

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

The Ramsey City Council conducted a City Council Work Session on Tuesday, July 26, 2022, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Mark Kuzma
Councilmember Ryan Heineman (attended remotely)
Councilmember Chelsea Howell
Councilmember Debra Musgrove
Councilmember Chris Riley
Councilmember Dan Specht
Councilmember Matt Woestehoff

Also Present: City Administrator Brian Hagen
Administrative Services Director Colleen Lasher
City Engineer/Interim Public Works Director Bruce Westby
Interim Parks and Assistant Public Works Director Mark Riverblood
Finance Director Diana Lund
Fire Chief Matt Kohner
Police Chief Jeff Katers
City Attorney Fritz Knaak
Economic Development Manager Sean Sullivan

1. CALL TO ORDER

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

2. TOPICS FOR DISCUSSION

2.01: Provide Direction: Highway 10 Frontage Road Between Ramsey Blvd & Armstrong Blvd

City Administrator Hagen introduced Jason Orcutt from the Anoka County Transportation Division. He stated they are looking for Council direction on the frontage road between Ramsey Boulevard and Armstrong Boulevard which would be a dead-end cul-du-sac and extending it toward EZ Auto to provide access to it.

Mr. Orcutt stated this could potentially be a large cost savings to the taxpayers, and to the project as a whole. He added it could also potentially offset some of the City and County costs. He asked for discussion and direction around design attributes. He stated since they met last time a gated access was added because the cul-du-sac would be longer than what a typical City street would allow. He stated the proposed break-a-way gates would allow access to Fire and Police. He stated

that would allow for extending the cul-du-sac to provide access for the last business on that street. He stated they are obligated by statute to look for opportunities to avoid buying properties. He stated in this case there is an opportunity. With the number of renters that would have to be relocated if the City were to acquire this property there is a substantially high cost to the tax payers. He stated it would also allow for City owned properties to potentially be put back on the tax rolls for the City and they could control what is done there. He stated the extension costs roughly \$250,000. He highlighted benefits including a cost savings of potentially several million, allowing the property owner to stay, they would utilize their property instead of the two rental lots and that would accommodate the business. He added this also allows for a potential crossing in the future.

Councilmember Specht asked if it was correct that there isn't a way to have it connect all the way to Armstrong Boulevard.

Mr. Orcutt replied that is correct at this time. He stated in the future if the property owner decided to move or sell, or if a one-way was run in front of them to connect with the ramp but it is a timing issue. They didn't want to jeopardize funds that they have to deliver the project. He stated this allows for an opportunity to either go under with the extension and do some of those other components.

Councilmember Woestehoff referenced the two rental properties and asked if they are rented to the owner of EZ Auto.

Economic Development Manager Sullivan confirmed this. He stated the City has a lease with them stating in effect that as soon as the Highway 10 project happens they can terminate the lease with no cause giving a year to vacate those properties.

Councilmember Woestehoff asked if they could move the cul-du-sac to the empty third property and sell the two properties to EZ Auto if they were interested.

Economic Development Manager Sullivan replied there haven't been any discussions about the sale of any of the RALF properties because they have been told until the official mapping is in place they can't be put on the market. He speculated the owner may be interested.

Councilmember Specht commented that is a good point because it would be one big lot there.

Councilmember Riley referenced an email received from City Administrator Hagen in the afternoon providing information about those parcels and why they may not be great for development including water and sewer concerns. He asked for a further explanation.

City Administrator Hagen replied at the Staff level they discussed the type of future development that is likely and if it is development the City desires. He stated there isn't water and sewer down the frontage road now but in the event that it is needed due to failing septic systems in the future that couldn't be replaced, they start to look at putting infrastructure in the ground for half the benefit. If there were development on both sides of the road it would make more sense. In this case there are only three or four parcels depending on how the larger RALF property develops. He stated the future on-going maintenance cost is a recurring concern for Staff along with annual

maintenance such as snow plowing that will occur with more roadway. He stated this is a larger extension that was originally planned for. He referenced Mr. Orcutt's suggestion of tunneling under Highway 10 and stated the feasibility of that idea was unknown.

Economic Development Manager Sullivan asked if project costs are being saved now what costs are the City going to be incurring in the future. He stated if the road is run, there is the initial cost savings but what is cost of what the future of that area is going to be. He asked if it is envisioned that EZ Auto is going to be there for another 25 years and that is what the City wants for the vision of Highway 10. He asked if it might be best to look at what the vision is for the front door of the COR, is it car lots or should it be green space. He stated there are other things that don't have answers for. He stated in the end the City will have two parcels that are difficult to develop. He thought there was one lot that may have development potential. He speculated whether or not the City will be pushed to liquidate some of these properties to get money back into the RALF program or if they will be able to hold these properties and wait until more development can occur. He stated his understanding is that with the proposed plan the outlined land would be acquired and proportionally the RALF loans would be paid for the square footage. He thought Finance Director Lund was excited to retire these RALF properties and to bring back on the tax rolls. He expressed concerns that there is an expectation from the RALF program that they are going to receive a good amount back on these properties. He stated the reality is the agreements stated that if it is not used for highway purposes they are to sell the properties at what is considered market values. He stated he thought the appraisals are going to come in less than the loan value the City has on them. He added without having sewer and water to these parcels from a market value standpoint he thought they are going to be valued lower. He was unclear what direction the RALF program would give.

