

1. Agenda

Documents:

[2018-10-16 FINANCE AGENDA.PDF](#)

2. 2. Request For Proposals For Banking Services

Documents:

[2. MEMO -RFP FOR BANKING SERVICES.PDF](#)
[2A. FARIBAULT BANKING RFP.PDF](#)

3. 3. Special Assessment Rates/Policies

Documents:

[3. SPECIAL ASSESSMENT RATES.PDF](#)



**City Council Finance Committee
Tuesday, October 16, 2018 at 6:00pm
City Hall – Public Meeting Room**

AGENDA

1. Call to Order
2. Request for Proposals for Banking Services
3. Special Assessment Rates/Policies
4. Adjourn

Please contact the City Administrator's Office if you need special accommodations while attending this meeting



Council Committee Memorandum

TO: Finance Committee
THROUGH: Tim Murray, City Administrator
FROM: Karla McCall, Finance Director
MEETING DATE: October 16, 2018
SUBJECT: Request for Proposals for Banking Services

Discussion:

Banking services have changed dramatically over the past five years, allowing many services to be performed electronically through advanced technology solutions. The banks located within Faribault have differing views about holding the City's cash and investments due to the economic recession and changes in regulations governing banking. This makes it difficult for local banks to be viable options for primary banking relationships with the City.

The Community Management Plan states that, "Every three years the City shall request proposals for checking account services from local financial institutions. The proposals shall be evaluated on the financial basis of safety and economic benefit to the City. The City's checking account shall then be established with the institution submitting the proposal that best meets the needs of the City of Faribault. (Res. 88-212)". This policy statement dates back to 1988 and should be updated to take into consideration the many changes in the banking industry since the late 80s.

We have drafted a written request for proposal (RFP) document that is attached for review by the Finance Committee. The format is similar to the standard proposal recommended by the Government Finance Officers Association and utilized by other cities. The City has been using Wells Fargo bank since January 2011 and has been pleased with the services provided. The final draft of the RFP will be sent to all the local banks and questions will be directed to the Finance Department. The proposals will be evaluated and brought back to the Finance Committee for recommendation to the City Council.

Recommendation:

Staff recommends using the attached Request for Proposals to evaluate and select the primary banking institution for the City of Faribault. The detailed banking data for the RFP will be updated prior to the mailing of the proposals to local banks.

Attachments:

- Request for Proposal for Banking Services (DRAFT)

CITY OF FARIBAULT



REQUEST FOR PROPOSALS – BANKING SERVICES

Introduction

A. Background

The City of Faribault (City) is currently seeking proposals from qualified banks (banks, trust companies or national banking associations) located and/or authorized to do business in the State of Minnesota, to provide banking. The City will only contract with firms that do not discriminate against employees or application for employment because of race, creed, color, national origin, sex age, disability, marital status, sexual orientation, citizenship status, or statute with regard to public assistance, under the Minnesota Human Rights Act, Minnesota Statutes Chapter 363.

The City encompasses an area of approximately 15.6 square miles and has a current population of 23,415. The City operates under a home rule charter adopted in 1975 and operates under a Council/Administrator form of government.

The City is governed by an elected body consisting of a Mayor and six Council members. The Mayor and Council members are elected at large. All serve four year staggered terms. Annual operating revenues and expenditures for the City approach \$33 million. The City currently maintains the following accounts and services with one financial institution:

- Primary Checking Account
- Secondary Checking Account (Used for Credit Card Settlements)

The City makes extensive use of banking services to concentrate, manage and disburse funds. The City intends to select one financial institution to provide those banking services. A description of the required services is included in "Section B."

B. Purpose and Scope

The City of Faribault is soliciting proposals for a primary banking relationship with an institution that operates a branch within the City of Faribault, Minnesota. The objective is to identify the banking institution that can offer the most comprehensive services at the most competitive rates. The institution must be able to offer the full range of banking services required by this Request for Proposal (RFP).

The following is a listing of mandatory services THE CITY requires of its financial institution:

- Checking accounts

- ACH debit/credit services
- Credit/Purchasing Card services
- Direct deposit for payroll
- Banking supplies
- Night depository services
- Overdraft protection
- ACH exception/return reporting
- On-line image retrieval of checks
- On-line stop payments
- On-line wire transfers
- Positive Pay on checking accounts
- ACH fraud detection
- Digitized storage of paid checks and statements
- Monthly account statements – issued on a calendar month basis
- Bill Pay/Ebox
- Appropriate deposit insurance according to FDIC/NCUA regulations for public unit
- Excellent customer service and response

The following is a listing of desirable or future services that may be requested:

- Remote deposit/check scanning capability/data equipment compatibility

Credit card merchant services is not included in this RFP.

C. Current Services

The following section provides an overview of current services. Please refer to the City of Faribault Statistics and Bank Fees Illustration sections beginning on page 12 for more detailed information on average volumes and balances.

Checking Accounts

The City of Faribault utilizes two checking accounts: 1) the primary checking account receives regular deposits of cash, checks, wires, ACH, and credit card payment settlements from various sources including tax revenue, state and federal grants, utility service payment and cash received from other services. This account is also used for disbursements via check, and ACH for vendor payments and payroll direct deposit. 2) a secondary checking account for ACH utility customer payments made from on-line credit card payments is also maintained.

City of Faribault – Request for Proposal, Banking Services

ACH Credit Services

The City of Faribault processes a direct ACH credit batch monthly for the receipt of customer payments. The City currently uses the primary bank to process ACH transactions and a daily direct ACH credit batch for customer payments through the on-line utility billing payment system. The City utilizes two, 3rd party, vendors to process on-line utility payments and credit card payment received at the Community Center and Aquatic Center.

ACH Debit Services

The City of Faribault processes a direct ACH debit batch weekly for payments to vendors enrolled in the direct deposit option.

Credit/Purchasing Card Services

The City provides credit cards for approximately 12 employees to be used for travel, on-line purchases and other incidental expenditures. Typical total monthly purchasing volume is \$6,000-\$8,000.

Remote Deposit/Check Scanning Capability/Data Equipment Compatibility

The City is in the process of considering remote deposit using check scanning equipment. It would be desirable for the banking institution to have remote deposit compatibility.

Direct Deposit for Payroll

All employees are required to have direct deposit. There are currently approximately 240 employees paid through bi-weekly payrolls. The summer months are typically higher averaging around 310 employees. Paydays are typically on Fridays, unless a holiday occurs (payday is then the previous working day).

Banking Supplies

Current practice is to purchase deposit slips from the bank. If coin rolling is required, the bank must also provide the rolling papers.

Night Depository Services

Daily deposits include cash and checks. The City of Faribault uses night depository services during the summer when its Aquatic Center is open. The City of Faribault utilizes locked zipper bags for these Aquatic Center deposits.

