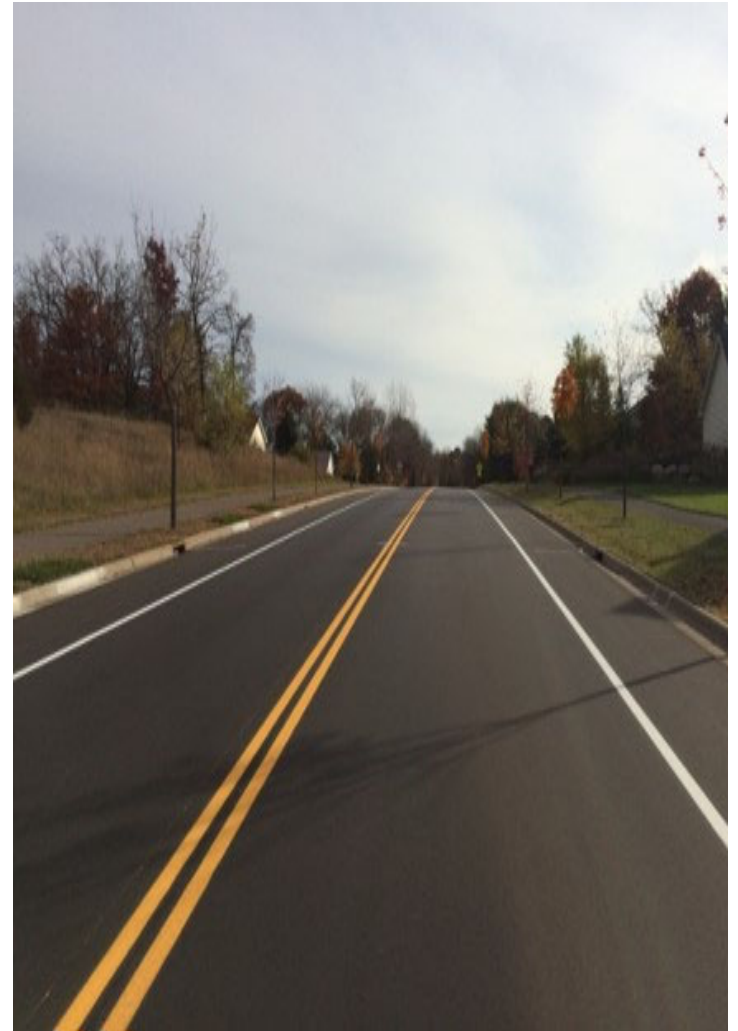
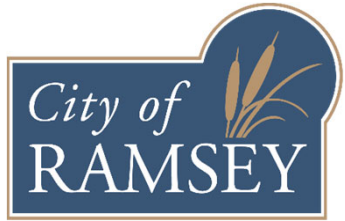


# Pavement Management Funding

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City of Ramsey | May 2020





## Pavement Management Funding



# Overview

- 1 Current street status
- 2 Pavement management basics
- 3 Existing funding program
- 4 Alternative funding options
- 5 Next steps

# Current Street Status

Many of Ramsey's streets were constructed in the 1970s, 1980s, and 1990s and are in need of major maintenance or reconstruction.

