

UNAPPROVED

**CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
SPECIAL CITY COUNCIL MEETING
Thursday, January 24, 2019**

6:00 P.M.
Council Chambers
10801 Town Square Drive

CALL TO ORDER BY MAYOR RYAN

The meeting was called to order at 6:00 p.m. by Mayor Ryan followed by the Pledge of Allegiance and the Roll Call.

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT: Mayor Tom Ryan, Councilmembers Andy Garvais (arrived at 6:20 p.m.), Wes Hovland, Julie Jeppson, Richard Paul, Jess Robertson, and Dick Swanson.

ABSENT: None.

Quorum Present.

ALSO PRESENT: City Manager Clark Arneson; Finance Director Joe Huss; City Attorney Patrick Sweeney; City Engineer Dan Schluender; Communications Technician Roark Haver; and City Clerk Catherine Sorensen.

ADOPTION OF AGENDA

The agenda was adopted as presented.

OTHER BUSINESS

5.1 Resolution No. 19-09, Amending Public Improvement Special Assessment Policy.

City Manager Arneson explained the Mayor had called a Special Meeting to revisit the Public Improvement Special Assessment Policy and that should Council wish to reconsider action taken on the Policy at the January 17th meeting that a motion to rescind would be in order.

Moved by Councilmember Jeppson, seconded by Mayor Ryan, to rescind any Council action regarding Resolution No. 19-05 taken on the Public Improvement Special Assessment Policy on January 17, 2019.

Motion adopted unanimously.

City Engineer Schluender stated City Council held a long discussion regarding the various components of the Special Assessment Policy at its January 17, 2019 Workshop. There was general consensus on a number of parts yet the Council remained divided on the cost share percentage for residential properties. Funding for

street improvement projects are received from either the Special Assessments levied to the benefitting properties or through a tax levy. The amount of cost share through assessments inversely affects the amount of levy necessary to fund the projects, i.e. a higher assessed cost share results in a lower levy required and vice versa.

Mr. Schluender explained the Councilmembers present at the meeting voted to adopt the new Policy with a 35% cost share to the benefitting properties. The motion to adopt Resolution No. 19-05 failed as Charter requires an affirmative four votes of all members for approval and that the Mayor had called a Special Meeting to revisit the Policy with a proposed cost share to benefitting residential properties at 40%.

Moved by Mayor Ryan, seconded by Councilmember Swanson, that Resolution No. 19-09, "Amending Public Improvement Special Assessment Policy to 40% for reconstruction projects with a 15-year payback period," be approved.

Councilmember Robertson asked what assessment percentage was included in the 2019 budget. Mr. Schluender reported the Pavement Management Program (PMP) had \$4 million worth of projects included in it for the next four years and stated the PMP had \$500,000 set aside each year to assist with expenses.

Councilmember Hovland reported in 2018 an additional \$250,000 was put aside for the PMP. He stated the Council could have increased this even more had the Council known how the City would be ramping up its street improvements over the next four years. Finance Director Huss commented on the debt service that would be required to complete the proposed street improvement projects.

Councilmember Swanson discussed the history of the PMP and how the City worked through the recession in 2008.

Councilmember Jeppson commented the outgoing Councilmembers did not want to make such an important decision one month before leaving the City Council but wanted the new Councilmembers to be a part of this decision. She stated she gladly moved to rescind her vote from the January 17th meeting because she supported no change to the City's public improvement special assessment policy. She said she believed this was an incredibly important issue that needed further discussion and was being rushed at this time. Councilmember Jeppson said she wanted the Council to better understand the financial implications for residents and the City if a change were to occur and recommended a broad financial conversation be held in order for the Council to better understand how to move forward. She said she did not recommend the assessment policy be changed right now when there were so many other policies that had to be put in place.

Mayor Ryan asked if Councilmember Jeppson supported the City reconstructing streets. Councilmember Jeppson replied she supported streets being redone but believed a comprehensive strategy had to be put in place versus a tunnel vision strategy.

Mayor Ryan explained the Council has been discussing this topic for the past 10 years without taking any action.

Councilmember Jeppson indicated this was a different City Council, with different thoughts and perspectives based on the comments from residents. She said she was of the opinion this Council would make the best decision for the City moving forward and supported a comprehensive financial plan being discussed versus tacking on additional assessments to residents.

Councilmember Swanson explained a sales tax could be considered for the City of Blaine given the number of visitors at the National Sports Center which could then be used for street improvements.

Councilmember Robertson commented she received a call from a resident today stating they would rather see a levy increase than increased assessments. She questioned how a levy increase high enough to cover street improvements would impact property owners. Mr. Huss stated if the levy were increased \$10 million annually, the median value homeowner would see a \$200 to \$300 increase in their property taxes. He explained another option would be to take out additional debt while also increasing the levy in order to minimize the impact.

Mayor Ryan stated moving forward in this manner would be unfair to the residents that were assessed for their streets in 2018. He explained he did not support the City Council pursuing a general levy increase in order to complete street projects.

Councilmember Garvais indicated he was not in favor of additional borrowing or levying for street improvement projects and said he did not support levying residents in his Ward for older streets within the City. He understood the Council did not want to price people out of their homes through a higher assessment rate. He explained under the current assessment policy residents would be paying \$41.98 per month for a reconstruction project and if this were to increase to 35% or 40%, these residents would see an increase of one or two dollars per month when the payback period is extended to 15 years. He anticipated residents could afford to pay the new policy if they can afford to pay the current policy. He stated he supported the Council holding a more broad financial discussion as suggested by Councilmember Jeppson.

