

1. Agenda

Documents:

[FEB. 24, 2021 AGENDA.PDF](#)

2. Meeting Materials

Documents:

[FEB. 24, 2021 PACKET.PDF](#)



**City Council Workshop Meeting
February 24, 2021**

**Following City Council Meeting
Approximately 8:45 p.m.**

Please note: Due to COVID-19, this City Council Workshop meeting is taking place virtually and at Woodbury City Hall in the Ash North and South Conference Rooms.

Members of the public may attend the meeting but will be required to comply with social distancing parameters as determined by the City. Members of the public may also join the meeting using a PC, Mac, iPad, iPhone or Android device.

[Watch the Live Meeting](#)

Public comments will be accepted during the meeting both in person and by using the link to the virtual meeting to join the meeting and then submit your questions via the online Q&A feature within the meeting.

Questions regarding the meeting will also be taken between the hours of 8:00 a.m. to 4:30 p.m. via email council@woodburymn.gov or call 651-714-3524 and leave a voicemail message

Please note that all agenda times are estimates.

Workshop Agenda

- | | | | |
|-----------|----|---|-------|
| 8:45 p.m. | 1. | Parks and Trails Replacement Fund Commission Recommendations Report, Continued Review | 21-51 |
| 9:20 p.m. | 3. | Administrator Comments and Updates ¹ | |
| 9:25 p.m. | 4. | Mayor and City Council Comments and Commission Liaison Updates ¹ | |
| 9:30 p.m. | 5. | Adjournment | |

¹ Items under comments and updates are intended to be informational or of brief inquiry. More substantial discussion of matters under comments and updates should be scheduled for a future agenda.

The City of Woodbury is subject to Title II of the Americans with Disabilities Act which prohibits discrimination on the basis of disability by public entities. The City is committed to full implementation of the Act to our services, programs, and activities. Information regarding the provision of the Americans with Disabilities Act is available from the City Administrator's office at (651) 714-3523. Auxiliary aids for disabled persons are available upon request at least 72 hours in advance of an event. Please call the ADA Coordinator, Clinton P. Gridley, at (651) 714-3523 (TDD (651) 714-3568)) to make arrangements.



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City of Woodbury, Minnesota
Office of City Administrator

Council Workshop Letter 21-51

To: The Honorable Mayor and Members of the City Council

From: Clinton P. Gridley, City Administrator

Subject: Parks and Trails Replacement Fund Commission Recommendations Report, Continued Review

Summary

At the January 20, 2021 Council workshop meeting, staff presented a joint report from the Parks and Natural Resources Commission and the Audit and Investment Commission. The Parks and Trails Replacement Plan report, approved unanimously by both Commissions, provides recommendations on a financing approach for the Parks and Trails Replacement Fund including the use of franchise fees.

At the workshop meeting, four key questions were asked of Council to provide guidance to staff on how to proceed:

- Is this proposal ready to proceed to public engagement?
- Do you agree with the multi-source funding approach?
- Do you agree with the 25/75 property tax/franchise fees approach?
- Do you agree with the proposed franchise fee schedule?

While there was agreement on many aspects of the report, Council had several outstanding questions and desired further discussion before a proposal is ready to proceed to public education or engagement.

Further Analysis and Questions from Council

- 1) Review if the flat fee proposal may be underfunding our needs, essentially verification that the \$2.9 million goal is the current figure that should be the initial funding goal¹.**

Based on the current evaluation of the asset management plan and proposed 5-year Capital Improvement Projects, staff continues to support that the \$2.9 million is a good place to start to build the fund for the near future. It will be important to continue to evaluate the assumptions and update the plan with actual expenses as assets are replaced and added, as was recommended in the report. Similar to the Road Rehabilitation Fund and the Water and Sewer Utility Fund, it is recommended that the funding goal and financing policy be reviewed at least every ten years. The development of a directive,

¹ The parks and trail asset depreciation plan will naturally grow with inflation impacts and the annual system additions.

also recommended in the report, can stipulate the recommended review timelines or parameters.

