

**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 27, 2018, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Sarah Strommen
Councilmember Jill Johns
Councilmember Mark Kuzma
Councilmember John LeTourneau
Councilmember Chris Riley
Councilmember Melody Shryock

Also Present: City Administrator Kurtis Ulrich
Finance Director Diana Lund
Police Chief Jeff Katers
Parks and Assistant Public Works Superintendent Mark Riverblood
Public Works Superintendent Grant Riemer
Community Development Director Timothy Gladhill
City Engineer Bruce Westby
Jenn Edison WSB Project Engineer
Bret Weiss President of WSB

1. CALL TO ORDER

Mayor Strommen called the City Council Work Session to order at 5:36 p.m.

2. TOPICS FOR DISCUSSION

2.01: Street Maintenance Project Review

City Engineer Westby reviewed the staff report.

City Administrator Ulrich noted that this is an opportunity to review the street maintenance funding as the current program has been in place for three years.

Finance Director Lund clarified that the City bonded for the assessments as well.

Councilmember LeTourneau stated that with 51 miles of roads completed, that is only about one quarter of the roads.

City Engineer Westby noted that there is 176 miles of roads within Ramsey in total. He noted that over 40 miles of the roads completed in the program thus far have been sealcoats and

therefore it will be a long process ahead. He noted that the roads will continue to degrade because of the poor subgrade of the roads.

Mayor Strommen stated that the City has picked off the worst of the worst thus far and will at some point hit a bubble. She stated that the more people that are assessed, the more contentious this program will become and that is why this is a good time to discuss the financing once again before they reach that bubble.

City Engineer Westby stated that since the program began in 2015, staff is finding they are able to complete more work with the dollars than they anticipated and believed that a bigger chunk could be taken in the next five-year program that starts in 2020.

Bret Weiss, WSB, stated that no one wants assessments and the amount that is contributed from assessments is dismal towards the total cost of the projects. He stated that streets are a core function of the City and it is important to have a pavement management plan and follow that plan. He provided additional information on pavement management plans and the elements included within. He provided the typical pavement performance curve without maintenance and compared that to the lifecycle with maintenance. He noted that with the right course of maintenance, the lifespan of a roadway can extend to 60 years. He noted that regular sustainable funding is a key element of the pavement management plan. He reviewed the different funding methods which include 100 percent tax levy, 100 percent assessments, combination of taxes and assessments, State Aid, and franchise fees. He stated that his industry has attempted to gain a trunk fee for roads through the legislature but have not been able to make that happen. He stated that the franchise fee would be paid monthly by residents in lieu of assessment. He stated that commercial and industrial properties really favor franchise fees because of the heavy assessment that typically occurs towards those types of properties. He reviewed the pros and cons of the combination of taxes and assessments method. He stated that once the franchise fees were implemented in Rogers, residents no longer oppose road projects and actually want their roads to be fixed. He reviewed the pros and cons of the franchise fee method for funding. He noted that the franchise fee option has no increase to the tax levy, provides a stable revenue stream that can be adjusted, is collected by all street users (including schools, nonprofits, and renters), and reduced costs for the project expenses (financial, legal, and engineering). He reviewed the negative aspects of the franchise fee method including less transparency on how the revenue is collected, requires public outreach to describe the fee and process, and the utility companies typically do not favor this method. He stated that the franchise fee method for funding provides a reduction in overall project costs, improved community engagement, and provides a fair distribution of costs to all road users. He provided an example of how the franchise fees appear on the utility bills in the city of Rogers.

Mayor Strommen stated that one comment that the City heard was that roads should be included in the operational budget of the City but noted that there is no way the City could pay for roads in its usual budget. She stated that for those people that have not been assessed, they could still be under the impression that the roads are included in their taxes.

Mr. Weiss stated that if the City is going to fund the roads with 100 percent tax financing, the tax levy would increase significantly and that would not collect from all users of the roads as

nonprofits do not pay taxes. He stated that if the City increases their tax levy to cover the roads 100 percent by the City, that will push the tax rate of the City out of competition for commercial and businesses because other cities do not use that method.

Jenn Edison, WSB, stated that at the end of the day, franchise fees are the cheapest financing method and costs the least amount of dollars to the tax payers.

Councilmember Kuzma asked if this was put on the ballot in Rogers.

Mr. Weiss noted that there were public meetings, but the issue was not placed on the ballot in Rogers.

Councilmember Johns asked for information on how the meters are charged.

Mr. Weiss identified the different categories. He noted that the City also pays their fair share on their utility bill.

Councilmember Riley asked if the fee not being tax deductible was discussed in Rogers.

Mr. Weiss replied that most homes are paying \$108 per year and therefore that is not much of an argument.

Councilmember Riley asked if there were comments that this method was regressive, meaning that typically larger homes pay more taxes.

Mr. Weiss replied that all users use the roads equally and therefore should be charged equally. He provided a comparison of what users of different property values would typically pay through franchise fees. He stated that in Rogers they are ahead of their plan for the roads as they are accomplishing more than they had anticipated. He stated that if you can get ahead of the projects, that is where you make gains and the cost of maintenance could be lowered. He stated that if you fall behind on your program, that is where it becomes difficult because then the roads require more maintenance than originally anticipated, which equates to higher costs. He explained how the roads are ranked in Rogers in order to get the best return on the investments.

Councilmember Riley asked when the city of Rogers implemented the franchise fees.

Mr. Weiss replied that this will be the fourth year of implementation. He noted that they have assisted in Brooklyn Park, are helping in Princeton, and noted that Elk River already had implemented this method. He explained that if you go too far down the road of combined assessments and taxes, you will be unable to change financing methods.

Councilmember Kuzma asked how the City would handle assessments that have been paid.

