Mayor Paul Whitcomb called the meeting to order and led the Pledge of Allegiance to the Flag. Council members present were, Thom Walker, Jack Edmonds, Jules Zimmer, and Jeff Reynolds. Others present: Administrator Mark Karnowski, Finance Director Steve Jackson, Police Chief Todd Frederick, Public Works Director Bob Gerold, Development Director Jolene Foss, Clerk Shawna Jenkins, Fire Chief Ron Lawrence, Engineer Andy Brotzler, and Attorney’s Damien Toven and Kelli Bourgeois.

AGENDA ADDITIONS/DELETIONS

CONSIDERATION OF MINUTES

A. Study Session Meeting Minutes of October 5, 2017
B. Regular Meeting Minutes of October 12, 2017

WALKER MOVED TO APPROVE THE STUDY SESSION MEETING MINUTES OF SEPTEMBER 28, 2017 THE REGULAR MEETING MINUTES OF OCTOBER 12, 2017. EDMONDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

CONSENT AGENDA

A. Permits and Licenses
B. Personnel
   1. Police Officer Shane Duncan Step 4 increase to $27.18 effective 11-6-16
   2. Accept resignation of Jolene Foss effective 11-17-17
C. Donations/Designations

WALKER MOVED TO APPROVE THE CONSENT AGENDA. ZIMMER SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

OPEN FORUM

PRESENTATIONS

PUBLIC HEARINGS

REPORTS OF OFFICERS, BOARDS, AND COMMITTEES

A. Planning Commission Minutes of October 16, 2017
B. Fire Board Minutes of October 3, 2017
C. Park Board Minutes of October 23, 2017

PETITIONS, REQUESTS, AND COMMUNICATIONS

A. Wine and Spirits Grant request from Ruff Start Rescue

Karnowski reported that Ruff Start rescue is preparing for their 7th Annual online silent auction which supports their program in many ways. The letter that was received stated that Ruff Start Rescue takes in many cats and dogs from the Princeton Impound. They supply these animals with needed veterinary care and refuge in foster homes until they are adopted. Since inception in 2010, they have taken in 93 animals from Princeton Impound, not including those that were born in rescue. They also helped 139 Princeton residents with surrendering their animals when they could no longer care for them.
They have also received 5 grants since 2014 that have provided reduced cost or free spay/neuter services for community owned and feral barn cats.

Whitcomb said as much good as he believes Ruff Start does, he does not know if they truly benefit the residents of the City. Walker and Edmonds both believe it is a worthy cause.

WALKER MOVED TO APPROVE THE GRANT REQUEST OF A $50 GIFT CARD TO HELP IN THEIR ONLINE SILENT AUCTION. EDMONDS SECONDED THE MOTION.

Zimmer asked Chief Frederick if he feels they are benefiting the city. Frederick stated that if a stray dog or cat gets picked up, Ruff start usually assists the vet clinic in adopting out those animals. Frederick stated that other municipalities and the County also use Princeton Vet Clinic, so he does not know how many of the numbers are from directly from the City.

VOTE: 4:1 WHITCOMB OPPOSED. THE MOTION CARRIED

ORDINANCES AND RESOLUTIONS

A. Resolution 17-49 certifying past due utility bills

Karnowski advised that this is the yearly certification of past due utility bills so they can be collected by the county with the property taxes.

WALKER MOVED TO APPROVE RESOLUTION 17-49 CERTIFYING THE PAST DUE UTILITY BILLS TO THE COUNTY FOR COLLECTION. REYNOLDS SECONDED THE MOTION.

Edmonds asked if a renter does not pay the bill, does it go to the property owner. Wangen responded that they try to collect from the renter for quite some time before going to the property owner and certifying the bill to the County.

THE MOTION CARRIED UNANIMOUSLY

UNFINISHED BUSINESS

A. TAP Grant funding options

Karnowski reported that Princeton is a recipient of a Transportation Alternative Program (TAP) grant to construct the proposed Great Northern Trail (GNT) which will result in a significant addition to the city’s bike and walking trail system. A copy of the proposed project’s map is attached.

The project proposes to construct a 10’ wide trail some 9,500 feet long (just short of 2 miles) from near the PUC’s southernmost well house to Mark Park with a spur that goes close to Coborn’s’ grocery store.

The estimated total cost of the proposal is $994,163 with $509,691 in TAP grant funds which leaves the need for a local contribution at an estimated $484,472. The project is slated for construction during the 2019 construction season. So, for the sake of this discussion, we’ll set the proposed fee at $500,000.

