



## City of Inver Grove Heights Pavement Management Citizen Taskforce

### Meeting 4

December 16, 2021

4:00 to 6:00 p.m.

The forth meeting of the Pavement Management CTF will be held at the **FIRE STATION**. Please go to **9200 Courthouse Blvd** and enter from the west side parking lot. The meeting is public; Covid protocols for public meetings strongly encourages the use of masks and social distancing.

Meeting Goal: Understand how City financing works, and what money is available for street rehabilitation and other infrastructure. Understand how assessments work. Discuss and possibly adopt a recommendation regarding the fairness of city financing methods.

#### Agenda

4:00 - 4:10	Welcome & quick intros	Kelly Kayser
4:10 - 4:15	Recap and Meeting notes	Kelly Kayser
4:15 - 5:00	City Financing	Jessica Cook (Ehlers)
5:00 - 5:15	City Assessments	Alex Mollenkamp (WSB)
5:15 - 5:20	The Question---"What's fair?" *	Klay Eckles City/WSB
5:20 - 5:45	Discussion/ Questions	All
5:45 - 5:55	Formulate recommendation perspectives*	All
5:55 - 6:00	Topics for next meeting	Klay Eckles City/WSB
6 pm	Adjourn	Kelly Kayser

\*Our charge includes providing feedback on fairness question surrounding financing strategies...so we should begin to think about financing in this light.

If you have any questions or concerns regarding the meeting format or content, please contact Klay Eckles at [keckles@ighmn.gov](mailto:keckles@ighmn.gov).