City of Faribault – Request for Proposal, Banking Services

Overdraft Protection

The City of Faribault currently maintains all operating funds within the general checking account, so overdraft protection is not an issue. If a separate savings or similar account is used to maximize interest earnings, the City is interested to hear what overdraft protection is available to avoid charges if a transfer is inadvertently missed.

ACH Exception / Return Reporting

The City of Faribault receives information on ACH returns via email. It is important to receive adequate information from the institution so the customer payment can be easily identified and issues resolved.

Online Image Retrieval of A/P Checks

This service is used occasionally and mainly for individual requests or circumstances.

Online Stop Payments

This service is rarely used. The City of Faribault uses this service to stop payment primarily on lost checks.

Online Wire Transfers

This service is used one to two times per month. Dual authorization is used for wire transfer approvals.

Positive Pay on Checking Accounts

This service only applies to the primary checking account. The City of Faribault utilizes payee positive pay so checks presented for payment must match the check number, dollar amount, and vendor. Vendor checks are typically issued every two weeks in conjunction with City Council meetings and a small number of checks are issued on all other weeks.

ACH Fraud Detection

Certain vendors draw funds from the City's primary checking account and are verified through this service.

Monthly Account Statements

Paperless statements are preferred, with online access for various users. Calendar month statements are required to align with the City of Faribault's fiscal periods.

Short-Term and/or Long-Term Investment Opportunities

City of Faribault – Request for Proposal, Banking Services

Due to low interest rates on savings accounts, The City currently maintains operating cash in the primary checking account. The City is interested in other investment options available that would maximize return on available funds.

Excellent Customer Service and Response

The City of Faribault’s current institution provides excellent service, so the standard has been set high.

D. Proximity

Your institution must operate a branch within the City of Faribault, Minnesota that will be able to offer the full range of banking services required by the RFP.

E. Proposal Format

The proposal must be completed in its entirety. Any relevant supplemental information should be included as attachments. If an institution cannot meet a service requirement, the institution should enter “No Proposal” for the specific requirement.

F. Contact

Proposals must be clearly marked “Banking Services – City of Faribault” or similar. Electronic proposals are acceptable and encouraged. Paper proposals should be mailed to the address shown below. Acknowledgement of proposal receipt will be provided.

Karla McCall, Finance Director
City of Faribault
208 1st Avenue NW Faribault, MN 55021
kmccall@ci.faribault.mn.us
507-333-0345

Questions pertaining to the specific requirements and content of this RFP should be in written form and directed to Karla McCall. Refer to Timeline below for deadline dates.

G. Timeline (Subject to Change)

October 17, 2018	RFP distributed to institutions
November 9, 2018, 5:00 pm CST	Proposals due from institutions
Scheduled as Needed	Oral presentation, if necessary
November 20, 2018	Review by Finance Committee
November 27, 2018	Council approves institution

The conversion date will be determined as mutually agreed upon.**

**If applicable. Not necessary if no change in banking relationship.

Response to Request for Proposal for Banking Services

Please address the following items within the RFP response.

A. Safety and Soundness

Provide the following financial information:

- Audited Financial Statements for the most recent fiscal year (copy or internet link)
- Your institution's ratings from one of the following rating agencies: Moody's, Standard & Poor's and Fitch
- FDIC Composite rating
- A statement regarding any recent or foreseen merger or acquisition
- Full collateralization, in excess of balances insured by the FDIC, as per the City's investment policy and State requirements.

B. Institution Personnel & Contacts

Provide a primary relationship manager who will serve as a central point of contact who understands the needs of the City of Faribault and can offer recommendations for service improvement.

Provide the names of individuals, with phone numbers and e-mail addresses, who would be the City's contacts for the proposed services and their areas of responsibility including their specific experience relative to the request for proposal requirements.

Provide the address of the office location that will service the account.

C. Customer Service

Describe your institution's customer service philosophy and organizational structure and provide meaningful examples to illustrate.

D. Disaster Recovery

Describe the procedures established for disaster recovery in the event of a systems failure or other disaster at the institution's primary processing site.

E. References

Provide names, titles, phone numbers and email of Two (2) Public Sector references of customers who have used services similar to those included in this request, preferably within our industry or with comparable volumes.

F. Implementation

1. Provide a detailed description of the implementation process, including testing, and a sample implementation schedule.
2. Will an implementation manager/team be assigned?
3. What is the average lead-time required for implementation, including but not limited to the following services?
 - a. Account Opening
 - b. Deposit Ticket Orders and Endorsement Stamps
 - c. Information Reporting
 - d. Other
4. Describe support provided during implementation, including training, technical assistance, user manuals and on-site visits.

G. Bank Compensation

1. Does the institution accept compensation in fees, balances, or a combination of the two?
2. What is the due date for bank fees and what is the process for paying those fees?
3. Describe the method used to calculate the earnings credit rate (ECR).
4. What has the institution's ECR been for the last six months?
5. How often are bank fees and earnings credit rates adjusted?
6. How long will you guarantee quoted rates and fees?
7. Is there a reserve requirement deduction? What is the calculation for a reserve requirement?
8. How does the institution charge for non-sufficient fund checks deposited?
9. How does the institution charge for stop payment requests?
10. How do you determine and calculate availability of deposited items?
11. Provide a fee schedule that outlines the fees associated with all services requested.

H. Online Internet Services

1. Provide a detailed overview of your internet business portal services and capabilities.
2. Provide a fee schedule that outlines the fees associated with this service.

I. Depository Services

1. Describe the institution's branch, night drop, vault (via armored courier) service options.
2. What is the cut-off time to ensure same day ledger credit?
3. Do you accept loose and/or rolled coin for deposit at branch and night drop locations?
4. Provide an availability schedule for all deposit service options.
5. Does the customer order deposit tickets and other supplies through the institution or directly from a vendor? How are the charges handled?
6. What types of deposit bags do you allow/require?
7. Does the institution identify and adjust all discrepancies? Describe the documentation provided for deposit discrepancies.
8. Describe security at the cash vault center. What fraud prevention procedures are in place?
9. Provide a fee schedule that outlines the fees associated with this service.

J. Return Item Processing

1. Can return items be automatically redeposited? If so, how many times?
2. Provide the institution's standard return item and re-clear processing instructions.
3. Provide a fee schedule that outlines the fees associated with this service.

K. Stop Payment Services

1. Provide stop payment services.

L. Remote Deposit Services

1. Provide a brief description and general workflow of your remote deposit service capabilities.
2. Provide a fee schedule that outlines the fees associated with this service.

M. Positive Pay Services

1. Provide a brief description of the service, including data transmission methods and time windows.
2. What is the cut-off time for making decisions on exceptions?
3. How does the City notify the institution of voided and stop payment checks?
4. Does your institution have payee verification?
5. How does the institution handle exception (“paid not issued”) items?
6. Provide a fee schedule that outlines the fees associated with this service.