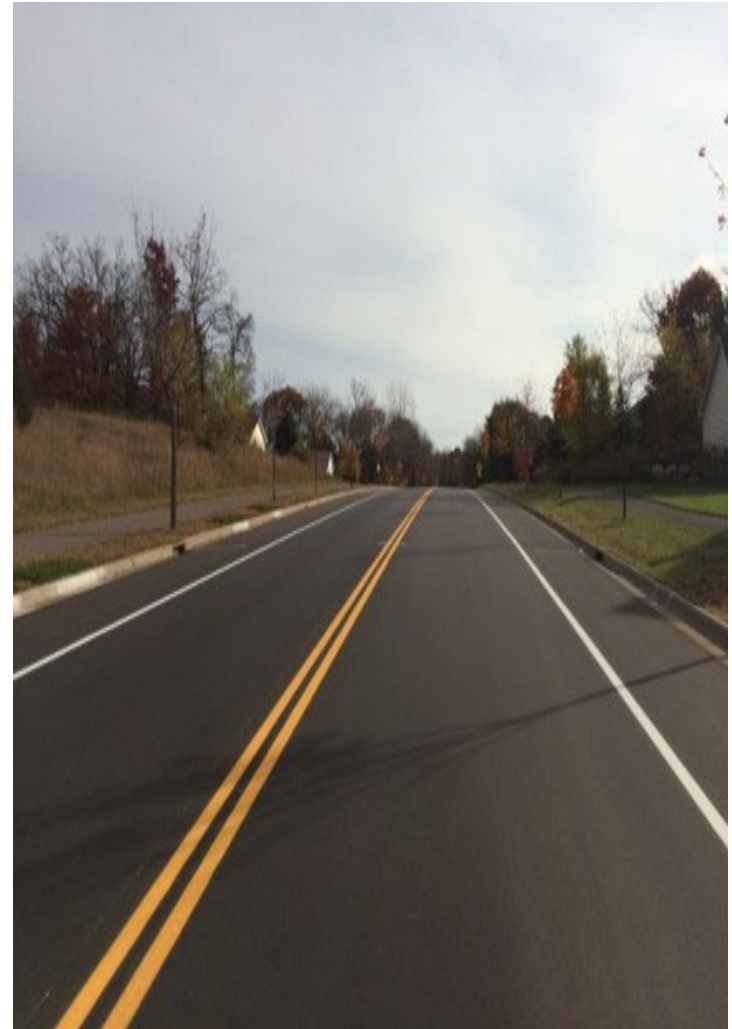
Extending the life of streets requires regular maintenance and good initial design and construction.

As a result of limited funds, the condition of Ramsey's streets are deteriorating faster than the City can fund new construction and repairs.



# Pavement Management in Ramsey

- More than 180 miles of paved city streets
- Pavement Surface Evaluation and Rating (PASER) system (1-10 rating system uses visual inspection to evaluate pavement)
- Current practices: crack seal, mill and/or overlay, reconstruction/ reclamation
- Current General budget \$500,000/year for crack seal (seal coating suspended starting in 2020, previously streets were seal coated every 7 years, 13-23 miles/yr)



# Ramsey Street Inventory

Age	Miles	Percent of Total Miles
0 - 10	12	7%
11 - 20	31	17%
21 - 30	44	25%
31 - 40	70	39%
Greater than 40	21	12%
<b>Total</b>	<b>178</b>	

Paser Rating	Condition	Miles	Percent of Total Miles
1 - 3	Poor	14	8%
4 - 6	Fair	39	22%
7 - 10	Good	125	70%*

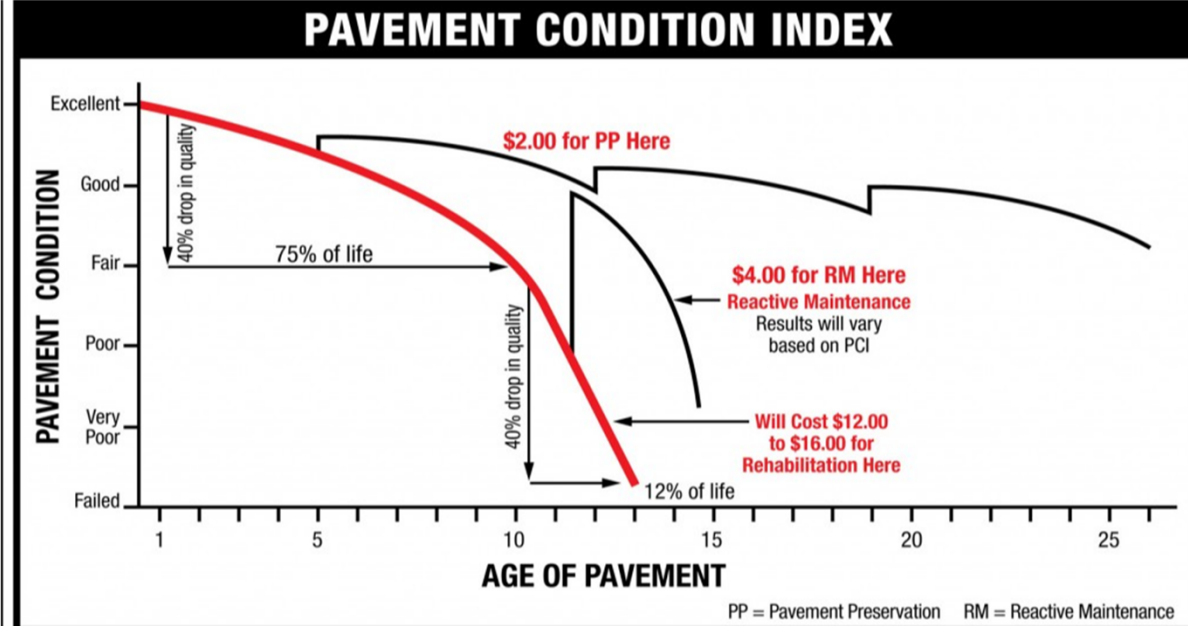
\*15% (or 27.85 miles) have a PASER rating of 7, or slightly above Fair



