

**WALKER CITY COUNCIL
PUBLIC HEARING MEETING MINUTES
WALKER FIRE HALL MEETING ROOM
MONDAY, JULY 11TH, 2016**

CALL TO ORDER –Mayor Shaw

- Mayor Jed Shaw called the public hearing to order at 6:05p.m.
- Pledge of Allegiance
 - Council members present: Haefele, McMurrin, Senenfelder, Shaw and Wilkening
 - Council members absent:
 - Others present during portions of the meeting included:

Terri Bjorklund, City Administrator
Chris Thorson, Ulteig
Travis Bakker, City Police
Jan Kosel, Self
Patricia Hoehen, Self
Anita Grusing, Self
Jeff Weis, Self
Mike Pederson, Self
Art Yeats, Self
Chuck Emery, Self
Dean Hickey, Self
Linda Nye, Self
Gary Bilben, Self
Jen Arnold, FOP
Kim Schultz, Self
Norma Butzow, Self
Carol Smith, Self
Pat Richter, Self
Stanley Townsdin, Self
Kristi Holly, Self
Brian Hein, Self
Erica Frizzell, FOP

John Valen, City Attorney
Pamela Smith, City Employee
Gary Raymond, Self
Chris Magnuson, Self
Cindy Wannarka, LLACC
Janna Weis, Self
Mark Everson, Self
Dan Batson, Self
Paula Yeats, Self
Marilee Hickey, Self
Phil LaVoi, Self
Vivian Auel, Self
Theresa Bilben, Self
Tim Richardson, Self
Jack Butzow, Self
Dick Evenson, Self
Kent Battles, Self
Jamie Richter, Self
Kari Townsdin, Self
Paul Fairbanks, Self
Shannon Pfeiffer, FOP
Terry Freeman, NECI/Cass County

Mayor Shaw noted that the questions will be answered in order of the sign-up sheet that is circulating around. Mayor Shaw reads the following; in accordance with Minnesota Statute 429, the City is required to hold a public assessment hearing to correct any errors or inequities in the assessments. A public hearing was held in January of 2016. Property owners will be handled on an individual basis in order of the sign in sheet, if you have questions on your assessment, please sign the sheet. City Engineer Chris Thorson will give a brief presentation of project costs and assessment rates. City Administrator Terri Bjorklund will review the payment procedures of the assessments and the terms, interest rates and other applicable information. After the presentation we will call on you in order

of the signup sheet to present your question on your individual assessment to the engineer and City Council. Please stand when speaking.

Chris Thorson, Ulteig reviewed the areas of the 2016 Southside Area and 5th Street N. Utility and Street Improvements.

Fifth Street N. – Between Minnesota Avenue and the northerly point of Fifth Street N.

Fifth Street S. – Between Minnesota Avenue and the southerly point of Fifth Street S.

Fourth Street S. – Between Michigan Avenue and the southerly point of Fourth Street S.

Third Street S. – Between Michigan Avenue and the southerly point of Third Street S.

Second Street S. – Between Michigan Avenue and the intersection of Summit Avenue.

Michigan Avenue – Between Minnesota Avenue and the intersection of Seventh Street.

Tower Avenue – Between Fourth Street S. and Fifth Street S.

Birchwood Avenue W. – Between Fourth Street S. and Fifth Street S.

Park Avenue W. - Between Fourth Street S. and Fifth Street S.

Chris reviews pictures of old clay tile pipes that have cracked and roots that have grown through them. There are major deficiencies within the project area. There are large areas that the water mains have been around for 50 or 60 years that use old cast iron pipes that deteriorate after that many years. Another problem is a lot of them are buried too shallow. There is also a lack of storm sewers because of the slopes of our streets. Chris explains that in order to repair the aging infrastructure streets must be torn up to get to the pipes. Chris reviews the project items that relate to project cost and how those costs are shared the numbers he states are in the public hearing agenda hand-out. He adds that Governmental and School Districts are assessed at a different rate; at 100%, the full cost. He states the assessment rates are based on the line item with each having a specific rate (pointing out the assessment rates that are included in the agenda hand-out). These rates have been set for the project. Chris review Avenue Y and Avenue Z exhibit and explains how the footage is calculated for assessments and refers to the public hearing agenda. Chris adds that assessment terms will be at an annual interest rate of 3% and at a term of 15 years. Chris takes questions from the public.

Public: Is the 3% a pass through?

Thorson stated the city will take a 1% loan on the project, and the city will add a 2% loan to the project and with the funding the City is receiving, the City can't add on more than 2% to the 1% loan. And that 2% is to cover administrative costs during the life cycle of reviewing and handling of assessments.

Public: What funding is being received for this project?