# City of Inver Grove Heights

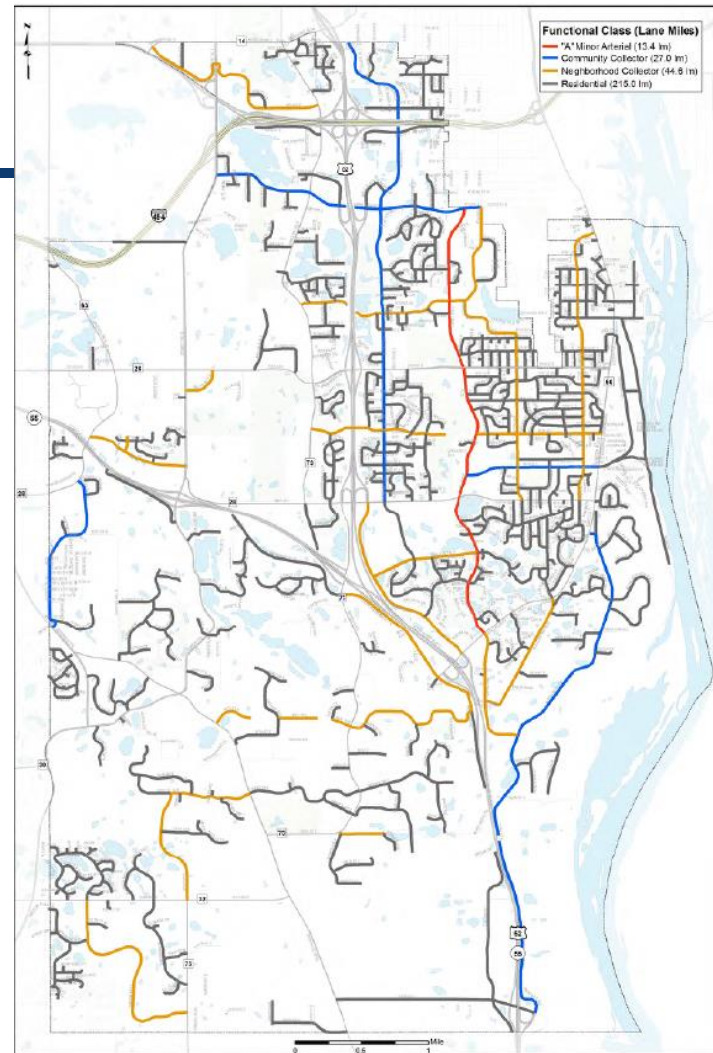
Pavement Management Task Force

December 16, 2022

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# Neighborhood Streets

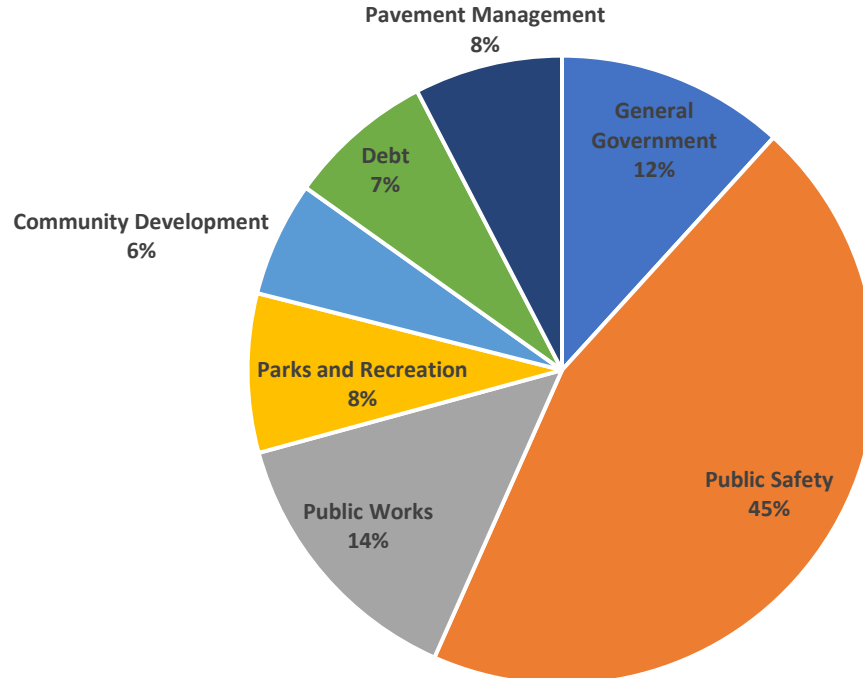
- Seeking funding solutions to repair and replace 215 lane miles of residential streets



# Why aren't my tax dollars enough to pay for streets?

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General Fund Budgeted Expenditures 2022

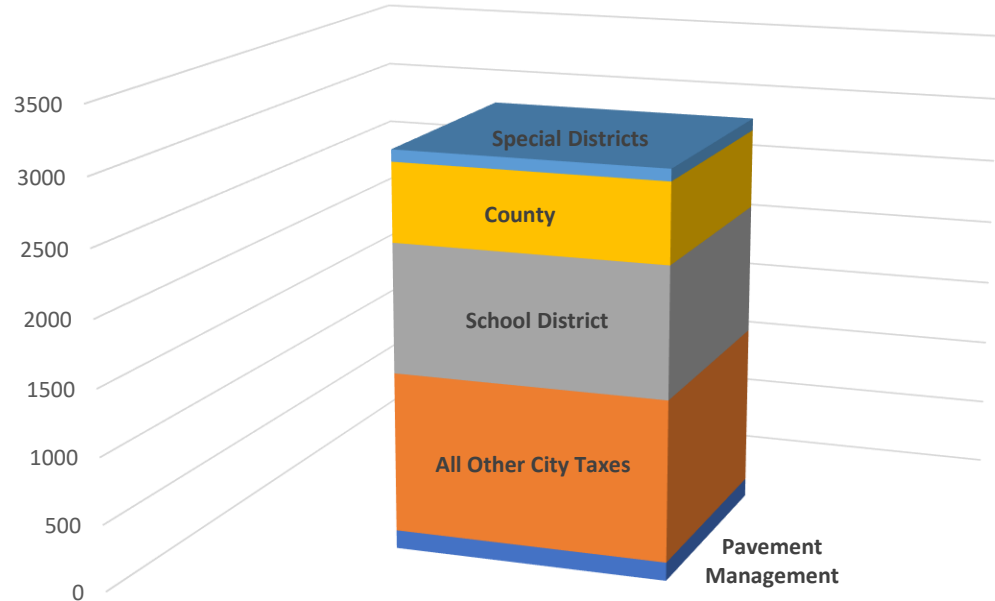


- Total General Fund expenditures are \$33.5 million
- Pavement Management Levy is \$2.55 million

# Why aren't my tax dollars enough to pay for streets?

- \$138 of \$3,000 total property tax bill on median valued home goes to City's Pavement Management Program