2) Council requested further discussion on the policy choice between a flat franchise fee (i.e. \$1.75/month) versus a percentage franchise fee (i.e. three percent/month). A flat franchise fee is recommended by the Commissions.

From a staff operational perspective, we are neutral regarding either approach as both approaches technically work, and that this is more a pure policy consideration.

Attached is a handout providing pros and cons on this policy choice from both the customer and City perspective for Council’s further discussion as necessary. Xcel was also contacted to provide their further perspective on this topic, but as of the writing of this letter staff has not received their feedback. However, it was made clear during the Commissions’ process that Xcel had a strong preference for the flat fee option.

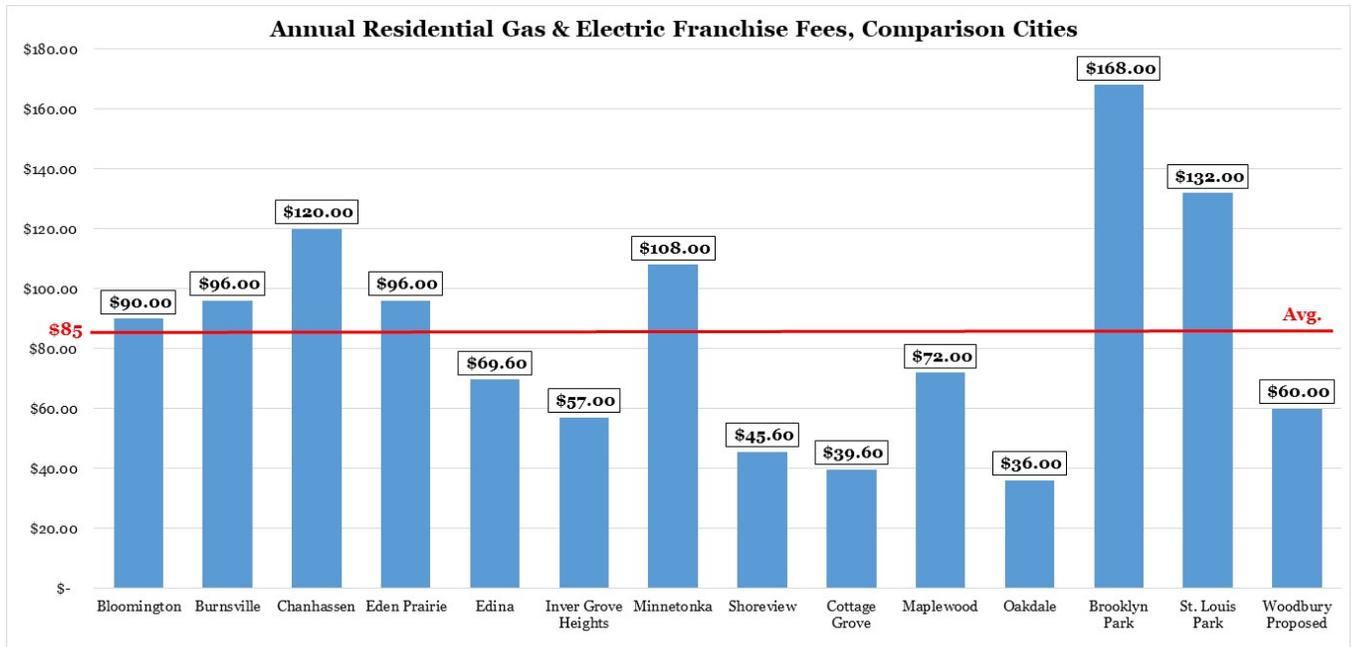
Appendix E of the report details existing franchise fees of comparable cities. For the 16 cities with established fees used as comparables, two have implemented a percentage fee (Coon Rapids and Shakopee). Statewide there are 89 cities that charge electric franchise fees through Xcel, of which 75 utilize a flat fee (84 percent). For gas service, of the 42 cities statewide that charge franchise fees through Xcel, 31 utilize a flat fee (74 percent).

