

# Pavement Management Public Meeting

City Council Meeting  
August 26, 2019

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# Existing Street Conditions

Inspections of streets are done on a 3-year cycle, so for any given year the average Overall Condition Index (OCI) is based off the projected OCI for 2/3 of the city and the inspected OCI for the remaining 1/3. Here are the recent results:

Year	OCI	New Miles of Street
2019	70	
2018	73	0.26
2017	74	0.00
2016	74	0.00
2015	69	0.11
2014	70	0.47
2013	69	1.00
2012	72	0.88
2011	74	0.48
2010	77	0.15

The big jump from 2015 to 2016 is likely because the roads in Carver Beach were reclaimed in 2015. There are a lot of street segments in that area, so when the average OCI is calculated per segment, a project like that skews the numbers.



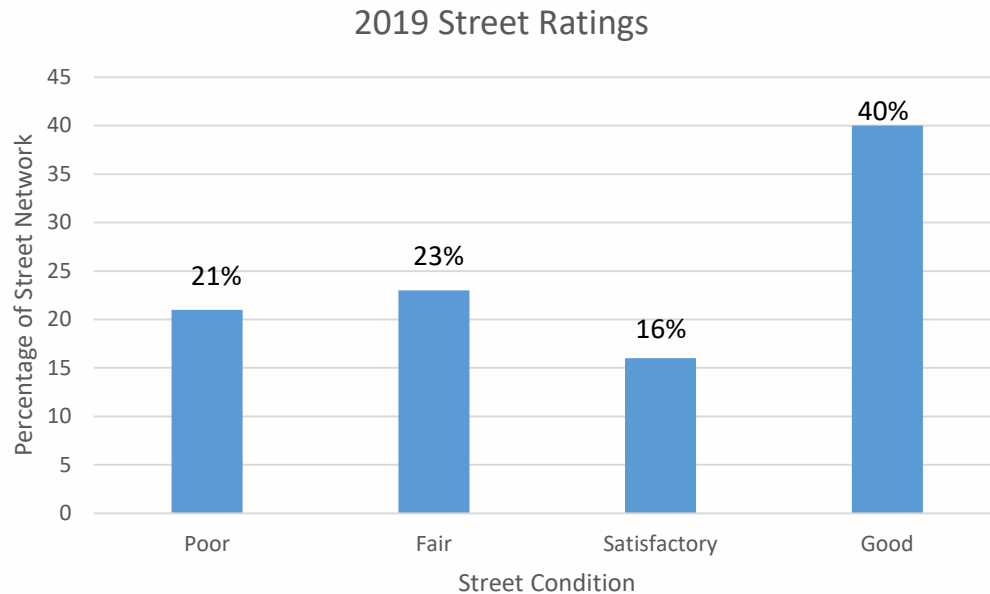
# Existing Street Conditions

Condition Category	OCI	Recommended Activity in Cartegraph	Cost per Square Foot	Impact
Excellent	95 – 100	Do Nothing	\$0	0
Good	85 – 94	AC - Surface Treatment	\$0.16	20%
Satisfactory	75 – 84	AC - AC Overlay < 2"	\$2.00	65%
Fair	50 – 74	AC - AC Overlay > 2"	\$2.55	75%
Poor	40 – 49	AC - Patching – Shallow/Leveling	\$1.20	10%
Fail	0 – 39	AC - Reconstruct - Full	\$10.37	100 Absolute



