

The meeting convened at 5:32 p.m.

Councilmembers present: Mayor Jeff Jacobs, John Basill (arrived at 5:56 p.m.), C. Paul Carver (arrived at 6:20 p.m.), Phil Finkelstein, Paul Omodt, Loran Paprocki and Susan Sanger.

Councilmembers absent: None

Staff present: City Manager (Mr. Harmening), Finance Director (Mr. DeJong), Community Development Director (Mr. Locke), City Engineer (Mr. Brink), Director of Public Works (Mr. Rardin), Management Assistant (Ms. Honold) and Recording Secretary (Ms. Hughes).

Guests: Gary Carlson (League of MN Cities) and Doug Franzen Vic Moore (Franzen & Associates)

1. Legislative Update

Mr. Carlson presented a copy of *Cities Bulletin*, published May 21, 2009 by the League of Minnesota Cities containing a summary of the 2009 legislative session. He stated the session ended with no agreement on how to balance the remaining \$2.7 billion state budget deficit, but the governor's staff said the bill would be vetoed and will likely trigger the unallotment process. He reported the omnibus tax conference committee unveiled a final tax package designed to address the remaining deficit through a combination of school revenue "shifts," tax increases and tax compliance measures.

Finance Commissioner Hanson has suggested that the cuts to tax aids and credits would likely be reduced by \$200 million to \$500 million.

Mr. Carlson stated St. Louis Park does not currently receive local government aid (LGA) but could lose its market value homestead credit (MVHC) reimbursement. He suggested the City begin planning around the loss of that money retroactively for 2009 as well as 2010. He added it is not yet known how the unallotments for 2009 and 2010 MVHC and LGA will cycle into the levy limit calculations.

Councilmember Sanger asked about other possible cuts that impact cities.

Mr. Carlson replied the budget situation may affect police and fire pension aid or PERA monies; however, in his meeting with the revenue commissioner, it appears the governor will focus on LGA and MVHC. He indicated the use of the unallotment provision in a new biennium is unprecedented.

The City Council discussed levy limits, the special levy authority and the market value homestead credit.

Mr. Carlson stated he would prepare a summary of the laws that impact cities and encouraged the City Council to contact him with any questions.

Mr. Carlson discussed administrative fines being used by cities for low level traffic offenses and stated this year the legislature adopted an authorization for cities to issue low level traffic offense citations, called administrative fines.

Mr. Harmening stated the sunset provisions for Housing Improvement Areas and Special Services Districts were extended until June 30, 2013. He added the City was also given authorization to extend the term of the Elmwood Village TIF District as a means to provide another tool to assist with the financing of the Highway 7/Wooddale interchange project.

Mr. Harmening also asked Council about their position of pursuing additional funding that has not yet been secured for the Glencoe Railroad Mitigation Project.

Councilmember Basill stated if freight rail gets re-routed through the City, it may eliminate the blocking that occurs here. He questioned whether those funds could be applied to mitigation measures for light rail traffic.

The City Council directed staff to consider the Glencoe Project in terms of the larger context of overall freight rail and light rail.

Mayor Jacobs expressed the City Council's thanks and appreciation to Mr. Carlson and Mr. Moore for their efforts on behalf of the City.

2. Highway 7/Wooddale Avenue

Mr. Rardin presented an update on the project and stated a design change was required after the right of way acquisition process was begun in February. He explained that staff wanted to push the frontage road as far as possible to the south, however, six weeks ago the rail authority indicated its refusal to give up any of their property and as a result, SRF and Mn/DOT have realigned the frontage road approximately 47' to the north. He presented drawings of the current and revised plans and stated the frontage road is now two lanes instead of three and the left turn lanes have been eliminated. He stated the realignment will still accommodate the truck traffic in the area.

Mr. Rardin discussed the status of the condemnation proceedings and indicated as of last week, the 90 day waiting period has expired and in order to keep the project on track, monies were deposited for the appraisals with the court. He explained that the Sikka parcel (Restaurant Brokers building) went through the appraisal process and offers were made; the owner has submitted two petitions to the court, one requesting a total take and the other for loss of a going business concern.

Councilmember Sanger stated that staff should conduct due diligence on what is going on at this location since the property is not maintained.