N. ACH Processing

1. Describe which ACH origination methods are available (e.g. direct transmission, on-line, or other).
2. What are the hours of operation of your ACH processing unit?
3. Provide a schedule of days the institution’s processing centers will be closed.
4. Explain the cut-off times, relative to Settlement Date, for customer initiation of ACH entries. Please specify cut-off time differences between credits and debits (if applicable).
5. Describe your ACH fraud prevention services.
6. Describe the procedures used to verify accurate and secure receipt of transmissions.
7. Can the institution automatically redeposit items returned for insufficient or uncollected funds?
8. How does the institution handle file, batch, and item reversals and deletions?
9. Provide a fee schedule that outlines the fees associated with this service.

O. Bill Pay (Ebox)

City of Faribault – Request for Proposal, Banking Services

1. Is the institution able to accept ACH batches received through our customers' bill pay services at their own banks? These batches should include the capability of import of an Excel file into the City of Faribault's software system (Springbrook) for integrations.

P. Wire Transfers

1. Briefly describe all domestic wire transfer initiation products currently supported by the bank.
2. For each method listed above, describe the process of initiation, approval and release.
3. Does your institution have the capability to require different levels of requestor/approval for wires and/or ACH payments?
4. Does your institution have the ability to create and store recurring/repetitive wire instructions/templates?
5. Does your institution have the ability to create and store future-dated wire instructions?
6. What are the cutoff times for initiating domestic wire transfers to ensure same day settlement?
7. Provide a fee schedule that outlines the fees associated with this service.

Q. Credit/Purchasing Card Services

1. Describe your purchasing card services.
2. Describe your online management processes: new card issuance, deletion, replacing, modifying, etc.
3. Describe card control and usage restriction options.
4. Describe interface options with internal financial systems, specify interface requirements.
5. Describe notifications, e.g. email when a decline occurs for any user.
6. Describe your fraud protection policy and procedures.
7. Provide a fee schedule that outlines the fees associated with this service.

R. Direct Deposit for Payroll

1. Describe the requirements, deadlines and process for ACH transactions.
2. When will the funds be drawn from the City's account?
3. When will the funds be available in participating institutions?
4. Describe the testing process for ACH transactions.
5. Provide a fee schedule that outlines the fees associated with this service.

S. Errors and Adjustments

1. Describe your adjustment process for resolving deposit discrepancies.
2. At what dollar amount do you write off discrepancies?
3. Do you adjust the deposit amount or process an adjusting debit or credit?
4. Provide a fee schedule that outlines the fees associated with this service.

T. Investments

1. What investment options does your institution offer?
2. Does the institution provide sweep vehicles for the investment of excess balances? If so, describe the functionality of the sweep.
3. How is the investment account linked to the operation (checking) account?
4. Is the investment account accessible on-line?

U. Security/Protection Measures

1. What security features are in place to minimize the risk of unauthorized transactions?
2. Provide a fee schedule that outlines the fees associated with this service.

V. Competitive Position and Future Commitment

1. What differentiates your service from other providers?
2. How do you plan to keep your products current and competitive?

W. Miscellaneous Services

1. List in your proposal any other services provided by your institution that would be beneficial to the City of Faribault.
2. List and discuss any:
 - special conditions
 - other fees not provided in previous sections
 - online training and resources
 - deviations from the requested scope
 - other services not provided in previous sections

Evaluation of Proposals

A. Acceptance / Rejection

The City of Faribault reserves the right at its sole discretion to accept or reject any or all proposals in part or in total, as deemed to be in the best interest of the City, and to waive all minor irregularities in the proposal process. The City may also request additional information or clarification from proposing institutions if deemed necessary.

The issuance of this RFP does not obligate the City to purchase services. The final selection, if any, will be that proposal which in the opinion of the City best meets the requirements set forth in this RFP, and is in the best interest of the City.

B. Evaluation Criteria

The contract awarded will be based upon many factors including, but not limited to: service, cost, location, financial strength, technology and innovation. No single factor will determine the final decision. THE CITY will review all proposals according to the following criteria (in no particular order):

- Understanding the needs and operation requirements of the City
- Responsiveness to the RFP's specifications and requirements
- The sufficiency of the financial resources and ability of the institution to perform the required and desired services
- Bank and branch locations for General Banking Services
- Responses of client references

City of Faribault – Request for Proposal, Banking Services

- The reputation, financial stability and longevity of the institution
- The quality, availability, and adaptability of the services to the particular needs required
- Cost of the services provided
- The value of any new product or service suggestions or other new ideas and enhancements
- The institution's fee structure

Please note: Costs and fees of banking services, although a significant factor, may not be the deciding factor. Cost will be particularly important when all other evaluation criteria are relatively equal.

C. Awarding of Banking Services

The City Council will award the Banking Services upon the review and recommendation of the Finance Committee at the Council meeting on November 27, 2018 beginning at 6:00 pm.

City of Faribault Statistics

GENERAL OPERATING FUND:	
Average cash deposited per month	\$60,667
Average # of payroll direct deposits per month	902
Average # of AP checks per month	356
Average # of out-going wires per month	1
Average # of all transactions per month	7500
Average daily balance	\$3,491,887
Average # of customer checks deposited per month	1600
Average # of check batches for deposit per month	21

CREDIT CARD SETTLEMENT ACCOUNT:	
Average # of all transactions per month	47
Average daily balance	\$56,000

Bank Fees Illustration – please complete.

Note: Average Monthly Volume/\$ reflects a typical month of the City activity. This schedule may be completed and submitted on an Excel spreadsheet.

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
PRIMARY CHECKING ACCOUNT			
ACH CEO FRAUD FILTER REVIEW - ITEM			
ACH CEO FRAUD FILTER REVIEW MO BASE			
ACH CEO RETURN SUBSCRIPTION-ACCOUNT			
ACH CEO RETURN SUBSCRIPTION-ITEM			
ACH CEO SUBSCRIPTION - ACCOUNT			
ACH CEO SUBSCRIPTION - ITEM			
ACH CUSTOMER REPORTS			
ACH DELETE - ITEM			
ACH DELETE/REVERSE - BATCH/FILE			
ACH EXCEPTION PROCESS-DUPLICAT FILE			
ACH FAX SERVICE			
ACH MAIL SERVICE			
ACH MONTHLY BASE			
ACH NOC - INFO REPORTING ADVICE			
ACH TWO DAY ITEM			
ACH ONE DAY ITEM			
ACH SAME DAY			
ACH RECEIVED ITEM			
ACH RETURN ADMIN -ELECTRONIC			
ACH RETURN ITEM - DISHONORED			
ACH RETURN ITEM - FAX ADVICE			
ACH RETURN ITEM-ELECTRONIC			
ACH RETURN UNAUTHORIZED -ELECTRONIC			
ACH RETURN UNAUTHORIZED QUALITY FEE			
ACH REVERSAL - ITEM			
ACH TRANSMISSION CHARGE			
ACH NOC-INFO REPT ADVIC			
ADMIN RETURN ITEM - CHARGEBACK			
ADMIN RETURN ITEM-REPAIRED ACH ITEM			
ARP AGED ISSUE RECORDS ON FILE-ITEM			
BANK CONFIRMATION AUDIT REQUEST			
BRANCH/STORE/NIGHT DROP DEPOSIT			
CASH DEPOSITED IN BRANCH/STORE			
CASH ORDER FEE IN A BRANCH			