Thorson replied that the City has applied for funding from the Public Facilities Authority, they are funding the project with the 1% loan, and we are in the process of waiting for the bonding bill. If that happens there is additional grant monies that play into the Cities financing.

Public: Are they are getting charged at full assessment?

Thorson replies that they are not being charged at full assessment.

Public: Does the City have the money to pay for the project or are we still waiting for a grant to come in?

Thorson states that we are still waiting for a grant to come in, if the bonding bill passes and if it doesn't the City would take on that extra burden. Wilkening states that the City

has 1.6 million in the bank that we didn't bank on when we put this package together, so the City has a cushion.

Wilkening clarifies that the projects total is 5.4 million and with the Counties portion was maybe 1.8 and we lost about 1.2 of it, if the legislature doesn't go back into session the City will take on that extra responsibility. You have to have the bid in hand and then submit it to PFA to see if they will forgive a portion of the loan; and then the clock ticks to accept the bid. The City had 600,000 on the table from WIFF; which is another State funded agency; which unfortunately is funded by the bonding bill. Wilkening added that the assessment will not go up or down regardless of what happens with the bonding bill. Mayor Shaw clarified with the public that at the first meeting they had anticipated 1.8 million in grants. At the 2nd meeting it wasn't 1.8, but we still thought that the 600,000 is reachable. We knew the total of 1.8 would not be reachable and that the assessments would be 20% higher than our initial January estimates. What the per-front proposed assessments at the second meeting is what everyone is being assessed at. Regardless of the 600,000 or the bonding bill going through the City has enough in reserves to cover it if it doesn't go through versus higher assessments. Shaw also notes that the thought process was that with interest rates being what they were and the bid they had for the complete project; whereas if your bids are on a smaller project potentially your costs are going to be higher. If we would have pushed this out, costs will eventually rise, they will rise on materials, on labor and certainly on interest rates. At a certain point we need to address a system that is 50 years old.

Public: Why not assess everyone that uses those streets?

Senenfelder stated that if you add up all of the assessments they do not pay for this project. McMurrin brings up work that was done on the street by the Drug Store and noted that the entire community wasn't assessed.

Public: Why couldn't there be a tax increase to help pay for these projects?

Shaw reminded the public that Wilkening and himself testified before a tax committee in Saint Paul. To paraphrase what we were told 'it's not fair that Walker as a City generates enough business and revenue to pay for its City water, street, curb and gutter projects.' If we as a City were to pass another tax referendum to go towards building a new stadium, they would be happy to give us a sales tax for that.

Senenfelder reminds the public that when it comes down to the PFA funding; because the City is good stewards with their money, we were actually given less money, we are being penalized for being good stewards with our money.

Public: If the bonding bill would have passed, would the assessments have been less?

And then if it goes through, is the City is going to bank that?

Wilkening clarified that they are confusing two different amounts. The initial amount was PFA loan forgiveness and that would have been based upon the Cities ability to pay. That was the 1.2 that we did not get. And so because we did not get that, assessments went up as did the cities share. The 600,000 the second amount, whether we get that or not, it won't affect your assessments. This is funded by the water and sewer billing cycles. We have an interesting position that we are in; in that our water plant will be writing a check tonight for that and that is the last check on that one. We also have another project coming up in 3 years where amounts have been dedicated to the City and a hundred and some thousand per year. Part of it is through assessments and part of it is through other mechanisms.

Public: Shouldn't the entire City be charged for sewer improvements because we are sewer district? (Referencing Minnesota Statute 444.20)

Shaw stated that if this is a question of whether we are correct with how we assess property owners to pay for projects like this, the City is correct with the use of our Ordinances in terms of this nature. And we know that to a certain degree because we have had it tested a few times in the past few years.

Wilkening references when Tower was assessed that was done at approximately 60% assessment, substantially higher. After that we redid our assessment policy and then we did 6th Street, and that turned into approximately 37%. Wilkening notes that this project is significantly a lower percentage.

Kent Battles represents a company that owns a rental property at 201 5th Street.

He stated that they received multiple letters from the City to install a new separate sewer line, he noted based on the language in the letter they did so in order to comply. The work that was done last July included a new sewer line, street patch and concrete at a cost of \$7,500. Battles states that they feel they are incurring the same costs again. We don't feel that we should be assessed that full amount he added. Senenfelder question if part of the \$7,500 is part of the contractors price from the street back to the residence. Battle's refers to the breakdown of costs on the sheet that he hands to the councilmembers.

Wilkening states that back in July of 2015 the City did not know they were doing this project. He questioned that if this was the property that connected back to the property neighboring him and connected to the same sewer line.

Battles stated that it was thought to be a shared line, however when Lindy's dug it up, it turned out to be separate lines.

Wilkening asked if the system was failing. Battles responded that towards the end it was. Bjorklund noted that the homeowners in the front had a back-up of sewage and this is what prompted the whole situation.