Mr. Orcutt commented he thought they would want to be made whole, whether it was for the product or not, depending on how the loan was written. He suggested not looking at the long-range vision but to ask the question if they can avoid this property and not take it. He stated that is the obligation from a design stand-point. He stated he understood the differing opinions of the City Staff. He stated the real risk is buying out a property and ten tenants which is a lot of risk and money. He stated if it can be shown that it can be avoiding there is a legal basis there as well. He stated it should be looked at from that stand-point and encouraged them to speak with the attorney. He stated there will be four lots there and someone is likely to try to put a private drive there at which point the County would liquidate the property and selling it off at value. He stated this gives a different opportunity potentially. He thought someone would want to do something in the future but it was unclear what that would be or what would be allowed. He stated it is a design option that he is looking for direction on and will move forward with whatever is best for the City.

Mayor Kuzma asked when a decision would need to be made.

Mr. Orcutt replied the attorney would like to have something by the first part of August. He repeated a potential savings of several million dollars.

Councilmember Woestehoff commented the map shows the frontage road extension and asked where the frontage road is currently proposed to end.

Mr. Orcutt showed the proposed end on the map.

Councilmember Musgrove asked about current plans for getting sewer and water there versus any potential options.

City Engineer/Interim Public Works Director Westby replied water can be pulled from the north under the railroad tracks or from Ramsey Boulevard. He stated sewer would be best pulled from the north under the tracks. He stated they have some spots to do that. To pull it from the Ramsey Boulevard in the east would require putting in a lift station and forced main back to 134rd and Ramsey. He confirmed there are options.

Councilmember Musgrove referenced comments about future businesses in the area but thought there could be potential businesses seeing those properties as prime land. She stated having all green space has a cost also. She stated she liked that they may have potential to leave it open to providing water and sewer and potential business. She stated it may not look like it would work but thought it may and asked that be considered evenly with leaving as green space.

Councilmember Riley asked if the plan had been to acquire this land.

Mr. Orcutt replied they did look at this because it was wanting to stop the cul-du-sac, there was an extension, with the City's length that is usually allowed. He stated Council was generous with that and once they got further into negotiations they looked at that as being an acquisition. He stated that was the last aggregate intersection between 35 W and the County line. He stated that was a discussion that Federal Highways and Mn/DOT would like to see that driveway relocated. By extending the road over. At that time it wasn't seen as a feasible option but once they got into the data they saw it more clearly. He stated in this time with inflation being so high production costs have to be looked at and other items. He stated they balanced it as a fiscal decision and the wishes of a potential property owner wanting to stay.

Councilmember Riley asked if Mr. Orcutt was saying Mr. Runyon is saying he wants to stay.

Mr. Orcutt replied no, he wasn't saying that but through the years there have been many discussion between their agents. In this case providing this option he thought has to at least be explored.

Councilmember Riley asked if it was really a negotiations issue because prices haven't been set but are being negotiated.

Mr. Orcutt replied it is being negotiated, an offer has been sent out. He stated with this option that offer could be changed potentially and looking at getting the ability to stay. He stated in looking at the cul-du-sac length and the other cul-du-sac length by the Implement Dealer on the east end of the project, it was noticed that the distances, while not equal they are similar which is something that warranted discussion. He stated then the RALF properties wouldn't be acquired from the project which could be good or bad. He stated they are looking at project bottom line and seeing that there is an opportunity to save a substantial amount of money and provide access that is why he is before the Council.

Councilmember Riley replied it has been pointed out that there are a lot of other things to consider, not just the up-front costs.

Councilmember Specht commented that he thought it was a good idea and would open up potential for the future by making more land that could be sold and developed at some point. He stated if it allows the business to stay if they desire. Long term he thought future connections could be made to Armstrong Boulevard or other things that may come up. He stated he thought the negatives would be outweighed by the potential for the future.

Economic Development Manager Sullivan stated one of two things happen with RALF properties according to the agreements. If the land is acquired for highway purposes the City pays what the outstanding loan amount is. In under 4.02 of the agreements the discharge due to changes in the plans for the highway so if a highway is going to be constructed that would constitute a change for the highway construction. In the event that happens unfortunately it says that the recipient shall repay to the Council within 30 days the fair market value of the property, not the loan value. If these are deemed not to be used for the highway project or not acquired as part of the highway project, he thought the City's exposure is going to be limited to what market value is. He stated he anticipated that market value is probably less than what the City acquired these properties for. He stated a lot of the properties have buildings on them so when they were acquired there was property value and relocation value in moving the businesses. He stated there may be some comfort that in the event these properties have to be sold it is market value versus loan value which may be less exposure for the City.

