



## St. Stephen City Council Special Meeting September 18, 2019

2 6th Avenue SE  
St. Stephen, MN  
56375  
320-251-0964

### City Officials

Jeff Blenkush  
Mayor

Gene Skaj  
Council Member

Danita Traut  
Council Member

Steve Trobec  
Council Member

Tom Vouk  
Council Member

Dolores Supan  
Treasurer

Cris Drais  
City Clerk  
[crisdrais@  
midconetwork.com](mailto:crisdrais@midconetwork.com)

Website:  
[cityofststephen.com](http://cityofststephen.com)

Call To Order: 6:30 PM

Pledge of Allegiance

Approval of Agenda

6th Ave SE: Review Updated Project Costs & Preliminary Assessments

Meeting Adjourned

*This agenda has been prepared to provide information regarding an upcoming meeting of the St. Stephen City Council. This document does not claim to be complete and is subject to change at any time.*



MINUTES  
 ST. STEPHEN CITY COUNCIL SPECIAL MEETING  
 SEPTEMBER 18, 2019

CALL TO ORDER: 6:30 P.M. PLEDGE OF ALLEGIANCE: All together.

MEMBERS PRESENT: Jeff Blenkush – Mayor, Gene Skaj, Danita Traut, Steve Trobec and Thomas J. Vouk – Council and Cris Drais-City Clerk.

ABSENT: None.

APPROVAL OF AGENDA: The agenda for the Special Meeting meeting was reviewed. Gene Skaj made a motion to approve the agenda. Steve Trobec seconded the motion. Motion carried.

6<sup>TH</sup> AVE SE: REVIEW UPDATED PROJECT COSTS & PRELIMINARY ASSESSMENTS: SEH, Inc. Engineer Randy Sabart shared a document with the City Council that included Preliminary Opinion of Probable Cost and Preliminary Bonding & Assessment Examples.

ESTIMATED CONSTRUCTION COST	\$1,672,092.10
CONTINGENCY	\$83,600.00
FEASIBILITY REPORT	\$20,800.00
DESIGN & CONSTRUCTION ENGINEERING	\$300,000.00
GEOTECHNICAL INVESTIGATION	\$6,150.00
CONSTRUCTION MATERIAL TESTING	\$18,000.00
LEGAL, FISCAL & ADMINISTRATIVE	\$150,100.00
ESTIMATED R.O.W. ACQUISITION	\$230,000.00
<b>GRAND TOTAL</b>	<b>\$2,480,742.10</b>

The Preliminary Bonding & Assessment Examples were prepared using a 25% of bonding amount specially assessed example. The Feasibility Report prepared for 6<sup>th</sup> Ave SE included assessment examples at 25%, 35% and 60%.

City Attorney Tom Jovanovich shared details regarding the process to follow in the event the City would choose to not go with a 20% assessment. The City isn't able to secure a bond to help pay for a road project if less than 20% is assessed. Option 1: Referendum. Option 2: Reverse Referendum which would require a road plan to be in place for the City.

Minn. Stat. 429.091 requires an election for bonds if less than 20% of the cost of the improvement to the city is to be assessed against benefited property.

General obligation bonds for street reconstruction under Minn. Stat. 475.58 subd. 3 b allow for an alternative to outright voter approval. This is referred to as "reverse referendum" for street reconstruction bonds. The City must approve a street plan and hold a public hearing regarding both the plan and issuance of bonds. If a petition requesting a vote on the issuance of the bonds is signed by voters equal to 5 percent of the votes cast in the city in the last municipal general election and is filed with the clerk within 30 days after public hearing, then the bonds may not be issued unless approved by the voters. If a petition is filed, the city council is not compelled to hold an election – it may decide to abandon the project or seek some alternative financing method. The "reverse referendum" cannot be used to construct new or expanded streets with limited exceptions.

Randy Sabart, Engineer, stated that from Nagell Appraisal's Market Analysis, if the City were to cap the assessment of frontage like initially discussed in the feasibility report and applied Nagell's market cap, the City would likely fall below the 20% level of assessment needed by statute. It would be in the area of a 10% assessment.

Conversations to have: Has the City considered what amount would be applied from cash reserves and/or what amount would be bonded? Has Northland Securities been contacted regarding financing?

2<sup>nd</sup> St NE assessment was 35%. 2<sup>nd</sup> St NE is a road for a private neighborhood vs 6<sup>th</sup> Ave SE. Residents along CSAH 2 were not assessed as the road is used by numerous residents and non-residents. 6<sup>th</sup> Ave SE is used by numerous residents and non-residents and assessment is being discussed.