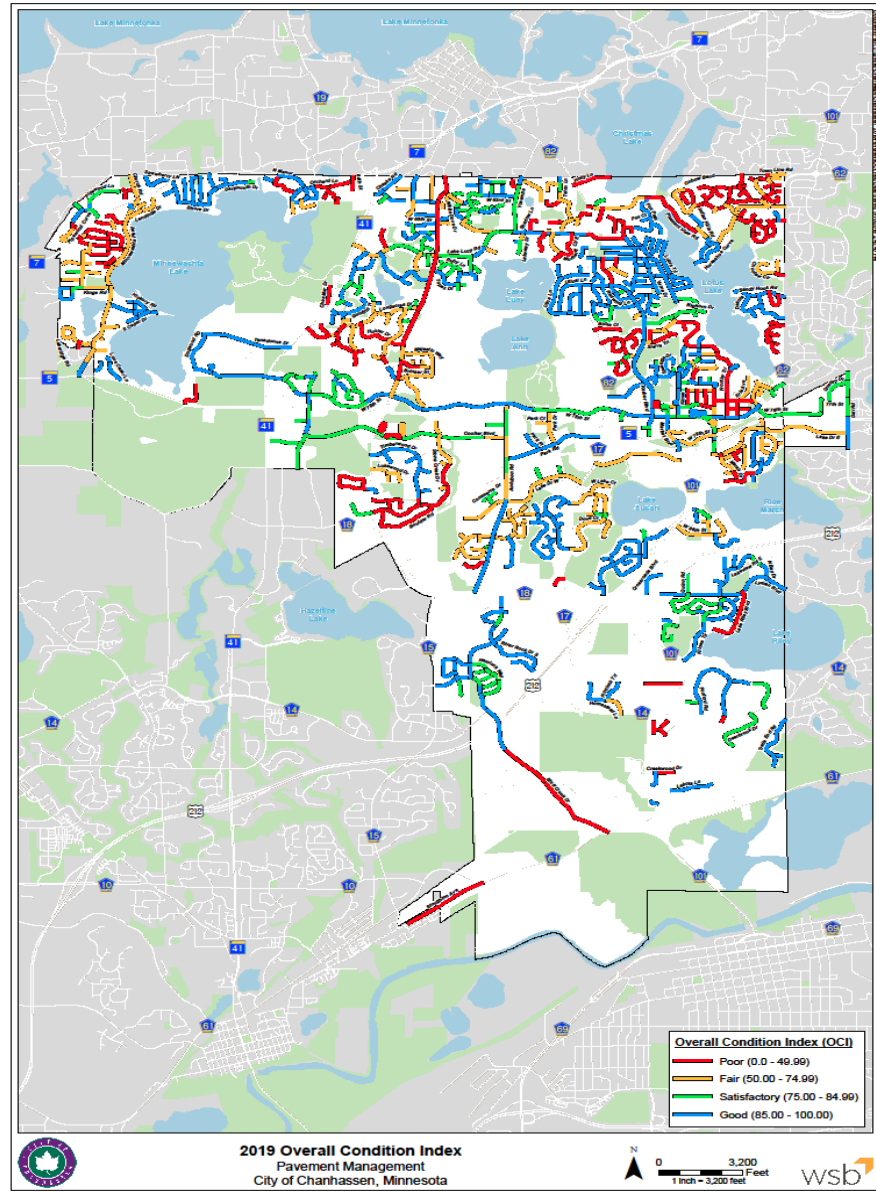
# Existing Street Conditions

2019 OCI Index rating can be broken down as follows:

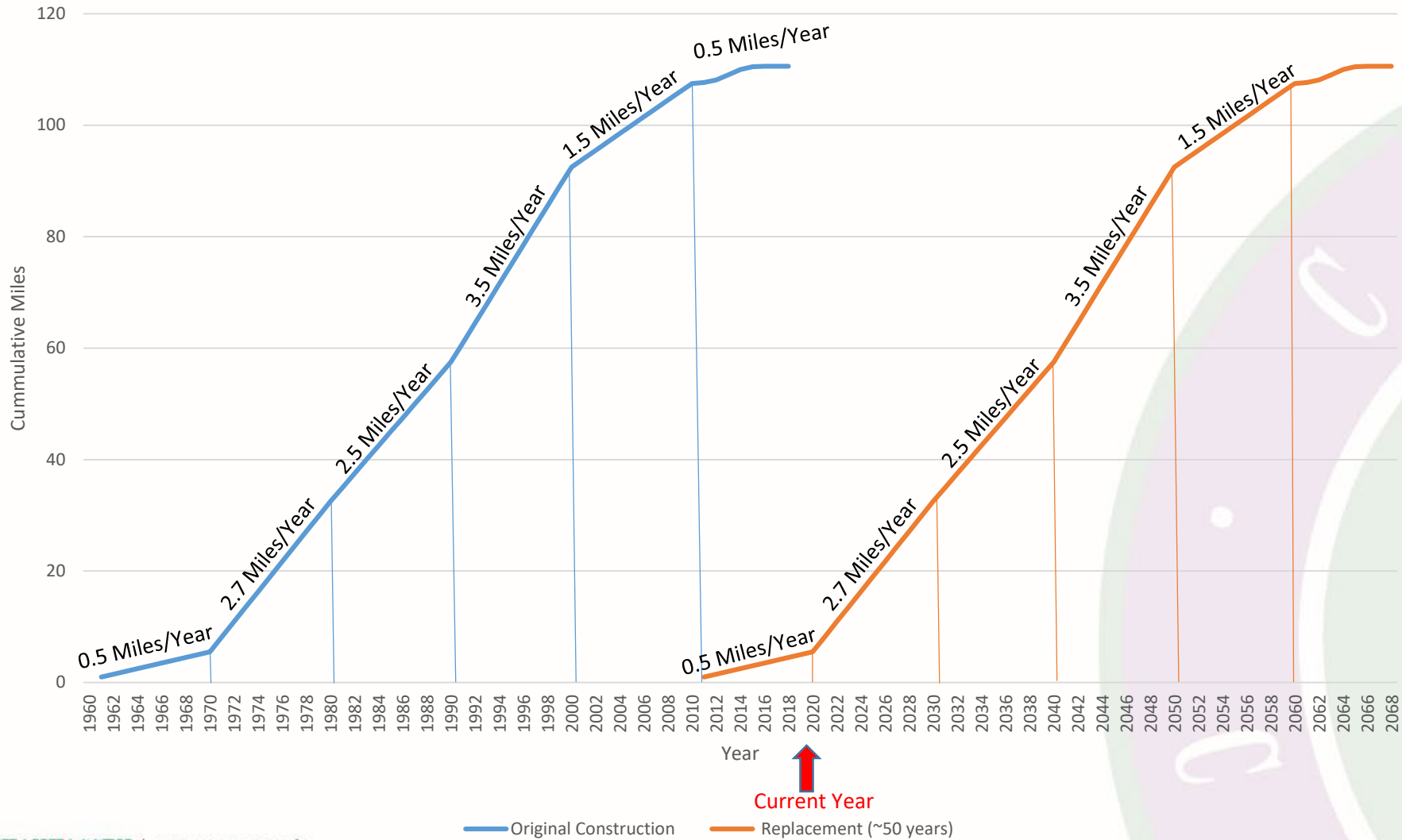


Poor (0-49) =	24 miles
Fair (50-75) =	27 miles
Satisfactory (75-85) =	18 miles
Good (85-100) =	<u>46 miles</u>
<b>Total mileage =</b>	<b>115 miles</b>