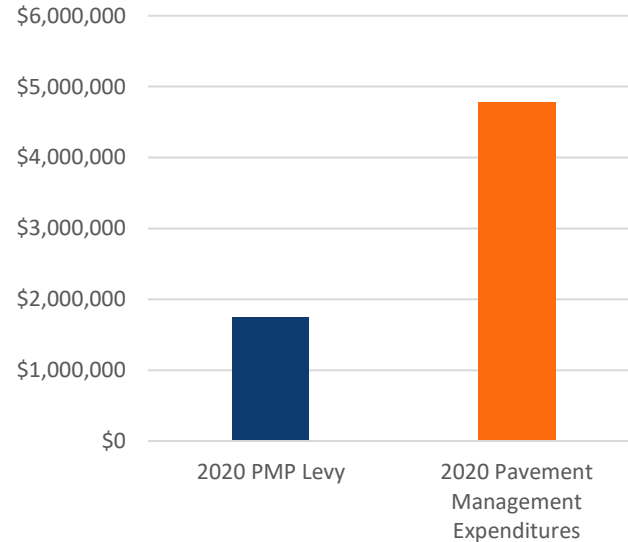
Sample Tax Bill on a \$273,800 Home



# Why aren't my tax dollars enough to pay for streets?

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- In 2020, property taxes paid for 30% of pavement management expenditures



# Special Assessments

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- Over last ten years 41% of all PMP project costs have been assessed
- Amount assessed depends on project type

Project Type	Average Amount Assessed 2001-2020
Urban Reconstruction	37%
Rural Reconstruction	46%
Partial Reconstruction	53%
Full Depth Reclamation	66%
Mill and Overlay	65%

# Special Assessments

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- Special assessments collected over time, but the project funding is needed up front
- Portion of projects funded by special assessments needs to be paid initially with other funding sources and repaid with the special assessments over time
- City has recently relied on its Pavement Management Fund to front project costs

# Special Assessments

PROS	CONS
Aligns benefit of new street with benefitting properties	Financial burden on individual property owners
Reduces tax rate and tax levy for City	Projects may be delayed if residents oppose assessments
Avoids political tendency to postpone projects to reduce taxes, gets projects done	As project costs increase may be harder to show benefit
Allows projects to be financed without a referendum	
Paid by tax-exempt properties	

# Other PMP Funding Sources

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- **Franchise Fee**
  - ✓ Fee collected with electric and gas utility bills
  - ✓ \$4.75/month for single family home
  - ✓ Generates approximately \$1.1 million annually

PROS	CONS
Paid by tax-exempt properties	Viewed as a tax
Collected by utility companies	Sunsets June 30, 2029. Council action required to renew.

# Other PMP Funding Sources

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- **Host Community Fund**

- ✓ \$500,000/ year anticipated to go to PMP
- ✓ Generated by tipping fees from landfills in City
- ✓ Approximately \$3M total Host Community Fees collected annually
  - \$2,500,000 committed to community center and future public works facility expansion

PROS	CONS
Flexible funding	Existing agreement expires in 2030
	Can't increase without taking from parks or facilities

# Other PMP Funding Sources

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- **Utility Fees**

- ✓ For utility related portion of street reconstruction projects
- ✓ Water, Sanitary Sewer, Storm Water
- ✓ Funded with utility fees

PROS	CONS
Flexible funding source	Increasing the pace of street projects will require more utility revenues, potentially increasing utility rates
Paid by tax-exempt properties	Stormwater fee currently not high enough to pay for all capital projects

# Other PMP Funding Sources

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- Tax Levy

Year	Tax Levy for PMP
2017	\$700,000
2018	\$1,250,000
2019	\$1,250,000
2020	\$1,749,626
2021	\$2,250,000
2022	\$2,550,000

