

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, June 25, 2019, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor John LeTourneau
Councilmember Nadine Heinrich
Councilmember Mark Kuzma
Councilmember Debra Musgrove
Councilmember Chris Riley

Also Present: City Administrator Kurtis Ulrich
Finance Director Diana Lund
Parks and Assistant Public Works Superintendent Mark Riverblood
Public Works Superintendent Grant Riemer
Administrative Services Director Colleen Lasher
Community Development Director Timothy Gladhill
City Engineer Bruce Westby
City Planner Chloe McGuire Brigl
Economic Development Manager Sean Sullivan
Communications and Events Coordinator Megan Thorstad
Jason Aarsvold of Ehlers

1. CALL TO ORDER

Mayor LeTourneau called the City Council Work Session to order at 5:30 p.m.

2. TOPICS FOR DISCUSSION

2.01: Review Business Subsidy Request for Delta ModTech – Consider Establishing TIF District 17 and Approving a TIF Agreement

Economic Development Manager Sullivan reviewed the staff report.

Councilmember Kuzma asked for details on the 15 additional jobs.

Economic Development Manager Sullivan stated that once the TIF Agreement is signed the jobs added will count towards the 15 additional jobs, but the official two-year period will begin after the benefit date.

Councilmember Kuzma asked for details on the special assessments for the property.

Community Development Director Gladhill explained that there were two projects for Bunker Lake Boulevard and Puma Street, which were assessed to the property and were deferred. He noted that those assessments will now be collected with the purchase of the 43 acres.

Jason Aarsvold, Ehlers, provided additional details on the “but for” test. He explained that the business originally requested \$1,500,000 to make this site feasible. He stated that the task was then to determine what would be warranted for this request. He noted that the TIF has a nine-year period and therefore \$972,000 would be generated during that time. He explained that they spoke with the applicant and the applicant determined that would still be sufficient to make this site feasible. He explained that they also looked at this from another perspective of a developer purchasing and developing this site and then leasing it to the business and found an 8.42 percent cash on cost return. He noted that typically developers would like to see between seven and nine percent cash on cost return and therefore the 8.42 percent is within that range.

Economic Development Manager Sullivan explained that the TIF district would actually generate \$1,200,000 over the nine-year period but ten percent would be used to cover administrative costs that the City may incur during that period.

Councilmember Kuzma stated that the EDA reviewed this request and recommended approval.

Councilmember Musgrove asked for additional input on why a business would come to the City for funding rather than a bank or another investor. She asked for additional input on TIF as well.

Economic Development Manager Sullivan provided additional details on the TIF Agreement, noting that the City will be acting as a go between. He explained that the money collected from the TIF district is actually the property taxes paid by the business and would go back to the City to go back to the business.

Councilmember Kuzma noted that this is also a tool that the City can use to be competitive with other communities and help attract new businesses to the community.

2.02: 2020 Budget Direction

City Administrator Ulrich reviewed the staff report.

Councilmember Riley referenced the priorities and asked if those were items identified as being medium or high budgetary items.

City Administrator Ulrich noted that these were items from the Strategic Plan as well as a broader list of overall priorities.

Community Development Director Gladhill confirmed that those were medium to high cost items, with an attempt to focus on the higher cost items in the Strategic Plan.

Mayor LeTourneau stated that he agrees that the items shown on the list happen to be items that were high cost but noted that some of those leading items were high visibility or high need items.

He stated that the survey was as much about how the City will spend its money but also about how choices will be made for the community using the limited resources.

City Administrator Ulrich stated that some of the items are funded by different funds, such as the enterprise fund, rather than the general fund and therefore would not have the same impact as other items.

Finance Director Lund provided an overview of the budget calendar as proposed.

2.03: Local Road Funding

City Administrator Ulrich reviewed the staff report.

Councilmember Heinrich referenced the perception that has been coming up about people not liking the assessment process. She stated that only two assessments were petitioned and stopped over the past five years and therefore perhaps that perception is incorrect.

Mayor LeTourneau stated that it would be helpful to know the number of projects that were completed in the past five years to provide an accurate percentage of projects that were petitioned/stopped.

City Engineer Westby estimated 11 or 12 projects occurred during that five-year period.

Mayor LeTourneau noted that provides more context to that number.

Councilmember Kuzma stated that on the Andre Street project there was a resident that challenged the assessment and took it to the point where the City almost had to go to court. He believed that residents understand the franchise fee system much better now than when it was discussed in the past.

Councilmember Riley stated that in addition to the two projects that have been stopped, the City has to be on the defense from the beginning with projects and noted that there are extra steps in the assessment process that add cost.

City Engineer Westby stated that indirect project costs through the franchise fee process are generally at least five percent less than through the assessment process. He reviewed some of the additional steps that are necessary for the assessment process.

Finance Director Lund stated that the appeal process has additional legal costs as that is above the City's retainer.

Mayor LeTourneau asked for input on the \$6 franchise fee model shown for the five-year period.

Finance Director Lund stated that in order to fund the five-year program the amount needed would be \$7.25 per utility. She stated that if \$6 per utility is used, an internal loan could be completed from the PIR fund for years four and five.

Mayor LeTourneau stated that \$7 per utility is the amount that would be needed to get the work done for Ramsey.

Councilmember Musgrove asked if franchise fees would be used solely for reconstruction or all road repair elements.

City Engineer Westby explained that franchise fees would be used for reconstruction and overlays and not minor maintenance.

Councilmember Musgrove asked for additional details on the PIR fund.

Finance Director Lund provided additional details on the Public Improvement Revolving fund.

Councilmember Riley stated that he believes \$6 to be too low as that will not get the City to the point it needs to be, and he does not want to build in an increase in the future.