Councilmember Woestehoff asked if the City doesn't extend, but they acquire the lots because the highway needs them, hypothetically, but then the City could sell them after that once the highway is done. He asked if so, isn't the value extremely low in terms of market value because there is no resources to them. He asked if he understood correctly.

Economic Development Manager Sullivan confirmed this.

Councilmember Woestehoff asked if they extend there is still no water and sewer which is another big bill to get those things to that space in order for someone to market them appropriately but the City would still be the seller. He asked if at one point there was a scenario where the County would acquire these, or has it always going to be the City's responsibility after the project.

Economic Development Manager Sullivan replied if they were to bulb the cul-du-sac at the green area on the map, the County would buy everything to the left of it. The County would also pay off the loan values and initially when costing was done for this project, that is how it was costed. He continued if the County doesn't then the City retains the land and has to sell the lots.

Councilmember Woestehoff asked if it was correct that with the first scenario where the County owns the lots the City has much less discretion on what goes on those properties if the County decides to sell them.

Economic Development Manager Sullivan replied yes but the discretion would be pretty simple because there wouldn't be access. The lots couldn't really be sold because there wouldn't be a use for them and there wouldn't be access.

Councilmember Woestehoff agreed and asked if they would be off the City's tax roll.

Economic Development Manager Sullivan confirmed this.

Councilmember Riley replied to Councilmember Specht's comments that if this was going to help a Ramsey business and help them stay there. He stated if that was the case he could feel differently but he had heard that the business doesn't choose to stay but is looking for a fair buy-out. He stated if they were doing this to save a business that wanted to be there and keep their location he thought it could change his mind but that isn't what they want.

Councilmember Specht replied that was good for him to know.

Councilmember Musgrove replied to Councilmember Riley's question and stated the EZ Auto property isn't RALF property she asked if that was what was being referred to, that business owner or was he referring to the City RALF properties.

Councilmember Riley replied he was referring to the EZ Auto property.

Councilmember Musgrove commented according to the map, that is a whole different framework because it isn't in the City RALF property acquisition.

Councilmember Riley replied that is what they are discussing.

Councilmember Specht added it is why they had to buy them out in millions.

Councilmember Woestehoff clarified the discussion is to buy the red property.

Councilmember Musgrove replied her thought was that it wasn't needed for the highway so it wasn't continuing. She stated she thought they were talking about just extending the road through the RALF projects, not necessarily a buy-out.

Mayor Kuzma asked if Council isn't able to come to a reasonable amount, can they not just take it.

Mr. Orcutt replied that is correct, they could use eminent domain on that. He stated what is being decided tonight is whether Council chooses to not extend the road they are buying all those properties, the business and the ten tenants. He stated that is what they are deciding, he just wanted to bring this forward. He stated he respects the City as a partner and want to do what is best but it also warrants discussion because what they are taking on is big. He stated he agreed that both sides want what is fair and reasonable but it is sometimes hard to get there. He stated at the same time they are showing that an extension would allow this. He agreed with Economic Development Manager Sullivan that if the loan says they have to sell it at market value, it is whatever market value is and he would hold strong to that as well because if that is the way the loan is written it is literal not for interpretation.

Councilmember Specht referred to some of the legal questions that came up such as if there is a way to save a business the City has to and asked City Attorney Knaak to comment.

City Attorney Knaak replied go right ahead.

Councilmember Specht asked if City Attorney Knaak thought the City was legally required to extend it then.

City Attorney Knaak replied he didn't think they were required to but whether or not that is a good idea in terms of policy is something that could be decided.

Councilmember Specht replied if he understood correctly that the law says if there is a way to save a business the City has to so it seemed like there was a legal obligation to extend that to save that.

City Attorney Knaak replied where that can come into play is if the City is taking it and they challenge the taking and say it isn't necessary the City could lose on the taking issue. He stated usually it is hard to lose on a taking issue when they are dealing with highway related projects in his experience.

Mr. Orcutt commented he doesn't answer legal questions usually but he stated if they don't get an agreement they like, the public purpose can be questioned because they can get a road to that location

City Attorney Knaak replied if he were on the other side that would be his tac.

Mr. Orcutt stated he is trying to present this in a way, not to divulge additional information, but he is saying that they need to look at it from protecting the City and County because they are all in this until everything is settled. He stated if they could not make a lot like this work here but the City could make it work somewhere else, they have to make sure there is a reason why and it's not just the vision. He stated he is just bringing this forward and will go with whatever Council decides. He asked for a relatively timely decision to move forward.

Councilmember Woestehoff commented he could see both sides of it and asked for a non-committal perspective from everyone else. He stated he was leaning towards not extending it but wanted to hear everyone else's thoughts. He commented it sounded like Councilmember Specht was more in favor of extending it.