City of Faribault – Request for Proposal, Banking Services

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
CEO BASIC BANKING - MONTHLY BASE			
CEO BASIC BANKING ADDL ACCT-MO BASE			
CEO CHECK ISSUES-ITEM			
CEO EVENT MESSAGING SERVICE - EMAIL			
CEO RETURN ITEM RETRIEVAL-IMAGE			
CEO RETURN ITEM SERVICE MTHLY BASE			
CEO SEARCH			
COMMERCIAL CARD CCER MONTHLY BASE			
COMMERCIAL CARD ISSUANCE			
COMMERCIAL CARD PROGRAM MAINT FEE A			
COMMERCIAL CARD SET UP			
COMMERCIAL CARD TRANSACTION			
CURRENCY FURNISHED BY BRANCH			
DDA CHECKS PAID			
DEBITS POSTED			
DEPOSITED CHECK			
DEPOSITED CHECKS - ON US			
ELECTRONIC CREDITS POSTED			
ELECTRONIC DEPOSIT – CHECK OTHER BANK			
ELECTRONIC DEPOSIT - CHECK BANK			
ELECTRONIC DEPOSIT - DEP ADJUSTMENT			
ONLINE IMAGE VIEW < 90 DAYS - ITEM			
ONLINE IMAGE VIEW > 90 DAYS - ITEM			
OVERDRAFT CHARGE-PAID ITEM			
PAYEE VALIDATION STANDARD-ITEM			
PER CHANG ORDER FEE IN BRANCH/STORE			
POSITIVE PAY EXCEPTION - CEO IMAGE			
POSITIVE PAY ONLY - ITEM			
POSITIVE PAY ONLY MONTHLY BASE			
RECOUPMENT MONTHLY			
RETURN ITEM CONVERTED CHK CHGBK IRD			
RETURN ITEM CONVERTED CHK REDEPOSIT			
RETURN ITEM REDEPOSITED			
ROLLED COIN ORDERED IN BRANCH/STORE			
SMART DECISION ACH TRANSIT			
SMART DECISION ELEC CHECK ACH ONUS			
SMART DECISION ELEC CHK ACH TRANSIT			
STOP PAYMENT - ONLINE			
WFED IMPLEMENTATION - STANDARD			

City of Faribault – Request for Proposal, Banking Services

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
WIRE IN DOMESTIC			
WIRE-OUTGOING DOMESTIC-CEO			
ZERO BALANCE MASTER ACCOUNT MAINT			
CREDIT CARD SETTLEMENT ACCOUNT			
RECOUPMENT MONTHLY			
ACCOUNT MAINTENANCE			
DEBITS POSTED			
DDA CHECKS PAID			
ELECTRONIC CREDITS POSTED			



Council Committee Memorandum

TO: Finance Committee
THROUGH: Tim Murray, City Administrator
FROM: Mark DuChene, City Engineer
MEETING DATE: October 16, 2018
SUBJECT: Special Assessment Policy and
Special Assessment Rates for 2019-2020

Background:

The current official "Special Assessment Policy" for the City is contained within Chapter 12, Article I of the City Code of Ordinances. The Ordinance references Minnesota Statutes Chapter 429, the City Charter, and also "... policy provisions adopted by ordinance or resolution." This last item would primarily be the information outlined in the City's Community Management Plan (CMP) for general application of assessments on improvement projects, and more specifically resolutions adopted by the Council, which have set the actual assessment rates. The CMP has not been updated recently and current assessment practices do not align with some of the components of the CMP. Although some of the changes to the current assessment practices have been approved through resolutions of the City Council, not all have. At this time, staff is bringing forward a new Special Assessment Policy for Council to consider creating a special assessment policy to include all special assessment related policies (CMP, City Code, Resolutions) in one place. A copy of the proposed Special Assessment Policy is attached.

The most recent special assessment rates were adopted per Resolution 2016-248, adopted on November 9, 2016, which established the rates for 2017 & 2018 street reconstruction, street overlay, and sidewalk construction improvements. These rates also need to be reviewed and updated.

I have assembled summaries of special assessment rates (shown in an attachment), as well as average bid prices over the past 27 years, which are as follows:

	<u>Aggr. Base</u>	<u>Bitum. Mixture</u>	<u>Curb & Gutter</u>	<u>Sidewalk</u>
1991	\$11.50/c.y.	\$22.50/ton	\$ 5.50/l.f.	\$1.90/s.f.
1994	\$12.00/c.y.	\$23.50/ton	\$ 5.75/l.f.	\$2.00/s.f.
1997	\$11.00/c.y.	\$26.50/ton	\$ 6.50/l.f.	\$2.25/s.f.
2000	\$12.00/c.y.	\$29.00/ton	\$ 7.25/l.f.	\$2.40/s.f.
2004	\$18.00/c.y.	\$42.00/ton	\$ 9.00/l.f.	\$3.50/s.f.
2008	\$22.00/c.y.	\$50.00/ton	\$10.00/l.f.	\$4.00/s.f.
2012	\$21.00/c.y.	\$68.00/ton	\$15.00/l.f.	\$4.50/s.f.
2014	\$25.00/c.y.	\$69.00/ton	\$11.50/l.f.	\$4.25/s.f.
2016	\$24.00/c.y.	\$53.50/ton	\$15.00/l.f.	\$4.50/s.f.
2018	\$28.50/c.y.	\$65.00/ton	\$18.00/l.f.	\$6.50/s.f.

The table below also shows averages of the proportion of City street overlay and reconstruction project costs are funded through special assessments for select years going back to 2000.

Percentage of project costs funded by special assessments:

	<u>Reconstruction</u>	<u>Overlays</u>
2000	40.0%	58.7%
2002	32.1%	59.4%
2004	N/A	63.6%
2006	N/A	35.4%
2008	26.0%	N/A
2010	26.0%	17.5%
2012	N/A	N/A
2014	18.4%	34.3%
2016	19.6%	30.2%
2018	16.8%	45.4%

It should also be noted that the consumer price index (CPI) for the last 12 months from September 2018 rose 2.3%.

