



Streets:

Solving the Funding Puzzle

November 2013



Background

- 1994 - Street Improvement Program (SIP) established
 - SIP funded by:
 - Bonding
 - Debt Service paid from:
 - *CIT investment income from casino revenue
 - New growth in property taxes
 - Assessments

* *Community Investment Trust*



Background

- 2008/2009 – SIP significantly modified
 - Pay-as-you-go, no new bonding
 - Enhanced Street Maintenance added
 - \$39 million outstanding street debt still owed
 - Use of CIT funds changed



Background

- How was the CIT used for streets?
 - CIT earnings to general fund per City Charter
 - Casino payments for street improvements
 - CIT principal to pay old street debt



Background

- What Changed?
 - Fond du Lac Band stopped \$6m annual payments
 - Continue to draw down CIT to pay old street debt
 - No funding for street improvements
 - No funding for enhanced street maintenance
 - \$16 million in old street debt still must be repaid
 - Federal Court found Band must repay the \$12m currently owed



Issues

- Streets still need to be repaired
- Lost street funding needs to be replaced
- Old street debt still must be repaid

- Citizen survey – spring 2013
 - Overwhelming public response (94%) that street improvement was a priority/concern
 - 51% respondents willing to pay \$10 per month for streets
 - 64% respondents willing to pay \$5 per month for street



SOLUTIONS

- Two Options:
 - (1) Property Tax Levy increase
 - (2) Street Improvement fee

Both options include general fund contribution and assessments



SOLUTIONS – PROGRAM PROPOSAL

Street Improvement Program in thousands	Current Proposed 2014 Budget	-----Proposed Program-----		
		Maintenance Operations Fund	Street Reconstruction Fund	Total SIP Fund
FUNDING				
Maintenance Operations Revenues	2,525	2,525		2,525
General Fund Support - Franchise Fees				1,956
General Fund Support - PILOT				2,749
General Fund Support - Undedicated	4,705	4,705		
Proposed Street Fee		1,000	4,163	5,163
total revenues	7,230	8,230	4,163	12,393
EXPENSES				
Snow & Ice Control	3,450	3,450		3,450
Street Sweeping	600	600		600
Gravel Road & Alley Grading	350	350		350
Traffic Maintenance	589	589		589
Various Other Maintenance	691	691		691
Crack Sealing	170	170		170
Pothole Patching	880	880		880
Permanent Patching	500	500		500
Enhanced Maintenance	-	1,000	-	1,000
Street Reconstruction	-	-	4,163	4,163
total expenses	7,230	8,230	4,163	12,393

SOLUTION – PROPERTY TAX

Property Tax Funded \$5.1m = 13% increase per year	Monthly Increase Year One	Monthly Increase Year Two	Cumulative Increase
Modest Value Home - \$87,500	\$3.14	\$3.14	\$6.28
Average Value Home - \$149,000	\$5.02	\$5.02	\$10.04
Upper Value Home - \$200,000	\$7.19	\$7.19	\$14.38



SOLUTION – PROPERTY TAX

- Considerations
 - Part of existing property tax payment
 - Avoids monthly billings
 - Tax deductible
 - Stable revenue stream for long term street improvements
 - Tax exempt properties do not share in costs
 - Impact on City's relationship with State
 - Implementation delayed until 2015



SOLUTION – STREET IMPROVEMENT FEE

	Customer Base	Monthly Fee	Revenue
Residential	24,200	\$ 8.00	\$ 2,325,120
Small Commercial & Apts	3,116	\$ 50.00	\$ 1,869,600
Mid Commercial/Industrial	645	\$ 100.00	\$ 774,000
Large Commercial/Industrial	54	\$ 300.00	\$ 194,400
TOTAL			\$ 5,163,120



SOLUTION — STREET IMPROVEMENT FEE

- Considerations

- Fee can be implemented for 2014
- Dedicated revenue stream for targeted use
- Stable revenue stream for long term street improvements
- Tax exempt properties share in paying for street costs
- Clarity in fee amount
- Higher administrative costs
- May not be tax deductible



STREET IMPROVEMENT PROGRAM

- Program Goals
 - Dedicated funding source for street improvements
 - Provides for enhanced street maintenance
 - General Fund contributes to program funding
 - Prior street debt paid from CIT principal & \$12m Casino ruling



NEXT STEPS

- Gathering Public Input - Now until mid-December
- Take input back to working group for final recommendation- Mid to late December
- Working group presents recommendation to entire City Council – December/January



Comments or Questions

- Please submit any additional comments or questions online at:
<http://www.duluthmn.gov/streets/>
- Scheduled public meetings
 - Tuesday, November 26th, 6 pm, at Denfeld High School, Media Room
 - Monday, December 2nd, Noon, Duluth City Hall, Room 303

