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## Sales Tax Street Improvement Program for 2022

### FREQUENTLY ASKED QUESTIONS

#### Background:

1. Where is the money coming from to fund this Street Improvement Program? The money is from a ½ percent sales tax that a majority of Duluth voters approved by referendum in 2017. The State Legislature authorized the City to implement this tax in 2019, so 2020 was the first year of the program.
2. Why was the 1/2 percent sales tax created? 91% of City residents who were surveyed in 2017 said that they lacked confidence in the City's streets. A pavement assessment showed that 55% of the City's 450 miles of streets were in poor condition. The Public Works and Utilities Department estimated in 2017 that \$446 million was needed to address these needs. Further, they warned that deferred maintenance due to inconsistent funding could worsen conditions and increase future costs even more. This led to consideration of potential funding sources that could offer more consistent funding to address growing pavement needs.
3. Why was the ½ percent sales tax chosen as the funding source for Duluth's streets? The sales tax option was chosen because it demonstrated broad public support (by referendum) and the tax is dedicated to street improvements. One of the advantages of the sales tax option is that revenue also comes from employees and visitors to the area, so it is not paid only by City residents. This is a fairness issue because while there are 86,697 residents, the City also serves 35,000 daily commuters and millions of tourists each year. This was a factor in obtaining voter approval.
4. What other funding sources were considered for this purpose? Other options that were considered included a property tax levy increase, a dedicated gas tax, and more state and federal resources.
5. How much new revenue is the ½ percent sales tax expected to generate for the City? The projected new revenue is approximately \$7 million per year. Because it is tied to retail sales, the amount of revenue is expected to fluctuate each year based on the City's overall economy.

#### 2022 Program Rollout:

1. How many miles of streets will be improved next year in 2022? 20 different streets have been included in the proposed 2022 program for improvement, for approximately 6 miles. Another 4 miles of roadway within the City of Duluth are being resurfaced with state and federal transportation funding.
2. How were the streets in the program selected for improvement? Because 55% of all the street mileage in the City is in poor condition, there were many candidate projects to

choose from. Given the overwhelming needs, it was decided that the initial program priority would be focused on pavement conditions, utility needs, level of use, connection to major destinations, along with geographic equity to make sure there were projects in all areas of the City.

3. What evaluation criteria were used in the selection process? As mentioned above, poor pavement condition, neighborhood needs, and geographic equity. The distributed of projects is fairly equal by city council district. In future years as the program matures, the distribution of projects by district may vary more depending on the needs identified in the long range Capital Plan.
4. What will be included in the projects? The purpose of this ½ percent sales tax was street improvement and that is what drove the selection of projects. Compliance with the Americans with Disabilities Act (ADA), (especially curb ramps at intersections) will be addressed as part of the projects. As sidewalks are the responsibility of adjacent property owners, most projects will not include replacement of existing sidewalks. Spot repair/replacement will be done where possible, similar to past projects. Where there are sidewalk gaps, a case by case assessment will have to be made to determine whether to include them. Bike-related improvements will be incorporated if they are already planned, and if they don't require widening of the pavement. Taking on more complex projects with subsurface utility upgrades would significantly reduce the number of miles that can be improved. The City has many subsurface utility needs, especially water main replacements, however, there are other dedicated funds for utility projects.
5. Most of the streets to be paved are local streets. Why aren't you fixing higher volume major streets with this program? In recent years the City has made progress in improving major streets that carry higher volumes. Major streets (i.e. collectors and arterials) that carry higher volumes and longer trips are eligible for state and/or federal funding, and for partnering with St. Louis County or MnDOT. Examples include E. 4<sup>th</sup> Street (improved by St. Louis County) and Mesaba Avenue (improved by MnDOT). An important objective for the sales tax street program is to advance local City street improvement projects that do not qualify, or are not likely to attract outside funding, and cannot be achieved by any other means.
6. Is the engineering design work already done for the streets in the 2022 program? The City is in the process of preparing engineering design for the streets in the 2022 program of projects. The City intends to expeditiously advance design work on 2022 projects so construction can proceed next summer.
7. When will the City be going out to bid for the construction of the streets in the program? The City intends to offer the program for contractor bids in advance of the Summer construction season when contractors are lining up their work for the coming year. We have not yet decided how many construction contracts to offer. There will be a learning curve with the new program, both for the City and our contractors. Our project cost estimates are order of magnitude, based on a standard costs per mile and without design input specific to the individual projects. There may be savings associated with the competitive bidding process.
8. Will residential property owners adjacent to these streets be assessed to help pay for the improvements? No, assessments will not be pursued as part of this program.

### **Future of the Program:**

1. When will you identify projects for future years of the sales tax street program? The City is in the process of preparing a multi-year program of sales tax funded projects. It is our

intention to add another four years of projects to the program so that we have five-years of projects identified at all times. We hope to have the new five-year project list completed in time for the City's annual Capital Improvement Program (CIP) update in Fall 2022.

2. Will you incorporate input from neighborhoods and/or City residents for future year projects? Yes. The sales tax street improvement program resulted from the community's demand for change both through the *Imagine Duluth 2035 Plan* process and the 2017 referendum, and we intend to continue to ask for input from citizens. The meeting schedule is available on the City's website, the City of Duluth, MN Facebook page, or by calling the City's Communications Office at 218-730-5309.
3. Will sales tax funding be available to implement the adopted *Imagine Duluth 2035 Plan*? Street improvements that would implement recommendations of adopted City plans will have priority. The 2035 Plan identifies a dozen Core Investment Areas that are located in neighborhoods all around the City. In many cases, local street improvements would contribute to neighborhood revitalization, adding to the value of sales tax program investments. Wherever state and/or federal funds can be obtained (for example, on State Aid designated streets) to reduce the City's financial outlay, those sources will be used to extend the reach of the City's sales tax program.