# Street Reconstruction Timing



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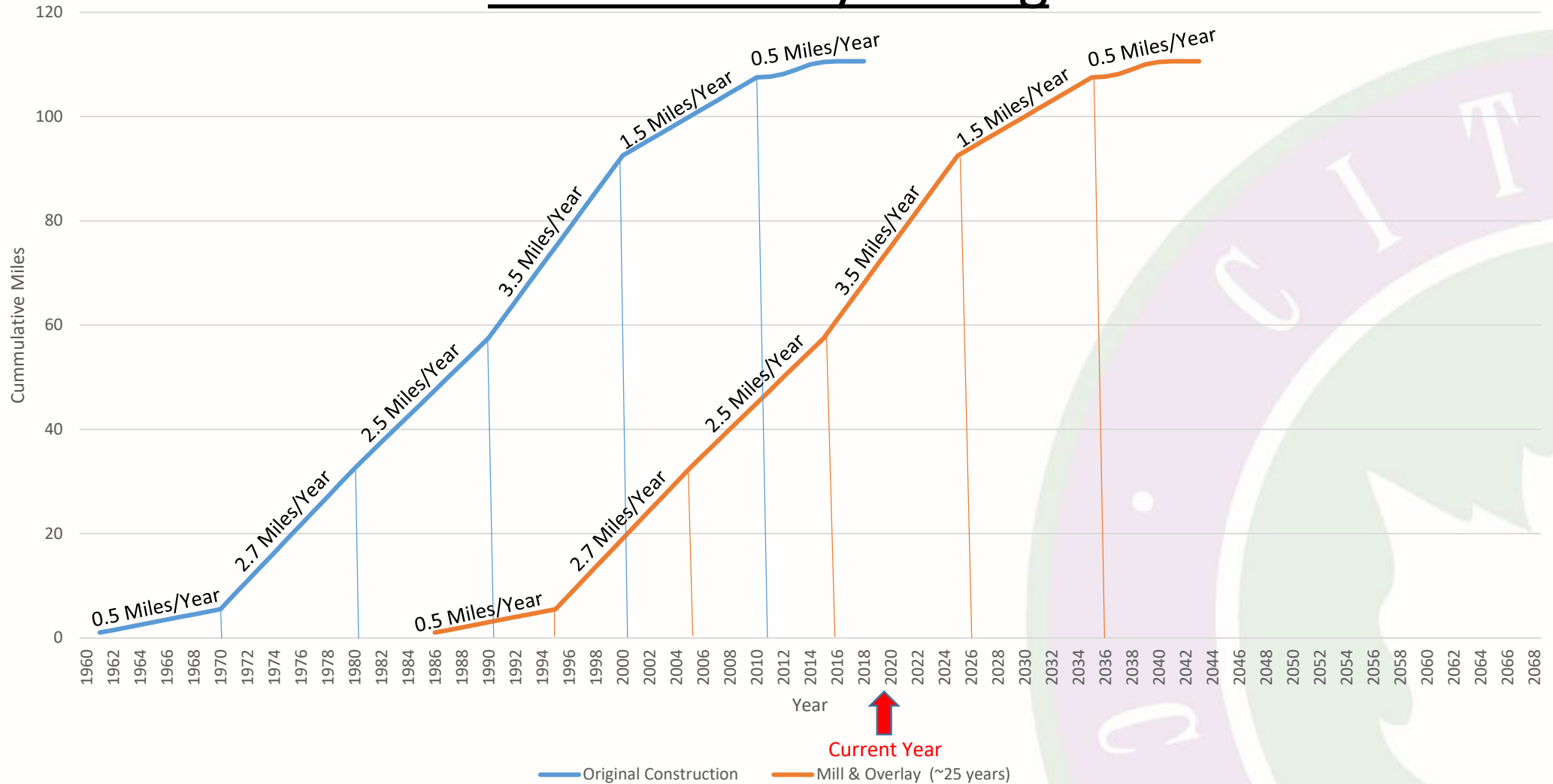
The average life expectancy of a street is 50-years. After 50-years streets need to be completely reconstructed.

City streets that are now 50 years old and are in need of replacement are a combination of streets that were constructed in the 1960's and 1970's. The average rate of new street construction between the 1960's and 1970's is 1.6 miles per year.