Funding Options: The city has two options for funding the local share of the TAP grant.
Property Tax Option: The first option would be a general (special) tax levy against all properties in Princeton. Under this approach, the city would propose to generate the necessary $500,000 (plus interest) through collection of a property tax increase over all properties in the city. Through this approach, the highest value properties end up paying the largest share of the costs.

Note that properties utilizing Tax Abatement or located in a TIF District would not contribute to the program funding. Neither would tax exempt properties such as churches, schools and other non-profits. The $500,000 would be added to the property tax bill as a line item labeled “Bike Trail Funding” or something to that effect.

Franchise Fee Option: The second option is the implementation of a franchise fee. Under Minnesota Statute (216B.36 – copy attached), cities can impose a fee on utility companies that use the public rights-of-way to deliver service.

A franchise fee would be charged to the electric service providers within the city (note that some cities also charge a franchise fee against the natural gas suppliers to a city as well (which is also an option the Council could consider). The electric providers would then pass that cost on to their customers as a fee listed on their monthly bill. The franchise fee is a tax increase and Staff suggests that, if adopted, the city should inform residents that the collected funds will be used solely for parks and trails funding.

The City can determine the amount, structure and use of franchise fees. Generally, they are structured in one of two ways:

- A flat rate per utility account OR
- A percentage of consumption used by each utility account

Staff is suggesting the “flat rate” fee which would remain constant rather than one based on consumption which would vary each month. Generally the fees are collected based on one fee per utility account and not on a per meter basis.

What are the Pros and Cons of Franchise Fees: When comparing franchise fees as a revenue sources to property taxes…

Some potential advantages include:

- No increase in the property tax levy
- Collects from all potential users of the proposed bike path including schools and non-profits whose users often live outside the city but use the city’s bike paths.
- Cover a wider base than property taxes
- Will diversify the City’s revenue sources
- Collects fees from renters and other actual users of the bike paths rather than the property owner.
- Reliable source of revenue (not subject to loss of State Aid)

A flat-rate franchise fee would be the same for each property, making it easy to administer. New construction would contribute immediately, which would eliminate the one to two-year lag for the City to receive property taxes for property owners receiving municipal services.

Some potential disadvantages include:
• Everyone must pay since electricity is used by all unlike a cable franchise fee where only subscribers choosing to receive the service are subject to paying the fee
• A flat-rate franchise fee would be the same for all homes, regardless of their value
• Franchise fees are not tax deductible
• Requires public outreach to describe the fee and process

At the Council’s September 28th meeting the Council reviewed a memo suggesting that a franchise fee could be the funding source for the local share of the Transportation Alternative Program (TAP) grant and would be charged against the companies that provide electrical service to the city of Princeton. Those companies are:

Princeton Public Utilities (PUC), 907 1st Street in Princeton.
East Central Energy (ECE), 412 Main Ave. N., Braham, MN 55006.
Conexus Energy, 14601 Ramsey Blvd. N.W., Ramsey, MN 55303

The proceeds from the franchise fee would go into a special dedicated fund that would be identified as the ‘Parks & Trails Capitol Improvement Fund’ and would be used solely for projects like the Great Northern Trail or other future projects like the proposed bridge linking Riverside Park to Riebe Park.

Again, one fee would be charged against each electric account as opposed to one fee being charged against each electric meter. The amount of the fee would be determined by the amount of the ‘loan’ (self-funded or bonded) needed to fund the local share of the TAP grant divided by the length of time the city decides to pay off that debt.

For example, in Elk River they collect the fee according to the following criteria:

Residential Property Owners: Pay monthly charge of $5 on their electric bill.

Commercial/Industrial Properties: Pay monthly charge according to the following schedule:
• Small Commercial/Industrial: Non Demand $25
• General Commercial/Industrial: Demand $70
• Large Commercial/Industrial: >1 MW Demand - $100

If the city opted to pursue the franchise fee concept, he suggests that city staff work with the PUC (and other electric providers) to see what the revenue level should be (using a concept similar to Elk River) to pay off the debt over various lengths of time.

Staff suggests that, if the Franchise Fee approach is adopted, that a $500,000 franchise fee be charged to the electric service providers that service Princeton. The electric providers would then pass this cost on to their customers as a ‘City Franchise Fee’ that would be listed on their customers’ monthly bill.

