds are issued or the end of the year rather than leaving it open ended to whenever the bonds are issued, if ever.

Finance Director Lund stated she prefers by the end of the 2013 calendar year so it is accomplished within the same time period.

Councilmember Riley asked if it is only a one-year impact on the City's rating.

Mr. Donna clarified it does not impact the City's rating but results in the City's bond issue being non-bank qualified. The impact is during that calendar year.

Councilmember Kuzma asked if a motion is needed on this matter.

Acting Mayor Backous stated a motion is not needed and asked if there is consensus to accept the reimbursement at the earlier of the bond issue or end of the calendar year.

Councilmember Riley stated the City has a lot of money in the bank, in other funds, and asked if interfund borrowing is a consideration.

Finance Director Lund stated the Landfill Trust Fund has been depleted so it has about the same balance as the Equipment Fund. She stated equipment is easy to bond for so the funds on hand could then be used for other projects that are more difficult to bond for.

Councilmember Riley asked about using the Enterprise Funds.

Finance Director Lund stated that is the decision of the Council and those funds are eligible for interfund loans.

Councilmember Riley stated he is raising these questions because the City has a lot of money on hand.

Finance Director Lund stated the Capital Equipment Fund cannot fund the purchase of equipment unless there is a loan or borrowing against future years. In addition, there are equipment purchases anticipated in coming years so it is an ongoing issue.

Councilmember Riley stated he understands the funds were used for the Sunwood project but normally he would not support borrowing money for purchase of equipment that is in the budget. He noted there is ten-year bonding for two-year assets (squad cars).

Finance Director Lund explained that squad cars are kept longer than two years within the fleet but only used as a squad car for a two-year period.

Councilmember Riley stated he does not support continuing this practice but in this case, the money was spent last year on Sunwood so he supports this particular issuance.

Mr. Donna stated that is an excellent observation about financing equipment with a shorter life but they have to prove that the average life for each piece of equipment to be purchased does not exceed the average life within the bond issue.

Finance Director Lund stated authorizing the issuance is on tonight's Consent Agenda and when the action is to authorize the sale, it will be a Regular Agenda item.

The consensus of the Council was to support the issuance of Capital Equipment Certificates for 2013 Capital Equipment Purchases.

2.02: Review of Long-Term Street Maintenance and Reconstruction Financing Options and Cost Estimate Assumptions

City Engineer Westby reviewed the staff report and evaluation of street paving that identified a good percentage are in need of severe maintenance or reconstruction. The previous staff estimate was \$3 million per year over the next 30 years. He explained there will have to be an

increase of existing funding sources or implementation of new funding sources to meet the needs of a Pavement Reconstruction Program to maintain streets at a rating of 7. City Engineer Westby stated staff is looking for funding sources that are dedicated and continuous. He presented design assumptions used when estimating the costs, noting the City has an updated database with all of the City's streets so the costs can be applied to each of the various street segments to provide a close estimate. It was noted that pedestrian elements will also be considered. City Engineer Westby described funding options that have been previously used and considered, noting some are not as dependable so new options need to be considered. One option would be to institute a franchise fee on public utilities that use the City's rights-of-way to generate revenues. This would be a tax applied to the private utility entity that would then pass it along to their customers. It would produce a reliable and continuous revenue stream. Other options would be to borrow against and leverage revenues, tolls, private/public partnerships but they are not as dependable or continuous. City Engineer Westby noted the pros and cons for each funding source are listed in staff's report as well as the information prepared by Paul Donna of Northland Securities. He stated assessments are an option but the City needs to prove benefit, it can be contested by the property owner, which costs additional, so it is not the ideal funding source. In addition, the Charter allows residents being assessed to petition against the assessments, which can result in delays or cancellation of a project. Because of that, it is a less stable funding source and increases project costs. Bonding also increases project costs. City Engineer Westby stated information from other municipalities will be presented on August 13, 2013, before consideration of the preliminary levy. He presented each of the funding sources identified in the staff report as well as the pros and cons of each. City Engineer Westby indicated staff recommends moving away from assessments and to instead consider a more reliable funding source.

Acting Mayor Backous asked the City Council to first address the assumptions.

Councilmember Riley questioned Assumption 2 indicating that costs do not go up.

City Engineer Westby explained he wanted to make it easier to discuss and provide comparability.

Councilmember Riley stated it is nice to have comparability but it is known the costs will increase so when planning for future costs, there needs to be an inflation factor.

Acting Mayor Backous agreed and stated it is also a concern of his since it is not realistic to consider costs without an inflation factor. Rather than ratcheting up the funding source, such as franchise fees, he would prefer including an inflation factor.

Mr. Donna stated the Council will want to also address the tax impact to the property owners since if the cost is inflated, it will impact taxpayers. He agreed it will be a balancing act.

Councilmember Tossey arrived at 6:09 p.m.

Councilmember Kuzma stated when this was discussed before, it was thought the figure of \$3 million was a little high based on the needs.

City Engineer Westby stated staff has not yet completed that cost analysis and wanted to first assure the design assumptions are correct.

