

**WORTHINGTON CITY COUNCIL  
SPECIAL MEETING - STRATEGIC PLANNING WORK SESSION  
MARCH 31, 2017**

The Special Meeting - Strategic Planning Session was called to order at 8:34 a.m. at the BioTechnology Advancement Center by Mayor Mike Kuhle with the following Council Members present: Larry Janssen, Alan Oberloh, Chad Cummings, Amy Ernst, Mike Harmon. Honorary Council Member: Chris Keilblock.

Staff present for all or a portion of the work session: Steve Robinson, City Administrator; Brian Kolander, Finance Director; Janice Oberloh, City Clerk; Todd Wietzema, Public Works Director; Brad Chapulis, Director of Community/Economic Development; Dwayne Haffield, Director of Engineering.

Others present: Darlene Macklin, Worthington Area Chamber of Commerce.

Discussions

Property Tax 101 / Hospital Fund Update - Steve Robinson, City Administrator, provided an overview of property taxes including information on how they are determined, County and Local Assessor's role, estimated market value vs. taxable market value, elements of market value, homestead market value exclusion, class rates and calculating net tax capacity, state general property tax. Staff also provided a ten-year history of tax capacity and estimated market value of taxable property in the city of Worthington, and a ten-year city levy and tax rate history for Worthington.

Brian Kolander, Finance Director, provided a summary of the spend-down of the proceeds from the hospital sale, noting the amounts designated by Council for Economic Development, capital equipment, technology (ARMER System), Housing Stock, Community Development (Lake Improvement, Sports & Recreation), and undesignated spent funds. Also provided was a listing of the loans provided from the funds, retirement date, and any approved interest rate. The cash balance on hand as of December 31, 2016 is:

Impact	\$ 13,549.89
Legacy	<u>\$ 8,660,668.12</u>
Total	\$ 8,674,218.01

Grand total remaining after future commitments and loan repayments is:

Impact	\$ 2,164,756.87
Legacy	<u>\$ 9,909,190.54</u>
Total	\$12,073,947.41

Mr. Kolander said Council may want to determine if they wish to put the remaining balance in an endowment fund.

It was noted that on the developer loan for the college project of up to \$900,000, if the developer fails the City could lose \$900,000. Mayor Kuhle and Council Member Ernst noted the community needs this housing. Council Member Janssen said he agreed with Council Member Oberloh that it should not be at the expense of the taxpayers. Mr. Robinson said the City has requested that a proforma be submitted by the developer by the end of next week.

Prairie View - Mr. Robinson provided a background on the closing of Prairie View Golf Links and the award of the grant to the watershed - construction of the ponds is slated for this season, then we can determine what's left for property. The Pheasants Forever made an offer in 2016 for 98 acres, which would eventually be sold to the DNR. However, the DNR only pays 50% of the appraised value of land. Under the agreement, the City would be responsible for the maintenance costs of the ponds forever, and there is no history of what those maintenance costs will be. It is estimated to be 15 - 20 years before maintenance is needed. Mr. Robinson said staff is requesting Council direction regarding Prairie View.

Even though the DNR will only pay 50% of the appraised value of the land, Council Member Cummings said Pheasants Forever always pays the appraised value - they should pay the full price for this. Council Member Janssen said we should retain ownership - we're already putting in the ponds. Council Member Oberloh said to go for a direct sale to the highest bidder. Mayor Kuhle said not to ever sell it to become farm ground - it's too important to the watershed. Council Member Ernst - the directive from the long-range planning Committee that Council had established was that the main focus of the use of the land was for water quality. Council Member Cummings said he disagreed with the Mayor in that farming is the problem. Council Member Oberloh noted that if the land was sold it could allow other projects to happen. The City could put covenants on the property with the sale - the creek will always be there. Estimated value of the property is \$5,000 to \$10,000 per acre.

Following discussion, Council determined to direct staff to look at a potential sale and what that direction could be, and to look at both options of selling the building and course together or keeping them as separate sales. Council Member Oberloh said we should investigate a land trust, and Council Member Cummings said he would work with staff regarding a multiple programs available.

Economic Development - Steve Robinson, City Administrator, said we need to decide what direction we're going to go in with Brad leaving - the stake holders of WREDC have been asking. Have we been adequately served? Do we bring that in-house? Would we then split Brad's position into two? Mr. Robinson said we're in no hurry to move forward to replace him as we have an opportunity to work with the SRDC for Planning purposes on an as-needed basis while we investigate what we want to do. Consensus was to have the Mayor, Administrator, Utilities, and the County move forward with this.

The City's participation in economic development was also discussed, along with the programs that

are already in place. Discussion included upcoming private sector development, annexation, and the Council's position on the City being agreeable to bearing the initial cost of infrastructure. Mr. Robinson said any economic development fund would require pay back. Brian Kolander suggested the \$500,000 allocated for future CAL/Economic Development could be used to jump start the fund.

Staff will develop a plan for Council review for the City to become the developer, selecting a couple of things we do well, but requiring everything with a pay back.