Councilmember Specht replied he was thinking of both as well especially if EZ Auto doesn't want to stay, the City may need to do a buy-out either way. He stated he didn't know how a road would benefit the City then.

Councilmember Woestehoff replied saving \$4 million.

Councilmember Specht asked if it was correct that the idea was that if the road was extended the City wouldn't buy EZ Auto, they would have to stay then.

Councilmember Woestehoff replied or they could sell.

Councilmember Specht agreed they would have to sell to someone else.

Mayor Kuzma asked where the \$4 million dollars is coming from, the City or the Federal funds.

Mr. Orcutt replied that would be an overall project cost. The County and City are both in for \$4 million dollars which has been agreed upon. He stated their goal is to utilize all the other funds the County has been able to bring in to help offset that so at the end there is a savings. He stated he understood there will be future maintenance which will be taken into consideration. He thought there would be some latitude for negotiation but ultimately the lower the project comes in the less it is and they try to spend those allocations first and then they do the last as they go along. He stated he isn't trying to go against any City Staff or elected official, he is just trying to bring this forward and get it done.

Councilmember Musgrove commented she could see the benefit of extending the road whether EZ Auto stays or not but at the same time, she could see that may put the City at a loss with those three properties. She asked if there wouldn't have to be a road along there for anything they wanted to put there such as green space or something that comes up as a unique property in there. She asked if a road wouldn't be needed anyway for fire or safety purposes.

Councilmember Woestehoff replied if there are no buildings there, then no.

Councilmember Riley commented it would be development cost if someone wanted to put something there. If a neighborhood was put in, there would be streets.

Councilmember Musgrove commented it was hard with the unknowns with the cost to the City because now it is unknown. She asked if that is what is being said if they have to make a decision based on whether all the unknowns are known or not.

Councilmember Heineman asked if the City has any properties with preexisting buildings that the City could move EZ Auto into. He suggested a mutual agreement where the City buys that location for very little money and sells a mutual location for very little money. Improvements could be made to that property to bring it to standard and then move them in and then get rid of some of these questions.

Economic Development Manager Sullivan replied as far as RALF related properties they don't, the only ones with buildings are really Independent auto which is being leased by Power Lodge and then NAU. As far as other buildings for sale along Highway 10 to relocate this to. He stated it is his understanding that as a part of the project and Anoka County being the lead agency, if it is a relocation situation that is exactly what Anoka would do is to find a replacement property or a payoff. He stated right now the City is not in that capacity, that is what Anoka County is doing and right now the City has been asked to stay out of that process.

Councilmember Heineman asked if Power Lodge was happy to stay in their location and they are not looking to move with the construction.

Economic Development Manager Sullivan replied at this point Power Lodge is content to stay where they are. He stated he knew Power Lodge has larger aspirations on wanting to upgrade their facility and potentially relocate to another location within Ramsey. He stated the problem with that location is, in looking at the footprint of what EZ Auto is now, there isn't that large of a footprint to have all of those autos in that area.

Councilmember Heineman asked if EZ Auto going to have a choice to continue there with the amount of cars seen on the map if the frontage road was extended and take up the two RALF lots. He asked if there has been discussion about that.

Councilmember Specht referenced Councilmember Riley's comments about hearing EZ Auto doesn't want to stay.

Councilmember Riley replied correct.

Councilmember Specht commented hearing that the desire is to sell or relocate it would mean the City would have an empty building.

Economic Development Manager Sullivan replied to Councilmember Heineman's question explaining the because of the process they are in now, they are not allowed to engage in those discussions and have been asked by the County not to do so because the County is currently engaged in negotiations.

Mr. Orcutt stated it is a part of the Uniform Relocation Act. He explained if two people owned a business and were willing to make a trade that is how it works outside of a federal project. But in a project like this the County has to pay the business owner so they do a market value and do all that process, then they have to pay them. Then if the City wanted to work with the EDA. But it isn't allowed to move a business for the City benefit. He stated one thing to consider is those are rental lots and if the City decides not to rent them anymore, that is their business. He stated he thought there is still an opportunity to use them but will move forward with the direction given.

Mayor Kuzma commented his thoughts were to stay with the original, he would like to keep that open for future visions even though it is unknown. He stated if the road is extended it locks the City in to what is going on versus having a clean slate. He asked for consensus from Council.

Councilmember Specht commented he could see the benefit of the second emergency accesses because it is one of the longest frontage roads. He didn't think in the future it would be easy to add, but it is a special project right now.

Mr. Orcutt commented the decision is if Council will extend it based on the City's requirements. He thought that is the way to approach this. It is not about the future but more of question of will the City allow a cul-du-sac this long. He stated that is the best way to make a decision on this. He stated that allows them to look at if it is the best interest of the City to have a cul-du-sac this long is the question they should be looking at.

Councilmember Riley asked if it is twice as long as what is normally allowed. He stated they had said no once from a public safety stand-point.

