

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, August 27, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Sarah Strommen
Councilmember Mark Kuzma
Councilmember John LeTourneau
Councilmember Chris Riley
Councilmember Jason Tossey (arrived at 6:50 p.m.)

Member Absent: Councilmember Randy Backous

Also Present: City Administrator Kurtis Ulrich
Finance Director Diana Lund
Public Works Superintendent Grant Riemer
Development Services Manager Timothy Gladhill
City Engineer Bruce Westby
City Attorney Joe Langel

1. CALL TO ORDER

Mayor Strommen called the City Council Work Session to order at 5:55 p.m.

2. TOPICS FOR DISCUSSION

2.01: Discuss Committee Appointments

City Administrator Ulrich reviewed the staff report, noting the need to fill remaining vacancies on Committees left vacant by the resignation of Councilmember David Elvig. He explained that based on past practice it would be consistent with past policy to appoint Councilmember Johns to serve on the Finance Committee with Mayor Strommen serving as the alternate.

The consensus of the City Council was to follow past practice and formally appoint Councilmember Johns to serve on the Financial Committee and Mayor Strommen as the alternate for the remainder of the year. It was noted this item is on tonight's Consent Agenda.

2.02: Discussion of Proposed 2014 Budgets and 2014 Levies

City Administrator Ulrich reported that the Department of Revenue recalculated the City's levy limit and based on the new State Statute, the City is allowed to levy about \$931,000 more in tax revenue than it first considered. He noted this would provide options and opportunity to consider a higher tax capacity to raise revenues.

Finance Director Lund explained how the levy limit is calculated and impact of whether or not the special levies are included. She referenced the newly prepared 2014 preliminary budget report and reviewed the adjustments of \$156,000 made to gain a balanced budget of \$7,482,513. Finance Director Lund stated the City Council needs to approve the maximum levy limit by September 10, 2013, so tonight is the last opportunity to make that determination without holding a Special Meeting. Finance Director Lund reviewed the budget impact with the \$931,285 increase that would result in an estimated tax capacity of 48.165%.

Councilmember Riley asked if the State meant something different by “levy limit” or had there been a miscommunication.

Finance Director Lund stated the calculation indicated the City was to exclude special levies; however, the new information indicates the special levies do not need to be excluded. She stated she confirmed the new interpretation was correct with the League.

Councilmember Riley asked if the State could go back should this be a mistake.

Finance Director Lund stated they could not because the State threw out the special exemption this year. She explained that if the State removes levy limits, then it would be up to the City what to levy.

City Administrator Ulrich stated you could presume some intent of the Legislature to limit levies since the cities received LGA.

Mayor Strommen stated the tax bill was considered very quickly at the end of the Session.

Councilmember Riley asked what will be done next year.

Mayor Strommen stated she does not know if there will be a Tax Bill next year.

Finance Director Lund explained the levy limit sunsets in one year. She stated she contacted a neighboring community who had the same questions and asked for an interpretation from the League.

Mayor Strommen stated the City Council had a proposal for 2013 and asked whether they were comfortable with the budget at the \$7,482,513 level, noting the City Council cannot increase the amount once the levy is approved. She also asked if there were concerns with any of the line items.

Councilmember LeTourneau stated he is comfortable with that level.

Councilmember Kuzma stated he was excited to see that the majority of the Strategic Plan was implanted within that amount. He stated he is not excited about increasing the levy to the maximum level even though that is an option but would consider an increase of \$156,000 to completely implement the Strategic Plan.

Mayor Strommen stated the other issue is that the budget does not fund the Street Maintenance Program.

Councilmember Riley stated he likes the fact that the capacity rate is decreased, supports the budget at that level (\$7,482,513), and to find other funding source for the roads. He stated he would not support the Contracted Communication Services line item of \$45,000.

City Administrator Ulrich stated staffing cuts included reducing the Office Assistant that was programmed at 40 hours per week to 20 hours per week and hiring the Patrol Officer June 1 instead of January 1. He stated residents will receive a notice of the budget and a public hearing will be held in December to present the budget. At that point, the levy can be decreased but it cannot be increased over the levy established in September.

Finance Director Lund explained it is not \$156,000 to be cut, but \$59,430 due to reduction in staff and consulting.

Mayor Strommen stated she still thinks there is value in the Contracted Communication Services but would support additional discussion. She stated concern with delaying hiring of the Patrol Officer.

Finance Director Lund stated it would add \$27,500 to the budget if hired January 1.

2.03: Consideration of Long-Term Street Maintenance Program (SMP) Cost and Funding Options

City Engineer Westby presented the Long-Term Street Maintenance Program (SMP), 2013 estimated costs, and funding options as detailed in the staff report. He noted the 2009 cost estimate was high because it was based on reconstruction in 40 years.

Councilmember LeTourneau asked if these calculations put it at a 50- or 60-year level.

City Engineer Westby explained that instead of assuming a 40-year reconstruction, staff used the Pavement Surface Evaluation and Rating (PASER) and based costs on the actual condition of the roadway. It assumes maintaining a 60-year life span, which may not be feasible with some existing roadways because they have not been properly maintained.

City Engineer Westby stated past funding methods included annual levying, purchase of general obligation bonds on a project-by-project basis, MSA allotments, and special assessments. He noted these funding methods have become less effective due to shrinking levies, costs for bonding, and you cannot assess a property more than the benefit of the project so if challenged, it can be difficult and costly to prove benefit. City Engineer Westby stated the City receives a \$576,844 MSA construction allocation in addition to a \$443,377 maintenance allocation. He explained the majority of the City's MSA fund allocations in the foreseeable future will be applied towards debt from previous projects.

Finance Director Lund stated the City receives MSA of about \$1 million but there are two bonds related to Armstrong Boulevard and Sunfish Boulevard so those funds will not be available for 20 years.