✓ \$250,000 increase per year planned in 2023 and beyond

# Other PMP Funding Sources

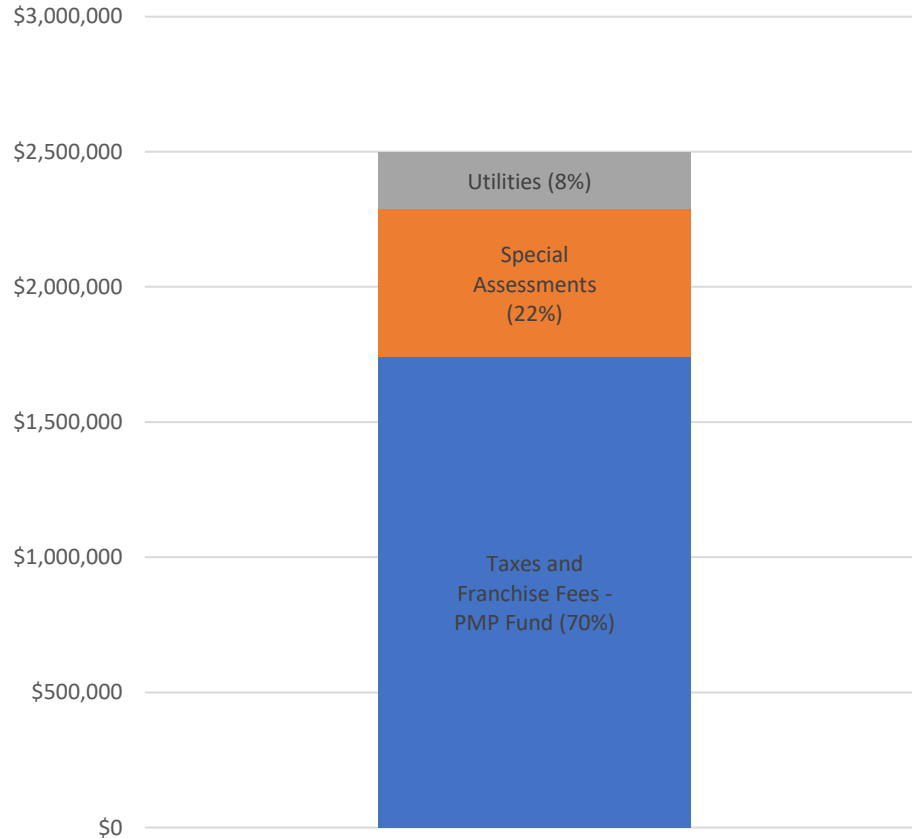
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- Tax Levy

- ✓ \$250,000 increase per year planned

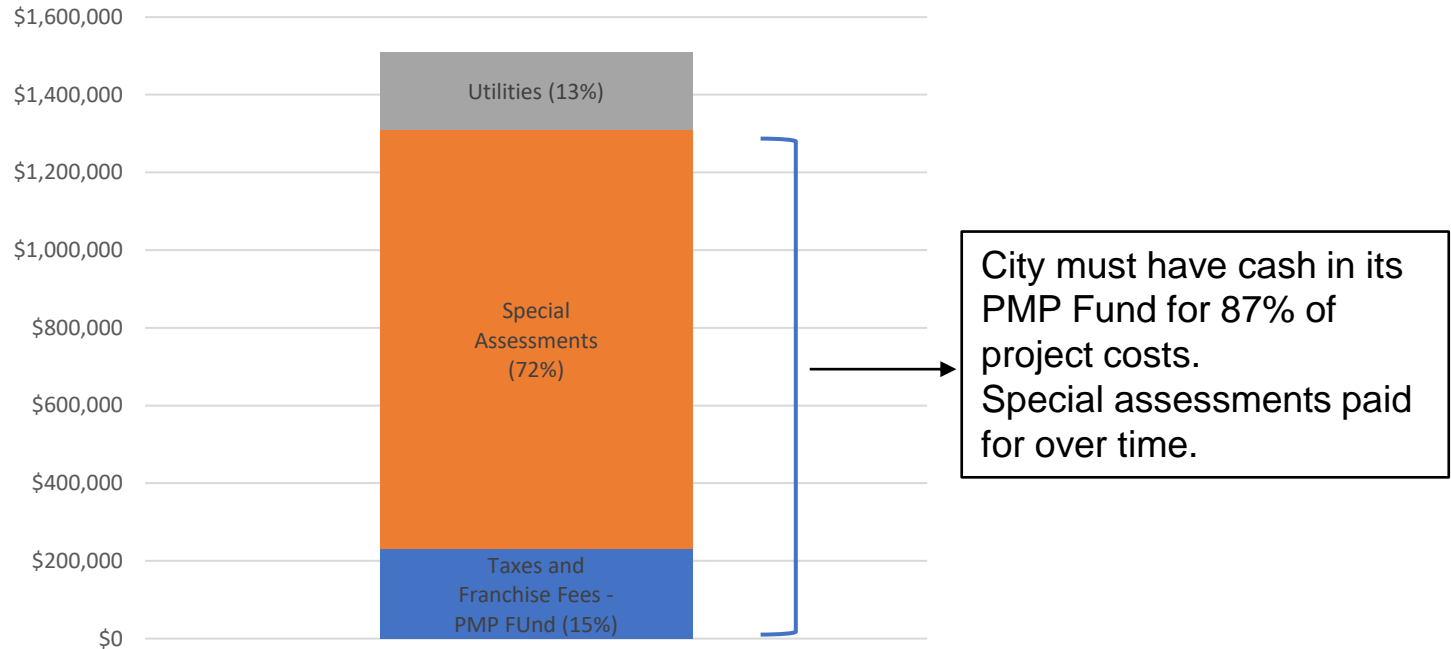
PROS	CONS
Flexible funding source	Raises property taxes
Higher valued homes and non-residential properties pay more of burden	Competes with other budget priorities
	Subject to annual council approval
	Not paid by tax-exempt properties

