



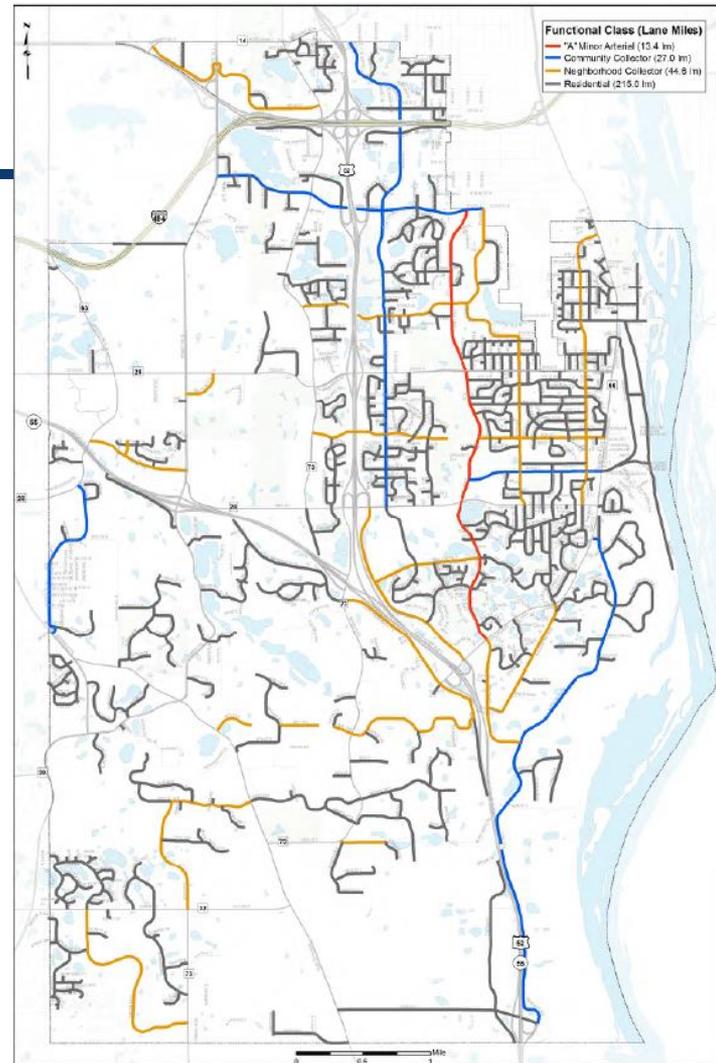
City of Inver Grove Heights

Pavement Management Task Force

December 16, 2022

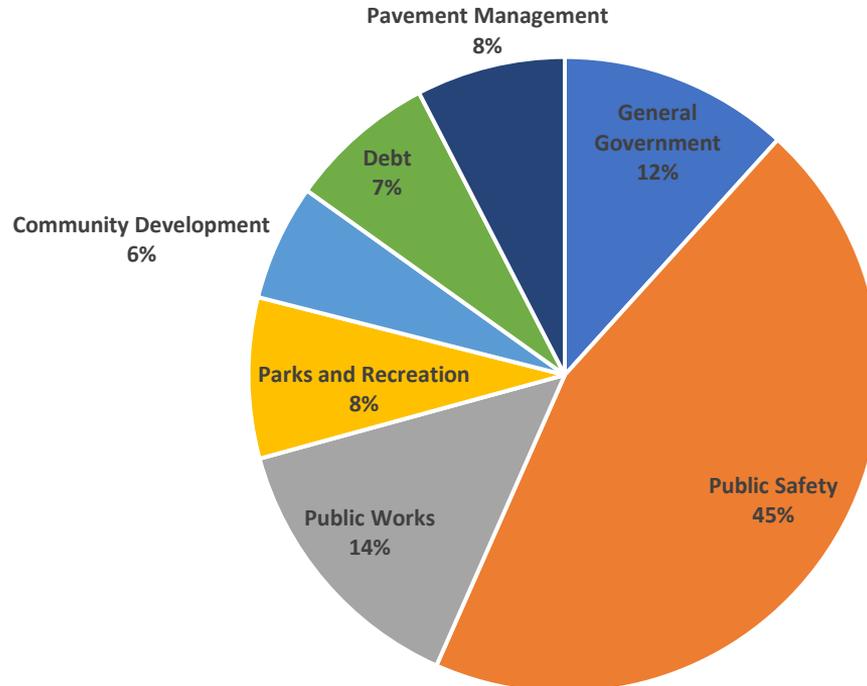
Neighborhood Streets

- Seeking funding solutions to repair and replace 215 lane miles of residential streets



Why aren't my tax dollars enough to pay for streets?