Mayor LeTourneau stated that this would be a five-year program that would sunset after five years and would need to be rewritten. He stated that \$6 could be used and the PIR fund could be used to fill the gap in years four and five. He stated that it appears that Councilmember Riley would prefer using \$7 to ensure that sufficient funds are collected.

Councilmember Riley stated that he would be flexible and would support using the PIR fund as that is money that was already collected in taxes. He noted that his concern would be that would be a one-time solution for a long-term problem.

Councilmember Heinrich stated that she would agree that the PIR funds should be used as that is money that has already been collected in taxes. She also agreed that if franchise fees are going to move forward, the full amount needed should be collected. She stated that regardless of whether this will be \$6 or \$7, her concern would be the impact on lower value properties as those residents that have the highest value properties will get a better deal.

Councilmember Musgrove stated that \$5 is not enough and if a franchise fee is going to be done, she believes that \$7.25 should be the amount. She asked if people could be rebated or decreased in the future. She stated that she would like to see how the budget would look with the road projects as a line item in the budget, as it was done in 2013.

City Administrator Ulrich explained that if the road projects are included in the budget that would increase the budget for that first year and that would remain at that higher base moving forward.

Mayor LeTourneau noted that the franchise fee program would be a five-year program and a review would be done after that time.

Councilmember Riley stated that if the road financing were put into the levy that would be an increase of over eight percent and is only the road financing and would not include any

additional budget impacts. He noted that the language for the franchise fee ordinance would include language addressing the five-year period that would sunset as well as language that states the funds could only be used for road improvements.

Councilmember Kuzma stated that he would not support spending \$5,000 on the survey. He stated that no matter what is shown in the study; it does not appear the Charter Commission will agree. He believed that if the Council desires to move this forward, it should simply continue to move forward. He believed that the study would be a waste of money.

Mayor LeTourneau did not believe that the study would impact the timeline, noting that those activities could move forward concurrently.

City Administrator Ulrich provided additional input on discussion and activity from the Charter Commission.

Councilmember Kuzma stated that he would not support the amendment from the Charter Commission should that move forward.

Councilmember Heinrich stated that she is not concerned with the \$5,000 cost of the study, as she believes that the City often wastes similar amounts of money. She stated that she does value the input from Boards and Commissions and is curious as to the information the study would bring and therefore would not be opposed to the study.

Councilmember Riley stated that he would not be opposed to the study.

Councilmember Musgrove stated that the study would be helpful in providing more information.

Mayor LeTourneau confirmed that it is the consensus of the Council to continue to move forward on the franchise fee process and approve the funding for the study.

City Administrator Ulrich noted that the next step could be to bring forward a draft ordinance for review. He explained that the study would potentially have a fall semester timeline, which could impact the ability to implement on January 1, 2020, it could also have an impact if the item will need to go to the ballot for referendum in November.

Finance Director Lund stated that if the decision is not made until November, she would need to include a line item in the budget for roads.

City Engineer Westby stated that in order for engineering to move forward on projects for the next year, which typically begins in July, financing would need to be known.

Mayor LeTourneau asked if the ordinance could be appealed should the ordinance be brought forward and approved but it later be determined that the Council does not want to take that path.

City Administrator Ulrich confirmed that could be done. He stated that one option would be to introduce the ordinance fairly soon which could start the public input and discussion.

Mayor LeTourneau stated that it appears that the process would be stopped if the ordinance is not introduced as that would have impacts on the 2020 budget process.

Councilmember Kuzma stated that the road assessment route was tested for five years and the results were not thrilling. He stated that the option at this point is to raise the levy or implement franchise fees. He was concerned that if the process does not move forward, that could cause a special election, which would have additional costs and would delay road projects for another year. He preferred to move the ordinance forward and welcome the debate.

Councilmember Riley stated that he recalled having a similar discussion one year ago and noted that he would prefer to keep the process moving and introduce the ordinance.

Councilmember Heinrich stated that she was not a part of the discussions one year ago and therefore requires more new information, which is why she values the study results. She stated that she would not be opposed to continuing to use assessments.

Councilmember Musgrove asked for input on the process for an ordinance to pass with a five-member Council. She asked if the ordinance would need to go before the Charter Commission.

City Administrator Ulrich explained the process, noting that any action to pass an ordinance would require four affirmative votes. He confirmed that the ordinance would not need to go through the Charter Commission.

Councilmember Heinrich stated that the Council can go through that process, but if there are not four votes to pass that, the study should still be completed and perhaps a backup plan for continuing assessments in 2020 should be considered.

Councilmember Riley noted that a five-year plan is required for assessments; a one-year plan cannot be done.

Councilmember Kuzma stated that in order to cover the necessary funds for road improvements in 2020, there would be an eight or nine percent increase in the budget.

It was the consensus of the Council to bring forward a draft ordinance.

2.04: Continue Discussion on Outsourcing Ramsey Resident Newsletter

No comments. This item will come back to a future worksession.

3. TOPICS FOR FUTURE DISCUSSION

3.01: Review Future Topics/ Calendar

Councilmember Heinrich stated that at a future worksession she would like to discuss Section 2-156 of City Code in the future regarding the percentage of Commission and Board members that must live in the City.

4. MAYOR / COUNCIL / STAFF INPUT

No comments.

5. ADJOURNMENT

The Work Session of the City Council was adjourned at 6:59 p.m.

Respectfully submitted,

Kurtis G. Ulrich
City Administrator

ATTEST:

Katie M. Schmidt
Administrative Assistant

Drafted by Amanda Staple
TimeSaver Off Site Secretarial, Inc.