PASER Rating: A PASER scale is a 1-10 rating system for road pavement condition. PASER uses visual inspection to evaluate surface pavement conditions.

# Pavement Management in Ramsey

- Pay now, or pay more later: regular maintenance extends life of streets



# Pavement Management in Ramsey

- Before and after project



# Current Street Funding Method

Currently, the City assesses benefiting property owners 25% of project costs.

The other 75% is funded through the tax levy. This accumulates debt, consisting of annual principal and interest payments.

Our current method cannot keep up with the need to construct and repair Ramsey's 180 miles of roadway.



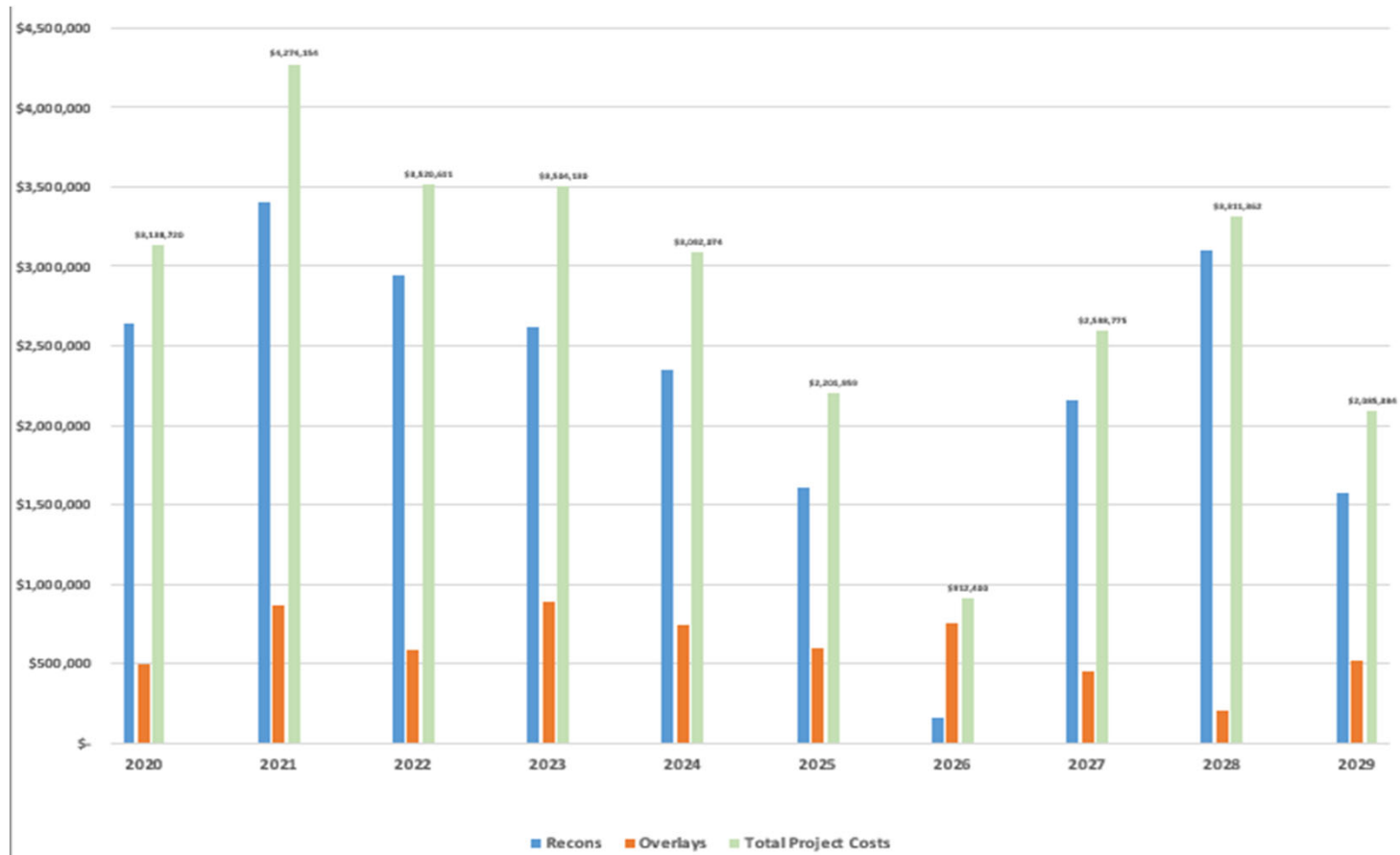
# Five Year Review

- City adopted a Special Assessments Policy on December 9, 2014. This policy was used to levy assessments against benefiting property owners with the 2015 PMP projects per the attached summary.

### City of Ramsey 2015 - 2019 Pavement Management Program Summary

Year Constructed	Improvement Type	Street Segments	Project Length (Miles)	Total Project Cost (1)	% Eligible Costs Assessed	No. Properties Assessed	Assessment per Property
2015	Overlays	Misc.	2.95	\$326,547.20	25.00%	112	\$728.90