General Fund Budgeted Expenditures 2022

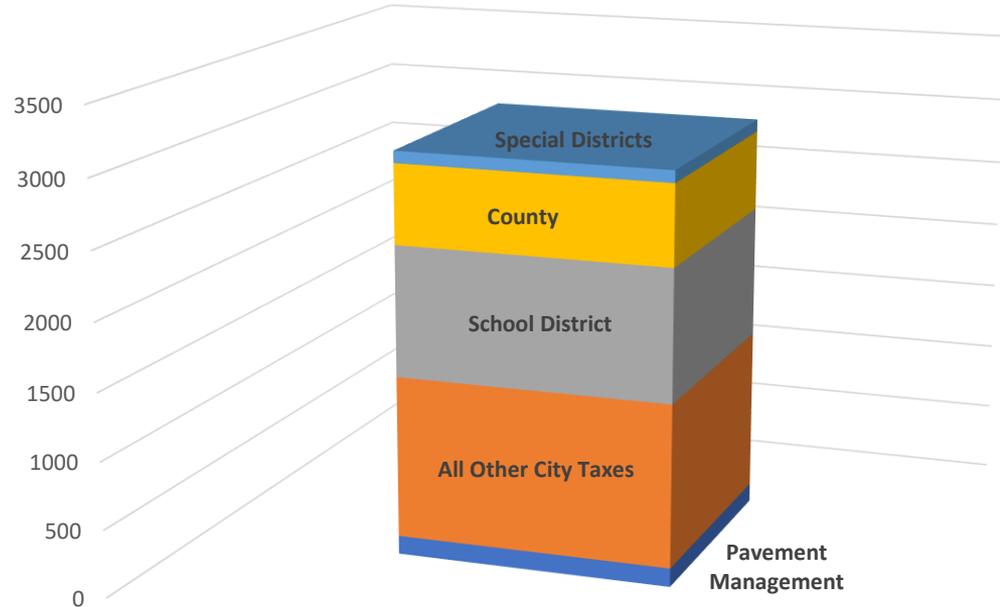


- Total General Fund expenditures are \$33.5 million
- Pavement Management Levy is \$2.55 million

Why aren't my tax dollars enough to pay for streets?

- \$138 of \$3,000 total property tax bill on median valued home goes to City's Pavement Management Program

Sample Tax Bill on a \$273,800 Home



Why aren't my tax dollars enough to pay for streets?

- In 2020, property taxes paid for 30% of pavement management expenditures



Special Assessments

- Over last ten years 41% of all PMP project costs have been assessed
- Amount assessed depends on project type

Project Type	Average Amount Assessed 2001-2020
Urban Reconstruction	37%
Rural Reconstruction	46%
Partial Reconstruction	53%
Full Depth Reclamation	66%
Mill and Overlay	65%

Special Assessments

- Special assessments collected over time, but the project funding is needed up front
- Portion of projects funded by special assessments needs to be paid initially with other funding sources and repaid with the special assessments over time
- City has recently relied on its Pavement Management Fund to front project costs

Special Assessments

PROS	CONS
Aligns benefit of new street with benefitting properties	Financial burden on individual property owners
Reduces tax rate and tax levy for City	Projects may be delayed if residents oppose assessments
Avoids political tendency to postpone projects to reduce taxes, gets projects done	As project costs increase may be harder to show benefit
Allows projects to be financed without a referendum	
Paid by tax-exempt properties	

Other PMP Funding Sources

- **Franchise Fee**

- ✓ Fee collected with electric and gas utility bills
- ✓ \$4.75/month for single family home
- ✓ Generates approximately \$1.1 million annually

PROS	CONS
Paid by tax-exempt properties	Viewed as a tax
Collected by utility companies	Sunsets June 30, 2029. Council action required to renew.