Regarding the special assessment rates, I would recommend the following for the next two years, which are based on looking at the CPI, considering project cost increases, statutory requirements for bonding projects that use special assessments and then rounding to the nearest half dollar (current 2018 rates also shown):

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Street Reconstruction</u>			
Low Density Residential Property	\$72.50/l.f.	\$74.00	\$75.50
High Density Residential Property	\$80.00/l.f.	\$81.50	\$83.00
Commercial/Industrial/Institutional Property	\$87.00/l.f.	\$88.50	\$90.00
Credit for Salvaged Curb	(-) \$15.00/l.f.	(-) \$15.00	(-) \$15.00
Lead Water Service Replacement	\$800.00/ea	\$825.00	\$825.00

Bituminous Street Overlays

Low Density Residential Property	\$20.00/l.f.	\$20.50	\$21.00
High Density Residential Property	\$22.00/l.f.	\$22.50	\$23.00
Commercial/Industrial/Institutional Property	\$24.00/l.f.	\$24.50	\$25.00
New Curb & Gutter Added	(+) \$15.00/l.f.	(+) \$15.00	(+) \$15.00

Sidewalk Construction

Low Density Residential Property	\$ 5.50/l.f.	\$ 6.00	\$ 6.50
Other Property	\$22.00/l.f.	\$22.50	\$23.00

There was also discussion at the October 9, 2018 Council meeting about the big cost difference between sidewalk assessment rates for low density residential versus all other properties. Staff will review the history of this rate difference and recommends Council discuss the structure of the sidewalk assessment rates to see if Council wants to change the structure.

Attachments:

- Draft Special Assessment Policy
- Draft 2019-2020 Special Assessment Rate Adoption Resolution
- Special Assessment Rates – History

DRAFT

Special Assessment Policy

City of Faribault, Minnesota

Adopted by the Faribault City Council on _____, 2018

Policy Revisions

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1. POLICY GOALS

The goals of the City of Faribault's special assessment policies and procedures are to:

- 1) Provide a stable and continuing source of funding within the financial capacity of the City to accommodate infrastructure needs for new development, redevelopment, and maintenance within the community in a cost-effective manner.
- 2) To be responsive to community needs and desires for health, safety, welfare, accessibility, and mobility provided by new infrastructure and the maintenance of existing assets.
- 3) Provide for and ensure consistent, uniform, fair, and equitable treatment, insofar as is practical, lawful, and possible, of all property owners in regard to the assessment of cost for benefits to properties for the qualifying improvements listed in Minnesota Statutes, Chapter 429.
- 4) Provide the City Council and staff with guidelines and methods to efficiently distribute infrastructure costs to benefiting properties in an equitable and consistent manner thereby enhancing the value of property by assigning a proportionate value of the improvements to the properties deriving from the improvement.
- 5) Provide a comprehensive, well-constructed and well-maintained infrastructure system that services individual properties and takes advantage of economies of regional scale and flexibility in the timing of infrastructure development.
- 6) To provide an effective tool for the management of municipal resources to support a highly functional and well-maintained system of infrastructure that promotes economic development and growth, fosters a sense of pride throughout the community, and facilitates the development and adoption of short and long-range capital improvement plans by identifying the magnitude and sources of funding available.

2. INTRODUCTION

A special assessment is a levy on a property to defray the cost of public improvements. Minnesota State Statutes, Chapter 429, grants cities the authority to use special assessments as a mechanism to finance a broad range of public improvements. The special assessment exists to assign as much cost as reasonable to those properties receiving a direct benefit from a public improvement project, thereby reducing the reliance on the general tax levy.

Chapter 429 limits the special assessments to the amount the property receives in direct benefit.

Special assessments are a valuable tool to cities in that the public improvement costs are assigned to benefiting properties. This reduces the burden on the property tax levy. And those properties benefiting from the public improvements have the opportunity for involvement with the City Council as outlined in the Chapter 429 Process notably through Public Hearings.

While the special assessments goals, policies, and procedures have been identified herein, the City Council has the authority to deviate from this policy when such rationale in equity arises or the when the law or statutes require such deviation.

3. POLICY DEFINITIONS

A. Adjacent or Abutting Property: A property directly adjacent to public improvements.

B. Access: Properties shall be considered to have access to public street improvements when they may enter onto the improvement from their own private driveway, private road, common driveway, shared easement, or public street. Properties shall be considered to have access to underground utility improvements when they directly abut or are within 100 feet of the utility and can easily gain access to it.

C. Adjusted Area: An area of a benefited property that has been modified by an adjustment factor to more accurately represent the true benefit that property receives from an improvement in comparison to other properties in the assessment area. The adjustment will be based on the improvement design parameters that are applicable to that parcel, as approved by the City Council. Design parameters that may be used to determine the adjustment factor include, but are not limited to: trip generation; storm water runoff coefficients; water or sanitary sewer use; needed fire flow; wetlands, easements or other encumbrances on the property that make all or a portion of the property undevelopable, and zoning or future land use.

D. Adjusted Frontage: The assessable front footage of a benefited property that has been modified by an adjustment factor to more accurately represent the true benefit that property receives from an improvement in comparison to other properties in the assessment area. The adjustment will be based on the improvement design parameters that are applicable to that parcel, as approved by the City Council. This is useful for flag lots or other improved properties that have little direct frontage adjacent to the improvement but access is available directly to and from the improvement area. Design parameters that may be used to determine the adjustment factor include, but are not limited to: lot area comparison to surrounding lots in order to calculate equivalent front footage; trip generation; storm water runoff coefficients; water or sanitary sewer use; needed fire flow; wetlands, easements or other encumbrances on the property that make all or a portion of the property undevelopable and zoning or future land use.

E. Assessed Cost: Those costs of public improvements that have been determined to benefit specific properties. The assessed cost will be equal to the project cost minus the City cost. Project costs eligible for assessment include all costs associated with the improvements, including, but not limited to, land acquisition, demolition, construction, administration, permit fees, surveying, engineering, contract administration, testing, legal, financing and other costs as determined by the City Council. The financing charges include all costs of financing the project. These costs include, but are not limited to, financial consultant's fees, bond attorney's fees, and capitalized interest.

F. Assessable Area: The assessable area is the total area of all of the benefiting properties, when using an area based assessment.

G. Assessable Footage: The assessable footage is the total front footage of all of the benefiting properties, calculated by using the front footage method.

H. Assessment Rate: The assessment rate is determined and adopted by the City Council by resolution. The Council adopts a front foot rate based on the type of improvement proposed and the type of land use of the benefiting properties. The City Council reserves the right to adjust the

adopted assessment rate on a project by project basis if in the Council's opinion unique circumstances support a modified rate.

I. Assessment Unit: Front footage, area or unit.

J. Benefit: The increase in property value as a result of a public improvement such as, but not limited to, a street, sidewalk, trail, curb and gutter, water main, sanitary sewer, storm sewer, park, or street landscaping.

K. Deferment: A process of postponing the collection of the cost of public improvements and funding them as a system cost with the intention of collecting at a later date.

L. Driveway Approach: That area which lies between the existing pavement and the right-of-way line; curb cut to curb cut.