	Reconstruct	Garnet St & 168th Ave	0.39	\$1,032,294.66	22.11%	12	\$6,500.00
	Reconstruct	Jarvis St	0.72	\$485,578.44	12.86%	10	\$4,500.00
<b>2015 Totals</b>			<b>4.06</b>	<b>\$1,844,420.30</b>		<b>134</b>	
2016	Overlays	Sunwood Dr	0.84	\$232,245.79	1.23%	3	\$950.00
	Reconstruct	Andrie St & 164th Ave	1.89	\$1,828,375.47	25.00%	65	\$6,636.40
<b>2016 Totals</b>			<b>2.73</b>	<b>\$2,060,621.26</b>		<b>68</b>	
2017	Reconstruct	Sunwood Dr	0.58	\$508,915.64	23.37%	9	Variable
	Reconstruct	Alpine Dr	0.68	\$428,131.67	0.00%	0	\$0.00
<b>2017 Totals</b>			<b>1.26</b>	<b>\$937,047.31</b>		<b>9</b>	
2018	Overlays	Misc.	3.46	\$610,995.00	25.00%	124	Variable
	Reconstruct (3)	North Forty (Petitioned Against)					
	Reconstruct	River's Bend	0.52	\$245,819.47	25.00%	44	\$1,396.70
	Reconstruct	Stanhope Terrace	0.53	\$365,456.71	25.00%	16	\$5,710.30
<b>2018 Totals</b>			<b>4.51</b>	<b>\$1,222,271.18</b>		<b>184</b>	
2019 (2)	Reconstruct (3)	Brookview Estates (Petitioned Against)					
	Reconstruct	Ford Brook Estates	0.16	\$323,910.48	12.64%	8	\$5,116.90
	Reconstruct	Wood Pond Hills & Chestnut Ridge	0.63	\$375,047.33	25.00%	59	\$1,445.00
<b>2019 Totals</b>			<b>0.79</b>	<b>\$698,957.81</b>		<b>67</b>	
<b>Grand Total (2015 - 2019)</b>			<b>13.36</b>	<b>\$6,763,317.86</b>		<b>462</b>	

