

**MINUTES OF A SPECIAL STUDY SESSION OF THE PRINCETON CITY COUNCIL
HELD ON JANUARY 21, 2015 4:30 P.M.**

Mayor Paul Whitcomb called the meeting to order. Council members present were, Thom Walker, Jules Zimmer, Victoria Hallin and Dick Dobson. Staff present, Administrator Mark Karnowski, Finance Director Steve Jackson, Public Works Director Bob Gerold, Police Chief Todd Frederick, Liquor Store Manager Nancy Campbell, Community Development Director Jolene Foss, and Clerk Shawna Jenkins.

School District Lease Discussion

Karnowski reported that the bids that came in for the various School District projects came in higher than the engineer's estimates.

Apparently the original budget for the District Office renovation was \$417,000 but the actual bid came in at \$617,000. The District explained some of the changes that caused the bid to increase. Some of those changes included:

- The city building official is requiring that a new water service be brought into the building (it's currently served by a 1" line and our building official advises that it needs to be a 2" service).
- In addition, they're also bringing in a new stand-alone electrical service.
- And the District is adding a standalone HVAC unit as well as replacing one other. None of those changes were anticipated when the original lease was tentatively agreed to last September.

In the original lease agreement (which was based on the estimated remodeling cost) gave the district 13 years of 'free rent' based on a lease rate of \$12 per square foot per year.

Based on a 'higher' cost the District is requesting that the years of free rent be increased from 13 years to 20 years. While a 50% increase in the 'free rent' time frame may seem like a lot, the basis for agreeing to the increase could be predicated on the original intent which was to give them free rent equal to the cost of the remodeling...which, admittedly, increased rather dramatically.

The school board approved the contract on Tuesday and has already submitted for the building permit and would look to start the remodeling ASAP.

He added that spoke to Julia Espe to get more information about the cost increase. He said another option would be to increase the lease rate per square foot to \$15, and cut back the free rent to 15 or 16 years, or the City can simply say it isn't going to work.

Hallin asked if the required increase from 1" pipe to 2" pipe was a building code change since the building was built. Karnowski responded that he believes that was the case. Walker asked if they were planning to add a second line in, or keep it the same with one inlet. Karnowski added that the 1" has worked fine for City and was suitable for the clinic that was here prior. He said he may talk to Loren Konen with Metro West Inspections to see if there is a way to keep it the same. Walker asked where the water main is. Gerold replied that he believed it was on the north side of the building.

Walker commented that if the District could not remodel and use City Hall, they likely would not be interested in purchasing the old police station.

Zimmer asked how the square foot lease rate was calculated. Karnowski replied that staff originally looked at \$2 per square foot per month, which was determined to be a bit high. It was agreed upon to go with \$12 per square foot per year.

Whitcomb said his feeling is that before the lease term was up, either the City or School District would buy the other out. Karnowski agreed and Julia Espe had said she suspected the same.

Walker said he doesn't see an issue extending the lease out. Karnowski added that the School District has been very good to deal with on this project as well as the project on 7th. Walker suggested reducing the lease term if the cost happened to come in under the bids that they received.

Zimmer asked where the original \$417,000 estimate was from. Karnowski replied that he believes the estimate came from the architect and construction management firm. The original estimate and design was done last fall, and once the city agreed to lease, they requested bids and specs.

Zimmer said when they talked about it, the District wanted to get going soon on the project. Working with them is important, but he's a bit disappointed that the cost jumped so much. Walker said sees a lot of building budgets change, everyone is estimating low, but costs are going up. Walker commented that he is not all that surprised that it jumped considerably.

Zimmer still wants to see the project move forward, but maybe a small compromise on the price per square foot. Whitcomb said it appears that the school board has already approved the extension to 20 years.

WALKER MOVED TO APPROVE THE EXTENSION OF THE LEASE, BUT NOT GOING OVER 20 YEARS, AND THAT IF THE COST OF THE REMODELING GOES DOWN, THE LEASE TERM WILL AS WELL. HALLIN SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

TED Grant Funding Discussion

Karnowski advised that on Monday, January 4 the city (actually Mille Lacs County) received notification that we were awarded A TED grant for the roundabout at TH95 and CR157 (21st Ave).

The award is for \$110,187 in trunk highway dollars (for the roundabout) and \$687,500 from DEED for a sewer and water extension going west from 21st Avenue to CSAH31.

On January 13th the state confirmed that, although the grant was actually awarded to Mille Lacs County, the City of Princeton will have to be the actual recipient of the DEED portion of the grant (the \$687,500) because of the state requirement that the recipient be the owner and maintainer of the infrastructure built with the grant funds. Note that the source for the DEED funds are actually G.O. Bonds.