Mr. Orcutt replied at that point Mn/DOT would not allow that access, that was one of the concerns, and then when the County told them that some of these issues that are being raised such as public purpose and needs, Mn/DOT looked at that as something that exists at other locations so they were willing to oblige that for safety.

Councilmember Riley asked again if this cul-du-sac is twice as long or three times as long as the City allows.

City Engineer/Interim Public Works Director Westby replied it is all of that. He didn't know the exact measurements but he thought it was around 1,400 to 1,600 feet.

Councilmember Riley asked if it is correct that 600 feet is usually allowed.

Mr. Orcutt replied one of the big things is when the other one was noticed that is almost the same length. He stated the County didn't want to make this decision without the City's blessing because they understand it is their City and want to be good partners.

Councilmember Woestehoff asked if the other end of it went to Ramsey Boulevard or if it goes somewhere closer.

City Administrator Hagen replied if it goes to Ramsey Boulevard is about 4,000 feet.

Councilmember Musgrove asked if it was 4,000 feet on the short one or the extension.

Councilmember Woestehoff replied the long one, the extension.

Councilmember Musgrove stated she thought there has been discussion that any long cul-du-sacs in the City have been unique to the character and location of that land. She gave the example of Bowers Drive which is unique to that area and they wouldn't want to have another one. She stated in knowing that and having that understanding, she was okay with having it just to the City and then if the City needs to, with development or whatever comes after that, extending it out farther. She stated it might not even be a cul-du-sac then. She noted Mr. Orcutt has tried to explain about the different properties with pros and cons and she thought having the short is more in line with the rest of the City's policies as far as the length.

Councilmember Woestehoff commented he agreed. He stated he just pulled up the GIS and if they could get it on the other side of the other property, the one that is currently owned by Majestic Holdings in the other city property and shorten it up by another property he would be ok with that. He thought 4,000 feet was really long.

Mr. Orcutt replied it is 4,000 feet if it is extended this far. He stated if that is done they cut the access off to a business and would be looking at buying that next business.

Councilmember Woestehoff replied not if they did a cul-du-sac with a bib on it.

Mr. Orcutt replied they would have to get in front of that business and give them a reasonable access. He stated he thought there should be consideration on how to handle it if someone tries to put a private drive back there. He thought they should keep that in mind if the City sells that property someday if they will allow a driveway back there or not. He stated the County will try to recoup as much as possible for the project in the end. He stated he thought that made sense for the tax payer. He stated eventually they will have to give to Mn/DOT what they want, dedicate back to the City what they need for the frontage road and then those locations the City will dispose of. He stated maybe they have no value.

Mayor Kuzma asked for Council comment.

Councilmember Riley commented he wouldn't want to extend it based on a safety standpoint.

Councilmember Specht commented he would lean toward allowing it to extend.

Councilmember Howell commented she preferred the shorter one.

Councilmember Heineman commented he preferred the shorter one also.

The consensus of the Council was to keep it with the original plan.

Mr. Orcutt replied that is what they will do.

2.02: Continued Discussion on 2023 Budget/Levies

Finance Director Diana Lund continued discussion on the 2023 budget with a focus on road funding. She distributed three handouts to Council and reviewed the information related to tax capacity value estimates and housing prices.

Councilmember Specht asked if the increase was mainly due to house value or does the City have that many more houses. He asked, hypothetically, if two years from now house prices crash and there is a high budget now and house values go down significantly. Or is it that there are more buildings and houses.

Finance Director Lund replied it is everything. It is new construction based off of a year or two ago, because it takes a couple years to come online, and then because what houses are selling for. She stated it is all encompassing.

Finance Director Lund reviewed the handout related to roads. She stated at the last couple of Public Works meetings that there is a so-called bubble of about \$13 million worth of road costs that they are looking at improving over the next ten years so everything doesn't come online all at once again. She asked City Engineer/Interim Public Works Director Westby if that was correct.

City Engineer/Interim Public Works Director Westby replied it is actually so the roads don't completely fall apart.

Finance Director Lund replied it is spread out instead of bonding for everything in one year. She explained the handout related to the roads outlining different scenarios. She asked for Council discussion on where they are comfortable with for road funding and direction on putting it as additional levy for this year to get the roads going.

Councilmember Riley commented there were a lot of numbers and Finance Director Lund did everything right but he offered to put his spin on it. He referenced the handout and the number at the top and stated they already have a ten-year CIP so there is already ten years of improvements planned. He stated the very top line, Staff have figured out, that in addition to the ten years of roads that need to be reconstructed, they are behind as is known. He stated there are additional things, streets, that weren't in the CIP but essentially need to be rebuilt now. He stated the top two numbers are indicating that is what is known now needs to be rebuilt or reconstructed in the next ten years. He stated they have already talked about the funding, which is the next line down. Last year the City levied \$1.6 million and Finance Director Lund has grown it for 5% every year but that still leaves the City way behind to cover what needs to be done and they had talked to Public Works about wanting to front-load some of this and get ahead of it. That is what the middle section of the handout was doing. He explained either they put it all on the levy and take out bonds and then the different periods of paying that back. He stated in discussions with Public Works the question was brought forward what does it look like if the City takes out bonds or put it on the levy to meet needs and get more done up front.