Staff suggests that the franchise fee option is preferable to increasing property taxes to cover the city’s share of the TAP grant. A breakdown of the estimated taxes verses a franchise fee payable by different value homes and commercial industrial properties is depicted in the following graphic. The graphic shows what the annual fee (based on $3/month) would be from each property in order to generate the needed $500,000 in revenue versus the annual cost if the city levied $100,000 per year for several years (note that the franchise fee figures for the commercial/industrial properties are estimates).
Based on the state demographer’s April, 2016 numbers, if a $5 electric franchise fee was adopted, the following revenue would be raised from residential property alone...this does not include any commercial/industrial properties:

<table>
<thead>
<tr>
<th>Sherburne Co. Households: (20)</th>
<th>$3 Rate</th>
<th>$4 Rate</th>
<th>$5 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Month:</td>
<td>$60</td>
<td>$80</td>
<td>$100</td>
</tr>
<tr>
<td>Per Year:</td>
<td>$720</td>
<td>$960</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mille Lacs Co. Households: (1,947)</th>
<th>$3 Rate</th>
<th>$4 Rate</th>
<th>$5 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Month:</td>
<td>$5,841</td>
<td>$7,788</td>
<td>$9,735</td>
</tr>
<tr>
<td>Per Year:</td>
<td>$70,092</td>
<td>$93,456</td>
<td>$116,820</td>
</tr>
</tbody>
</table>

Annual Total: $70,812 $94,416 $118,020

According to the Minnesota State Auditor, as of 2014 357 of the 853 cities in Minnesota imposed a franchise fee. Of those 357 cities, 163 cities have a population under 2,500 and 256 cities are located in outside the 7-county metropolitan area.

If the Council opts to move forward with the franchise fee proposal, the next step would be to draft a franchise ordinance and call a public hearing on the proposal. Communications with the public would be integral through this process. The process would culminate with the adoption of an ordinance and notification made to the utility companies. The entire process could take a few months.

He does not have all the numbers yet in terms of commercial accounts, but these will provide a general idea on funds that can be collected.

Walker asked what the logic was with having a different industrial rate. Karnowski replied that usually residential properties will all use a similar amount of electric. A big Industrial company will likely use a very large amount, so could pay a slightly higher amount due to their usage. If the council wants to charge the same amount for all properties, that can be done as well.

Edmonds said he had some questions, but the memo has answered many of them. This is just preliminary discussion, and the details can be worked out. Karnowski stated that he has looked into the process and it will take a lot of work to get it into a final form and implemented. He wanted to get the Council’s thoughts on it before spending a lot of time working out those details. He can set the ground work if the Council wants to pursue a franchise fee. The First step would be to talk with the electric suppliers. Conexus is likely used to having franchise fees, East Central may not have any, and PUC does not.
Edmonds said he feels this project needs to be moved forward, but he is against increasing the levy. He is in favor of a franchise fee, and interested in seeing if there are other funding options as well.

Walker said it is not important how it is packaged. A franchise fee, or a levy increase is still a tax in one way or another.

Karnowski said part of the logic is that courts have ruled that this is not a tax per se, so the franchise fee would also be charged to many non-profits. The logic for that, is that only 25% of students that go to the school district reside in the city, so if the school district was paying a franchise fee, in essence you are collecting funds from the Townships in a way as well.

A local sales tax would also be an option, as there will be a lot more people than the city residents that will be using the trail.

Reynolds agrees that he would like to see it spread out over a larger portion of people. Karnowski replied that he would have to confirm, but he thinks there was a moratorium on local option sales taxes. Walker stated that if they are worried that instituting a franchise fee may be difficult, creating a local option sales tax would likely be much more difficult.

Zimmer commented that he thinks it makes sense to pursue something like this. He is not sure what the fee should be as of yet, but would like to move forward with the process.

Karnowski added that if there was a desire to continue the franchise fee once the project was paid for, it could be used for other projects, such as a bridge over the river to Riebe Park.

Zimmer stated that he feels more people are apt to agree with a small fee like this, when they are able to see the projects being completed before their eyes.

Walker added that if the franchise fee is going to be continued to pay for park projects, it should be used to augment the current park budget, not replace it.

Walker said the collected franchise fee will likely be tied up into trails for quite some time. He is in favor of moving the franchise fee process along.

WALKER MOVED TO CONTINUE THE PROCESS TO ENACT A FRANCHISE FEE. ZIMMER SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

B. Public Safety Building ceiling fans

Lawrence advised the City Council had approved the purchase and installation of ceiling fans for both the police and fire bays in the 2017 CIP. Staff requested quotes from approved electricians and a bid has been received that is under the CIP amount. Staff is moving forward with the plans to have the fans installed.

