

Minutes and Proceedings of the  
City Council of the City Of Emily in the  
County of Crow Wing, State of Minnesota

December 13, 2023  
Special Meeting

THESE MINUTES ARE PARAPHRASED AND ARE NOT WRITTEN WORD FOR WORD.

The Emily City Council met for a Special Meeting on Wednesday, December 13, 2023 in the Council Chambers and was called to order by Mayor Tracy Jones at 12:00 p.m. Councilmembers Bryce Butcher, Gerhart Hanson, Andrew Hemphill, and Gregory Koch were present. Tom Pearson, City Attorney, and Rebecca Kurtz, Financial Municipal Advisor, Ehlers, attended remotely. Jeff Ledin and Alex Voit, City Engineers, S.E.H., and Cari Johnson, City Clerk/Treasurer, were present.

The Pledge of Allegiance was recited.

The Council discussed the continued agenda item of the proposed Personnel Policy revision from the December 12, 2023 regular Council Meeting. The Council approved City Attorney Pearson and Clerk Johnson to continue working on the proposed Personnel Policy revision for Council consideration at the January regular Council Meeting.

Alex Voit reported the Feasibility Study for the proposed 2024 Road Improvement Project included all paved streets in the City. Voit reported all paved streets, approximately 24 miles, were evaluated using the PASER method, given a rating between 1 and 10, and treatment methods were assigned based on rating. The rating system is as follows:

- Rating 10-8 - no treatment recommended
- Rating 7-6 - overlay - a 1 inch overlay of new pavement over the existing pavement
- Rating 5 - mill and overlay – grind off one inch of existing pavement and pave back two inches on top
- Rating 4-1 - full depth reclamation – grind existing pavement with underlying gravel and repave 2 inches

Jeff Ledin reported streets are long term managed assets that generally last about 20 years, street condition deteriorates over time, and after deterioration maintenance is more expensive. Ledin reported the full depth reclamation is to grind the asphalt and aggregate into a base pavement course and add an additional layer of pavement over the top. Ledin reported the 1 inch overlay treatment is used to help with the ride, help with sealing the surface, and help prevent accelerated damage. Voit reported a 1 inch overlay is similar to what was completed on Anna Drive. Ledin reported the strength of 1 inch of pavement is equal to 2 inches of gravel. Ledin reported if the street has deteriorated to the point where there is no structural integrity to the surface, then it cannot be overlaid and needs a full depth reclamation to add back strength.

Voit reported a road improvement project is a balancing act between what streets to include in the project and the project cost the City can afford. Voit presented the following proposed project costs for each treatment:

Treatment	Miles	Cost/Square Yard	Total Cost
Overlay	9.68 miles	\$11.80/square yard	\$1,611,418.49
Mill and Overlay	9.6 miles	\$17.70/square yard	\$2,271,819.39
Full Depth Reclamation	2.26 miles	\$29.50/square yard	\$641,980.31
Total Estimated Project Cost			\$4,525,218.19

Voit reported previous road improvement projects were to pave gravel streets and benefitting property owners were assessed for 50% of the project costs. The Feasibility Study assumes 33% of the project costs would be assessed to property owners because the road improvement is for major maintenance of existing streets. As in the past the Feasibility Study includes 75% of the assessed cost would be calculated on a per lot basis and 25% of the assessed cost would be calculated on a front footage basis. The study includes an estimated 885 lots for a cost of \$1,265.53 per lot and estimated footage of 211,129 feet for \$1.77 per foot for a total assessed cost of \$1,493,692.38. Ledin reported other cities compromise by using the Minnesota Statute Chapter 429 process to assess a portion of major maintenance street improvement costs to property owners instead of financing the project uniformly across the tax base to spread the cost of the work and shift some of the total cost to the property owners adjacent to the improved street. Ledin stated it is probably more typical to bond for road improvement projects instead of building up large cash reserves to pay for a project. Kurtz does not recommend using cash to pay for a large street project because it draws down the City's general fund balance and could affect the City's rating with Standard & Poor's.