M. Front Footage: The distance measured along the right-of-way line that directly abuts an improvement.

N. Lot Definitions:

1. Corner Lot: A lot located at a street intersection having both front and side-lot footage.
2. Double Frontage Lot: A lot with access to two separate non-intersecting or intersecting streets but not a corner lot.
3. Irregularly Shaped Lot: Those lots abutting curved streets, cul-de-sacs, or other lots where there is more than five feet of difference in length between the front and back lot lines.
4. Rectangular Lot: A lot with less than five feet of difference in length between the front and back lot lines.
5. Lots Not Built Upon: A lot which has not been improved such as the construction of a dwelling or commercial use.
6. Special Case Lot: A lot which accesses the improvement but may have little or no real property fronting the improvement shall be assessed in a fair and equitable manner consistent with surrounding properties fronting the improvement. Adjusted frontage shall be considered.

O. Public Improvement: Improvements as allowed by State statute that provide a special benefit to properties, including but not limited to streets, sidewalks, trails, curb, gutter, sanitary sewer systems, storm sewer systems, water treatment and distribution systems.

P. Special Assessment: A legal process whereby the benefited property is charged for all or a portion of the cost of public improvements.

Q. Standards for Surface Improvements: Standards for surface improvements have been established by the City's Engineering Department

R. Street: All public ways designed as means of access to the adjoining properties.

S. Street Treatment Definitions: The City of Faribault has a pavement management policy based on a pavement life expectancy of 50-60 years as shown

on the following table.

Street Life Cycle

Program Basis; 50-60 year Service Life

<u>Action</u>	<u>Year</u>
Original Construction	0
1st Seal Coat	5 to 8
2nd Seal Coat	12 to 15
1st Overlay	20 to 25
3rd Seal Coat	25 to 28
4th Seal Coat	32 to 35
2nd Overlay	40 to 45
5th Seal Coat	45 to 48
Reconstruction	50 to 60

This life cycle table shall be considered a guide for the City to plan for pavement preservation projects. A detailed description of each Action Type is as follows:

1. Crack Seal and Seal Coat – Crack sealing involves patching and sealing cracks in the roadway. This is followed by seal coating, which involves spraying the road with oil and covering it with a layer of small rock. Crack sealing and seal coating is generally considered routine roadway maintenance.
2. Mill and Overlay – Milling and overlaying consists of grinding off the upper layer of asphalt (typically 1½"-2") and replacing it with a new layer of asphalt. This is generally done on roadways that have a fair amount of cracking and other surface distress. This is considered a structural improvement that will renew the street surface and extend its useful life.
3. Rehabilitate/Pavement Replacement – Rehabilitating a roadway consists of grinding up the existing asphalt and mixing it with a portion of the underlying gravel base (typically 4"- 8"). This combination of bituminous and gravel is then used as the new road base, and a new asphalt surface is paved over this. This is generally done on roadways that have a significant amount of distress. This can be a good alternative to reconstructing a road if the existing road base appears to be structurally sufficient, there are no known underground utility issues, the existing curb is structurally and functionally sound and there are no known significant drainage or geometric deficiencies with the roadway alignments.
4. Partial Reconstruct – Partial Reconstruction of a roadway consists of completely removing the existing road and underlying gravel and sand base material, and constructing a new road section. This may also include correcting any poor base material beneath the section, or updating the road to meet design standards such as

width and drainage. This is often done in conjunction with utility repairs/replacement. This is generally done on roadways that exhibit signs of major distress, such as rutting, cracking, and potholes. For the purposes of this policy, to be considered a partial reconstruct, a majority of existing concrete curb and gutter must be salvaged.

5. Full Reconstruct – Reconstructing a roadway consists of completely removing the existing road and underlying gravel and sand base material, bituminous curbing (or a majority of the existing concrete curb and gutter) and constructing a new road section. This may also include correcting any poor base material beneath the section, or updating the road to meet design standards such as width and drainage. This is often done in conjunction with utility repairs/replacement. This is generally done on roadways that exhibit signs of major distress, such as rutting, cracking, and potholes.

T. Storm Drainage: Stormwater runoff. A storm drainage assessment is applied to all properties receiving improvement if the property has not previously been assessed for this one-time assessment unless the storm drainage improvements are assessed as part of larger project such as a street reconstruction.

U. System Cost: That portion of the assessable cost that benefits properties whose assessments are deferred because they qualify for green acres status, are located outside of the City limits, or are unable to make use of the improvements due to factors beyond their control. The City may recoup such system costs from the benefiting properties when the basis for the deferral is no longer valid.

V. Unit: A unit is based on a lot or parcel of land being designated as one unit, regardless of size or use, a unit may also include, but is not limited to: a household; a parcel/lot; water or sewer main length and size; sidewalk or trail length, width and depth; infiltration area per parcel/lot; contributing drainage area.

4. METHODS OF ASSESSMENT

For pavement preservation projects, all properties will typically be assessed by front-foot. For drainage improvement projects, properties will be assessed based on their percentage of contributing drainage area benefiting from the improvement. The City Council reserves the right to determine the most equitable way to assess benefiting properties and modify the method of assessment on a project by project basis if need be as allowed by governing laws and statutes.

Front Footage Method: This method is used for calculating assessment units based on front footages or in the case of credits or special circumstances adjusted front footages. Front footages shall be calculated as follows:

1. **Corner Lot:** A lot located at a street intersection having both front and side-lot footage adjacent to improvements shall be assessable for both sides. However no assessment would occur for an unimproved side (ie. platted right-of-way but not street).
2. **Double Frontage Lot:** A lot with access to two separate non-intersecting or intersecting streets but not a corner lot will only be assessed for any street improvement that it has direct access to. Direct access shall usually mean a driveway connection to the street.
3. **Irregularly Shaped Lot:** Those lots abutting curved streets, cul-de-sacs, or other lots where there is more than five feet of difference in length between the front and back lot lines the front footage shall be calculated using an average or other equitable means such as the width of the lot at the building setback line.
4. **Rectangular Lot:** A lot with less than five feet of difference in length between the front and back lot lines shall be assessed based on front feet.
5. **Special Case Lot:** A lot which accesses the improvement but may have little or no real property fronting the improvement shall be assessed in a fair and equitable manner consistent with surrounding properties fronting the improvement. Adjusted frontage shall be considered.

Credits to Front Footage Method: The following credits shall be applied to parcels assessed under the front footage method:

1. **Corner Lot Credit:** A corner lot shall get a credit of fifty percent (50%) of the front footage on each side of the lot that is being improved and assessed. The front footage after the credit shall be the adjusted front footage.
2. **Previous Project Assessment Credit:** Lots which were assessed for a full frontage assessment prior and not given a eligible credit, such as a corner credit, shall be credited the footage previously assessed if the previous assessment roll is still active.
3. **Partial Undevelopable Parcel Credit:** A credit may be given for parcels with frontages that abut areas of the parcel deemed undevelopable or receiving no benefit from the proposed improvement project, such as areas of public waters, wetlands, significant encumbering easements that restrict development, narrow strips of land, or other areas as deemed undevelopable by zoning or permitting regulations or as deemed by the City Council.
4. **Double Frontage Lot Credit:** Double frontage lots will not be assessed for the frontage of the rear yard of the lot unless (1) the parcel has direct access to the street on the rear lot frontage or (2) the parcel is a large multi-family, commercial,

institutional or industrial parcel. In the case of a parcel with access to both frontages, the same credit as the corner lot credit shall be applied.