1.6 miles x \$1.5M = \$2,400,000 per year



# Mill & Overlay Timing



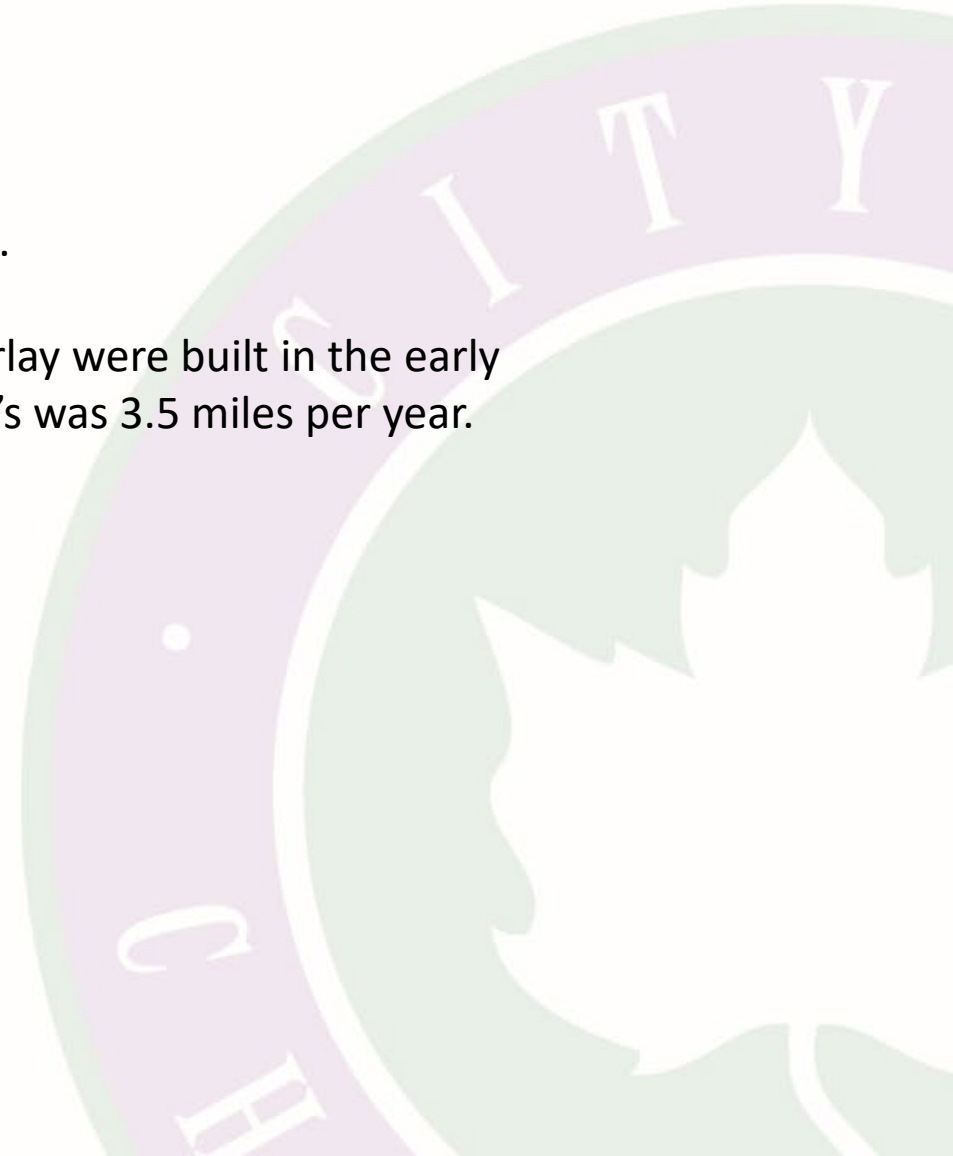


# Mill & Overlay Timing

The age at which streets should have a mill & overlay is 25 years.

City streets that are 25 years old and are in need of a mill & overlay were built in the early 1990's. The average rate of new street construction in the 1990's was 3.5 miles per year.

3.5 miles x \$0.35M = \$1.2M per year



# Financial Impact

## Required Annual Budget for Streets:

Street Reconstruction =	\$2,400,000
Street Mill & Overlay =	<u>\$1,200,000</u>
<b>Total</b>	<b>\$3,600,000</b>



# What we have established to this point

1. Currently, the cost for street improvements is split 60% City and 40% Assessed. **THE CITY WILL CONTINUE ITS CURRENT ASSESSMENT PRACTICE.**
2. The additional funding is for financing **THE CITY SHARE ONLY.**
3. Any Franchise Fee or Levy issued will be used **ONLY** for local road improvements.
4. Issuing a Franchise Fee has the same impact as a tax. However, a Franchise Fee allows for flexibility in how some customers are charged. Issuing a property tax levy only will result in residential properties paying 83% of all road improvement costs (based on current property tax values).