Voit reported the planned timing of the project had been to determine the roads to include in the fall, request bids during the early winter, and complete the project in the summer of 2024. Ledin reported with the amended plans to review the streets in the spring of 2024 the project construction and issuance of the bond would be completed in 2025 instead.

Rebecca Kurtz reported Ehlers would work with the City to issue debt for a road improvement project and would work with the City and the City’s Engineer on the right timing so the funds are available when the first payment to the contractor is needed. Kurtz reported if the City does not have cash to pay for a project, Ehlers would issue debt for the entire cost of the project. Kurtz reported Ehlers would develop the debt payment schedule for the term of the bond so the City would have funds on hand from both property taxes and assessments to make the annual debt service payments. Kurtz reported after the City decides on the scope and timing of the project Ehlers would calculate the required annual property tax levy for the future payments. The engineering fees are planned to be repaid with the bond proceeds and the financial advisor fees are planned to be paid with the bond proceeds.

Kurtz reported the bonding process would begin with determining the bond amount, the term of the bond, when the first payment could be made, and the assessment rates. Kurtz reported Ehlers typically sees cities assess for a portion of street projects and the assessment minimum is 20%. Kurtz reported per Statute the assessed portion of the project does not count against the City’s maximum debt limit of 3% of the City’s market value so the benefit to the community is the City’s ability to issue additional debt. Kurtz reported the City’s debt limit is roughly \$6 million. Kurtz reported Ehlers would run different scenarios of how the debt would be structured, including anticipated levy impact and assessment amounts for different property valuations of homes and businesses. Ehlers would then issue the debt and typically principal payments would begin within 3 years of completing the project and issuing the debt. Kurtz reported the bond term should not exceed the life of the project and the term of the assessments usually matches the term of the bond. Kurtz presented sample bond scenarios for different project totals. The following example is for a 15 year bond term with 33% assessment:

Street Project	Est. Annual Debt Service Payment	Est. Annual Tax Levy	Est. Annual Tax Impact for Home With Value of \$250,000
\$4.4 million	\$441,000	\$294,000	\$288.58
\$3.4 million	\$341,000	\$228,000	\$177.02
\$2.4 million	\$242,000	\$162,000	\$125.59

Kurtz presented the following example of a 12 year bond term with 33% assessment:

Street Project	Est. Annual Debt Service Payment	Est. Annual Tax Levy	Est. Annual Tax Impact for Home With Value of \$250,000
\$4.4 million	\$512,000	\$347,000	\$269.28
\$3.4 million	\$397,000	\$268,500	\$208.58
\$2.4 million	\$282,000	\$191,000	\$148.15

Kurtz reported Ehlers could run additional scenarios with various project costs and terms. There are additional options for determining assessments.

The Council discussed Resolution 23-49 Receiving Feasibility Report and Calling Hearing on Improvement for 2024 Road Improvement Project. The Council made the decision to not approve the resolution at this time. There was a discussion about reducing the scope of the proposed road improvement project due to cost and the impact to the taxpayers. The Feasibility Report could be revised in the future depending on the City’s project plans.

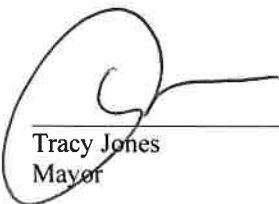
The Council will review and assess the condition of the streets rated 1-5 next spring. The Council discussed prioritizing the streets that have the lowest rating for maintenance.

**COUNCILMEMBER BUTCHER MADE THE MOTION TO ADJOURN THE MEETING. COUNCILMEMBER HEMPHILL SECONDED THE MOTION. ROLL CALL VOTE – JONES, BUTCHER, HANSON, HEMPHILL, AND KOCH VOTED AYE. THE MOTION CARRIED.** The meeting ended at 1:19 p.m.

Respectfully submitted,

  
Cari Johnson, MCMC  
City Clerk/Treasurer

Attest:

  
Tracy Jones  
Mayor