# Sample Street Reconstruction Project Funding



# Sample Street Rehab (Mill and Overlay) Project Funding

Sample Project Funding Budget



# Can't we just bond for streets?

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- Debt must be repaid: It is a financing tool, not a funding source
- Financing can help cover up front costs for special assessments
- Does not add total financial capacity but can help cashflow if City wants to move projects up
- Adds interest expense
- Must assess a minimum of 20% to bond without a referendum

# Task Force Goals

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**Goal #1:** Accomplish more pavement management projects each year

- ✓ Increase total resources allocated to PMP
- ✓ Do fewer full reconstruction projects and more street rehab
  - Decreases cost of projects
  - Increases the amount of project costs paid for with assessments (if current assessment policy maintained)

# Task Force Goals

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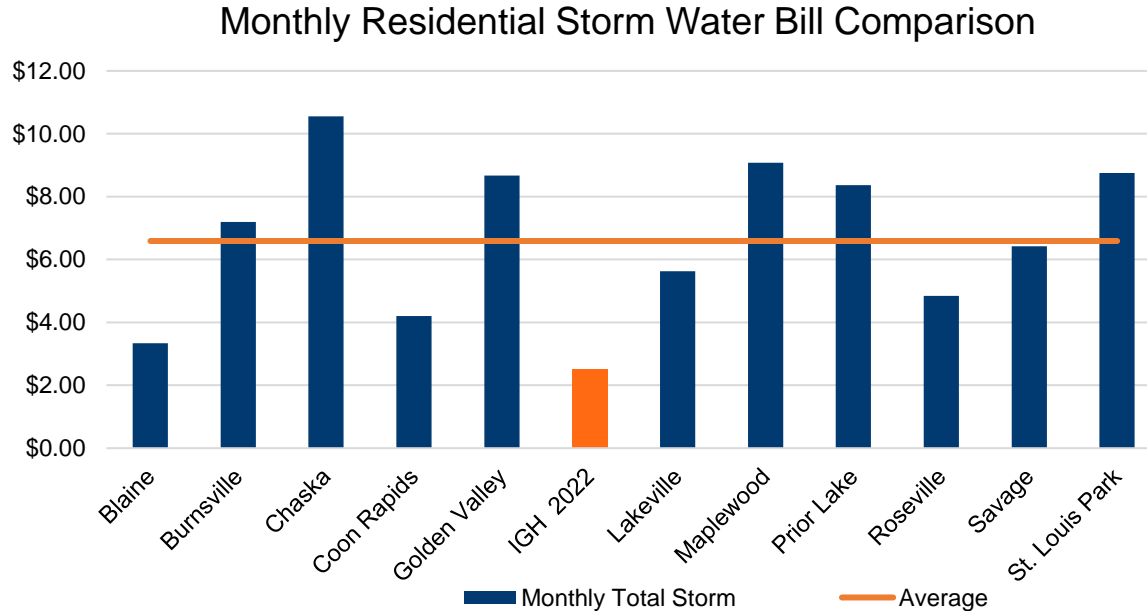
**Goal #2:** Ensure that PMP funding is fair and equitable

- ✓ Look at entire funding program
- ✓ Does it engage property owners in the process?
- ✓ Does it balance the funding fairly among those served?
- ✓ Does it achieve Goal #1?