# What is a Franchise Fee?

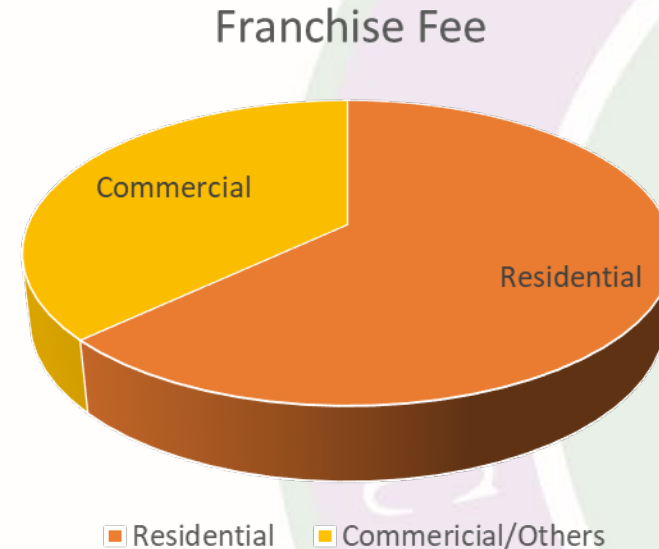
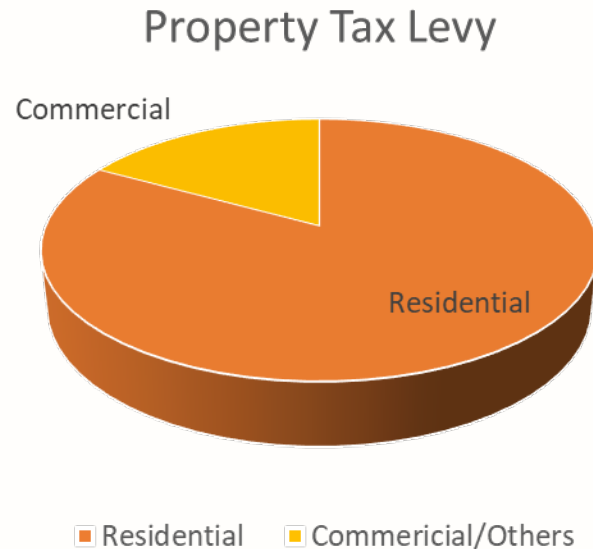
- Cities have statutory authority to have franchise agreements with each utility company (gas and electric) for maintaining city-owned right-of-way
- Within those agreements cities may charge the utility companies a fee for use of city right-of-way
- Currently, the City of Chanhassen does not impose a Franchise Fee associated with those agreements
- Per statute 216B.36 the language for inclusion on the Utility Bill is “Franchise Fee.” Asking for a change would require a legal battle with the Public Utilities Commission (PUC)
- The agreement/ordinance would be for a term of 20 years. Any future city council could modify the franchise fee ordinance.

## Funding Scenario(Achieve \$3.6M/year Improvements)

1. \$5 Residential Franchise Fee and commercial fee schedule for both Electric & Gas Utility Bill (following slide) **\$1.73M/year**
2. Increase in the 2021 Levy of \$330,000 (3%, see impact on following slide)
3. Use the remaining Library Levy of \$260,000 in 2022. Using this levy will have no tax impact

# Why a Franchise Fee vs. a Property Tax Levy?

- A Franchise Fee offers more flexibility than a property tax which charges 83 cents of every dollar to residential properties. A Franchise Fee could be set to meet a funding goal.
- Under the proposed franchise fee rate schedule, the franchise fee itself would be collected on a 63/37 basis, rather than 83/17 which is what a property tax levy would achieve.



# Proposed Franchise Fee Schedule

<u>Classification</u>	<u>Charge Per Month Per Utility</u>	<u>Net Rev</u>
Residential	\$ 5.00	\$1,108,860.00
Small Electric Commercial	\$ 14.00	\$ 127,848.00
Medium Electric Commercial	\$ 40.00	\$ 128,160.00
Large Electric Commercial	\$ 290.00	\$ 267,960.00
Gas Commercial A	\$ 5.00	\$ 16,860.00
Gas Commercial B	\$ 9.00	\$ 20,520.00
Gas Commercial C	\$ 20.00	\$ 49,440.00
Gas Small Volume, Dual Fuel	\$ 90.00	\$ 11,880.00
		\$1,731,528.00



# Total Impact of Franchise Fee & Levy Increases on Residential

	Franchise Fee 2020	Property Tax Increase in 2021	Total Per Year
200K House	\$ 120	\$ 13	\$ 133
370K House	\$ 120	\$ 26	\$ 146
\$1M House	\$ 120	\$ 82	\$ 202