Acting Mayor Backous asked if there is a road category between urban and rural for areas that are more likely to go to curb and gutter. Then the road does not need to be torn up to install curb and gutter. He asked if that can be factored into road design.

Councilmember Riley agreed there are roads built in the mid-1970s that are now in a denser neighborhood and should have curb and gutter so it may not make sense to reconstruct as a rural design.

Acting Mayor Backous stated residents would have the option to connect or not connect but it should be there.

City Engineer Westby stated staff can look at the roads and include a percentage basis to address that option.

City Administrator Ulrich stated it is easier to discuss it in present day dollars and the logic is that whatever inflationary number is applied to expenses, it has to also be applied to the revenue side. He noted if there is a franchise fee, an escalator would be needed, and that should be addressed up front.

Councilmember Tossey stated construction costs will increase about the same rate as other costs and housing evaluations increase. He stated support to keep a 20% assessment because it will take into consideration increased housing values. Councilmember Tossey stated a franchise fee would have to allow for an inflationary increase and he thinks residents will already be angry if the franchise fee is instituted.

Acting Mayor Backous suggested it be called a “franchise tax” so the intent is clear.

Councilmember LeTourneau stated it seems the purpose of the case was to figure out where we stand today, assumptions based on today’s visuals. He stated he supports the assumptions and looking at this now allows the Council to learn of the size of this issue and financial impact. Once that is known, the Council can discuss how it can be addressed and the best tools to use.

Acting Mayor Backous agreed and noted Council consensus has been voiced to support the assumptions as presented.

Councilmember Tossey stated there is still not a definitive answer of how big the costs will be each year. He supported considering what it will cost today since everything has to be assumed when calculating costs in 2018.

Acting Mayor Backous stated he does not support sidewalks or curb and gutter everywhere but would support adding an intermediate design for areas that are going from rural to urban in

nature. On the funding, he noted Interim Engineer Shane Nelson had mentioned the law is being changed so you can bond if it is not assessed.

City Attorney Ulrich stated that is called a Street Reconstruction Bond and requires a five-year reconstruction plan, unanimous Council approval, is not subject to levy limits but is eligible for referendum and debt limits.

Acting Mayor Backous stated a con to the franchise tax is that it is a tax and it is not dedicated funds.

Finance Director Lund stated a future City Council could decide to change the use of funds but it would be a dedicated fund and all receipts from the utility company and expenses would be tracked.

Councilmember Kuzma stated a franchise fee is not tax deductible but a levy would be tax deductible.

Councilmember LeTourneau asked what would be the implication of another industrial park or commercial entity, noting that can be considered as a goal to generate money for allocation to this use.

Finance Director Lund reviewed the 2014 budgeting for equipment purchases and stated if it is to be added to the levy in 2014, the City will have to issue debt because it has to abide by levy limits, and bonding for equipment falls outside the levy limit.

City Administrator Ulrich stated the Finance Committee will discuss this issue at its next meeting and it will be before the City Council on July 23, 2013, for additional information and discussion.

2.03: Discussion Regarding the Economic Development Manager Position

Human Resources Manager Lasher reviewed the staff report and summarized the process for filling the Economic Development Manager position. She presented the four options and staff's recommendation to approve Option 1, continue recruitment efforts by utilizing the professional services of Springsted Incorporated, clarifying the role of this position, developing a profile and job announcement for the position, developing a recruitment strategy, and providing outreach to prospective candidates, with a cost ranging from \$3,800 to \$6,800 depending on option selected.

Councilmember LeTourneau stated support for Option 1 because the Economic Development position is critical and the City needs the dedicated resource that will be delivered by this position.

Councilmember Riley agreed and stated the City has done what it can to advertise for this position but it has not been fruitful so the City should change its tactic.

Acting Mayor Backous asked why Ramsey, in a metro area of 3 million, cannot get qualified applicants. He asked what is being done wrong and if it is the City's reputation.

Human Resources Manager Lasher stated during the last interview, it was mentioned that you do not go to school to be an Economic Development professional but it is a position that morphs and employees grow into this position. She stated that may be a factor. Human Resources Manager Lasher stated she thinks this position has a lot of potential because of the great things going on in Ramsey so it is an attractive position. On the wages, she felt confident that it was priced correctly but a Springsted consultant had said that although this is not supervisory or a department head, because of the role and specialization it may need to be priced higher.

Councilmember Tossey stated the reason there are not applicants is because the City should not be doing economic development. He stated he thinks "the market is what the market is" and having this staff person will not change the market. Councilmember Tossey stated he thinks the City should get out of the development business and should instead save money. Councilmember Tossey stated he would not support filling this position.

Councilmember Kuzma stated support for Option 2, continue recruitment efforts to the best of the City's internal abilities and resources without assistance of Springsted.

Acting Mayor Backous stated this item will be added to tonight's Regular Agenda.

3. FUTURE TOPICS FOR DISCUSSION

Noted.

4. MAYOR / COUNCIL / STAFF INPUT

None

5. ADJOURNMENT

Acting Mayor Backous declared the Work Session of the City Council adjourned at 6:35 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.*