TH95 & 21 st Ave. Roundabout:	Project Cost:	\$ 1,629,200
	Federal Funds #1	\$ 200,000
	Federal Funds #2:	\$ 594,253
	State Funding	\$ 236,000
	TED Grant Funding:	\$ 110,187
	Local Funds Needed:	\$ 488,760
S & W Exten. 21 st Ave to CSAH 31:	Project Cost:	\$ 985,000
	Other Funding:	\$ - 0 -

TED Grant Funding:	\$ 689,500
Local Funds Needed:	\$ 295,500
 Total Local Funds Needed:	 \$ 784,260

Grants, obviously do not cover the costs of either project. So assessments will be necessary if the projects are to be constructed. While the property owners proposed to be assessed may not welcome the assessments, it's obvious that, if the projects are not constructed using the available grant funds, that the cost to construct those same projects at some date in the future will be significantly more expensive if the city does not take advantage of the grant funding.

Foss stated that the 2008 Comprehensive Plan map and zoning map showing that the city would be growing and providing land for expansion.

Nielson reported that they have calls into MnDOT and DEED Staff for clarifications on some of the funding splits and grant eligible projects costs. This information is being provided to assist the city council in determining if these projects are pursuing with the available grant funding and estimated local cost share.

The latest TED grant application requested funding for two projects. (Figure Attached)

1. TH 95/21st Avenue N. Roundabout and pedestrian trail from CR 31 to 21st Avenue along the south side of TH 95.
2. Sewer and Watermain extension from 21st Avenue to CR 31

The grant application identified project cost for each of the projects as follows.

Grant Impact – The table below shows the annual payment without the grant, with the grant and the annual difference. Assuming 2016 Dollars for a period of 20-years at 3.5% highlights.

TH 95 Roundabout

Source	Amount
HPP	\$ 200,000.00
HPP	\$ 594,253.00
State Funding	\$ 236,000.00
TED TH	\$ 110,187.00
Local Funds	\$ 488,760.00
Total Project	\$ 1,629,200.00

Methods of Repayment:

TH 95 Roundabout – Assessments could be levied against benefitting Properties. Nielson stated that in his opinion, all of the commercial properties could be assessed based on contributing traffic generation. He would recommend that each parcel be assessed based on the area of the parcel and the current or future use according to the zoning type. He would recommend that 50% of the local share of this project be assessed to the benefitting properties. Assumed amount \$244,400.

Sewer and Water Extension – The 2006 Feasibility Report identified proposed assessments for the abutting properties in the amount of \$429,000. These assessments included an

equivalent cost of construction of an 8" sewer and 8" watermain along the property. This cost assumes that no easement acquisition cost would be assessed to the abutting properties. The local share of this project is estimated to be \$295,500. The council could choose to lower the assessments to cover the \$295,500 local share of this project. The 2006 and 2016 proposed assessments are attached in Table 3. Many of these assessments would need to be deferred until the properties were annexed to the city and developed.

Trunk Fees – Trunk Fees were proposed in 2006 that would generate approximately \$476,648 at the rates of \$4,200 for sewer trunk and \$2,472.00 for water trunk funds. Trunk funds are collected at the time of platting and generally intended to payback expenditures for trunk expansion. In this case the trunk funds collected would repay debt from the NW

The Trunk Sewer project that was completed in 2003 and the Easement acquisition funds for Phase 1 & 2 of the proposed sewer project. Some reduction in Trunk Fees could be considered by the council.

Revenue Generation

Assuming a 20-year bond at 3.5% as noted and assuming the assessments for both the roundabout and utility extension project in the amount of \$539,400 the revenue generated on an annual basis would be approximately \$37,953 of the \$55,182 required to make the debt payment on a \$2,614,200 bond sale. This leaves only \$17,229.24 to be covered by the general levy minus any trunk funds that were collected during this period. If we assume that this area will build out in 40 years collecting a total of \$476,648 during that period, assuming an equal amount of trunk fee revenue that would equal approximately \$11,916 per year reducing the annual general budget amount to \$5,313.

Annual Debt (\$784,260 Bond)	Assessment Revenue (20 Yrs)	Trunk Revenue (40 yrs)	General Fund Obligation
\$55,182	\$37,953	11,916	\$5,313

These assumptions are for comparison only and WSB does not intend to have the ability to predict or control the development within the city.

Walker asked what the chance would be that many of those assessments would be deferred until development. Foss said she hopes the land would be developed soon. She said she actually just received a public hearing notice that Jane Odgers is platting her property that is in the area just over the City limits in the Township.