Shaw identified the uniqueness of his situation relative to what the public is here questioning.

Wilkening recommends Battles to contact Administrator Bjorklund to get put on the next Public Works agenda so they can discuss his project specifically.

Public: When is the best time to go over our individual assessment?

Thorson stated that he can go over it now with them.

Public: Has the City ever had a project fund set aside for this looked into any other grants?

Wilkening stated that the City has been saving for about 10 years and there is about 1.5 million saved. This is being used to pay a portion of the project. He explained PFA and the grants contingent upon the bonding bill passing. He also clarified that no additional money will be levied for this. Part of the water and sewer bill funds a portion of this as well.

Public: How is the public that is on a fixed income supposed to come up with this money?

Shaw states that there is potentially a deferment option. Wilkening adds that the applicant must be over 65, must be the property owner and occupy the property as the principal residence. The average annual payment for assessment levied against the property must exceed 1% of that person's adjusted gross income. The average annual payment of an

assessment shall be the total of the assessment divided by the number of years of which it's assessed. The Cities deferment policy is much more lenient than the State's. Bjorklund explained that this is a deferred assessment which is a type of lien. Anyone that chooses to finance their assessment over the next 15 years, in November the Roll would go to the County Auditor's office; they will add it to your property taxes for the next 15 years. If at any time you decided to sell your property that would have to be a part of your agreement with the purchaser; either you are paying it off or they are assuming the rest of that debt. And the same thing would go with the deferment, if at which time you don't own the home, your income becomes significantly increased or you no longer live in the home than that assessment must be paid.

Public: How long would my family have to pay off the assessment?

The Council responded that it would be at the point of transfer. You have 90 days from this hearing to apply for the deferment.

Public: This is a large assessment. It's too much money for anyone; we live in a region of fairly inexpensive homes without large incomes.

Senenfelder stated as would it be if you had to install a mound system and lived outside the City. When the systems fail, they have to be fixed. The overall cost of this project is the lowest it was ever going to be; because of fuel costs and interest rates. The final bid was 600,000 less than what we initially thought it was going to be. He added that when lived outside the City he had to pay \$12,500 to fix his mound system no one financed that for him.

Public: We are being assessed for public streets, we are paying for it and everyone is using it.

Thorson states that when looking at the urban street assessment evaluation at \$52 per foot, what the assessment would be if it was 100% assessed would be an estimated \$140 per foot.

There was discussion about a property that has 170 feet of unbuildable land, which was decided to be an unfortunate buy by the property owner. The public also asked why the City couldn't levy out to surrounding townships and if the property owner donated a portion of the land, would they still have to pay assessments on that portion.

Shaw stated that from a Council standpoint they are trying to be as fair as possible to the people that are here tonight, the people that they have assessed in the past that are not here tonight and with the foreknowledge of projects that are coming up in the next 10 years. In the aspect of the donated property it was suggested that she seek legal representation or potentially meet at a Public Works meeting to discuss that.

Public: The City should rethink the way it assesses property owners, even though they refer to them as the only benefiting property, they are not the only benefiting property. The amount charged to the property cannot exceed the amount by which the property benefits from the improvement as measured by the increase in market value of property, requesting that the Council show them the benefit in market value to any one of the properties.

Valen: We had the same argument by the owners of 6th Street. The City did not come and do an appraisal before the improvements and did not come in and do an appraisal after. That is one way of measuring the benefit. The city has chosen to do it by cost method of determining market value. We tried a case in district court in the last couple months and that method was approved. The theory is even though your property is for example

valued at \$50,000, if a buyer came along and knew the condition of the infrastructure under the street they probably would say we aren't going to pay that much or we want it fixed it before we pay for it. The increase in value here is the cost of the hearing the defective infrastructure to bring it up to what its market value really is. It's difficult sometimes to explain this, the case we tried the land owner showed that the market value was a little less then when the project was done, nevertheless the testimony showed that the condition of the infrastructure was such that the property was worth a lot less than he thought. It was the appraiser's testimony that was accepted by the judge.

Shaw inquired a comparison between purchasing a house in the County and having to update the system that if not complied by the seller the buyer could renegotiate and adds that when purchasing a house with City water and sewer it is assumed that systems will be functional, the truth is that ours is old enough that it is not perfectly functional.

Shaw states that it has taken 10 years to put aside 1.6 million to have some money set aside to do projects like this. Wilkening added that he can think of \$100,000 of emergency repairs of a portion of the road, and questioned the public if that was good use of our money.

Public: Would like to discuss Statute 444.20 as well as all property owners being taxed and market value if not tonight and would like to discuss this at a different time if it isn't able to be covered tonight.