WALKER MOVED TO HAVE THE PUBLIC SAFETY BUILDING CEILING FANS REPLACED, NOT TO EXCEED $5000. EDMONDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

NEW BUSINESS
A. Proposed Airport CIP

Karnowski reported that the major improvements at the airport are funded by the FAA. The Airport Advisory Board reviews the necessary projects and prioritizes them. The Airport Advisory Board has determined that the runway will need to be replaced and that it planned for in about 2019. The FAA agrees that it needs to be replaced. The FAA will make a special allocation for that large project, and will be picking up 90% of the cost. The state may pick up 5% as well. This Airport CIP outlines the projects that the Airport Board and FAA agree that should be done. Staff recommendation is to ratify the CIP as recommended by the Airport Board.

Edmonds asked if the larger projects would be held off until funds are received. Karnowski replied that the FAA keeps CIP’s on their website and as he understands, they are planning for this project to be done in 2019.

Edmonds questioned the amount set aside in 2020 for replacing the tractor. Gerold said that can be pushed out if it is still working properly, but these are known to start having issues at about 10 years old. Karnowski added that because the FAA grant funds are used, the tractor can only be used at the airport.

WALKER MOVED TO APPROVE THE AIRPORT CIP. EDMONDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

B. Lights on After School

Karnowski reported that the Council has been acknowledging this event for a few years. The Family Pathway’s Teen Center has an event that everyone is invited to.

EDMONDS MOVED TO PROCLAIM OCTOBER 26, 2017 AS NATIONAL LIGHTS ON AFTER SCHOOL. ZIMMER SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

C. Road Name Changes

Karnowski stated that it has been suggested that the City Council consider changing the street names of Smith System Road and Veri-Flow Lane since both were named for the businesses that were, but are no longer, on those two streets.

One suggestion is that Smith System Road be renamed to “Tiger Trail” because it bi-sects the high school property and that Veri-Flow Lane be re-named “Plastic Products Circle”.

If the Council wishes to move forward with that naming concept (or some other names) staff can prepare the requisite documents for your first meeting in November.

He asked how the Council wished to proceed.

Doctor Richard Mayerchak spoke to the Council as he is requesting the street be named after Dr. Pete Jensen. Dr. Jensen was instrumental in getting the Bell Haven Townhomes established, borrowed money against his own home mortgage when the church needed to expand, he led a group of prominent community leaders who donated money to build new tennis courts, and opened a free medical clinic in town for those who couldn’t qualify for medical as-
sistance. He dedicated most of his adult life making Princeton a better place to live. He would like to honor him in a special way, and feels that since Smith Systems is no longer a viable business in Princeton, he would like to propose that road be changed to Jensen Street in honor of the tireless hours that Dr. Pete Jensen devoted to caring for people.

Whitcomb thanked Dr. Mayerchak for coming to the meeting. He said it can become pretty difficult when you start naming streets after a person.

Edmonds said he is in favor of dedicating something to Dr. Jensen, but feels that naming a street after him is not worthy of his dedication to the community. He suggests possibly a housing development, or something similar.

Karnowski commented that the Council is not obligated to make a decision tonight. Edmonds feels that the short street section renamed “Tiger Trail” would be fitting.

Walker stated that if the city were to name a street after a person, we would have to look at other streets and other people that would also be very worthy of recognition.

Zimmer agrees that “Tiger Trail” would be fitting as it encompass the whole community. He suggested that the hospital do something in recognition of Dr. Jensen. Mayerchak responded that they are a corporation, so that would not be something they would do.

Walker would like to put off renaming the street off for a bit. Zimmer told Dr. Mayerchak that the council is not disagreeing with anything he said in regard to Dr. Jensen.

Karnowski stated that he can check with other cities to see if they have created a criteria or policy on street naming.

**MISCELLANEOUS**

**BILL LIST**
Zimmer moved to approve the bill list which includes the manual checks as listed on the manual bill list for a total of $128,001.24 and the items listed on the liquor bill list and general city bill list which will be checks 76333 to 76384 for a total of $140,847.19. Reynolds seconded the motion. The motion carried unanimously.

**ADJOURNMENT**
There being no further business:

Zimmer moved to adjourn the meeting at 7:47pm. Edmonds seconded the motion. The motion carried unanimously.

Respectfully Submitted,

Shawna Jenkins  
City Clerk

ATTEST:

_________________________  ________________________
Shawna Jenkins  Paul Whitcomb, Mayor