# Projected Project Costs (2020-2029 CIP)

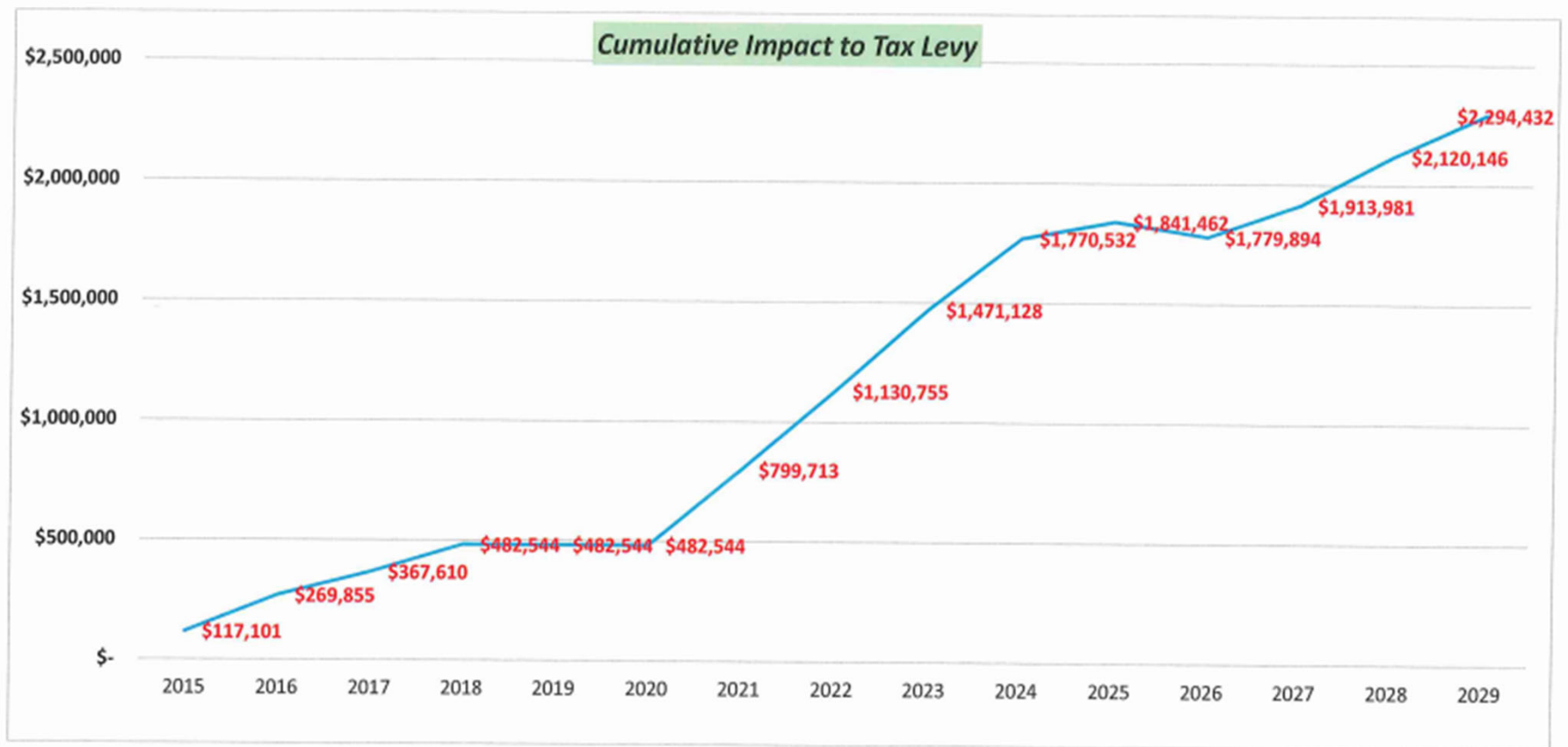


# Impact of Long term debt (2020-2029 CIP)

							\$	-
<b>Road Reconstruction Debt</b>							\$	-
Issuance of General Obligation Street Reconstruction Bonds							\$	-
Debt Service: 25% Special Assessment - 75% Property Tax Levy							\$	-
						Annual Property Tax Levy Per Year Issued	Total Tax Levy on Road Recon Debt	
<u>Year Issued</u>	<u># Years Levied</u>	<u>Last Year Levy Payable</u>	<u>Par Amount of Bonds</u>	<u>Annual Debt Service</u>	<u>Annual Special Assessment Levy**</u>			
	10	2025	\$ 1,205,000	\$ 142,451	\$ 25,350	\$ 117,101	\$ 117,101	
2016	10	2026	\$ 1,650,000	\$ 196,280	\$ 43,526	\$ 152,754	\$ 269,855	
2017	10	2027	\$ 895,000	\$ 107,988	\$ 10,233	\$ 97,755	\$ 367,610	
2018	10	2028	\$ 1,175,000	\$ 150,072	\$ 35,138	\$ 114,934	\$ 482,544	
2019			Remaining Road Funds	\$ -	\$ -	\$ -	\$ 482,544	
2020			Remaining Road Funds	\$ -	\$ -	\$ -	\$ 482,544	
* 2021	10	2031	\$ 3,355,996	\$ 398,625	\$ 81,456	\$ 317,169	\$ 799,713	