Councilmember Specht commented that hearing second-hand from the Public Works meeting, he asked if there was discussion about borrowing ahead on State Aid and if that is a different plan.

Finance Director Lund replied these are non MSA roads.

Councilmember Musgrove thanked Finance Director Lund for getting Council the numbers and bringing it to Council's attention. She stated there is clearly a need and the public has been demanding that the City take care of the roads. She stated she supported either option one or two. She stated she wasn't sure if option three or four is better. She thought option one or two takes care of the need as close as necessary for that. She asked if these numbers are run with the 2.6 ARPA funds.

Finance Director Lund replied yes, that is subtracted out at the top. She added a suggestion to chose option one over option two because they would be paying more for option two for getting the same thing.

Councilmember Woestehoff asked for clarification on options two, three and four if that includes any extra increase on the levy or is it just the proposed 5%.

Finance Director Lund referenced the handout and stated at the bottom of the page is the total levy debt. She explained for 2023 payable levy of \$1,756,000 and adding the 1.238, that would be what would fund the needs for the CIP and the additional roads.

Councilmember Musgrove asked if that includes the ARPA funds.

Finance Director Lund replied yes, this whole page is calculated off the \$11,142,000.

Councilmember Musgrove stated she saw that and wanted to make sure because she was hoping they could start in 2024 using the ARPA funds now. She stated she could see how the numbers look nicer to have it as a gradual increment up and have it included this way.

Finance Director Lund replied this is averaging it out so even if the ARPA funds were used it is still going into the pavement management fund.

Councilmember Specht commented he didn't want to see the budget go crazy but thought public safety and roads are really what need to be strong in the City. He stated he would be in favor of option one. He stated they could see if there are other places that could be cut but thought that was very viable and they know they need to get going on roads. He stated he appreciated Finance Director Lund's work on this.

Councilmember Riley commented the way it is presented he agreed that number one was the best but asked if it was correct that it doesn't give the ability to front-load doing the projects.

Finance Director Lund replied the ARPA funds will be available to begin with so she is looking at the over all average. She referenced the hand out and the numbers listed. She stated there would be \$3 million but there will also be ARPA funds on top of it.

Councilmember Riley agreed, adding this is averaging it over ten-years whereas it was talked about getting more of this done up front in the next three or four years to get ahead of it instead of taking ten years.

Finance Director Lund replied they did talk about this also.

City Engineer/Interim Public Works Director Westby commented they did talk about that so this is averaging out so if they bonded for the money up front, if Council wanted to front-end it and get more projects out the door. They could look at how much Staff could do and how much could be contracted out, so that is an option.

Councilmember Riley stated that was another discussion that was had is that the City's staff only has certain capabilities and they discussed being okay with having to hire out some of the engineering to get more roads done than the staff could handle. He stated he is leaning toward that as a good idea or at least something to discuss.

Councilmember Woestehoff commented he concurred. He stated the outline is a good representation of what it potentially costs the City. He stated to Councilmember Riley's point, if they do a 20-year levy and front load all those projects from ten years to five years because it's on the bond. He stated it costs more in that time period but they get through more and they still have 20 years to pay it back and the average costs per year in option four is \$1.9 million, option three

is \$2.4 million in their given time frames per year if they are averaged out. He stated overall he thought if they are going to do it, he would rather bond either option three or option four and try to get done as much as possible in five years and spread the costs over the next 15 or 20 years. He stated the fact that they have a CIP that's \$22 million in roads and an additional \$13 million in projects that are not in the CIP but still need to get done immediately is his concern. He stated even though it costs more in interest, hopefully by the year 2030 a lot of those other projects or needs will not be as high and they wouldn't be sending out teams to fill potholes for weeks at a time which is costly. He stated he hates paying interest on things but he is in favor of this because the roads need extra attention right now.

Mayor Kuzma asked when City Hall will be paid for and Fire Station Two, when does that come off to be able to off-set some of this stuff.

Finance Director Lund replied they have a Public Works campus also. She stated the debt of City Hall was set up that it comes off in 2031 and the Public Works comes on full bore.

Councilmember Musgrove addressed Councilmember Woestehoff's comments. She asked if they do a lot in five years because they bond out, then in 40 to 60 years there is another bubble at five years because they have that same number of roads that would potentially need to be redone. She stated they may be built better and may have less deterioration and better practices with regard to what is out there in technology, such as seal coating. She stated with those improvements it may make the bubble in the future less but she thought the \$907,000 per year would actually have to be more in order to meet the needs to stay ahead of it because they are behind. She thought they would have to save more to keep up with it and not be behind.

Councilmember Heineman asked for option four, taking for example there is \$11 million dollars for repairs, he asked if in 2037 they are still repairing the bubble of road work that needs to be done.