A referendum would be seeing if the voters want to bond for the amount it will take for the City's share on the project. The League of MN Cities recommends that the City's financial consultant look at the referendum that would be put before the City voters.

The other way would be the reverse referendum which would be coming up with a 5 year road plan and this (6<sup>th</sup> Ave SE) would be part of the plan and then the City Council would hold a hearing on the bond issue and if 5% of the voters who voted in the last election objects to it, it goes back to a referendum. The objection has to be filed within 30 days of the public hearing.

Randy Sabart said that it would probably be a 1-2 month project.

Council comments: Danita stated the residents shouldn't be assessed and the City should go ahead with the referendum bond. Tom V stated it would make the most sense to go with 25%, lowest practical number to try as it's a used road by just more than a neighborhood.

Challenge is that there are two caps being applied. 1. Cap that Nagell Appraisals determined. 2. Cap of assessing a maximum of 200' of frontage. If you took the frontage cap away, you might get closer to the 20%. 200' cap was an attempt to equalate to the 2<sup>nd</sup> St NE lot assessments. An effort to try and be similar to the footages assessed on 2<sup>nd</sup> St NE.

It was stated there are some issues with PID numbers. There are some very large acreage areas under 1 PID number and they're assessed at a certain level and there are a couple of owners that have separate PID numbers and the acreage is contiguous to one another and so they're be assessed by the number of PID numbers and that seems to be unfair. People with less acreage are actually paying more of an assessment. This has to be resolved. Tom Jovanovich stated in his opinion, everyone should be assessed equally based on acreage vs number of PID numbers.

Tom Jovanovich stated that the key in the process is that the amount being assessed cannot exceed the benefit to the property.

Randy Sabart stated that the 200' cap is in conflict with Nagell's benefit analysis. To confirm, benefit analysis is done based on how the property is being used currently.

Steve Trobec asked if the 200' cap is removed, would it address the fairness issue? The fairness issue relates to the number of PID numbers. Randy Sabart stated that a sample analysis could be run where a property owner who has three parcels would be treated as an owner with one.

Randy Sabart stated that if the 200' cap is removed, multiple parcels are combined and an assessment level of 25% is prepared for the Council, they would have a more clear picture of a direction to go. It would help the City consider what to contribute.

Danita Traut referenced money from other funds to be transferred to the Road & Bridge Fund as a type of payback. For example, a bond cashed for finishing the parking lot vs using the General Fund for a building project. Tom Jovanovich stated that the Council can move money between its funds.

Tom Jovanovich referenced funding the project by 20% assessment to residents plus the LRIP grant with the difference funded by the City's Road & Bridge Fund. The other options are a referendum vote or a reverse referendum.

Jeff Blenkush asked how a referendum fits into the timeline. Randy Sabart stated that it isn't in the timeline so a way to make it fit would have to be determined. It was originally contemplated.

The 2<sup>nd</sup> St NE cap of \$8,000 was shared of which no one had to pay that amount with the 25% assessment. On 6<sup>th</sup> Ave SE, an example of \$25,000 would be the 25% assessment.

Tom Jovanovich stated, is a reverse referendum or referendum the way to go? Does the City want to spend that much money from their reserve funds on a road improvement project? Normally these types of improvements are funded through bonds.

Steve Trobec asked if bonding puts the grant money at risk by going the referendum route. Randy Sabart stated that the process might have to be accelerated to make sure the road is being built in 2020.

Gene Skaj stated that it's a tough decision as 6<sup>th</sup> Ave SE is used a lot more than any other street in town and the residents complain about it. We don't want to lose the \$750,000.00 grant like when City sewer and water could've been put in for pennies on the dollar and the project was rejected.

Tom Vouk stated the numbers should be run and figure out with \$700,000 from the City's account what will the results look like.

Danita Traut stated she's for the referendum vote.

Tom Jovanovich will contact Northland Securities on the City's behalf regarding the pros and cons of how to approach the project.

Jeff Blenkush asked the Council on how to proceed: get advisement from Northland Securities, get market analysis from Nagell Appraisals for benefit to property owners and referendum bond vote.

Information to be brought to the October 2<sup>nd</sup> Council Meeting. Impact on per parcel will be updated.

Tom Jovanovich stated that a resolution will be prepared for the October 2<sup>nd</sup> meeting on the encroachment issue. The garage encroaches 4' onto the drainage easement. A resolution from the City is requested from the title company.

ADJOURNMENT: There being no further business, Gene Skaj made a motion to adjourn. Tom Vouk seconded the motion. Motion carried.

TIME: 7:22 PM

Respectfully submitted,

Cris M Drew  
City Clerk

[Signature]  
Mayor