

CC Work Session**2. 1.****Meeting Date:** 03/19/2013**Submitted For:** Grant Riemer**By:**

Grant Riemer, Engineering/Public Works

Title:

Consider Implementation of Long Term Road Maintenance Policy

Background:

The purpose of the program is to determine a funding source for long term road maintenance and reconstruction in the City of Ramsey. Transportation issues were recognized in our strategic planning sessions under Strategic Imperative II: A Connected Community. It is staff's desire to give a broad overview of the program tonight to refresh everyone's memory and get the new members of the council familiar with the topic. After Council is back up to speed, staff would propose breaking the overall program down into smaller segments and discussing funding mechanisms for the different components of the program. The long term road maintenance program consists of 3 major components which are seal coating, overlays and reclamation/reconstruction. Interim city engineer Shane Nelson will be provide insight into pavement maintenance programs that he has developed for other cities.

Former Public Works Director/Principal Engineer Brian Olson did extensive work on this policy and his CC case dated 2/14/2012 will be referenced for the discussion tonight. Brian's case follows:

The concept of developing an assessment policy for street reconstruction has been talked about numerous times over the past couple of years. The discussions really escalated with the advancement of the Andrie Street/164th Lane improvement project in 2009 and have progressed a long ways, but the situation still remains unsettled.

Early on, in 2009, discussions revolved around the existing City street assessment policy which currently pertains specifically to the Street Maintenance Program (SMP); where overlays are assessed at a rate of 50% and sealcoats are being phased out through the year 2014, from a previous rate of 50% to the current rate of 15% in 2012.

Because there is not any money to fund the change in policy, discussions revolved around the revenue source, standards for reconstruction, specifications and generally about what should be included when a roadway is reconstructed.

In November of 2009, staff was directed to review what it would cost to continue with our standard street maintenance activities, and add reconstruction costs into the program in five year increments. Staff completed this analysis and then evaluated how much funding would be needed over the next ten years based upon a concept that when a street turns 40 years old we reconstruct. Since approximately 45% of the roadways in the City were constructed between 1975 and 1985 (a 40 year design life was assumed), it amounted to approximately \$90 million to accomplish this program. Although we know that there is no way that there could be a program such as this afforded, it demonstrated the dire consequences and the drastic need for the improvement. This \$90 million dollar figure was used in all of the publications within the most recent communication plan and FAQ.

On June 15, 2010 this information was provided to the City Council. See attached information on the 5 year breakdown and a history of road construction in the City.

At the September 21, 2010 Council work session discussions focused on a franchise fee and public participation campaign to educate the residents of the imminent need for roadway improvements, and solicit their feedback on the potential scenarios that exist for a long term sustainable funding source. Staff discussed this matter with Himle Horner, a consultant working on marketing for the COR, and requested a proposal to assist the City in completing a public participation program.

On January 18, 2011 the information in the proposal was presented, and following discussion it was the consensus of the Council to accept the proposal and execute a contract with Himle Horner in an amount not to exceed \$43,000 for advancement of this long term road maintenance initiative.

In order to formulate the questions on the 30 question survey, one of the first items included in the accepted proposal was to research other communities and find out what they have done and engage those communities to learn strategies on how to successfully implement programs of this nature. On April 19, 2011, the results of this research was presented to the City Council at a work session and Staff was given consensus to make changes to the 30 question survey to residents.

On May 17, 2011, the City Council gave Staff and Himle Horner approval of the script that was to be the 30 questions survey. and approval to go ahead with the survey.

In June of 2011, the 300 resident survey that was conducted by Himle Rapp, formerly known as Himle Horner. This survey first gathered information from the resident about the satisfaction that they have had with their overall quality of life within the City of Ramsey. An overwhelming 93% of the residents rated their quality of life in Ramsey as good or excellent. They also felt that the two largest issues facing the City over the upcoming years were the COR and maintaining an aging roadway system.

Additionally, the resident survey asked the residents to choose between 3 financing scenarios:

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

In July of 2011, the City Council received a presentation by Himle Rapp and were given an opportunity to express their desires and or concerns about preparing a communication plan. Of the three funding scenarios, the one that got the most support was the implementation of the franchise fee for road reconstruction.

During August and September, Staff worked with the consultant to prepare a draft communication plan, FAQ, fact sheet, a draft website, an online survey form, etc.