# Current Pavement Management Construction Fund

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Project Cost (Street Only)	1,900,000	300,000	2,200,000	-	2,200,000	-	2,200,000	-	2,200,000	-	2,200,000	-	2,200,000
Assessments 40%	(760,000)	(120,000)	(880,000)	-	(880,000)	-	(880,000)	-	(880,000)	-	(880,000)	-	(880,000)
City Share	1,140,000	180,000	1,320,000	-	1,320,000	-	1,320,000	-	1,320,000	-	1,320,000	-	1,320,000
Other project Costs	(400,000)		(75,000)										
Tsfs in	194,751												
Fund Bal - BOY Estimate for 2019	1,803,825	1,003,082	1,512,744	18,099	916,061	(412,018)	477,342	(731,321)	214,129	(1,065,513)	(107,231)	(1,393,300)	(461,090)
Levy And/Or Franchise Fee	884,838	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000
Reduction for Other purposes													
Repayment	400,000	400,000	400,000	500,000	500,000	500,000	\$625,677	561,251	561,251	580,384	561,251	561,251	\$ 561,251
Project Costs	(1,900,000)	(300,000)	(2,200,000)	-	(2,200,000)	-	(2,200,000)	-	(2,200,000)	-	(2,200,000)	-	(2,200,000)
Investable Balance	983,414	1,483,082	17,744	898,099	(403,939)	467,982	(716,981)	209,930	(1,044,621)	(105,129)	(1,365,980)	(452,049)	(1,719,839)
MVHC													
Street Levy & Tsf													
Interest	19,668	29,662	355	17,962	(8,079)	9,360	(14,340)	4,199	(20,892)	(2,103)	(27,320)	(9,041)	(34,397)
Fund Bal - EOY	1,003,082	1,512,744	18,099	916,061	(412,018)	477,342	(731,321)	214,129	(1,065,513)	(107,231)	(1,393,300)	(461,090)	(1,754,236)



# Pavement Management Construction Projected Fund Balance

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
Project Cost (Street Only)	1,900,000	2,600,000	3,600,000	3,708,000	3,819,240	3,933,817	4,051,832	4,173,387	4,298,588	4,427,546	4,560,372	4,697,183	4,838,099	4,983,242	5,132,739	5,286,721	5,445,323	5,608,683	5,776,943	
Assessments 40%	(760,000)	(1,040,000)	(1,440,000)	(1,483,200)	(1,527,696)	(1,573,527)	(1,620,733)	(1,669,355)	(1,719,435)	(1,771,018)	(1,824,149)	(1,878,873)	(1,935,240)	(1,993,297)	(2,053,096)	(2,114,689)	(2,178,129)	(2,243,473)	(2,310,777)	
City Share	1,140,000	1,560,000	2,160,000	2,224,800	2,291,544	2,360,290	2,431,099	2,504,032	2,579,153	2,656,528	2,736,223	2,818,310	2,902,859	2,989,945	3,079,644	3,172,033	3,267,194	3,365,210	3,466,166	
Other project Costs																				
Tenn Courts & Tsfs in	(400,000)		(75,000)																	
Trail	194,751																			
Fund Bal - BOY Est for 2018	1,803,825	1,003,082	762,283	357,463	320,371	321,020	335,304	447,150	492,002	681,540	899,371	1,104,964	1,237,598	1,293,502	1,268,759	1,159,303	960,913	669,209	279,644	
Franchise Fee Revenue	-	1,200,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000	1,732,000
Assessment Repayment	400,000	764,254	820,575	962,030	1,110,999	1,238,930	1,452,314	1,505,995	1,772,167	1,925,146	2,041,704	2,102,955	2,166,044	2,231,025	2,297,956	2,366,894	2,437,901	2,511,038	2,586,369	
Capital Levy Requirement	884,838	380,000	710,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	970,596	
Project Costs Investable Balance	(1,900,000)	(2,600,000)	(3,600,000)	(3,708,000)	(3,819,240)	(3,933,817)	(4,051,832)	(4,173,387)	(4,298,588)	(4,427,546)	(4,560,372)	(4,697,183)	(4,838,099)	(4,983,242)	(5,132,739)	(5,286,721)	(5,445,323)	(5,608,683)	(5,776,943)	
Interest Income	983,414	747,337	350,454	314,089	314,726	328,730	438,383	482,354	668,177	881,736	1,083,298	1,213,332	1,268,139	1,243,881	1,136,571	942,072	656,087	274,161	(208,334)	
Fund Bal - EOY	1,003,082	762,283	357,463	320,371	321,020	335,304	447,150	492,002	681,540	899,371	1,104,964	1,237,598	1,293,502	1,268,759	1,159,303	960,913	669,209	279,644	(212,501)	

# Questions

**At this point staff would be happy to take any questions**

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