Other PMP Funding Sources

- **Host Community Fund**

- ✓ \$500,000/ year anticipated to go to PMP
- ✓ Generated by tipping fees from landfills in City
- ✓ Approximately \$3M total Host Community Fees collected annually
 - \$2,500,000 committed to community center and future public works facility expansion

PROS	CONS
Flexible funding	Existing agreement expires in 2030
	Can't increase without taking from parks or facilities

Other PMP Funding Sources

- **Utility Fees**

- ✓ For utility related portion of street reconstruction projects
- ✓ Water, Sanitary Sewer, Storm Water
- ✓ Funded with utility fees

PROS	CONS
Flexible funding source	Increasing the pace of street projects will require more utility revenues, potentially increasing utility rates
Paid by tax-exempt properties	Stormwater fee currently not high enough to pay for all capital projects

Other PMP Funding Sources

- Tax Levy

Year	Tax Levy for PMP
2017	\$700,000
2018	\$1,250,000
2019	\$1,250,000
2020	\$1,749,626
2021	\$2,250,000
2022	\$2,550,000

✓ \$250,000 increase per year planned in 2023 and beyond

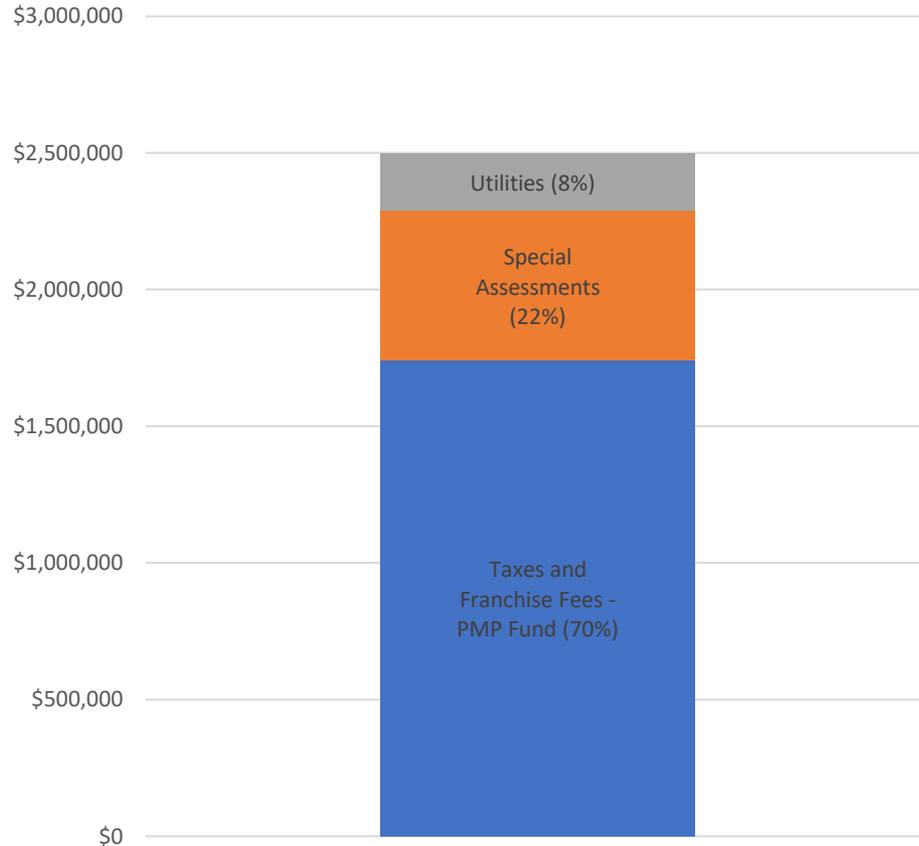
Other PMP Funding Sources

