



**MINUTES
CITY COUNCIL WORK SESSION
July 7, 2020**

CALL TO ORDER

The meeting was called to order at 5:30 pm.

Present: Mayor: Charlie Miner (telephonic); Council: Tom Skjaret (telephonic), Jahn Dyvik (telephonic), and Deirdre Kvale (telephonic)

Staff Present: City Administrator: Scott Weske (in person); Public Works Director: Sean Diercks (telephonic)

Absent: Council: Michelle Jerde (with prior notice given)

Others Present: Shelly Hanson and Alex Miller, WSB (telephonic)

PLEDGE OF ALLEGIANCE

APPROVE AGENDA

A motion was made by Skjaret, seconded by Dyvik, to approve the agenda as presented. Ayes: all by roll call.

OPEN CORRESPONDENCE

No comments were submitted and no one was in attendance to address the City Council during Open Correspondence.

BUSINESS ITEMS

Discuss Pavement Management Plan – Revised July 2020

Discuss Franchise Fee Process and Proposal for Funding Pavement Management Plan Improvements

City Administrator Weske gave an overview of the work done on the Pavement Management Plan and introduced the franchise fee concept as a mechanism to help fund improvements identified in the Pavement Management Plan.

City Engineer Alex Miller introduced Shelly Hanson from WSB. City Engineer Miller reviewed the updated Pavement Management Plan (PMP) including goals for the PMP and the pavement rating system. She encouraged the Council to dedicate much of tonight's discussion to franchise fees as a way to fund the plan and not get distracted by other options.

Mayor Miner stated that to him there are a few streets that are missing from the PMP, for example, Lakeview Avenue and Upper Lee Lane.

City Engineer Miller stated that in discussions with Weske along with Abdo, Eick and Meyers, in looking at the 2019 audit, they were targeting more of a \$1,000,000 project cost because they think it is a more attainable number and were not comfortable coming up with a larger project than that right now. She indicated that the streets mentioned by Mayor Miner may still be priorities and they could

perhaps be subbed in, but they really just focused their efforts on how the City can get Grand Avenue done because the City knows it is an issue.

Council member Dyvik stated that based on discussions at previous meetings, he thought the City was going to reconstruct all of Grand Avenue at one time, so the updated PMP would push it out further than he expected. He asked what the Watertown Road project cost.

City Engineer Miller stated that she believes that was around \$800,000.

City Administrator Weske noted that he recalled the overall cost for the Watertown Road reconstruction project was about \$1.2 million.

Council member Dyvik indicated that the Council has seen the bad televising/I&I results that Public Works Director Diercks recently presented and asked if the City would be addressing any of those areas or whether Grand Avenue was the only place that would be getting a complete reconstruction. He stated that he doesn't think residents will be enthused about going out to 2030 for Grand Avenue.

Mayor Miner stated that he would agree and thinks people were expecting Grand Avenue to be addressed a few years ago and not 2030. He added that he understands it is a financial issue and is curious to see how the City has funded this work, in the past, with assessments.

Shelly Hanson, WSB, reviewed the spreadsheet information that outlined how the City would pay for the projects in the PMP, including the implementation and use of franchise fees.

Council member Dyvik asked where revenue from assessments showed up in the spreadsheet.

Ms. Hanson explained that the revenue column for assessments has been left blank because assessments are different for every project and they anticipated that some of the assessments would not be large enough to meet the 429 statute rule to assess. She stated that when the assessment costs are known, then that will be taken from the surfacing costs in the General Fund Levy. She explained that the project has to be 20% assessable under the 429 statute rule. She stated that in order to see which projects would be assessable or not, it would require some deeper digging and additional staff time. She reviewed an example project scenario and explained that each fund would pay for a portion of the bond.

City Administrator Weske noted that the Sewer Fund is not functioning as it is and it actually losing money and cannot afford to take any debt out. He stated that the City needs to come up with a way of funding the Sewer Fund. He stated that the Stormwater Fund will not be able to fund a 2022 project, but should be fine in subsequent years.

Council member Kvale asked about the General Fund tax levy to offset the costs of the bond.

City Administrator Weske stated that is what the City tries to do every year by coming up with a tax rate than can support the City's general operation and current debt, but if the City brings on more debt, that means the City has to raise the taxes to cover the debt.

Council member Dyvik noted that once the big development projects that are in the works in the City come on board, then the City will be increasing its tax revenue.

City Administrator Weske noted that once those projects move forward, it will take about a year to get on the tax rolls, but if they utilize TIF, the City won't see it for 20 years. He stated that this was why they were looking at only doing about one-third of Grand Avenue at first because the City will go broke if it doesn't try to do it in pieces unless Council is supportive of a significant tax increase.

Council member Kvale asked for a hard copy of the spreadsheet so she can examine the numbers more closely. She stated that she agrees that it is wise for the City to move forward with a smaller project in 2022, and noted that it will have less of a financial impact following COVID-19.

The Council discussed various road projects and how to pay for them.

Ms. Hanson stated that typically in a PMP, a City would say they are going to, for example, do a \$1 million road project each year. She stated that the Council would explain that they will do the most needed project in the City and the project schedule will be reviewed on an annual basis. She indicated that the City generally wouldn't include the names of the projects in communications so the City can analyze and adjust its project schedule each year as necessary, without raising citizen expectations of which roadways will be done. She suggested that the Council move on to discuss the franchise fees. She gave a description of what franchise fee amounts were for utilities for use of publicly owned right-of-way in other cities within Hennepin County. She reviewed some of the frequently asked questions regarding franchise fees. She noted that they are proposing that the City collect approximately \$250,000 to \$275,000 per year to adequately start the street improvement fund. She reviewed an example of draft fee calculations for Xcel Energy and CenterPoint Energy. She noted that they are also anticipating no franchise fee rate increases for at least three years. She provided a comparison between choosing a tax levy or a franchise fee. She discussed the ways that there will be good financial accountability and transparency for residents to know how franchise fees are being used. She reviewed a proposed schedule for the implementation of a franchise fee program in order to fund the PMP. She noted that the proposed cost from WSB for engineering services related to implementing a franchise fee process would be \$10,928.

The Council discussed some of the draft franchise fee calculation details and how they compare to other cities.

OTHER BUSINESS

None.

ADJOURN

Mayor Miner adjourned the meeting by general consent at 6:29 pm.

Respectfully submitted,

Scott Weske
City Administrator