5. **Non-Assessable Frontage:** Frontage that abuts a parcel that is undevelopable or which the City Council determines would receive no direct benefit from the proposed improvement project.
6. **Lots Not Built Upon Credit:** The frontage shall be calculated as one-half (1/2) of the side of the lot abutting the improvement.
7. **Reconstruction Front Footage Cap:** For low density residential properties only, where the proposed improvement project is a partial or full reconstruction, front footages shall be capped at one-hundred (100) feet unless the parcel has the potential to be legally subdivided per the current applicable zoning regulations. If the property can be legally subdivided into 2 or more parcels and there are current plans to subdivide the property, the footage shall be capped at an amount equal to the minimum subdivided footages. If there are no current plans to subdivide the property, the assessable footage shall be capped at one-hundred (100) feet but the City shall retain the right to recoup the costs for the improvement on the un-assessed footage as part of a negotiated payment in lieu of the special assessment which shall be negotiated as part of a parcel subdivision agreement at the time of subdivision.

Unit Method: This method is used for calculating assessment units based on a per unit method.

1. **Residential Lots:** A lot that is of such a size that it may be subdivided in the future shall be assessed the number of units equal to the number of lots that may be created through the subdivision process according to the applicable zoning and building codes for the property.
2. **Special Case Lot Residential:** A lot which may not directly abut the improvement shall be assessed on a per unit basis if the improvement can be accessed.

Contributing Area Method: This method is used for calculating assessment units based on a contributing area method. A unit shall be defined as one area unit (i.e. square foot or acre).

1. **All Lots:** The City shall determine the benefiting area of each parcel and calculate the assessment rate by dividing the total assessable costs by the benefiting area. Each parcel shall pay their proportionate share based on multiplying the calculated assessment rate by their contributing area.

5. ASSESSMENT RATES

Insert Copy of Current Assessment Rate Adopting Resolution

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6. PAYMENT OF ASSESSMENTS:

- 1) Assessments for residential and multi-family can usually be paid over a 15 year period or other time period as determined by City Council, through certification to property taxes as a special assessment. Interest rates vary but are set no more than 2% above the City's rate on the bond sale or 2% over the current bond rate average as determined by the Finance Director if the project is not funded in whole or in part by bond proceeds. The increased rate covers administration and collection of the assessments over the life of the repayment period.
- 2) Property owners may wish to make a payment to the City within 30 days of the Assessment Hearing. Property owners may choose to make a full or partial (25% minimum) payment. No interest will be applied to payments received within 30 days of the Assessment Hearing or as defined in the adopting resolution. Payments received after 30 days of the Assessment Hearing or after the date in the adopting resolution but before certification to Rice County (November 30) interest will be applied to the payment calculated from the date of the Assessment Hearing. The City will accept no more than two (2) payments up until the certification deadline (November 30) date. Unpaid balances will be certified to Rice County for payment with property taxes after November 30 of the year in which the Assessment Hearing was conducted.
- 3) It should be noted that if only a partial payment is made before certification to Rice County then the assessment balance can be paid over the same period as defined in the adopting resolution, typically 15 years.

7. Petition and Waiver (Consent Assessment)

Minnesota Chapter 429 provides for petition and waiver process by benefitting property owners as one of the methods to initiate said improvements. The City uses a petition and waiver process to complete miscellaneous improvements to properties that are in the best interest of the City. Examples include, widening a driveway or replacing a private sewer or water service at the time of a planned reconstruction or replacing sidewalk in conjunction with a City contract. Property owners sign a consent assessment agreement (a copy of which is included in Appendix A)

The City Council approved the use of the Petition and Waiver Process for financing reconstruction of water and sanitary sewer services through Resolution 2009-148.

The term of the assessment shall be based on the following:

Amount	Repayment	Interest Rate
Under \$1,000	1 year	2% over bond rate
\$1,001 to \$3,000	2 years	2% over bond rate
\$3001 to \$7,500	5 years	2% over bond rate
Over \$7,500	10 years	2% over bond rate

8. DEFERRED OR DELAYED ASSESSMENTS:

Minnesota Statute Chapter 429 allows for deferred and delayed assessments. This section is only meant to cover the most frequent cases encountered by the City in past years. Minnesota Statutes shall govern in all cases.

A. Senior Citizen, Disability, National Guard and/or Military Reserves Deferrals

Minnesota Statutes 435.193 authorizes the City Council to enact said deferrals. Therefore the City Council shall, at its discretion, defer the payment of an assessment for any homestead property owned by a person for who it would be a hardship to make the payment if the owner is one of the following:

- A person who is 65 years of age or older.
- A person who is retired by virtue of a permanent and total disability.
- A member of the National Guard or other military reserves called into active service.

In order to determine financial hardship the Finance Director (or his/her designee) shall review the applicant’s income statement. As a general guideline, a financial hardship deferral is automatically met if household adjusted gross income is at or below 125% of the most recently published Federal Poverty Line issued by the Department of Health and Human Services. This financial hardship guideline is intended to make clear the standard basis for financial hardship and remain non-discriminatory in financial hardship reviews. However the Finance Director (or his/her designee) may approve deferrals where extenuating circumstances exist as presented by the applicant.

It should be noted that a deferred assessment may accrue interest. The deferment comes due with accrued interest upon death of the owner, sale/transfer/subdivision of property, loss of homestead status of the property, or determination by the Council that requiring immediate or partial payment would impose no hardship.

Per Sec. 12-4, City Code of Ordinances

(a) *General rule.* The council may defer the payment of any special assessment on homestead property owned by a person who is sixty-five (65) years of age or older, or who is retired by virtue of permanent and total disability. The administrator may record the deferment of special assessments where the following conditions are met:

- (1) The applicant must apply for the deferment not later than ninety (90) days after the assessment is adopted by the council;
- (2) The applicant must be sixty-five (65) years of age, or older, or retired by virtue of permanent disability;
- (3) The applicant must be the owner of the property;
- (4) The applicant must occupy the property as a principal place of residence; and

(5) The applicant's income from all sources does not exceed the low-income limit as established by the department of housing and urban development as used in determining the eligibility for section VIII housing.

(b) *Eligibility.* The deferment will be granted for as long a period of time as the hardship exists and the conditions as aforementioned have been met. The applicant must notify the administrator of any change in applicant's status that would affect eligibility for deferment.