Nielson suggested talking with the property owners to get their plans for their sites. Karnowski said he believes the Odgers property is totally surrounded by the City. It is concerning that the Township is deciding on a plat that is essentially in the city. Karnowski added that he believes the property could be annexed by ordinance being that the property is totally surrounded by the City. Nielson said if Odgers wants to develop the property, she would be able to have a higher density if the property was annexed into the city. Hallin feels this property needs to be annexed being it is completely surrounded by the City.

Nielson said we have the grant opportunity today, is it worth the risk to turn down the grant money for projects that are needed.

Proposed assessments were calculated in 2006 when this was originally looked at. He said when trunk fees are collected, they could be applied to the right of way acquisition.

Nielson suggested the city may want to assess about 50% to all the properties out there, and possibly put a deferred assessment on the residential properties to the north in case they were developed commercially.

If the City collected assessments on both projects, then future trunk fees, it could total about \$417,000, so there may be some room to adjust trunk fees or something similar.

The trunk highway money is separate from deed money, so if need be, the City could accept one grant and not the other. He has a call in to MNDOT to find out the city's options. The City would be getting the deed money directly, and the transportation funds would go to Mille Lacs County first.

Hallin asked if properties were assessed for the other round-a-bout. Karnowski said that was on a County and State project, and nothing was assessed. Nielson said we currently have \$700,000 in federal, state money, etc. A light was originally was looked at to add in that intersection and Walmart was informed that there may be some improvements made to the intersection when they came in.

Karnowski stated that the local share is about \$500,000, which is about 1/3 of the cost.

Nielson commented that if the planned trail was removed and the Deed grant was dropped, the other grant would go to an 80 – 20% split. Foss stated she does not want to see the trail cut, and feels the whole project would benefit the community and development in the area.

Nielson asked if there is a drop dead date to decide if the City wants to accept the grant money. Foss said she does not have one. Karnowski added that he believes they wanted the projects bid this year, with construction being done next spring.

Walker asked about dropping the TED grant, and how much the difference would be. Nielson used 1 million as an example. With the TED grant, the City would receive \$700,000, and \$800,000 if that grant was dropped. It likely won't make a big difference, but he would like to run the numbers to know for sure.

Dobson stated that he would like to keep the trail in the project, as it would be cheaper to do it now, then putting one in later. Hallin agreed. Foss added that there are grant funds available for connecting trails, so it can maybe be added to in the future.

Hallin, going back to the Odgers property, she said she thought the Township required 2 ½ acres for residential lots. Walker said if that property would be developed, it is also an issue with the wellhead protection plan.

Foss will contact the Township to get a copy of that plat that is being proposed

Nielson stated that he does not need definite approval from the Council tonight, but would like to contact the property owners and find out what the drop dead date is for accepting the grants.

Hallin asked if the property owners have to be assessed. Nielson said the City does not have to, that would be a council decision. Whitcomb said the properties should be assessed, as it is a benefit.

Walker said he is in favor of both projects, and would like to see a few options that would reduce the assessments.

Whitcomb questioned when the trail needs to be done with the grant that has already been received and what the local share will be. Foss said fiscal 2017 and Jackson said he believes the local share is about \$200,000.

Jackson added that the city usually requires new developments to pay for 100% of utilities, so a deduction would need to be justified and documented.

Nielson responded that lowering the trunk fees would be an option. In 2006 when this was looked at, the assessments would have been higher with the rates back then. Instead of assessing for it now, it could be considered a trunk expenditure and the city could be paid back with right of way acquisitions. Jackson added that in the past, the developers were usually asked to donate the property to the city for the right of way.

Walker inquired if this extension would serve the 200 acres west of town and if those properties are included in these assessments. Nielson replied that Phase 3 would get out to that site, but this Phase 2 will only go to County Road 31, so those properties would not be assessed.

WALKER MOVED TO MOVE FORWARD WITH THESE PROJECTS AND ATTEMPT TO FIND SOME METHODS OF LOWERING THE ASSESSMENTS. HALLIN SECONDED THE MOTION.

Whitcomb clarified that this motion is approving staff to sit down with the property owners. Nielson said that that the sewer and water extension could possibly be done this fall, but it would be very tight with the assessment process.

Zimmer asked how much the assessments could be extended out. Nielson said there are 30 year bonds, but the rates go up considerably. The current assessment estimates are big numbers, but they work out to only be about \$.10 per square foot.

THE MOTION CARRIED UNANIMOUSLY

Karnowski asked how the Council wanted to proceed on the Odgers property. Whitcomb replied that the City has never annexed property without the property owner requesting it, but with how this property is surrounded by the City, it should be looked at. Karnowski responded that he will look into the options and report back to the council.

DOBSON MOVED TO ADJOURN THE MEETING AT 6:35PM. WALKER SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

Respectfully Submitted,

Shawna Jenkins
City Clerk
ATTEST:

Paul Whitcomb, Mayor