On October 18, 2011, the City was given a Communication plan as well as distribution materials and the website was unveiled in Draft form. The following comments were provided:

- The Garnet Street project was shown as a project that we would provide an alternative funding source for so that we could move forward with surveying, design etc and therefore move forward next summer to show signs of a successful integration of the program. At the Public Works Committee in December, this item was removed due to lack of interest from the abutting residents at a subsequent meeting until a decision is made about the long term road maintenance initiative even though we told the residents that we would write in the feasibility study that we would match whatever funding scenario resulted from the decision.
- Council commented on the online survey. After much deliberation, it was the Council direction to allow for an online survey as long as the name and address fields were required for the comments to be registered.
- All meetings that will be held regarding this program will be done at the Ramsey Municipal Center and not "in the neighborhoods" at a neutral site per City Council direction.
- The meeting format will be similar to the Ramsey 3 process. A brief presentation and break into smaller groups to discuss agenda items that are generated by the group. (Open Space technology)
- The City Council wanted more interaction and graphical representation of the issue in the website. This is a funding issue but do not lose sight of the issue. Use the year of original construction map and generate a FAQ that is dynamic and updated frequently.
- The City Council direction was to provide a video on QCTV with the Mayor, Public Works Chair, Public Works Director and City Administrator. Included in this case is a FAQ that will be the primary dialog in preparation of this video.

On November 15, 2011, Chuck Tombarge from Himle Rapp was present and Staff specifically requested direction on the attached communication plan, attached fact sheet, public engagement survey, power point presentation, an FAQ prepared by Himle Horner relative the long term road maintenance program.

The direction at this meeting was to:

Tighten up the numbers so they are more realistic, make revisions to the communications plan by taking out the language about the costs being equivalent to a cup of coffee a day, and consider a franchise fee of \$14 per month per household to create a source to fully fund the issue without assessments. This significantly changed the communication plan to more manage the message rather than an information gathering plan.

On January 24, 2012, the City Council discussed the implementation of a program that would provide immediate benefit to the resident by funding 100% of the cost of seal coating and overlay improvements and continuing to assess 50% of any road way construction. There was much discussion about fully funding the program so as not to require any assessments, thereby gaining efficiency without going through an assessment process for every improvement. As mentioned early during the 300 resident survey, this would equate to \$28 per month with the use of a franchise fee.

In simple terms, we have approximately 178 miles of roadway in the City. Taking out 36 miles of MSA roads that have their own funding source, leaves 142 miles of local roads. The dollar amount that we were using per mile was \$750,000 per mile. This was derived from the above mentioned Andrie Street bids that we received in 2009 without the sidewalk. At the time we were assuming 2 years of construction increases since this was a bid that was opened in 2009. More realistically, the economy has slowed and therefore, we have revised the projected cost per mile by adding a 10% contingency and no construction cost increase. The recommended cost per mile is \$645,430.

Early on in the discussion there was multiple conversations and comments about the use of whatever revenue source that is defined by this program to be used for street maintenance as well. There is approximately \$495,000 that is allocated in the 2012 budget from TIF that is possible to continue until December 31, 2013, and in light of the discussions a few weeks ago about budget concerns in the 2013 gap year for the municipal center debt, Staff is recommending that the TIF financing continue to fund the street maintenance program until 2014. At that time, the franchise fee be used for the street maintenance program. Since Staff felt that the direction was to tighten up the numbers, we looked at the numbers from the overlay projects as well as the sealcoat projects.

We used the sealcoat bids for the last three years and an actual bid per square yard of \$5.85 for overlays. The average cost per mile for sealcoats is \$29,406 per mile and \$96,096 per mile for overlays.

If we were to reconstruct the 142 miles of local roadways every 40 years we would need approximately \$92M, or \$2.3M annually. If you include sealcoating at years 5,12,24,31 at a price of \$29,406/mile (4 times throughout the 40 year lifespan) and an overlay every 19 years (but only occurs once during the design life) at a price of \$96,096/mile we would need another \$417,565 and \$341,141 respectively, for a total of approximately \$3.06 M of required funding each year for both maintenance and reconstruction.

Utilizing \$14 per residential customer (split between 2 franchises, \$7 each), the amount available for use in the reconstruction efforts in 2012 and 2013 would be \$1.53 million annually. The only way to achieve a program that is fully funded is to require a 50% assessment for reconstruction. This does, however, take into account that there is no assessments for maintenance activities like sealcoats or overlays.

Notification:

N/A

Observations/Alternatives:

Following through with the direction provided at the January 24th work session:

The purpose of the case tonight is to receive direction on implementation of the program. Specifically, Staff would like direction on the following items:

- Proposal to "phase out" reconstruction assessments
- Commercial vs residential franchise fee
- Retroactivity for previous assessments levied
- Street standards
- Charter amendment changes
- Consideration and Schedule for franchise fee implementation

Phasing Out Assessments

After the meeting on January 24th, Staff received additional comments from City Council members about the ability to "phase out" assessments for reconstruction activities. This can be accomplished in a number of ways. Similar to how we phased out sealcoating assessments we could incrementally increase the amount being funded by the franchise fee, identify other cost saving measures, identify future land sales proceeds from the COR, or incrementally increase the tax levy to accommodate the assessable amount. All of these options are possible and will continue to be evaluated in the future. The discussion and or decision to be made tonight is whether you want there to be a phasing out of the assessment or do you feel comfortable with a 50% reconstruction assessment policy.

After much deliberation, Staff is recommending that initially we 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%.