- Tax Levy

- ✓ \$250,000 increase per year planned

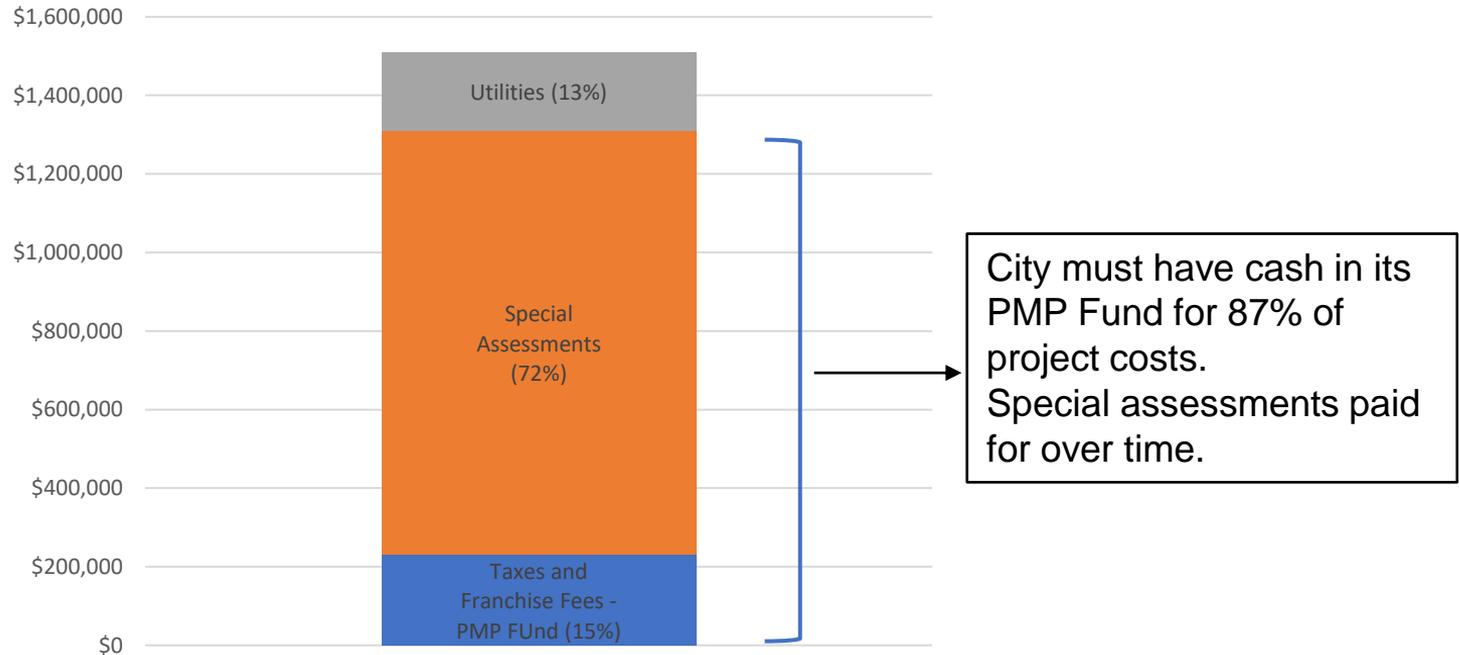
PROS	CONS
Flexible funding source	Raises property taxes
Higher valued homes and non-residential properties pay more of burden	Competes with other budget priorities
	Subject to annual council approval
	Not paid by tax-exempt properties

Sample Street Reconstruction Project Funding



Sample Street Rehab (Mill and Overlay) Project Funding

Sample Project Funding Budget



Can't we just bond for streets?

- Debt must be repaid: It is a financing tool, not a funding source
- Financing can help cover up front costs for special assessments
- Does not add total financial capacity but can help cashflow if City wants to move projects up
- Adds interest expense
- Must assess a minimum of 20% to bond without a referendum

Task Force Goals

Goal #1: Accomplish more pavement management projects each year

- ✓ Increase total resources allocated to PMP
- ✓ Do fewer full reconstruction projects and more street rehab
 - Decreases cost of projects
 - Increases the amount of project costs paid for with assessments (if current assessment policy maintained)