* 2022	10	2032	\$ 3,398,977	\$ 413,541	\$ 82,499	\$ 331,042	\$ 1,130,755	
* 2023	10	2033	\$ 3,443,187	\$ 423,946	\$ 83,573	\$ 340,373	\$ 1,471,128	
* 2024	10	2034	\$ 2,984,355	\$ 371,840	\$ 72,436	\$ 299,404	\$ 1,770,532	
* 2025	10	2035	\$ 1,846,962	\$ 232,860	\$ 44,829	\$ 188,031	\$ 1,841,462	
* 2026	10	2036	\$ 895,688	\$ 112,926	\$ 21,740	\$ 91,186	\$ 1,779,894	
* 2027	10	2037	\$ 2,384,656	\$ 289,722	\$ 57,880	\$ 231,842	\$ 1,913,981	
* 2028	10	2038	\$ 3,108,504	\$ 396,548	\$ 75,449	\$ 321,099	\$ 2,120,146	
* 2029	10	2039	\$ 1,687,233	\$ 215,238	\$ 40,952	\$ 174,286	\$ 2,294,432	
Totals			\$ 28,030,558					

\* Estimates only - Based on City of Ramsey's 2020-2029 Capital Improvement Plan (CIP) - No Debt Yet Issued  
 \*\*Total Annual Special Assessment Levy is Based on 25% Levy

# Impact of Long term debt (2020-2029 CIP)




# Current Assessment Costs

In Ramsey, assessments to benefiting property owners have ranged from:

- \$730 to \$6,636 for residential properties (overlay to full reconstruction)
- \$6,500 to \$33,364 for commercial/industrial properties