Goals may require additional PMP funding resources to be  
identified and committed

# Future Funding Options: Storm Water Fee

- Increase storm water utility fee to cover capital costs currently charge to PMP Fund



# Future Funding Options: Storm Water Fee

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- Current fee is \$2.02 per month for a single-family home
- Fee will increase to \$2.65 per month in 2022
- Not sufficient to pay all storm water related PMP costs
- **\$1 million in additional revenue would increase storm water fee by approximately \$4.00 per month on an urban single-family lot**
  - ✓ Other types of properties would experience larger increases

# Future Funding Options

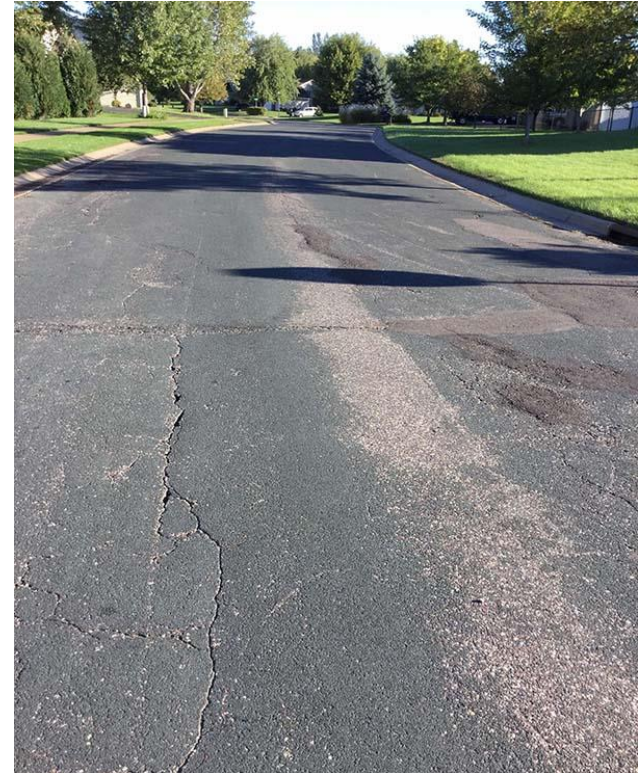
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- Increase existing funding sources
  - ✓ Property taxes
    - \$1 million in additional revenue would increase annual property taxes on a median valued home by \$54
      - \$4.50 per month
  - ✓ Franchise fees
    - \$1 million in additional revenue would increase monthly bill on a single-family home by approximately \$4.75

# How does Inver Grove Heights compare?

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- Funding streets is a state-wide crisis
  - ✓ 19,000 miles of City roads in Minnesota
  - ✓ >50% of roads are >50 years old



# How does Inver Grove Heights compare?

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- Most communities specially assess street projects
- Some cities are moving away from assessments
  - ✓ Most have not identified an alternative funding source that will keep pace with construction inflation without annual council action
- Host Community Fund is a resource
- Lower storm water utility than most communities

# Next Steps

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- Determine overall funding needs
- Determine if assessment policy is fair and equitable
- Consider funding recommendations, keeping in mind:
  - ✓ Precedent
  - ✓ Political realities
  - ✓ Budget realities

# Special Assessments Overview

**Citizen Taskforce Meeting**

Thursday, December 16, 2021





## Taskforce Charge

From Charter:

6. Overall current funding levels – is the city providing enough funding to the program?

7. Whether the assessment policy is fair, effective, and comparable to other cities





## Overview

State Statute 429 grants Cities right to assess

Cities create their own policies for methods of assessing

Some cities choose not to assess – funding comes from general sources

Cities who do assess – it's another revenue source to help get projects done





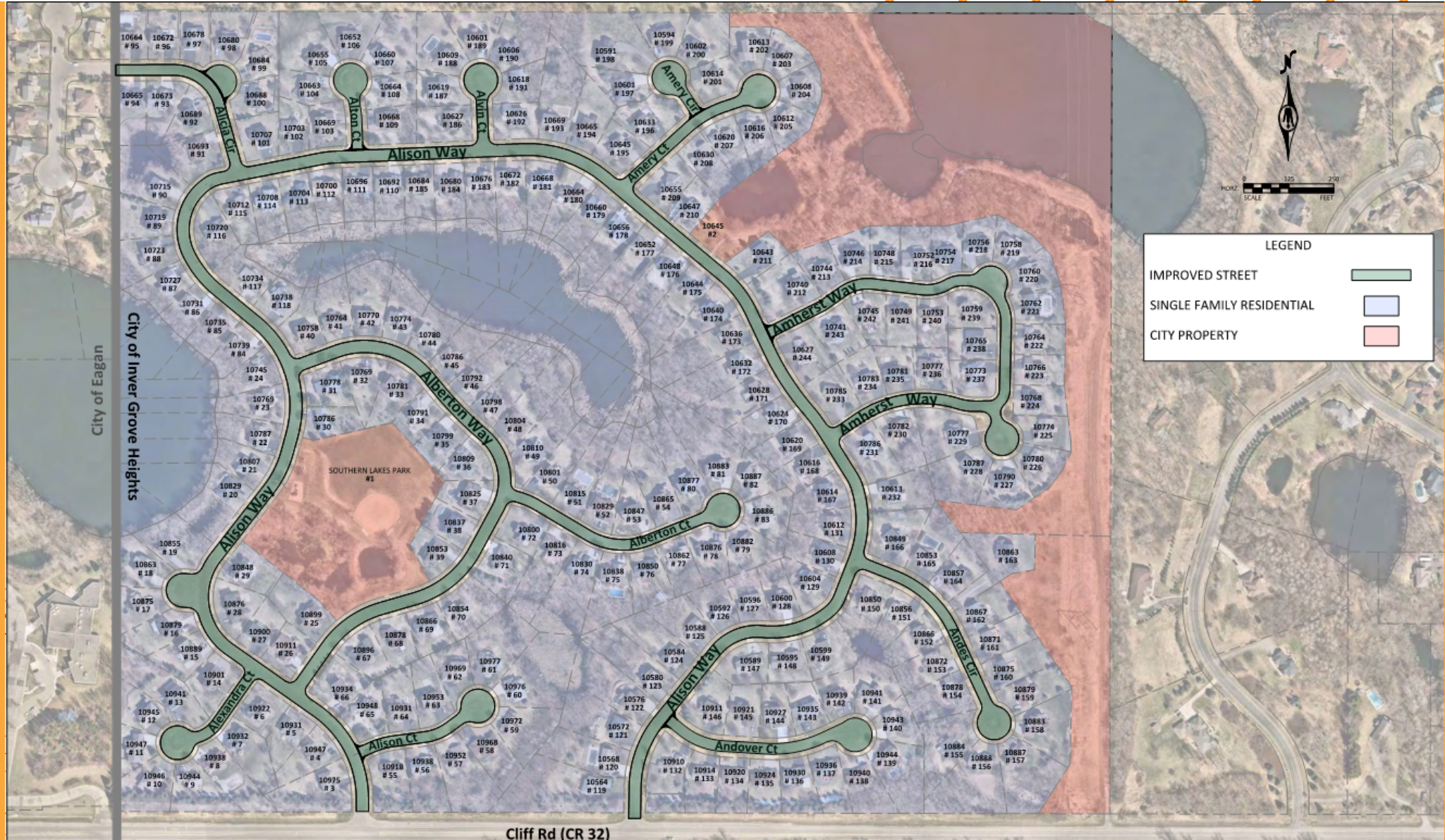
## Overview

Charge for improvement for adjacent benefitting properties

Amount is directly related to the value of the benefit that the property receives from the improvement

Assessment can not be greater than the benefit that the property is receiving from improvement





**LEGEND**

- IMPROVED STREET
- SINGLE FAMILY RESIDENTIAL
- CITY PROPERTY

City of Inver Grove Heights

Cliff Rd (CR 32)