Task Force Goals

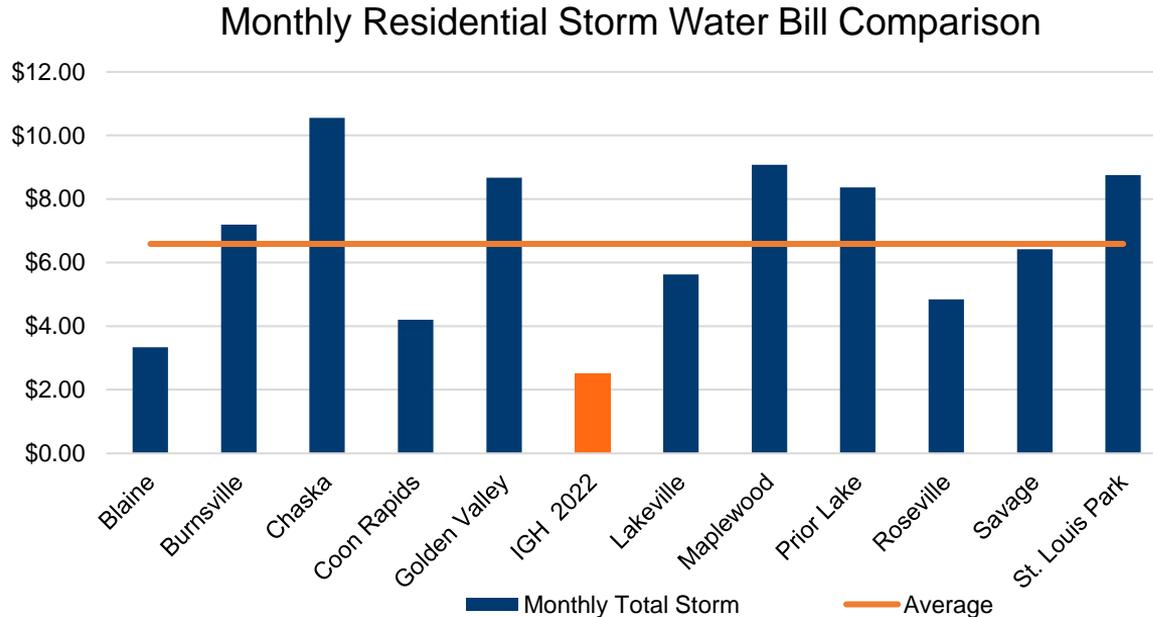
Goal #2: Ensure that PMP funding is fair and equitable

- ✓ Look at entire funding program
- ✓ Does it engage property owners in the process?
- ✓ Does it balance the funding fairly among those served?
- ✓ Does it achieve Goal #1?

Goals may require additional PMP funding resources to be
identified and committed

Future Funding Options: Storm Water Fee

- Increase storm water utility fee to cover capital costs currently charge to PMP Fund



Future Funding Options: Storm Water Fee

- Current fee is \$2.02 per month for a single-family home
- Fee will increase to \$2.65 per month in 2022
- Not sufficient to pay all storm water related PMP costs
- **\$1 million in additional revenue would increase storm water fee by approximately \$4.00 per month on an urban single-family lot**
 - ✓ Other types of properties would experience larger increases

Future Funding Options

- Increase existing funding sources
 - ✓ Property taxes
 - \$1 million in additional revenue would increase annual property taxes on a median valued home by \$54
 - \$4.50 per month
 - ✓ Franchise fees
 - \$1 million in additional revenue would increase monthly bill on a single-family home by approximately \$4.75

How does Inver Grove Heights compare?

- Funding streets is a state-wide crisis
 - ✓ 19,000 miles of City roads in Minnesota
 - ✓ >50% of roads are >50 years old



How does Inver Grove Heights compare?

- Most communities specially assess street projects
- Some cities are moving away from assessments
 - ✓ Most have not identified an alternative funding source that will keep pace with construction inflation without annual council action
- Host Community Fund is a resource
- Lower storm water utility than most communities

Next Steps

- Determine overall funding needs
- Determine if assessment policy is fair and equitable
- Consider funding recommendations, keeping in mind:
 - ✓ Precedent
 - ✓ Political realities
 - ✓ Budget realities