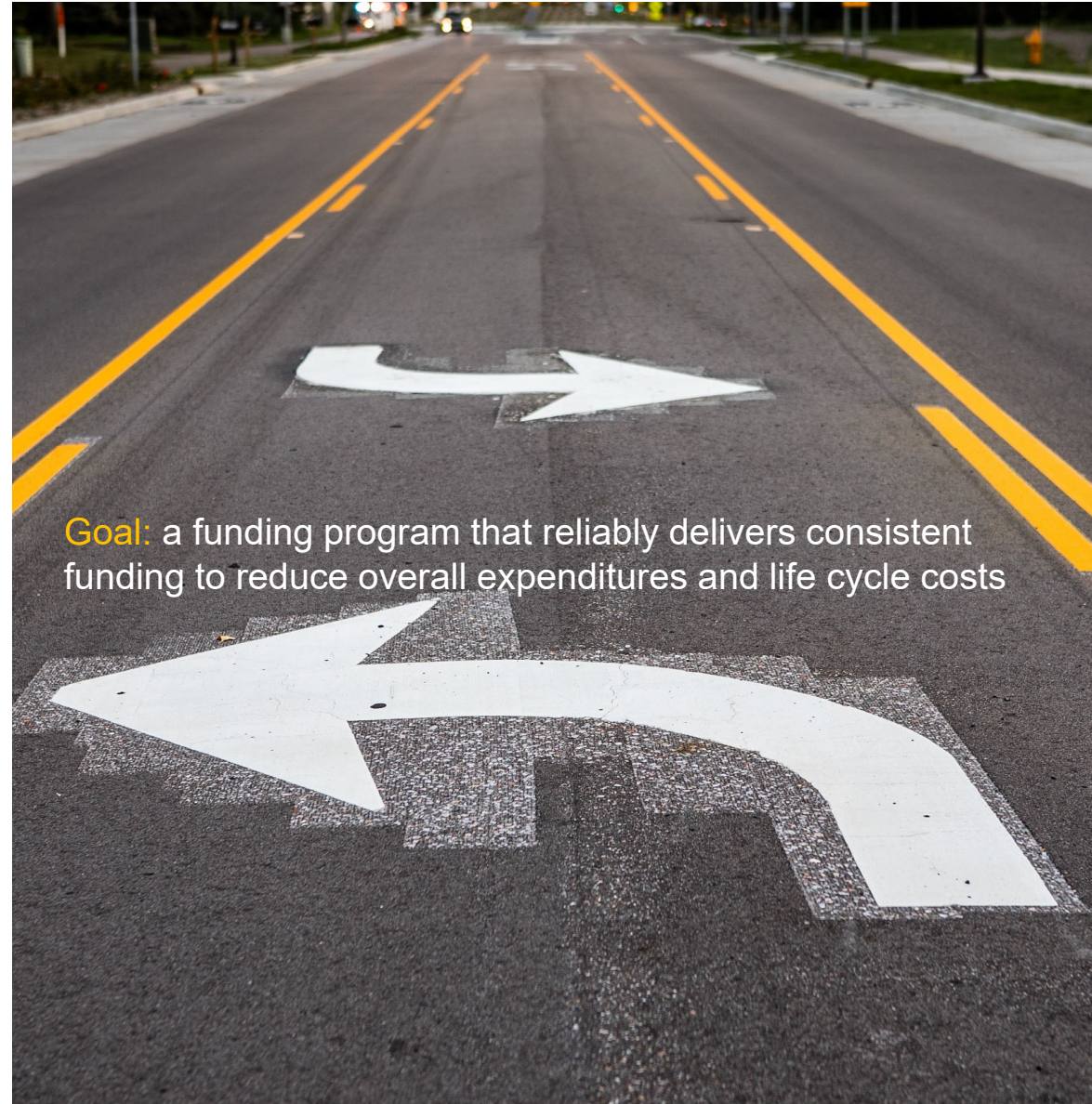


# Alternative Methods for Stable Street Funding

**Goal:** a funding program that reliably delivers consistent funding to reduce overall expenditures and life cycle costs

# Pavement Management in Ramsey

Which way to turn?



**Goal:** a funding program that reliably delivers consistent funding to reduce overall expenditures and life cycle costs

# Possible funding options

## Combination of tax levy & assessments (current program)

- Special assessments are a charge imposed on properties for a particular improvement that benefits the owners of those properties.
- By paying an assessment in addition to the levy, benefitting properties pay a larger share.

## 100% tax levy

- The City tax authority sets a percentage rate for the additional tax, which is then calculated against the assessed value of each property.

## Franchise fees

- Cities have franchise agreements with each gas and electric utility. Cities may charge utilities a franchise fee for the use of the roads, and rights-of-way, which is generally passed on to the customer.
- Fees generally range from \$8-\$16 per month for residential properties, while commercial and industrial fees are based on meter size.



# Other possible funding options

## Combination of tax levy & assessments & franchise fee

- General tax levy and special assessments revenue could be used to lower franchise fees.
- Most of the benefit of reduced administrative costs would be eliminated if the city kept assessments low (e.g., public hearings, petitions).

## Local Sales Tax

- Many cities across Minnesota have used a local option sales tax (approved by the legislature) to raise additional revenue. A .5% sales tax in Ramsey would raise approximately \$650,000 per year (based on historical sales data).



# Funding Options (Comparison)

## Assessments

### Pro

- Currently in use and legally defensible
- Greatest benefit pays the greatest cost

### Con

- More expensive in process costs and a significant burden to property owners
- Administrative and interest charges add at least 5% to project
- Only covers up to 25% of eligible costs
- Assessed projects that are petitioned against still have a large City expenditure with no project delivery
- Not tax-deductible



# Funding Options (Comparison)

## Tax levies

### Pro

- Higher value pays highest cost (i.e., progressive tax)
- Reviewed annually through the budget process

### Con

- Less competitive with other cities if taxes are high
- Can be a target for cuts annually, leading to deferred street maintenance
- Not tax deductible.



