Mayor Paul Whitcomb called the meeting to order. City Council members present were Thom Walker, Jack Edmonds, Jules Zimmer, and Jeff Reynolds. Staff present, City Administrator Mark Karnowski, Finance Director Steve Jackson, Community Development Director Jolene Foss, Clerk Shawna Jenkins, and Engineer Andrew Plowman.

Mille Lacs County Board and Staff: County Board Chair Roger Tellinghuisen, Commissioners David Oslin, Phil Peterson, Genny Reynolds, and Tim Wilhelm. Staff present, County Administrator Pat Oman, Assistant County Administrator Holly Wilson, and County Engineer Bruce Cochran.

**Co Rd 157 & TH95 Roundabout funding discussion**

Whitcomb advised that the City Council passed Resolution 17-32 at the July 13, 2017 meeting. The resolution highlights the traffic counts of CR 157, that Princeton encompasses less than 1% of the total land of Mille Lacs County but accounted for over 15% of the property tax revenue, and the County recently approved a local option sales tax to be collected for a 10 year period collecting between 13 and 15 million dollars to pay for seven road improvement projects not fundable using County State Aid funds.

Oman responded that the County Board received the resolution the day it was sent and it was reviewed at a study session. The County Board and Staff is looking to gather some information only, so there will be no action taken tonight. They will review it again at a work session in 2 weeks.

Edmonds asked the following questions to help begin discussions.

1. Why is the City responsible for the local share of this project.

2. County Road 157 is a connector road between CSAH 1 and MN Truck Highway 95

3. It is a bordering road between the City of Princeton and Princeton Township, so it is not exclusively in the City limits.

4. Only 25% of the proposed Roundabout is in the City limits.

5. Mille Lacs County has two sources of revenue to fund the local share of this project. Those being the Local Option Sales Tax and the wheelage tax.

Edmonds stated he was not on the Council when the project was originally planned. He is not sure how the city became the source of the local funding.

The county has a local option sales tax, and a wheelage tax for funding sources. He would like to suggest using the city’s portion of the sales tax and wheelage tax towards the project. He said he thinks it is safe to say that the City would generate the project’s local portion in a pretty short time. Karnowski stated that he did some investigating and about 1/3 of the local option sales tax revenue comes from Princeton. Genny Reynolds asked where Karnowski got that
number. Karnowski responded that he got that information from the MN Department of Revenue.

Oman stated that the City receives about $276,000 in wheelage tax on average. Edmonds does not think it is out of line to ask that the revenues that come from the City, be used towards this project.

Oman commented that the signed agreement does state that the City shall pay the local portion of the project. In the feasibility study, it stated that the local share would be assessed and some levied for. When the local option sales tax was discussed, it was advertised and public hearings held. County Road 157 was not added to the list when it was being discussed. Edmonds responded that it should be revisited, as boards, commissions and things have changed.

Karnowski reported that this intersection was originally planned as a stop light intersection. He added that Cochran would probably agree that a roundabout would be a much better configuration for this intersection. In terms of assessments, the court has made it mandatory that the city provide proof that the property being assessed will be increased in value by the assessed amount. The original local share estimate would have likely met that requirement, but the new estimate may not. Which is one of reasons the city is reaching out to the county for assistance in the project. This is a county road, and a lot of funds raised with the local option sales tax is coming from the City. He feels the County has some responsibility to assist.

Edmonds added that he does not believe the local option sales tax and wheelage taxes were in place when this project was originally looked at. It would be fairly easy to amend the projects those funds are being used for.

Roger Tellinghuisen asked Engineer Cochran to give the criteria used to pick the roads that would be improved with those funds. Cochran replied that they looked at gravel roads, high traffic counts, roads that would spur development and those that were a source of complaints.

Oman stated that the wheelage tax is for highway equipment, so it would be an inappropriate to use it for road improvements. The County Board did look at raising the wheelage tax by $10, but they did not wish to do so.