3) Council requested further discussion on the impact to residential customers in a single year with the implementation of the Commissions’ recommendation.

As shown in the report, the estimated residential customer impact is as follows for the recommended Option 1A. Assuming the existing property tax contribution to the fund would continue, residents would be charged an additional \$60/year in franchise fees.

Annual Impacts	Current Fund Financing	Option 1A: Blended (Mid End Fee)	Difference Per Year	Difference Per Month
Median value home property tax impact	\$ 20.58	\$ 20.58	\$ -	\$ -
Residential home impact for Franchise Fee	\$ -	\$ 60.00	\$ 60.00	\$ 5.00
Total Est. Median Value Home Impact	\$ 20.58	\$ 80.58	\$ 60.00	\$ 5.00

For comparison purposes, provided below is a summary of comparable cities that have franchise fees and their annual residential fee.



4) Provide an assessment of expected other funding sources such as grants or HUD contributions to the fund (although it was noted that these revenues may likely be used to off-set any property tax contribution to the fund).

The Commissions were charged with developing a recommendation for sustainable funding sources, therefore grants or other project specific revenue sources were not evaluated. Staff would be unable to make any long term revenue assumptions about these sources. Staff is committed to identifying opportunities for these revenue options and applying them when applicable and this would be reflected in the Capital Improvement Plan annually for the fund.

As an example, staff did review and concluded that the CDBG grants used for qualified parks improvements were based on just select few census blocks that met the CDBG low income criteria, and that these opportunities are limited with potential grants not consistent or large enough to project into the asset management plan. Comparatively, for the street rehabilitation program, potential grants were not added into that methodology either, despite greater potential for such revenue than parks and trails.

DRAFT 2022-2026 Capital Improvement Plan (CIP) for Parks and Trails Replacement Fund

As a further demonstration of projects and funding requests that will be included in the CIP for the fund, the draft 2022-2026 CIP is provided. Note that this is a draft document and was developed only for internal staff review purposes, not for Council evaluation on the projects themselves. However, it provides further context as to the project needs in the next five years as well as the fund balance implications without a sustainable funding source.

Council Workshop Letter 21-51

February 24, 2021

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Staff has also provided several notes at the bottom of the attachment just to highlight how projects are already being delayed to ensure the amount of projects in a given year can meet staff availability and capacity to complete them. In other words, if staff capacity were not a limitation the total project requests would have been increased.

Recommendation

The Audit and Investment Commission and the Parks and Natural Resources Commission unanimously recommended:

- 1) The asset depreciation methodology and approach.
- 2) Full funding of the \$2.9 million annual average need per the asset depreciation schedule.
- 3) A blended funding approach utilizing both franchise fees and property taxes.
- 4) A 75-80 percent franchise fee, 20-25 percent property tax funding balance.
- 5) A fixed amount for the franchise fee (versus a percentage approach) See the proposed fee schedule in report.
- 6) Creation of a Council Directive to restrict use of the franchise fee to parks and trails uses and provide staff guidance on fund balances, etc. (future).
- 7) Implement the franchise fee effective January 1, 2022.

City staff concurs with the recommendation of the City commissions.

Governance Mode

- Fiduciary - Stewardship of tangible assets, oversees operations and ensures efficient and appropriate use of resources, legal compliance and fiscal accountability.

Fiscal Implications

Within the 2020 Budget, \$500,000 from property taxes was first allocated to begin seeding the replacement fund. The 2021 Budget includes \$686,000 in the fund. The total funding goal is approximately \$2.9 million per year to sustain the fund. The report outlines the range of the financial impacts to residents with a median value home.