Commercial vs residential franchise fee

The projected amount that would be generated from a franchise with the Council directed limit includes \$7 per franchise per month for each residential customer and \$14 per franchise per month for each commercial or industrial customer. The estimated amount generated with this rate structure would be \$1.53 million (\$1.36 million - residential, \$165,144 - commercial/industrial) annually. There was discussion at the January 24th work session to look at the ramifications of charging each customer the same (\$7 per customer). As you can see there would be a reduction of \$82,572 of revenue to make the rate the same for commercial and residential. The rationale for making the change is that most of the major commercial and industrial customers are located on State, County and MSA roadways whereas residential lots are primarily located on the local roadways.

Staff recommends that all customers pay the same rate of \$7 per month per franchise.

Retroactivity for previous assessments levied

There has been much discussion about the policy of reimbursing properties that have been paid assessments over the last few years. The difficulty with paying back prior assessments for sealcoating and overlays is that there really is no way to draw a line. Property owners may either pay the assessment off without any interest or have the amount levied to their property taxes. When someone sells their house, the assessments are typically paid in full and therefore there may be a separate resident living in the house today than was there when the assessment was levied. If Council directs us to reimburse one year of back assessments, the resident that was billed 2 years ago will ask why not 2 years.

Since there hasn't been any reconstruction assessments (except Dysprosium Street whose residents were charged an amount equivalent to an overlay because they lived on a State Aid road), there should not be any concern for setting a precedent for the reconstruction activities.

Staff recommends that the City Council draw the line now and don't reimburse past assessments.

Street standards

There has been significant amounts of discussion revolving around the street standards. In 2009, we put together a project that met with our current Municipal State Aid (MSA) standard. This was a 9 ton design with curb and gutter on each side of the road without a sidewalk.

Our local street standard is a 7 ton design and includes 4 inches of Class 5 and 3 1/2 inches of bituminous constructed to a width of 32 feet with parking allowed on both sides of the road, 28 feet with parking restricted to one side or 24 feet wide with no parking allowed on the street. Any new subdivision has to abide by these standards. As mentioned on January 24th work session, the removal of concrete curb and gutter from this street standard would decrease the price approximately 15% but would have a significant affect on how long the roadways last. The concrete curb and gutter holds the edge of the pavement and helps to facilitate better drainage. Poor drainage is one of the primary cause of accelerated roadway deterioration.

Staff recommends that we stay with the 9 ton design (6 inches of Class 5 base, 4 inches of bituminous) at the street widths mentioned above and without a sidewalk. Obviously, this is a theoretical street section and will vary from street to street depending on the subgrade or the soil underneath this theoretical section.

Charter amendment changes

Another topic during the work session was the ability to counter petition road projects pursuant to the City Charter. It does create inefficiencies regarding the work that goes into a project but it preserves the property rights of the resident. Currently 35% of adjacent property owners can initiate a project by signing a petition for the creation of a feasibility study and then a project can be stopped if there is a petition that is signed by more than the amount originally signing for the feasibility or 50% whichever is greater. A suggestion was made to approach the Charter Commission to see if they are willing to require that at least 50% of the property owners sign a petition for initiating a project.

Staff is recommending that the Charter Commission consider an action that would require at least 50% of the adjacent property owners to sign a petition for a feasibility study to be prepared but the leave the ability to counter petition percentage to remain the same. (Note: this change was approved by the Charter Commission and Council in the fall of 2012)

Consideration and Schedule for franchise fee implementation

Attached to the case is a schedule to implement the franchise fee for the long term road maintenance initiative. As you can see, it would take until July 2012 to start to receive funds for this program. This is an aggressive schedule and takes into account a small window of time for communication with the individual franchises (Centerpoint, Connexus and Anoka Electric, etc.) The timing of this decision is critical in terms of how it ties into the 2012 Street Maintenance project. A case will be presented at the February Public Works Committee as to what Staff is recommending but generally we feel that the 2012 Street Maintenance program should consist of sealcoating only. As you can imagine, if a resident is faced with an overlay assessment and knowledge that there is a plan to eliminate assessments in the coming years, there will likely be a counter petition.

In closing, other cities are facing this very difficult decision. Please refer to the attached Star Tribune article that was written about the City of Edina. They have an assessment policy similar to our "do nothing" option which assesses 100% of the costs of their reconstruction projects. In their case it is even more critical since the City of Edina is almost entirely urban density which means the amount of roadway in front of each house is shorter than the mix of property densities within the City of Ramsey.

Staff recommends moving forward with the initiation of the Long Term Road Maintenance initiative as recommended above.

Recommendation:

Based on discussion

Funding Source:

N/A

Council Action:

Informational only

Attachments

Franchise fee calculations

franchise fee schedule

Edina article in Star Tribune

Road construction history

Q and A - Brian Draft - 10 Nov 11

Final Road survey

Fact Sheet

Funding summary

Form Review

Inbox

Kurt Ulrich

Form Started By: Grant Riemer

Final Approval Date: 03/14/2013

Reviewed By

Kurt Ulrich

Date

03/14/2013 12:29 PM

Started On: 03/13/2013