Finance Director Lund replied, yes, this sheet is based off of if it was done over a ten-year average time frame. They are only seeing \$907,686 on option four because it is a 20-year bond and when they get to year 2038, the additional five years, they are only seeing the debt service on this, they are not seeing the additional road levy that is a part of the 5% because that would continue on after year 2032 for other CIP road projects.

Councilmember Heineman asked if either way all the work is being done by 2031, it's just whether they are paying for it. He stated he was concerned that the dollar wouldn't go as far in 2037 as it would now but it makes sense.

Finance Director Lund stated they would be bonding for the full \$11,150,000, and if she understood correctly, Councilmember Riley is saying to take that \$11,150,000 and do projects over three years and use up the bond proceeds and this is just the payment schedule to pay back that.

Councilmember Heineman stated he would be in favor of front loading as much of the work as possible as long as they take into consideration what Councilmember Musgrove stated about not having all the work come back on line 30 years from now.

Councilmember Specht asked for feedback on that because it was a good point.

City Engineer/Interim Public Works Director Westby replied they had that discussion at Public Works. He stated there are some options they are looking at. He stated they gave it a name “reclamation rehabilitation.” They are looking at doing a recon light on some of the roads that they can where they are reclaiming the road as they do now, recycling the pavement and putting it back down as base but instead of putting three and half inches of pentamerous on top, doing one layer to keep the cost down. He stated they would be trying to minimize costs off the roadway, less boulevard restoration and things like that. He stated they would be focusing on rehabbing the pavement. He stated they could get the same work done for 50-85% of the cost, however the life of the pavement is going to be less than the 60 years, more like somewhere between 25 and 40 years. He stated if they did that on some of the roads it would space the bubble out.

Councilmember Specht asked if the quality would be high enough that aren’t going to be potholes every year. He asked if for 20 years it would be like a new road and would it be worth it.

City Engineer/Interim Public Works Director Westby replied that would generally be what they had out to start with on the streets and they generally got 30 to 40 years on those streets so it would basically be replacing like with like right now.

Councilmember Musgrove asked if those roads would have to qualify for certain conditions in order to do that, they wouldn’t just pick ten miles of roads and do them that way and not have issues with deterioration.

Mayor Kuzma commented he wasn’t happy with this plan at all and didn’t support it. He stated he was for getting the roads fixed but thought this is going to be a continual increase on the levy and didn’t know how to stop it. He stated the property values have gone up 26%. He stated he thought the franchise fee worked well to raise \$2.1 for the time they were on, they had very few complaints. He suggested putting on the ballot to vote for it and agree putting a set amount such as \$200 that everyone would put towards roads. He stated that way they could put the levy back down to a manageable level and the people would have voted and want to have it done. He stated if they keep going the way they are going there is going to be looking at a 15-20% tax increases from here on out which he thought was unacceptable. He stated he didn’t support this.

Councilmember Woestehoff commented he had almost the same thoughts at Public Works but he changed his mind; he was thinking a temporary solution. He stated the down side is that there is an advantage right now because they are on property values and everyone’s property values are going up which means the City takes in more money. He stated although he wasn’t happy with it in terms of a transition and they are taking in less last year, there is potentially a higher dollar value that the City is going to get in this year and because of inflation it will continue to go up. He stated the problem is it isn’t that the City is gaining any extra money at that point, the problem is that the roads are also going to continue to also cost an equivalent. Because it is such a crazy environment

for buying and selling. He stated in general conditions, he would agree that a value initiative for a franchise fee specific for maintenance is appropriate. He stated he didn't think the public wanted to talk about it anymore and that the City was in a more flexible position because they are on the property tax levy now, even though they brought in less money than they should have.

Councilmember Heineman commented he would probably disagree with the franchise fee, but agreed with Councilmember Woestehoff that everyone is tired of talking about it. He stated they would need to raise the franchise fee or raise the levy because \$11 million came out of nowhere regardless of how they are funding the general levy. He stated he thought that is a moot point. He asked if it comes to a question of a Council vote or putting it on the ballot. He stated his fear about putting it on the ballot is that it is a nuanced issue and at some point the Council has to take responsibility for the decision they made. He stated they are going to be held responsible for the decisions that previous Councils have made. He stated usually he would suggest putting something like this on the levy but at this point it is so convoluted that they are dealing with decades of bad decisions and at some point they have to fix the roads. He stated it wasn't favorable to have to raise taxes but asked what else can be done because the roads have to get fixed by any other means and the City has to pay for them somehow. He stated he would be in favor of doing this because there are no other options other than to let the roads deteriorate and become worse for later generations.

Councilmember Specht stated he supported front-loading and that makes a lot of sense and took back what he said earlier. He stated he would like to see, if they could, a 15 versus a 20. He stated another reason for front loading is because of the Highway 10 construction and people are going to be tired of it so as much as they can get done at the same time as the 2024/2025 project is being done, even if there is a little more overlap he thought they should do that and try to get it done as soon as possible. He stated if they are stretching it out and doing a little bit at a time people are getting tired of it and won't want to see as much.