Policy

2019-2021 City Council Strategic Initiative, Parks and Trails Replacement Plan
Critical Success Factor, Quality of Life

Public Process

- Parks and Natural Resources Commission and Audit and Investment Commission meetings: August-November 2020
- City Council workshop: January 20, 2021
- Additional public engagement processes are anticipated to be conducted before the Council June workshop, when final Council direction on this item is anticipated.

Background

Woodbury's parks and trails are essential assets that enhance the quality of life in our community. The City maintains 3,386 acres of park and recreation land, 76 sport courts, 152 miles of paved trails, 55 named parks, 19 irrigation systems, 123 athletic fields, 31 buildings/structures, and 46 play structures. Unfettered access to quality parks and trails support health and well-being, equity, economic development, and preservation and protection of the natural environment.

The age of individual assets and continued growth of the system necessitates a robust plan for maintenance and eventual replacement. The plan that is being developed recommends the replacement of specific park and trail amenities, based on professional and safety replacement standards and standard life expectancy. Staff will continue to evaluate each area of the system regularly and as items are due and requiring replacement, they will be moved from the asset plan to the Capital Improvement Plan, and eventually presented with the annual budget request.

With increasing asset-liability, the time to respond is now, to avoid severe depletion of the overall system. A long-term funding plan is needed to support the Council Strategic Initiative and the Replacement Plan for the parks and trails system.

Written By: Michelle Okada, Parks and Recreation Director
Angela Gorall, Assistant City Administrator

Approved Through: Clinton P. Gridley, City Administrator

Attachments:

1. Flat Franchise Fee vs. Percentage Fee Option Handout
2. **Draft** 2022-2026 CIP Parks and Trails Replacement Fund

Flat Franchise Fee vs. Percentage Franchise Fee Policy Option

Flat franchise fee:

- Monthly flat fee (i.e. \$2.50, \$5.00)
- Same fee every month to customers

OR

Percentage franchise fee:

- Monthly fee based on the percentage of customer's utility bill (i.e. 3%, 4%)
- Fluctuates monthly based on utility usage
- Caps could be established



Flat Fee Option

<u>PRO</u>	<u>CON</u>
<p>Customer Perspective:</p> <ul style="list-style-type: none"> ▪ Consistent monthly fee, regardless of usage, weather or energy efficiency ▪ Assumed business customers preference 	<p>Customer Perspective:</p> <ul style="list-style-type: none"> ▪ Regressive, fee takes a larger percentage of income from low-income than from high-income ▪ No incentive for energy efficiency
<p>City Perspective:</p> <ul style="list-style-type: none"> ▪ Predictable customer impact ▪ Predictable revenue ▪ Easier method to audit ▪ Easier method for public education and engagement 	<p>City Perspective:</p> <ul style="list-style-type: none"> ▪ Revenue only increases with new customers being added

Percentage Fee Option

<u>PRO</u>	<u>CON</u>
<p>Customer Perspective:</p> <ul style="list-style-type: none"> ▪ Incentivizes energy efficiency ▪ If applied consistently to all users, more equitable (higher bills = higher fee)* 	<p>Customer Perspective:</p> <ul style="list-style-type: none"> ▪ Inconsistent monthly fee based on usage or weather ▪ Ability to pay is not congruent with energy costs ▪ May lack ability to pay or qualify for energy efficiency improvements
<p>City Perspective:</p> <ul style="list-style-type: none"> ▪ Potential for collecting greater revenues as usage increases and rates increase 	<p>City Perspective:</p> <ul style="list-style-type: none"> ▪ May not be feasible to audit ▪ Unpredictable revenue ▪ Revenue may decrease with energy efficiency ▪ More challenging for public education and engagement

*Assumes high bill = higher ability to pay. This is not congruent to a progressive tax such as property tax. The same two homes valued at the same amount or same size (a measure on ability to pay) is not consistent to their utility usage as many other factors apply (home age, weatherization, appliances, furnace/AC age or quality, household size, etc.).