Valen: That is an alternate method of financing these projects. There are two methods and the City has chosen the assessment method in order to be consistent. If they chose the other Statute, people that have already been assessed are going to get assessed twice, and that was the primary reason why that method was not chosen.

Public: How many residents have been assessed at this level?

Wilkening responds that none of them have, they have all been higher. He asked that if she had any further questions regarding that to refer them to John and report back to Public Works.

Public: Can you tell us why the brush and the trees were taken down by Highland and 3rd? Is there a plan?

Thorson stated that they are doing storm sewer improvements and this will help redirect the flow. In the disturbed areas we will replant grass the ultimate goal is that nature comes in and takes over. Wilkening added that his understanding is the infiltration rate calculations in that area it should stay reasonable dry.

Public: If the bonding bill would have went through at our regular session would are assessments be up to 20% lower?

Shaw clarified yes, at the original bonding bill that they looked at it would have been. The initial amount was 1.8, through the process of applying for the loans we didn't qualify for 1.2 of the 1.8. We did qualify for the 600,000. If that does come back around we will apply it to the project. It will not lower your assessments any more. The city is accepting responsibility for that portion of it whether we get that bonding bill or not.

Public: I am wondering if you can reach out to communities the size of Walker and get a group together and hire a lobbyist to pass the sales tax for all like size communities. Form a collation and get them to give these small communities like Walker a sales tax. Wilkening states that it is a possibility.

Public: Is the City spending all of the 1.6 million?

Wilkening said that he hope it wasn't. And that is dependent of the 600,000 coming through.

Public: How did the City decide on the 3% interest rate, why are we tacking on another 2%?

Shaw clarifies that the 1% is what the City is being charged, it is the loan. Bjorklund adds that we have not closed on the loan yet, the bond could run us anywhere between 1% and 2%, in order to have enough money to do the administrative part , we have to pay the County, our staff has to do extra work in order to do these assessments each year. In order to ensure that there is enough money to cover all of that that is the reason for that. And that is not abnormal; most cities do more than 2% above their bonding issue.

Public: Shouldn't the administrative cost come out of the taxes we pay?

Wilkening stated that we have to make sure that the next people that take the seats on Council that they have a policy that's in place that gives them the opportunity to be good stewards too. I would hate to leave the City in a bad financial position. Thorson added that that is administrative costs as well as the fact there could be some non-payment. This is not out of the norm cities always tack on 3% or 4% to the assessment valuations. Bjorklund states that when the City bonds for a project that is not assessed, we by law have to levy for 10% over the costs of the payments to ensure that we have enough money in case of non-payment, homes that go into foreclosure and deferred assessment. 3% versus 10% is pretty low.

Public: Question what the logic his corner lot being assessed on both sides and the utilities are only on one side.

Wilkening stated that he is not being assessed for utilities on one side.

Public: Would I be charged for the wooded side of my house and I fixed something two years ago and now I am getting assessed all over again now that I paid for all of that and I was told that I would never freeze up again and I did.

Thorson stated that she would not be assessed for that wooded side of the house she is referring to. You are not being assessed for that water service. We are looking at the water service lines with freezing potential.

Public: We are getting a sidewalk on one side of our house where there was never a sidewalk, are we getting assessed for that?

Thorson states not directly; all the sidewalks within the project are being assessed across the project

Public: Since the timeline was set, how could a couple people and a list of names change a multimillion dollar project? She states that she has no other access points of entry for customers, adding that when this project was changed nobody was warned, and when they changed it again she wasn't warned.

Wilkening stated that this got moved up because we weren't doing Michigan from 7th Street to 6th Street. This is something that came to the City through our contractor through our engineer. The contractor was concerned as was our engineer about what was going to happen to the flow of traffic in general on the south side of Walker, once we started on 5th Street at Minnesota Avenue and started digging up to Michigan. The contractor came up with the idea and that was based upon the contractors recommendation and what he saw. That idea was presented and then met opposition. The alternate solution was from 5th Street South. Thorson added that when they go into a project they go into it not knowing anything and they do their best to set up phases, we

don't know who our contractor is going to be, how many crews will they bring, how fast will they go when they get here? There are a lot of factors. We were all faced with a decision that made rational sense, to take the fourth phase and move it up. We have an excellent contractor that is moving ahead of schedule. And the contractor will work with the property owners to make sure they have access.

Wilkening reminds the public that the slower we make the contractor go the longer they will be here. The quicker it goes the quicker they are out of here.

Public: Does that assessments include curb, gutter and blacktop and if he was the lowest bidder on this project?

Thorson confirmed that it does and that it is subcontracted and that he was in fact the lowest bidder.

ADJOURNMENT-Mayor Jed Shaw

Mayor Shaw adjourned the public hearing at 7.58 p.m.

Jed Shaw, Mayor

Attest: _____
Terri Bjorklund, Administrator