Karnowski said he challenges any commissioner or staff, to find another road in the county that was improved using money other than county funds. He feels this would be the only case where a road was improved using city funds. Cochran’s predecessor did mark it as a state aid road temporarily to help in the past. The county does not have any funds into the improvements made several years ago. If you look at the total cost of the roundabout and what the city has already spent on improving that road, he thinks in the interest of fairness the county has some responsibility to participate in that road’s improvement. Especially given the amount of local option sales tax dollars that are generated by the current businesses that are accessed by that road, and the future businesses that will be put in soon. He feels it would be an injustice if the county does not contribute to the intersection improvement.

Oman responded that the County contributed to that previous improvement as they lost those state aid funds from another road when that was done. He suggested a tax increment district, as that would be an additional funding mechanism the city could use. There is even a deferred
transportation loan fund. The county board and staff are here as they do care about the city and he understands what Karnowski is saying.

Whitcomb admitted that he thought of the road as 21st Avenue, and not County Road 157 so it did not occur to him right away to go to the County for assistance. However, the city has a county commissioner that represents the city. It is a county road and the city is asking for assistance with the local portion of the improvement.

Cochran and City Engineer Plowman worked on the new numbers and updated the information for the local portion of the construction. The total local portion in construction, engineering and right of way is $478,002.41. Cochran added that Federal funds require a 20% match.

Wilson stated that this is a different amount than what was originally relayed to the County. Plowman responded that the design engineering saw increases, and a phase 1 and 2 contamination study were required. The right-of-way negotiations were slight higher as well, as well as a couple over-runs of what was provided in the feasibility study.

Edmonds added that the city just found another grant to apply for, so the local portion may go down if the grant is approved. Plowman replied that he is not sure on the timeline of when the grants will be awarded. However, we should have a better idea of the project costs as the project is being bid on October 31st.

Plowman stated that the grant that is being applied for is the “LRIP”. Oman asked how much the city is requesting. Plowman responded that they are not sure at this point, but they will likely apply for the entire local share.

Oman asked the council how much they are requesting from the County. Edmonds replied that he would like to see the entire local share of the construction cost, but any amount would be nice. Karnowski believes Cochran put together a number at one point showing how much of the intersection would be considered the county portion. Cochran said they have better numbers now, and with the bids coming in soon, they will have a much more accurate cost.

David Oslin asked for clarification on the timing of the project. Plowman replied that the bids are going out in October, with construction starting in the spring after school gets out.

Oman asked what funds they are looking for to cover the local share. Karnowski replied that staff is looking at a few other things, possibly rolling some into a bond for another project, borrow from an enterprise fund, a portion levied and a portion would be assessed.

Genny Reynolds asked about a low interest loan through MnDOT. Cochran responded that for a city with a population of 5000 or less, the interest is about 1% lower than the bond rate.

Karnowski stated that this meeting was to discuss why the County will not contribute to the road improvement.

Genny Reynolds responded that she does not feel there has been good communication between the city and county. She agrees it is a county road, but does not agree that it needs to be
improved. She asked if the project includes a trail. Plowman responded that it did, and Walker and Foss estimated the amount for the trail at about $90,000.

Genny Reynolds asked where he got the number of 15% of property taxes come from the City of Princeton. Karnowski stated he got his numbers on the property tax and sales option tax numbers from the MN Department of Revenue and the County Auditor.

Oslin said it appears the City has looked at several funding options, and the city has provided the county some ideas as well. He doesn’t feel the decision has been made to assist in the cost of the project as of yet. He appreciates being here and the discussion that the City and County has had.

Edmonds stated that there are still some unknowns and some variables. Maybe the County and City could convene again once we have some more accurate numbers. Oslin agreed.

Edmonds and Whitcomb both agreed and are thankful for the opportunity to meet tonight.

WALKER MOVED TO ADJOURN THE STUDY SESSION AT 6:26PM. ZIMMER SECONDED THE MOTION. MEETING ADJOURNED

Respectfully Submitted,

_________________________
Shawna Jenkins
City Clerk

ATTEST:

_____________________
Paul Whitcomb, Mayor