Mr. Weiss noted that the City could rebate franchise fees for a number of years for those residents or could stop those assessments still pending. He noted that it might be a hit the City has to take but stated that the City's numbers are not that big in terms of owed assessments. He

encouraged the City to find the number for franchise fees that would feel right, get some traction in the program, and then review to determine if the fee needs to be adjusted. He provided a suggested process for implementation of franchise fees, should the Council decide to go down that path. He stated that he cannot think of any reason that the City shouldn't chose franchise fees. He stated that there may be opposition in the beginning but once the program moves ahead it will help the City to get control of the roads and people will like the program and support it.

Ms. Edison stated that homeowners are actually excited to see their road being repaired and therefore construction moves much more smoothly.

Mr. Weiss stated that they provide flexibility to the contractor, stating that the project can be completed between May and October but only within a 60-day window once they begin.

Mayor Strommen stated that the key argument she heard is the cost efficiency in the franchise fee method and perhaps WSB staff could provide assistance if this moves forward.

Mr. Weiss noted that they have real world examples that they can provide for comparison.

Councilmember Riley stated that now that the City is a few years into this program, it is easy to see what the debt is doing to the City's levy. He stated that it would be very powerful to show the correlation and that the City's levy could be reduced if you remove the road financing.

Mayor Strommen agreed that perhaps the City did not make the financial argument very well in the last discussion of franchise fees. She stated that it may be good to continue this discussion with the budget in preparation for the 2019 budget discussions.

Councilmember LeTourneau stated that he would want to see a few scenarios that would show the levy without road financing compared to the current levy that includes the road financing.

Finance Director Lund agreed that she could provide that comparison of the current levy and what the levy would have been if the City would have gone with the franchise fee method.

Mayor Strommen noted that it would also be interesting to see the funding that would be available if the City used a rate of \$4 and \$5 rather than simply using \$8. She stated that perhaps \$8 was too high as a starting place.

Councilmember Riley stated that the decision would also need to be made to the people that have been assessed, as the method would need to be fair. He noted that the hit might not be too bad as many people chose to finance their assessment over a number of years.

Councilmember LeTourneau stated that it will be interesting to see the reply of the residents on his topic through the resident survey, which may be an opportunity to open the discussion for road financing.

Councilmember Kuzma stated that there were some issues with the Charter Commission in the past. He asked if there would be time to place the question on the ballot if it would need to go that way.

City Administrator Ulrich noted that if the question needs to go on the ballot, that would need to be submitted by August 24th and that may not be sufficient time to gain the necessary support.

Councilmember LeTourneau agreed that timeline would be aggressive, and he would rather make the transition right, with sufficient time to get the information out to the public.

Councilmember Kuzma asked if the City would slow down on the projects scheduled for this year.

Mayor Strommen stated that would come back to the question from Councilmember Riley on how to unwind the assessments if the franchise fee is implemented. She stated that she would hate to pause the road improvements because that will simply slow the process. She suggested that staff bring back the desired information sooner rather than later in order to continue this discussion.

2.02: Ten Year Debt Review

Finance Director Lund reviewed the staff report.

Councilmember Riley asked for additional information on the figure used to estimate road costs.

Finance Director Lund provided clarification and additional information on the debt limit of the City.

Councilmember Riley stated that this is a great discussion. He stated that if the City continues to follow these numbers, without adding anything new, the levy will go up over eight percent and over the next five years would increase the levy by 25 percent.

Finance Director Lund stated that in 2020, the proposed capital is the capital that has been requested at this point and the discussion could occur to determine if things can be pushed back additional years. She stated that a similar amount is proposed for capital within the period of 2020 to 2025.

Mayor Strommen stated that it is important that the Council is looking at this in preparation rather than reaching the point where there is a decision needed between a huge spike in taxes or cut in services.

Councilmember Riley asked for additional options, if this is determined to be unacceptable.

Finance Director Lund stated that is why franchise fees were discussed tonight. She noted that the biggest debt item on the list is the road debt and that is only continuing to rise.

Mayor Strommen stated that this is a good example of how taxes will increase if the roads continue to be financed in this method and that is why franchise fees look like a great opportunity. She stated that some people in the last discussion were perhaps choosing an option that does not exist. She noted that the taxes continue to rise, or franchise fees become the method to finance roads.

Councilmember LeTourneau noted that another option for residents to consider would be cutting City services.

Mayor Strommen noted that they would need to be big ticket items, such as public works or police and they would be big cuts that the City and residents would feel.

Finance Director Lund provided some additional details on internal loans and methods for funding certain capital expenses that could reduce the impact on the levy.

Councilmember LeTourneau stated that he likes the idea of borrowing from different internal funds, as those are taxpayer dollars that have been collected already. He asked if that would put pressure on the City's bond rating.

Finance Director Lund provided details on the bond rating of the City. She stated that the rating looks at the amount of debt itself and not whether it is internal or external.

Councilmember Riley referenced the MSA funds which will become available in 2019/2021, which could provide assistance. He noted that this is a great first step and noted that he would like to see this model with a franchise fee. He stated that perhaps more work needs to be done on the trail costs as well.

Mayor Strommen confirmed that this item will come back to the Council in conjunction with the previous discussion. She noted that this is a good place to start this discussion in advance of the budget discussions.

3. TOPICS FOR FUTURE DISCUSSION

3.01: Review Future Topics/ Calendar

Noted.

4. MAYOR / COUNCIL / STAFF INPUT

None.

5. ADJOURNMENT

The Work Session of the City Council was adjourned at 6:58 p.m.

Respectfully submitted,

Kurtis G. Ulrich
City Administrator

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Amanda Staple
TimeSaver Off Site Secretarial, Inc.