

Committee of the Whole Meeting
October 11, 2023

The Fergus Falls City Council held a Committee of the Whole meeting at 7:00 am on October 11, 2023 in the City Council Chambers. Mayor Schierer called the meeting to order, and the following council members were in attendance: Rachels, Fish, Job, Kvamme, Rufer, Kremeier and Thompson. Hicks was absent.

MN DNR State Park Road Account Program

The Minnesota DNR is accepting applications for the State Park Road Account Program. Funding can be used for improving local access roads to state parks, campgrounds, public water access and eligible recreation areas. Staff are seeking authorization to apply for \$210,000 in funding for a full depth bituminous patching of the access road in DeLagoon Park. The remainder of the roadway improvements (\$80,000) would be funded through the Parks and Recreation budget and/or annually levied mill and overlay funds. A motion and second were made by Fish and Rufer to recommend the council authorize submitting a funding application to the State Park Road Account Program and the motion carried.

DeLagoon Park Improvement Update

Grant Kuper of Bolton & Menk provided an update on the scope of the \$5.2 million improvements in DeLagoon Park the voters approved in the 2022 General Election. There are currently 22 tent and 14 camper spots in the campground and the new plan calls for 13 tent and 44 camper sites. All the RV sites will have electrical and water services availability and 9 will have sanitary sewer connections. A dual lane RV dump station will be constructed as well as a restroom/shower building. Improvements will be made to the roadways that serve the campground, and parking lot for the archery and firing ranges. Sanitary water and sewer mains will be routed to the bathhouse, RV dump station, campground sites, softball complex and soccer and softball field restrooms/concession areas. The lighting will be procured through the state contract and this work can begin once a final proposal is accepted. The project's proximity to a larger water body requires the plans be submitted to the State Historic Preservation Office (SHPO) and Office of the State Archaeologist (OSA). OSA is recommending a Phase I Cultural Resources survey be completed and depending on the findings, it may require Phase II. The goal is to advertise for bids in early 2024 and start work on the project next year. The campground will not be available for use next year while the improvements are being made. Rufer commented on the positive impact these improvements will make for recreation opportunities. Kvamme asked if there would be alternates for additional features if bids are favorable and asked about the utility connections and planned improvements on Shoreview Drive. Rachels asked why the campground design was reduced felt if the project requires cuts, they should be made to the campground and lighting features. Kuper said the original plans had to be reduced to fit the budget as there was a significant increase in the cost to construct the buildings.

Franchise Fees

The city has been looking for additional funding sources for street improvements and staff proposed the implementation of a franchise fee. Franchise fees are a common way for cities to fund projects without increasing property taxes as nearly half of Minnesota cities collect these fees to fund street improvement projects. The city owned right of ways are used for roadway, sidewalk, trails, and utility companies. Cities are allowed by state statute to charge utility companies a franchise fee for the use of the city's right of way. The city would impose a franchise fee on Otter Tail Power Company, Great

Plains Natural Gas and Lake Region Electric Cooperative. These companies would pass the fees onto their customers, collect the fees, and remit them to the city. The city would use the proceeds to improve city streets. Funding would be dedicated to road surfaces, reconstruction, patching, reclamation, mill and overlay, seal coat, curb, and gutter, and converting gravel to paved streets. The funds would not be used for street lighting or underground utility work. Kvamme asked if the funds could be used for public parking lots. The council has the discretion to use funds for that purpose, but it was pointed out the most traveled streets should be addressed before fixing parking lots.

With 122 miles of streets to maintain, the city expects to spend \$3.5 million in 2023 on street maintenance, mill and overlay and reconstruction projects. Currently these projects are funded by Municipal State Aid, special assessments, bonds, and general property taxes. An additional \$1.3 million per year is expected from the franchise fees and would be added to the city's annual street budget. The Tax Levy Committee is committed to budgeting the present or increased levels of street funding and the franchise fees would bring in additional revenue.

Advantages of franchise fees over tax increases include franchise fees being a predictable revenue source, they spread the cost of maintenance amongst those who benefit from the streets; all utility users, not just property owners within the city pay for street maintenance; the fees apply to all customers within the city including rental properties, non-profits and governmental entities and new construction immediately contributes to street project funding rather than waiting a year or two to be added to the tax rolls. Rufer said the community has expressed their desire for better street conditions and felt franchise fees are an equitable solution to moving forward. He asked if public education facilities could be exempt.

The Tax Levy Committee recommends the implementation of a 5% franchise fee based on the customer's energy consumption and large users would have a cap of \$1,000 per account per month. The fee would be effective March 1, 2024, and contributions are estimated to provide \$1.3 million annually for city street improvements. A motion and second were made by Job and Kvamme to recommend the council direct the City Attorney to draft franchise fees and franchise agreements with Otter Tail Power Company, Great Plains Natural Gas and Lake Region Electric Cooperative and the motion carried. Staff will use a variety of methods to provide this information to the public including an open house on October 26 at 5:00 pm in the City Council Chambers.

The meeting adjourned at 7:45 am

Lynne Olson