

Pursuant to due call and notice thereof, a Council Workshop of the North Mankato City Council was held in the Municipal Building Council Chambers on December 15, 2014. Mayor Dehen called the meeting to order at 6 p.m. The following were present for the meeting: Mayor Dehen, Council Members Norland, Freyberg, Spears and Steiner, Administrator Harrenstein, Finance Director Thorne, City Clerk Van Genderen, and Planner Fischer.

Extension of Sales Tax

Administrator Harrenstein reported a sample resolution extending the sales tax was handed out to Council Members. Harrenstein stated the Council has discussed how much authority remains in the original \$6 million sales and use tax. He reported the Sales Tax Expenditures sheet shows the following project expenditures T.H. CSAH 41-Principal \$828,693, Regional Parks \$2,417,688, Taylor Library \$969,539, Riverfront Development \$1,505,849 and Lake Improvements \$278,231 for a total of \$6,000,000. Harrenstein indicated the City and its citizens have become reliant on the funds for continued improvements. The proposed resolution extends the sales and use tax for an additional \$9 million to continue with projects and improvements.

Mayor Dehen reported the local options sales tax brings in not only local dollars but dollars from guests who enjoy the assets in North Mankato. Dehen noted the impact on the average family of four was between \$100.00 to \$200.00 dollars a year. He indicated this was a reasonable way to continue projects. Council Member Steiner agreed that this was the least painful way for people to help pay for continued projects. Council Member Spears noted \$200.00 may not have a huge impact on some but on others it may cause financial difficulties. He indicated the regional sports facilities did not benefit the majority of the population and specifics need to be tied to additional sales tax. Council Member Freyberg stated he supports a local options sales tax to raise funds. Freyberg indicated he wanted an audit to compare where and how the City spent the original \$6 million Sales Tax. He stated he would prefer a term for collection and not a specific amount. Bradley Peterson from the Greater Coalition of Minnesota Cities indicated State Statute requires the percentage of the local option sales tax and the max amount requested to be collected. Council Member Freyberg noted the Council needs to have a clearly defined and prioritized plan for additional sales tax. Freyberg requested a work session on January 5, 2015 to discuss additional sales tax and the resolution would also be brought to the Council Meeting on January 5, 2014.

Tax Forfeited Parcels on Kodiak Drive and Fairbanks Drive

Finance Director Thorne stated 12 parcels in Northgate No. 2 Subdivision are in tax forfeiture. These 12 parcels are now owned by Nicollet County. Thorne reported that originally, 2006A G.O. Improvement Bonds were sold to fund the Northgate No. 2 Subdivision. She stated in order to fund a portion of the debt service, assessments totaling \$1,303,821 in principal and interest was scheduled for collection between 2007 and 2014. After forfeiture, the remaining outstanding special assessments to be collected are \$490,299 which will be covered by property tax levy if the properties are not sold. If all 12 properties are sold, the City would receive delinquent special assessment payments of \$344,225 and would then receive outstanding assessments of \$163,467. The assessor has appraised the value of the parcels at approximately \$40,518 with the additional outstanding assessments of \$13,622. The total cost for each parcel is \$54,140. Thorne indicated the City assumes the properties will not sell because the market will

not bear the cost for a single-family home being built on the property. Thorne reported the staff recommends submitting the Request for Proposal (RFP) included in the workshop packet to developers to determine what amount the City may reasonably recover if all 12 lots are purchased and developed. The RFP proposes that residential housing developers purchase the 12 tax forfeiture parcels in Northgate No. 2 Subdivision with the stipulation the City will rescind the outstanding special assessments of \$13,622 per property.

Council Member Spears indicated the RFP was hasty and the City would not collect \$163,467. Mayor Dehen reported that with the completion of Highway 14 the town of Nicollet would become an attractive area to build and the price of the Kodiak and Fairbanks lots would be a deterrent for builders. Harrenstein reminded the Council that the City does not own the lots and does not have negotiating rights over the price just the special assessments which continue to incur with maintenance of the forfeiture properties. Council Member Spears stated the City could remove the fees for maintenance of forfeiture properties and leave the assessments. Administrator Harrenstein indicated it was not likely the lots would sell at the current price even with the removal of fees. Council Member Freyberg questioned why the developer needed to bid on all 12 parcels. Administrator Harrenstein indicated a provision could be added to consider more than one developer. Mayor Dehen suggested a graduated incentive the more parcels purchased by one developer the more assessments removed. Council Member Freyberg asked if the zoning had changed from R-2 to R-1. Administrator Harrenstein stated the lots were now zoned R-1 and he would check with Nicollet County to see if their assessment reflected the change in zoning. Administrator Harrenstein suggested the Council review the RFP on January 5, 2015.

Electric Franchise Fees

Finance Director Thorne reported the City of North Mankato franchise agreements with Benco and Xcel have provisions allowing for the collection of franchise fees. The franchise fees are set by resolution. The assessed fees are used to maintain the public right-of-way such as streets, alleys, medians and other property to deliver their services. Thorne stated the rate is flat not a percentage to provide a more stable customer monthly cost. If the resolution is passed January 5, 2015 the rate would become effective on April 1, 2015. Administrator Harrenstein reported the City did not raise the fees charged to the City because it was effectively an out and in. Council Member Freyberg stated the City should not exempt itself and it would look better on paper if the City's fees were raised.

There being no further business, the Council Workshop was adjourned at 7:00 p.m.

Mayor

City Clerk