Councilmember Howell commented she would support number one or number three. She stated she thought they needed to get this done. She suggested taking a look at not raising taxes elsewhere and see what can be cut.

Finance Director Lund stated there are \$750,000 also related to spray patching, so that is something additional against the levy. She stated it is something that doesn't fit within this bonding but is something that will also effect the levy.

Councilmember Riley commented this is more immediate, it's more maintenance. He stated for years \$500,000 had been budgeted for maintenance and that included the seal coating that was stopped a few years ago. He stated the proposal is to go back to \$500,000 of maintenance and most of that increase goes towards spray patching. He stated they have the striping issue where the edges of the roads are coming apart, the spray patching helps that. It's not the forever fix but it makes it better for usability and helps the road last longer because it keeps the water from sitting there. He stated it is an immediate fix and helps the road last longer. He stated he thought it was a \$300,000 increase which there is \$750,000 of spray patching that they are going to try to get done over the next few years and that was how Public Works came up with it.

Councilmember Specht asked since there is a budget for roads, could they bond more for those roads and take some of those funds and put it towards spray patching.

Finance Director Lund replied bonding normally can't go toward maintenance. She asked if they noticed she didn't mention special assessments. She stated these bonds, since they are street reconstruction, it has a special ruling that says there doesn't have to be special assessments on them so they can't be used towards maintenance.

Councilmember Specht asked if they could use money they are already allocating towards maintenance.

Finance Director Lund replied they could use the ARPA funds or something of the \$300,000 towards it and then increase the bonding amount.

Councilmember Specht asked if it wouldn't hit the levy directly.

Councilmember Riley replied that is a good idea but.

Councilmember Specht finished no one wants to have more increase.

Councilmember Riley replied right. He stated they were looking at if it needed to be spread over a few years and maintenance they were identifying as falling behind so increasing maintenance made sense but he didn't know how to fund it.

Finance Director Lund replied it wasn't included so she wanted to put it out there that that is an additional amount.

Councilmember Riley commented he didn't think they talked about spending any more money at Public Works so he thought they were done with that now.

Finance Director Lund asked for Council direction if they want to do \$300,000 against the ARPA and bond for the additional amount or if they want to increase the levy by \$300,000 and see where it is and keep the bond based off of what the net is right now. She stated she could run numbers on the effect to the tax payer.

Councilmember Woestehoff asked if the total amount was \$750,000 for spray patching. He stated he could see the point about raising that bucket of maintenance to \$500,000 and he is inclined to say take the \$750,000 straight from ARPA, even though he stated he hates continuing to take from ARPA for other things but treat that as a capital expense project to get all of that \$750,000 removed from ARPA funds and that takes it off of the responsibility of the levy for this discussion it only reduces the amount of roads that can be reconstructed. He stated it increases the bond but they can because at Public Works the direction has been to get ready for next year to include an extra \$2.5 million because of the ARPA funds. If they are talking about doing a little loan swapping it becomes \$1.9 million next year.

Councilmember Specht asked how long it takes to get the money from the bonds if they were to do that.

Finance Director Lund replied it is a month to two-month process.

Councilmember Specht asked if for next year they could potentially have it.

Finance Director Lund replied they would issue it this fall so they would have the money for 2023. Because they are putting it on this levy so they have to issue the debt so the debt service is known.

Councilmember Specht asked if it was correct that it would have to be over \$10 million.

Finance Director Lund replied yes.

Councilmember Woestehoff asked if would make more sense then to stick with the levy and the ARPA funds for 2023 and know that in 2024 is when they start the bonding. So instead of taking the bond and having it available in 2023, having everything ready to go in 2024. Because 2023 was covered by what is budgeted.

Councilmember Musgrove commented she thought they could benefit from doing it this year.

City Administrator Hagen asked if Council was going to stick to this plan.

Councilmember Woestehoff replied that is a good question.

Councilmember Riley asked what does the new Council do next year.

Councilmember Woestehoff replied he thought it was fair.

Councilmember Musgrove commented she likes to keep the maintenance separate and increase it because that is going to be an on-going need and it is a smaller amount to increase. She thought there was a benefit to doing the bonds this year. She stated she supported option one or three.

Finance Director Lund asked if \$750,000 against the ARPA funds, increase the bonding amount by \$750,000 or keep the bonding amount the same and push everything further, she wasn't sure.

Councilmember Specht replied increase the bond, he didn't want to reduce the amount of roads that are going to be done next year.

Finance Director Lund asked if Council was okay with options one and three or if they wanted to see four different scenarios on the tax payer.

There was Council consensus for this.

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,

Brian S. Hagen
City Administrator

ATTEST:

Katie M. Schmidt
City Clerk

Drafted by Joni Helmeke
TimeSaver Off Site Secretarial, Inc.