City Engineer Westby stated there are other funding options such as public/private partnerships, toll charges, tax levy against all properties in the City, grants, franchise fees, and special legislation. He stated for a SMP, it is best to have a dedicated and secured funding source that is available year after year. City Engineer Westby presented the option of franchise fees and explained the process to institute such a fee. He stated if the City Council wants to move away from special assessments, it can consider franchise fees, General Fund revenues, and/or bonding.

City Engineer Westby noted Blaine and Champlin use special assessments on overlay and street reconstruction projects as well as bonding, general levy funds, and MSA funds. Champlin also has a franchise fee in the amount of \$2.50 per month per each of their four utilities. Elk River no longer uses special assessments since adopting franchise fees this spring for their electric and gas utilities. Fees vary by property classification. Ham Lake funds street rehabilitation projects from the Revolving Street Fund, which is an internal fund supported by the general tax levy. Ham Lake has not assessed benefiting parcels for rehabilitation projects for approximately ten years. He stated the estimate is about \$2.2 million for street maintenance projects so if budgeting \$500,000 from the general levy, the shortfall is \$1.7 million.

City Engineer Westby stated staff recommends moving away from the use of special assessments as a funding source for the City's long-term SMP because of the difficulty in proving benefit, the City's Charter providing additional measures for challenge, and when challenged the resulting delay in completing the project.

City Engineer Westby stated with franchise fees, if charging \$5 per month per utility for residential properties it would collect \$1 million annually. To collect \$1.5 million in franchise fees annually, the monthly fee would need to be \$7 per month per utility. He stated one consideration is the inequity of instituting a franchise fee when some residents are still paying a street assessment. To address that inequity, Elk River rebates franchise fees back to their residents that are still paying an assessment.

City Engineer Westby explained if the City Council directs staff to pursue the use of franchise fees, staff will draft a franchise fee ordinance for each gas and electric utility (Anoka Electric, CenterPoint Energy, and Connexus Energy) utilizing public rights-of-way. City Engineer Westby stated as part of the process, staff will contact and work with each utility to assist them in drafting language to be added to their invoices to alert their customers to the fact that the franchise fees are a pass through expense initiated by the City to help pay for its SMP. If approved, he estimated it would be January of 2014 before franchise fee revenue would be received by the City.

City Engineer Westby stated staff recommends utilizing franchise fees to fund the City's long-term SMP. He acknowledged that franchise fees are essentially taxes; however, the term "franchise fee" follows State Statute language so staff recommends using that language to avoid any confusion by the public. City Engineer Westby requested City Council direction regarding

its preferred funding option to help pay for the City's long-term SMP. If franchise fees are to be pursued, staff requests direction on the monthly amount to be charged each utility as well as a proposed sunset date for the ordinance. He noted most franchise fee ordinances tend to have a 20-year sunset date but in this case, it might make sense to apply a 5- or 10-year sunset date to align with the City's CIP.

Mayor Strommen stated the issue of funding road projects was under discussion by the City Council in 2008 and it is still being talked about today. She stated staff is recommending franchise fees; however, Councilmember Tossey has indicated he would not support franchise fees. Mayor Strommen stated the one-time funding options and MSA borrowing have already been used and the City Council does need to make this decision. She suggested the City Council make initial comments/questions tonight and that additional Work Sessions be scheduled so this matter can be decided.

Councilmember Kuzma stated if levied, then owners of bigger houses will pay more of the costs; however, a franchise fee would be the same amount for all.

Councilmember Riley asked if Garnet Street was constructed 60 years ago, and whether 60 years is a reasonable number or the best number to use.

City Engineer Westby stated based on soils, there is no reason the City cannot get 60 years out of a road if the roads are scheduled for regular maintenance. He stated Garnet Street was not constructed to standards.

Councilmember Riley asked where cuts should be made to cover a \$1.7 million shortfall.

Councilmember Tossey arrived at 6:50 p.m.

Finance Director Lund stated as a point of comparison, the Police Department has a budget of \$3.1 million.

Councilmember Riley stated support to hold another Work Session to discuss this issue and applauded staff for providing all of the information needed to make this decision.

Finance Director Lund asked if the consideration is full funding for road reconstruction from the franchise fee with no funding from the levy.

Mayor Strommen stated that decision has not yet been made. She asked what it would do to the tax capacity if the City Council decided to levy for the shortfall of \$1.7 million.

Finance Director Lund stated the 48% tax capacity includes the \$900,000, which represents a basis of about a one percent increase in the tax capacity.

Mayor Strommen pointed out that whether paid through assessment, tax levy, or franchise fee, the residents and property owners end up paying for the costs.

City Administrator Ulrich stated if the City put all of the franchise fees and additional levy into the road reconstruction it equals \$2.2 million.

Councilmember LeTourneau asked if telephone is considered a utility.

Finance Director Lund stated it is not. She stated the 2003 franchise fee charged a double rate to commercial properties.

Councilmember LeTourneau stated that discussion should be held at the next Work Session.

Mayor Strommen stated the City Council has not been holding a Work Session on the first Tuesday of the month but one could be scheduled for September 3, 2013, to finalize this decision. She suggested questions be forwarded to staff so those answers can be provided on September 3, 2013. It was noted the preliminary levy will be considered on September 10, 2013.

The consensus of the City Council was to direct staff to schedule a Work Session on September 3, 2013, starting at 5:30 p.m.

3. FUTURE TOPICS FOR DISCUSSION

Noted.

4. MAYOR / COUNCIL / STAFF INPUT

None

5. ADJOURNMENT

Motion by Councilmember Letourneau, seconded by Councilmember Kuzma, to adjourn the Work Session meeting.

The Work Session of the City Council was adjourned at 6:57 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.*