Mr. Schluender commented on the City's pavement rating program and stated staff was working on a comprehensive plan for its roads for the next 10 years.

Councilmember Garvais stated he could support a 35% assessment rate for reconstruction projects with a flat fee structure for mill and overlay projects.

Councilmember Swanson asked if the Council were to support a 35% assessment rate would this provide the City with enough funding and time to better review its long-term finances. Mr. Schluender stated this assessment rate would allow the 2019 projects to remain on schedule while also allowing the Council to discuss its finances in further detail prior to 2020.

Mayor Ryan stated he could support the assessment rate moving to 35%.

Councilmember Hovland indicated he too could support the assessment rate for reconstruction projects at 35% and believed this was a nice compromise. He supported Councilmember Jeppson's recommendation to review the global issues surrounding the City's streets.

Councilmember Robertson said she understood she was new to the City Council but felt this item was being rushed. She understood that streets were a core function of the City and knew the roads were in need of repair but wanted to be sure that when the Council made a decision on this policy that it was the right decision. She shared concern about setting a rate today and having to change it in a year or two and said she supported the Council doing more research into the matter prior to making a change to the assessment rate.

Councilmember Paul requested further information on the City's current tax rate and asked if the City had funds to cover the projects planned for 2019. Mr. Huss noted the City's current tax rate was 36.7%. He

explained the City did not have funds on hand to cover the proposed street construction projects that would occur in 2019 and reported the City would borrow funds to complete the project.

Councilmember Paul explained he has heard complaints from residents concerned with how they will be impacted by the proposed increase to the assessment rate but understood the City's roads needed to be redone. He said he was of the opinion the 35% assessment rate would be fair at this time.

Councilmember Jeppson shared a final thought with the Council stating she would like to have a deeper conversation regarding assessment rates and the PMP prior to moving forward with this item.

Councilmember Swanson stated he could support the 35% assessment rate in order to keep this item moving forward. He explained he did not want the Council waiting three or four years to take action on this item while it held deeper discussions. He reported the City would have other financial concerns in the coming years as it would need to cover increased Public Works and Police needs as the City continues to grow and supported the Council taking action on the assessment rate now.

Councilmember Garvais asked what the ramifications were for taking no action tonight. Mr. Schluender stated the 2019 projects would stay within the current assessment policy and when the levy was discussed the Council would have to determine how to cover the expense of the 2019 street improvement projects.

Councilmember Garvais questioned what the difference would be if the Council changed the assessment rate to 35%. Mr. Huss stated staff did not have the final numbers of these projects as they have not been bid. He estimated the projects would cost between \$8 and \$10 million.

Councilmember Robertson expressed concern with the fact the public was not aware of changes being proposed to the assessment policy and said she supported the Council being more transparent regarding this issue.

Mayor Ryan indicated the discussions surrounding the City's assessment rates have been ongoing for years. He described how the City's assessment rates have fallen year after year along with the condition of its streets. He reported the City could not continue in this manner or it would lose its streets altogether.

Councilmember Garvais stated he believed an increase to 35% would assist the City with addressing the street concerns.

Councilmember Jeppson commented she did not think it would take three to four years to figure out the City's comprehensive financial situation with respect to streets. She anticipated this would take one year through productive discussions and strategic planning sessions. She understood the City's streets were failing and was not blind to this and supported the City putting this issue on pause for one year in order to prioritize its finances.

Councilmember Paul stated Lino Lakes had a problem with their budget in years past and he did not want Blaine to face this same concern. He said it would take time to better understand the City's finances with respect to its streets and believed it would be in the best interest of the Blaine residents for the Council to fully grasp this information in order to better serve the community. He recommended the assessment rate be increased now and that reductions be made at some point in the future if possible.

Amendment moved by Councilmember Swanson, seconded by Councilmember Hovland, to amend the Public Improvement Special Assessment Policy to 35% for reconstruction projects.

Amendment adopted 5-2 (Councilmembers Jeppson and Robertson opposed).

ROLL CALL:

Councilmember Garvais – aye
Councilmember Hovland – aye
Councilmember Jeppson – nay
Councilmember Paul – aye
Councilmember Robertson – nay
Councilmember Swanson – aye
Mayor Ryan – aye

Amended motion adopted 5-2 (Councilmembers Jeppson and Robertson opposed).

Council requested staff review all potential general funding sources authorized by State Statute for future road improvement projects including sales tax, franchise fees, landings fees, etc. for consideration at the upcoming retreat.

OTHER BUSINESS

Councilmember Hovland suggested the Council attend the upcoming seminar on Blaine's history of hydrology. He requested the Council review the Natural Resources Conservation Board's role and suggested redefining their charge including review of wetland bank funds for purchase of open space and suggested reviewing all Board and Commission roles as well.

City Clerk Sorensen requested direction on upcoming Board and Commission vacancies. Council consensus was to interview all applicants, both new and incumbents, at a date to be determined.

ADJOURNMENT

Moved by Councilmember Garvais, seconded by Councilmember Jeppson, to adjourn the meeting at 7:25 p.m.

Tom Ryan, Mayor

ATTEST:

Catherine Sorensen, CMC, City Clerk
Submitted by TimeSaver Off Site Secretarial, Inc.