TRAFFIC INFRASTRUCTURE ADVISORY BOARD MINUTES

July 6, 2012

Members Present:	Brian Alsaker, Abdi Hassan, Bob Johnson, Steve Ludwig, Tama Theis, Joan Vincent, Hazel Youngmann
Members Absent:	None
City Staff Present:	Steve Foss, John Norman, Janice Koetter, Recording Secretary

Chairperson Vincent called the meeting to order at 12:00 p.m.

Johnson moved to approve minutes from the June 18, 2012 meeting. Youngmann seconded and the motion passed.

Foss distributed map (attached) regarding completed and potential sanitary sewer projects. He indicated that the red and black lines on the map depict sanitary sewer lines that are 1965 or older or that we have no record of the date of when they were installed. The colored hatched areas show the larger areas that have already been done. The orange hatched area from downtown to the hospital was completed in 2006 with a large bond that was sold. The green hatched area was done in 1989-1990 with TIF funding. The blue hatched area by Tech High School was also done with outside funding. The smaller black and white hatched areas have also been done, but usually over a several year period. The solid blue area is currently being reconstructed this year. He noted that without outside funding, much smaller areas are being done each year. Areas highlighted in pink, green, orange and yellow are currently identified in the Capital Improvement Program (CIP). Foss estimated there is approximately $180 million of pipes that are 1965 or older that need to be replaced. In order to accomplish this, the City would need to average $6 million of work per year for 30 years. He further explained that in general if the sewers are old, the streets are also in poor condition. This map does not account for arterial roads and more community wide roads that need to be replaced. They do, however, have other funding sources under which they can be reconstructed.

John Norman, Finance Director, discussed funding sources that the City uses. The sources include MSA, local option sales tax and federal highway money for highly traveled roads. The City also collects money through levying of special assessments. For new developments, the City has been assessing 100 percent of the cost to the new development. For neighborhood reconstruction projects, the City typically assesses 20 to 25 percent to the property owners and the remainder is paid through utility contributions. The City has not been putting any property tax money into neighborhood rehabilitation projects.

Prior to the merger with St. Cloud Township, the City issued a bond every year (approximately $3.5 million per year). During the 10 years when utilities were being installed to the merger area, the average bonds went up to about $9 million per year. Since the merger, the bonds have dropped off significantly. The City has not issued a bond since 2008. Norman presented a chart that showed the outstanding balance of the improvement bonds at the end of each year through 2011.

Norman also presented the Board with a letter that he had provided to the City Council in March giving an update on the status of tax forfeited properties in St. Cloud. The percentage of special assessments collected has dropped from 95 percent collection to 70 percent collection. The City would have been able to reduce the debt levy if there would have been less uncollected assessments. The tax forfeited lots have had a huge impact on the City not being able to do projects.

Vincent asked Norman to explain the bond process. Norman explained each year the City Engineer comes up with a project listing. The City then sells a bond to cover what would not be covered under special assessments. The City sells bonds to investors and then they have to be paid back with interest. Alsaker questioned what interest rate is charged for the bonds. Norman explained that the interest on bonds varies from year to year. The last four years the City has not issued any bonds because they do not want to take on any further debt. The City also has done some refinancing over the years. Typically bonds are for 10 year terms.

Norman also presented a letter from the City's financial advisor providing the City with options for the financing of street improvements. Some of the more common methods are:

- General Obligation Bond. In order for the City to sell a General Obligation Bond, it requires voter approval to put on the property tax levy.
- Chapter 429 Bond. The City has sold these in the past. With this type of bond, the City must assess at least 20 percent of the project cost.
- Street Reconstruction Bond. Projects to be funded under this bond must be included in an adopted CIP that includes the cost of the improvements. Both the plan and the issuance of bonds must be approved following a public hearing.

In addition, there are some MSA bonds available which the City probably would not pursue.

If the City opted to do a superbond, Vincent questioned when the projects would start. Foss explained that a small project could be undertaken in 2013, but the full effect would not be seen until 2014 and 2015.

Norman commented that in 20 years, the City has never come up with a consistent funding mechanism for neighborhood improvements.

Foss noted that another thing to consider is that the roads from the merger area will all come due for rehab at about the same time.

Ludwig questioned if the Board should be looking at major roads too because congestion was a major concern on the results of the neighborhood survey. He didn't think congestion was necessarily an issue in the neighborhoods though. Foss stated that we have seen a reduction in the amount of major roads that have been reconstructed, but not to the same extent as the neighborhood streets because we can use MSA funding for the major roads. Last year the City resurfaced Kilian Boulevard with MSA money. This year they will be resurfacing 9th Avenue North from the downtown area to 15th Street North.

Hassan left meeting at 12:40 p.m.

Foss asked the Board to establish a new normal for the amount of projects to be bonded and then also decide if they want to recommend selling a superbond to get a jump start. If the City does a referendum, the increase in property taxes for the property owners would have to be identified. In addition, special assessments to the abutting property owners may also be a factor. Foss explained the City's policy to assess 25 percent of the cost to the property owners for utility reconstruction and 50 percent of the cost to the property owners for surface reconstruction, except arterial roads are only assessed 25 percent. Norman briefly discussed the assessment stabilization program for low income property owners.

Foss explained that the Board will have to decide if they want to stay on an aggressive timeline to get a referendum on the ballot for this fall or if they want to aim for 2013. In order to get on ballot this fall, it would have to be on the August 6, 2012, Council agenda or August 20, 2012, at the absolute latest.

Johnson would like administration to prepare a very detailed recommendation that has pros and cons to it. The recommendation should include the maximum the City can borrow, how it can be financed and what the impacts are. Norman and Foss will provide information to the Board on how a $6 million bond can be financed and what the effects would be.

The next meeting will be held on July 23, 2012, from 11:00 a.m. to 12:30 p.m. in Conference Room 1.

The meeting adjourned at 1:15 p.m.