Engineering: Flood Mitigation and Street Projects - Dwayne Haffield, Director of Engineering, provided information on how we got to where we are regarding the flood mitigation project. Potential funding sources were discussed including bonding money and FEMA grants. Mr. Haffield provided information on what we need to get us to the second stage of funding, and reminded Council that we won't "fix" the flooding problem because of how flat the town is, but we will reduce the risk. Phase I must be completed by the end of 2018, but all of the Phase I grant, plan development, initial permitting, benefit cost analysis and environmental work has been done, and that paperwork has been sent to FEMA for approval for Phase II funding. It may be another month and a half before we know about grant money because there has been personnel turnover with the person that was handling it. Bolton and Menk has recommended that we pick up any storage we can for future use.

We're at about \$454,000 for 1<sup>st</sup> Phase cost - and we're looking at a total of \$4,268,447 for Phase II - with a federal share of \$2,541,156 and a local share of \$1,727,291, which has grown from the previously estimated local share amount of \$800,000. We have about \$1.5 million balance in the storm water fund, however the Centennial Park lift will be approximately \$210,000 and the list of budget carry-overs is approximately \$150,000, which leaves about \$750,000 for the CD 12 project. We would be looking for \$1.05 million in bond proceeds. A 15 year bond would result in an impact to the storm water rates of about 11 to 12% increase by 2019, and 11% for industrial. Land acquisition needs to be completed before offering a contract for the project, and if we go for land acquisition, we are obligated to the project. Mr. Haffield recommended using reserves for land acquisitions. Eminent Domain will also need to be talked about.

Mr. Haffield said the big question is if we are ready to finance \$1.1 to \$1.2 million, to commit to debt service - and if we're still good with the project even though the numbers aren't the same as the original estimate. Consensus was that we are.

Engineering - Streets - Mr. Haffield provided a listing of street projects and their designated project year, noting they are all state aid eligible routes. We are looking at burning up a lot of state aid through 2025. We will need to advance funding for the 10<sup>th</sup> Avenue bridge, and Mr. Haffield wasn't sure that it is even possible to complete in 2018. We could re-hab the bridge with maintenance money and do something longer range in the future. The pedestrian walk on the bridge was ordered closed by the State of Minnesota and cannot be re-opened unless a complete re-hab is done, not just

aesthetics. Council Member Ernst said the bridge is a disgrace and needs to be made to look better. Mr. Haffield said we do have the ability to change the maintenance/construction ratio of the MSAS funding. Discussion was held on changing that ratio. Diagonal Road and Highway 59 projects are somewhat committed, and 2019 may be more realistic for the 10<sup>th</sup> Avenue bridge because of permitting, etc. Todd Wietzema, Public Works Director, said he could request a budget amendment to allow for making the bridge look better, but we could still not open the walkway.

Public Works - Todd Wietzema, Public Works Director, said he was looking for direction on priorities for improvements/projects:

Public Works Facility - He would like to combine the Street and Park Departments into one facility as they share employees and equipment. Discussion included expansion of the warehouse facility on Diagonal Road after the Liquor Store relocates. Several other options were discussed including partnering with the County, the potential for the Utilities to build a separate facility on their property on County Road 5, and relocating the Public Works department to the City's blue building on Second Avenue.

Parks Master Plan Update - The Minnesota State - Mankato Urban and Regional Studies Institution has a program we can apply for where, if accepted, the students come out and do a master plan. Council supported submission of a proposal. Also discussed were the following park improvements:

Slater Park - a new shelter/restroom facility

Ludlow Park - Ludlow descendants wish to install a small shelter and seating in the lake side portion of the park at their expense - they would request that the dump station on the lake side be moved or closed

Centennial Park - Replace the existing Beach Nook/Bathhouse facility with a larger more updated facility; a harmony park and splash pad installation at the park was also discussed. - Mr. Robinson stated that we should have a 10 year master plan in place for that park that would provide the amenities and how they would be placed

Airport - Integrity Aviation has approached the City about construction of a new commercial hangar at the airport. The hangar would provide plane storage for business airplanes on a daily, monthly, or even longer time frames. Current storage is limited and results in a number of prospective clients storing their plans at other airports. No tax levy dollars go to the airport. Council Member Janssen said there are a lot of loans and grants available out there for airports.

Forward Worthington - Mayor Kuhle noted Council should have this type of discussion on a quarterly basis. He noted that the last few years the City has focused on economic development and he would like now to focus on quality of life.

Mayor Kuhle provided a presentation of potential areas he would like to focus on regarding quality

of life including:

- Funding options (new general sales tax, food, beverage and lodging tax, challenging the private sector for funding)
- New community center,
- Public use trails
- Downtown revitalization
- Lake Okabena improvements
- Centennial Park
- Olson Park Campground
- Outdoor Aquatic Center
- Splash Pads
- Buss Fields Soccer Complex Upgrades
- Hockey Arena Expansion
- Flood Plain Improvements

Total estimated cost is \$17,500,000 and funding options included bonding for up to \$10 million, ½ cent sales tax extension, and fund raising.

Due to time constraints, it was determined that a follow up meeting for this discussion will be scheduled.

### **ADJOURNMENT**

The meeting was adjourned at 4:33 p.m.

Janice Oberloh, MCMC  
City Clerk