# Funding Options (Comparison)

## Franchise fees

### Pro

- More manageable to property owners on an annual basis
- Reduced administration fees and no interest charges
- Every property pays a share (e.g., no exemptions for non-profits)
- Greater efficiency for stable funding, planning, and schedule
- Can be dedicated by ordinance to a restricted purpose

### Con

- Impact to lower value properties is proportionately greater (i.e., regressive tax)
- All properties pay regardless of direct benefit (e.g., county roads and private streets)



# Small Monthly Payment vs. Assessment

Franchise Fee:	Monthly	Annual			
\$5/per utility	\$ 10.00	\$ 120.00			
\$6/per utility	\$ 12.00	\$ 144.00			
\$7/per utility	\$ 14.00	\$ 168.00			
\$8/per utility	\$ 16.00	\$ 192.00			
<b>Special Assessment:</b>					
Average Overlay	\$1,200.00	Levied over 5 years			
Average Recon	\$5,500.00	Levied over 10 years			
Principal only. Interest on declining balance					
Interest rate: 2 points over 10 year treasury at assessment date					
Ranged from 3.75% to 5.22% on last 5 road projects					
<b>If the Franchise Fee was Collected how many years would it take to match the amount of a special assessment on:</b>					
		<b>Overlay</b>		<b>Recon</b>	
\$5/per utility		10.00	years	45.83	years
\$6/per utility		8.33	years	38.19	years
\$7/per utility		7.14	years	32.74	years
\$8/per utility		6.25	years	28.65	years
Note: Calculation is based on principal only of assessment. If interest is added, number of years will be greater.					

# Funding Options (Comparison)

## Combination of tax levy & assessments & franchise fee

### Pro

- The pros of each option would be present, except all funding sources could be averaged so that no option is “too high”

### Con

- The cons of each option would be present, and an administrative cost would be incurred for each option.



# Funding Options (Comparison)

## Local Sales Tax

### Pro

- Tax impacts consumers (not residents or property owners)

### Con

- Competitive disadvantage to local business and/or business recruitment.
- Unreliable and subject to economic swings.
- Not enough to fund entire need.
- Require legislative action and local referendum.





## Timelines: the road forward

# Tax Levy

- Preliminary levy determination for 2021 in September 2020
- Final tax levy certified in December 2020



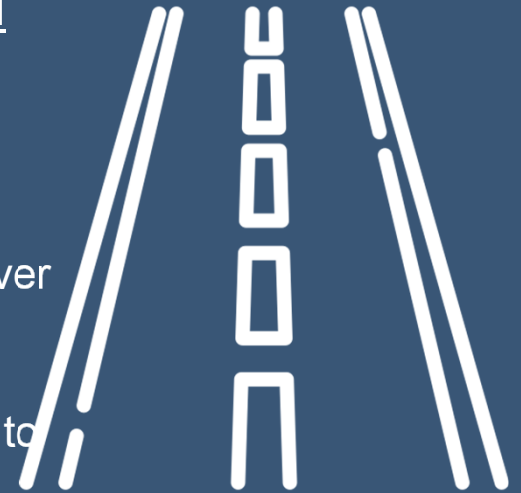
# Assessments

- Continue current Special Assessments Policy, or increase above the current 25% of project costs (e.g., 40% of project cost).
- Levy assessments against benefiting property owners with 2021-2025 PMP projects.
- Plan annual tax levy based upon increasing debt.
- Adopt new five-year (2021-2025) Street Reconstruction Overlay Plan before October 2020.



# Franchise Fee

- Six months from introduction of ordinance to implementation
- Franchise fee revenues generated collected in lieu of special assessments for street maintenance projects, and shall be dedicated only to long-term street maintenance program projects including pavement preservation and street reconstruction projects
- Rebate Program. The City will rebate the lesser annual amount paid for franchise fees (including pre-paid) versus special assessments over the remaining term of the special assessments.
- Draft ordinance has a 5-year sunset clause, requiring Council action to continue.



# Other

- Question submitted to the County Auditor at least 74 days prior to Election Day.
  - If on the August 11, 2020 Primary; notice with the question language is due by May 29, 2020.
  - If on the November 3, 2020 General; notice with the question language is due on or before August 21, 2020.





# Next Steps

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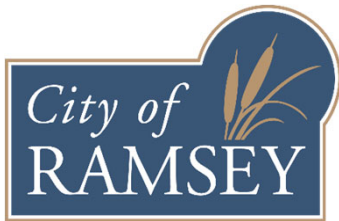
Receive feedback

2

Identify viable options

3

Schedule next steps



Thank you!

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Ramsey Pavement Management Funding