Mr. Rardin stated final plans are currently being routed for signatures and the final documentation will be submitted this week to Mn/DOT and the Federal Highway Administration for project authorization which needs to happen no later than June 30. He stated that Mn/DOT has expressed its willingness to do all the field work on the project and a cooperative agreement will be presented to the Council in a couple of weeks. He added Mn/DOT is proposing to own the property from the south side of the south ramps to the north side of the north ramps, which means Mn/DOT will own the bridge and the ramps and be responsible for all maintenance; the City will be obligated to provide snow plowing, street lights, and other light maintenance on Wooddale Avenue through that area.

Mr. Harmening stated that a gap remains in financing this project, estimated at approximately \$3 million. He stated that the Mayor, Councilmembers, and staff have been meeting with the County for over a year about their participation financially in the project and no firm commitment has yet been made. He indicated that Commissioner Dorfman has begun talking to her colleagues and will get an answer to the City as soon as possible. He explained if the City does not get county funding for this project, the City's share will be approximately \$8.5 million. He stated financing options for the City include using the HRA levy, issuing general obligation bonds where the City would levy a tax, using the development fund, or using TIF from an extended Elmwood TIF district. He added when looking at these options, staff tried to keep in mind the other projects the City has, particularly Highway 7 and Louisiana. He stated in order to maintain the City's funding flexibility for Highway 7 and Louisiana, it would make sense to use the tax increment tool for Highway 7 and Wooddale and reserve the other funds for Highway 7 and Louisiana. He added staff's recommendation is to consider using Elmwood TIF to help fund the obligation at Highway 7 and Wooddale and the City has the funds available to do that.

Councilmember Basill stated he would be agreeable to using TIF funds for the project and added it gives the City more flexibility for the Highway 7 and Louisiana project.

Councilmember Sanger respectfully disagreed and stated another option would be to issue general obligation bonds. She stated her concern with using Elmwood TIF funds is that once the district expires in 15 years, that money goes into the general fund and if the City extends the TIF fund, it means the general fund is that much smaller. She added if the City used general obligation bonds and levied to pay off the debt of those bonds, that would be outside the levy limit law and the City would be able to use the money generated from the TIF district for its own operational needs.

Mr. Harmening stated the City is not precluded from issuing general obligation bonds for either project. He explained the City would not be losing property taxes if the property stays in a tax increment district and the general fund is not taking a hit every year. He stated as an example, the Excelsior Boulevard TIF district expires next year and the City's tax capacity will increase. He noted that all taxes the City collected while in the TIF district are the County's as well as the City's, so the value to the City is in being able to leverage funds through these tax increment districts using the County's money as well as the City's money. He stated staff is suggesting the City issue bonds and use the tax increment to pay off those bonds.

Mr. DeJong pointed out the levy limit is in place regardless of tax capacity and added the tax capacity from Excelsior Boulevard is coming back on, but unless you do something to increase the City's ability to levy outside levy limits, it will only reduce the tax rate for everybody in general. He stated one of the big reasons this intersection project is required is because more intensive development has been created at this location, resulting in a benefit to developers. They are in effect paying for the traffic capacity improvements that their developments are using. He stated in all likelihood, the project will be financed through general obligation tax increment revenue bonds. He noted if the City uses the Elmwood TIF district extension, the City should have enough so no other city funds are required for the project.

Councilmember Carver expressed concern about the June 30 deadline and that no commitment has been obtained from the County. He questioned whether the City should be thinking about Highway 7 and Louisiana now or before even going forward with this project. He expressed opposition to the City trying to primarily fund a project that has this much regional impact mainly because of the precedent it sets.

Councilmember Paprocki respectfully disagreed and stated the City has a very unique circumstance here. He added there are many reasons why this project should move forward.

Councilmember Finkelstein stated this project should be completed and the City has already spent approximately \$3 million on the project.

Councilmember Sanger agreed with Councilmembers Paprocki and Finkelstein and added while Councilmember Carver's comments are philosophically correct, the bridge still needs to be completed. She asked if any funds might be available through the Hennepin County Community Works Program.

Mr. Harmening stated those funds might come into play more on Highway 7 and Louisiana rather than this project.

Councilmember Basill suggested staff continue its discussions with Commissioner Dorfman and felt the City should not have to use TIF funds unless the County does not come through with its fair share of financing.

The City Council asked that this topic be placed on the June 8 Study Session for further discussion.

The meeting adjourned at 7:32 p.m.

Written Reports provided and documented for recording purposes only:

None

Nancy Stroth, City Clerk

Jeff Jacobs, Mayor