**CITY PROJECT NO. 2016-09E - BANCROFT WAY AREA RECONSTRUCTION  
PRELIMINARY ASSESSMENT ROLL**

MAP NO.	PID NO.	OWNER NAME	HOUSE NO.	STREET NAME	PER POLICY ASSESSMENT	OPTIONAL LIGHTING ASSESSMENT	TOTAL PROPOSED ASSESSMENT
1	204405103090	ROGER & JUDITH EICHELDINGER	7152	BALLARD TRL	\$686.74		\$686.74
1	204405103100	FORREST PAUL & SANDRA BOLLINGER	7156	BALLARD TRL	\$686.74		\$686.74
1	204405103110	JOHN & BARBARA HENKE	7160	BALLARD TRL	\$686.74		\$686.74
1	204405103120	NORMAN B & MARILYN J HANSEN	7164	BALLARD TRL	\$686.74		\$686.74
1	204405104010	RICHARD G & RITA M VOS	7169	BALLARD TRL	\$686.74		\$686.74
1	204405104020	JAMES W & PATRICIA A CLARKE	7165	BALLARD TRL	\$686.74		\$686.74
1	204405104030	RICHARD F & DIANE M ROSSI	7161	BALLARD TRL	\$686.74		\$686.74
1	204405104040	KRISTINE M BOLAND	7157	BALLARD TRL	\$686.74		\$686.74
1	204405104050	RONALD CARL & JUDITH KAY HANSON	7153	BALLARD TRL	\$686.74		\$686.74
1	204405104060	PATRICK M & JOAN M FARLEY	7149	BALLARD TRL	\$686.74		\$686.74
1	204405104070	RICHARD G LAMM & LESLIE DAVIS	7145	BALLARD TRL	\$686.74		\$686.74
1	204405104080	MATTHEW GREG JR DASOVIC & JEANNE SMITH	7141	BALLARD TRL	\$686.74		\$686.74
1	204405104090	PAUL A & KATHRYN M GEISS	7137	BALLARD TRL	\$686.74		\$686.74
1	204405104100	JEREMIAH J & PATRICIA LUCEY	7133	BALLARD TRL	\$686.74		\$686.74
1	204405104110	CARL H RUNBERG & KATHLEEN KENNY	7129	BALLARD TRL	\$686.74		\$686.74
1	204405104120	JANET TSTE SELL	7125	BALLARD TRL	\$686.74		\$686.74
2	203680003010	BRETT M ARNOLD & DIANE DEWOLFE	7219	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
3	203680003020	PAUL E & KATHLEEN A OBERG	7239	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
4	203680003030	MICHAEL & ELIZABETH ROHRER	7259	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
5	203680003040	TODD M & CANDACE J MATHIASON	7279	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
6	203680003050	CHARLES E & JEANNE T UNDERBAKKE	7299	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
7	203680003060	PATRICIA A GOGOLAKIS	7319	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
8	203680003070	MARK H & CYNTHIA M YARRINGTON	7339	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
9	203680003080	MARK E MOSVICK	7359	BALDWIN AVE	\$7,695.60	\$347.06	\$8,042.66
10	203680003090	JAMES G & CHRISTINE POLAK	7346	BANCROFT WAY	\$7,695.60	\$347.06	\$8,042.66
11	203680000010	CITY OF INVER GROVE HEIGHTS			\$2,942.52		\$2,942.52
12	203680004010	MARK & MICHELE THOMAS	7342	BANCROFT WAY	\$7,695.60	\$347.06	\$8,042.66
13	203680004020	BILLY H & JOYCE L WILMES	7338	BANCROFT WAY	\$7,695.60	\$347.06	\$8,042.66
14	203680004030	JEROME E & MICHELE C LARDANI	7334	BANCROFT WAY	\$7,695.60	\$347.06	\$8,042.66
15	203680004040	RICHARD R & LAURINE RUDIE	7341	BARBARA AVE	\$7,695.60	\$347.06	\$8,042.66
16	203680000040	CITY OF INVER GROVE HEIGHTS			\$8,823.36		\$8,823.36
17	200090032016	LEONARD P & MILDRED BELZ	7210	BABCOCK TRL	\$7,695.60		\$7,695.60





# Inver Grove Heights Assessment Policy

- Assess 80% of project cost for **mill & overlay** (portion of pavement is replaced)
- Assess 55% of project cost for **partial reconstruction** (full pavement replacement and possibly underlying aggregate work)
- Assess 35% of project cost for **full reconstruction** (curb replacement, full pavement replacement, and re-build road base)



	RECONSTRUCTION	
City	Streets	Mill & Overlay
Inver Grove Heights	35-55%	80%
Woodbury	33%	33%
Apple Valley	0%	TAXES
Eagan	75-100%	50-100%
Plymouth	40%	40%
Hastings	25%	NA
Eden Prairie	Franchise Fees	
St. Louis Park	Franchise Fees	



# Comparisons

- Pavement Replacement / Mill & Overlay: \$2,000 - \$6,000
- Partial Reconstruction: \$4,000 - \$8,000
- Full Reconstruction: \$6,000 - \$11,000 (could be as high as \$20,000+)





## Taskforce Charge

From Charter:

6. Overall current funding levels – is the city providing enough funding to the program?

7. Whether the assessment policy is fair, effective, and comparable to other cities



wsb 



CITY OF  
**INVER GROVE  
HEIGHTS**