PARK SYSTEM IMPROVEMENT PLAN FINANCING ADVISORY COMMITTEE

October 26, 2021
6:00 PM
Fridley City Hall, 7071 University Avenue N.E.

MINUTES

CALL TO ORDER

Members Present: Scott Brinkhaus, Lee Pao Xiong, Ron Ackerman

Members Absent: Steve Schmit, Warren Stock, Rachel Schwankl, Alesia Thompson, Walter Smith

Others Present: Walter Wysopal, City Manager, Melissa Moore, City Clerk

Mr. Wysopal called the meeting to order at 6:01 p.m.

Old Business

1. Proposed 2021–2032 Financial Plan Alternatives Information

Mr. Wysopal informed the group that he had reached out to all of the committee members not in attendance. He committed to contacting each of them after this evening's meeting with a summary of the discussion. Through a series of five prepared questions, he set forth a goal for the committee to come up with an ultimate recommendation to the Council.

New Business

2. Draft Final Report and Recommendations

Mr. Wysopal opened the discussion of the size of the bond. If the bond is less than $20 million, that is more money the City would need to find elsewhere. In looking back at minutes from previous meetings the committee seemed to desire taking a conservative approach in its financing recommendation in both the size of the bond, and timing of the bonds.

Mr. Brinkhaus asked for a summary of the group's decision to recommend a smaller bond amount. Mr. Ackerman recalled the group's last two meetings that lead the group to consider a smaller bond amount. Instead of funding the whole thing through a bond, the City had other sources of funding to enable the project. Additionally, the committee recommended hiring a staff member to coordinate the project in lieu of hiring consultants.

The group discussed upcoming school district referendum issues in the coming years. The committee wants to make sure the recommendation to the Council takes into account potential tax increases from school districts.

Mr. Ackerman expressed support of a bond size of $20 million. He clarified he would support a recommendation to state "not to exceed $20 million." The committee expressed agreement.

Mr. Xiong expressed support of a 15 year payback timeframe on bonds. Mr. Wysopal agreed that a shorter bond time is advised due to lower amounts in total interest paid. Mr. Brinkhaus asked if the bonds can be paid off early. Mr. Wysopal answered that yes, bonds can be paid early, as the City is doing for the bonds issued for the utility project. The difference between a 15 year and a 20 year bond would be $2 million in interest payments. Mr. Brinkhaus expressed support for a $20 million bond for 15 years. Mr. Xiong expressed support for that plan, along with recommending the City pursue other philanthropic sources as well.

The committee asked for the minutes to reflect that the group had consensus to recommend $20 million in bonding at 15 years.

Mr. Brinkhaus asked if there was a minimum number of the group needed. Mr. Wysopal will contact other members of the group to discuss the outcome from this meeting to share the recommendation from tonight. He will confer with them. If the group needs to reconvene, they will.

Mr. Wysopal re-summarized the type of bonds the City could issue. Parks and recreation projects such as the Park System Improvement Plan are considered non-essential, so funding mechanism for such projects require a vote for the people unless you use abatement bonds. A purpose of a vote is to make sure the public is in support of a non-essential project. This project has been going on for four years and the City has received overwhelming support for the project. If the City does a referendum it must be done next November. If it fails the whole process must start over. If the City held a referendum and it did not pass, the City could then issue abatement bonds, which would anger voters.

Mr. Wysopal explained that abatement bonds would not need to be put for a vote as long as those parcels that are abated, or their property taxes are frozen and used to paying the bonds, have a relationship to the project. The Feasibility Report proved this method could be done. He asked the committee for their thoughts on which bonding method they would prefer.

Mr. Brinkhaus asked for an estimate on the total cost spent to date to prepare this plan. Mr. Wysopal answered the City has paid approximately $150,000 to date on the plan. Mr. Wysopal recalled feedback from the resident survey, which showed overwhelming support for park improvements among residents. Mr. Xiong expressed support for the parks – even if they are not "essential services", they are critical to the quality of life and safety of neighborhoods.

Mr. Xiong expressed support for abatement bonds. He is concerned about other ballot initiatives that voters may see, and they may vote down this project. He reiterated his sentiment that park improvements to the City are essential.

Mr. Ackerman expressed support for abatement bonds to ensure a more timely completion of the project and protect the City's investment in the process to date, in addition to the overwhelming support of the project to date. He asked Mr. Wysopal if he thought a referendum would pass. Mr. Wysopal answered there are many uncertainties in what could potentially happen between now and a year from now when the election would be held. He expressed uncertainty for an outcome due to possible changes in the economy. It would be his preference to go with a “sure thing” to protect the City’s investment in the plan to date.

Mr. Brinkhaus expressed support for abatement bonds to protect Fridley’s quality of life and the City’s investment in the plan to date. The need to improve parks will not go away, so the City should capitalize on the progress the plan has made. Mr. Xiong and Mr. Ackerman agreed.

Mr. Wysopal noted that the plan is not an extravagant plan. There are no community centers or swimming pools. The plan is primarily to improve the City’s park infrastructure to maintain vibrancy of the City’s open spaces.

Mr. Brinkhaus asked that a Project Manager be hired to administer the project instead of contracting with consultants. The group agreed. Mr. Wysopal supported the idea.

Mr. Wysopal brought up the idea of a gas and utility franchise. He informed the committee that a lot of legal work to make that happen. The idea must be brought to the electorate no matter what pursuant to the City Charter. He has concerns with the idea, as it is not a vote for the park plan. If it was voted down, the City would need to start over in how it would finance the plan. However, the method touches all properties in the City. The requirements to pass a gas and utility franchise are very high, and they could stifle the progress and momentum of the plan to date. From a practicability standpoint, the process takes more time and could potentially tank the momentum of the plan. Currently the City has one franchise with Comcast. The revenue generated from that is diminishing significantly because people are “cutting the cord” and the fee is only on the cable service, not on any other service Comcast offers. Fridley is one of the few cities that do not have franchise fees.

Mr. Ackerman referred to the possibility of a City sales tax, but that option does not apply because the City does not have an attraction that would qualify. Mr. Wysopal discussed Payment in Lieu of Taxes Program (PILT). Exempt properties would be asked to demonstrate good will to contribute financially to City initiatives.

Mr. Brinkhaus asked how rental properties would be effected by a franchise fee, or a property tax increase. Mr. Wysopal answered if a landlord was passing along the utility fees, then the renter would be paying the franchise fee. If there was a property tax increase, those also get passed to renters via higher rents.

Mr. Xiong expressed concern of voters being intolerant to a tax increase question on their ballot.

Mr. Brinkhaus asked how the group felt about abating for a portion of the bond, and a franchise fee for the other portion. Mr. Wysopal said that could be an option, but if the referendum failed the City would need to find funding for the remaining balance. Most cities do not have a City Charter that has a requirement for any franchise fee unless approved by voters.

Mr. Brinkhaus expressed support for not recommending an electric and gas utility franchise. He added with a recommendation that the City Charter be amended to remove the referendum requirement for franchise fees. The committee agreed.

Mr. Xiong suggested that a recommendation for PILT be added to the report to the Council. The committee agreed. Mr. Xiong expressed further support that the Council explore any other additional philanthropic avenues to fund the plan.

Administrative Matters

Mr. Wysopal will reach out to the absent committee members to make sure they are aware of the debate that went on. He will update the committee on those discussions. He will update the report, send it to the committee for review, and after their consultation the report will be submitted to the City Council.

Adjourn

The meeting adjourned at 6:55 p.m.