(c) *End of deferment.* The entire amount of deferred special assessments is due within sixty (60) days after loss of eligibility by the applicant. If the special assessment is not paid within sixty (60) days, the administrator must add thereto interest at the applicable rate for the bond issue for the project. If there is no bond issue for the project, interest will be fixed by resolution of the council. The total amount of principal and interest from the due date through December 31 of the following year must be certified to the county auditor for collection with taxes the following year. If the applicant demonstrates, to the satisfaction of the council, that full repayment of the deferred special assessment would cause the applicant particular undue financial hardship, the council may order that the applicant pay within sixty (60) days a sum equal to the number of installments of deferred special assessments outstanding and unpaid to date (including principal and interest) with the balance thereafter paid according to the terms and conditions of the original special assessment.

(d) *Termination.* The option to defer the payment of special assessments terminates and all amounts accumulated plus applicable interest become due upon the occurrence of any one of the following:

- (1) The death of the owner when there is no spouse who is eligible for deferment;
- (2) The sale, transfer or subdivision of all or any part of the property;
- (3) Loss of homestead status on the property; or
- (4) Determination by the council for any reason that there would be no hardship to require immediate or partial payment.

B. Deferment of Special Assessments - Agricultural Property

Per Sec. 12-5, City Code of Ordinances

The council may defer the payment of any special assessments on agricultural land in accordance with the provisions set forth in Minnesota Statutes Section 273.111, commonly known as the "Green Acres Law."

C. Deferment of Special Assessments - Undeveloped Property

Per Sec. 12-6, City Code of Ordinances

(a) *General rule.* Pursuant to Minnesota Statutes, Section 429.061, subdivision 2, the

council may, by resolution, defer the payment of any special assessments where the following conditions are met:

- (1) The special assessments are greater than ten thousand dollars (\$10,000.00); and
- (2) The land to be specially assessed is unimproved property, five (5) acres or larger in size.

(b) *Termination.* The council shall indicate in the resolution that the deferral of the payment of special assessments terminates and all amounts accumulated become due pursuant to the terms of the resolution, upon the occurrence of any of the following:

- (1) Until a specified future year;
- (2) Until the property is sold, transferred, platted; or
- (3) Until building improvements are constructed on the property.
The council shall also indicate in the resolution whether interest will accrue and be added to the principal, will be paid annually or, will be forgiven while the assessment is deferred, and, the number of installments in which the assessments are to be paid when the deferral terminates. However, in no event shall the last installment be paid more than thirty (30) years after the assessment was levied.

9. ASSESSMENT CONSIDERATIONS:

- 1) Developers proposing projects that will be public infrastructure upon completion shall be completed as a Public Improvement Project and requires the Developer to petition the City for said improvement according to the 429 process. 100% of the total project cost shall be paid by the petitioner(s) unless stipulated otherwise in a Development Agreement approved by the City Council.
- 2) All properties benefiting from improvements are subject to the special assessment.
- 4) The assessment rates listed in Section 5 may change year to year depending on council rate adjustments. Special assessments can be made for improvements listed in Minnesota Statutes Chapter 429 and are not limited to those listed in this policy.
- 5) The special assessment methods described in the policy statement cannot be considered as all inclusive. Unique or unusual circumstances may, at times, justify special consideration. In such situations, the City Council may, from time to time, establish by resolution or as part of a Feasibility Study, amendments to the assessment policy to cover situations that may not have been contemplated in this policy.
- 6) Prior to assessment role adoption the special assessment levy shall be verified to be at or below that of the benefit received by subject properties. The City Council may consider assessing up to 100% of total project costs or proven benefit whichever is less when such cases are warranted.

APPENDIX A – Petition and Waiver Agreement Template

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PETITION AND WAIVER AGREEMENT

This Agreement made this ____ day of _____, 20__, by and between the City of Faribault, a Minnesota municipal corporation (“City”) and _____ a single person/husband and wife (“Owner”).

RECITALS

WHEREAS, the Owner is the fee owner of certain land in Rice County, Minnesota, which is located at: _____ and is legally described on Exhibit A attached hereto (the “Property”); and

WHEREAS, the Owner has requested and the City has agreed to _____ on the Property (“Improvements”); and

WHEREAS, the Owner has agreed to pay the City for 100 percent of the cost of the Improvements; and

WHEREAS, the Owner has requested that payment to the City of cost of the Improvements be financed by the City levying an assessment against the Property which will be payable to the City in installments over ____ years; and

WHEREAS, the Owner requests that the City construct the Improvements without notice of hearing or hearing on the Improvements, and without notice of hearing or hearing on the assessment levied to finance the Improvements, and to levy 100 percent of the cost of the Improvements in a total amount of \$_____ against the Property as an assessment; and

WHEREAS, the City is willing to construct the Improvements without such notices or hearings, provided the assurances and covenants hereinafter stated are made by the Owner to ensure that the City will have a valid and collectable assessment as it relates to the Property to pay for the Improvements; and

WHEREAS, were it not for the assurances and covenants hereinafter provided, the City would not construct the Improvements without such notices and hearings; and

NOW, THEREFORE, on the basis of the mutual covenants and agreements hereinafter provided, it is hereby agreed by and between the parties hereto as follows:

1. The Owner hereby petitions the City for construction of the Improvements. The Improvements to be constructed by the City are described as follows: _____

2. The Owner represents and warrants that the Owner is the owner of 100 percent of the Property, that the Owner has full legal power and authority to encumber the Property as herein provided, and that as of the date hereof, the Owner has fee simple absolute title in the Property.

3. The Owner represents and warrants that the Property is not classified for tax purposes as to result in deferral of the obligation to pay the assessment; and the Owner agrees that the Owner will take no action to secure such tax status for the Property during the term of this Agreement.

4. The amount of the assessment which is to be assessed by the City against the Property is \$_____. The Owner requests that this amount be assessed against the Property.

5. The Owner agrees that the assessment will be payable in installments over _____ years. The Owner understands and agrees that the interest rate to be applied to the assessment will be _____ percent per annum.

6. The Owner waives the right to appeal the levy of the assessment in accordance with this Agreement pursuant to Minnesota Statutes Section 429.081, or reapportionment thereof upon land division pursuant to Minnesota Statutes Section 429.071, subdivision 3, or otherwise, and further specifically agrees with respect to such assessments against the Property or reapportionment that:

- a. Any requirements of Minnesota Statutes Chapter 429 with which the City does not comply are hereby waived by the Owner;
- b. The increase in fair market value of the Property resulting from construction of the Improvements will be at least equal to \$_____, and that such increase in fair market value is a special benefit to the Property;
- c. Assessment of 100 percent of the cost of the Improvements against the Property is reasonable, fair and equitable and there are no other properties against which the cost should be assessed; and
- d. The Owner further specifically waives notice and the right to appeal reapportionment of such assessment upon land division pursuant to Minnesota Statutes Section 429.071, subdivision 3.

7. The Owner agrees that the assessment may be alternatively made against the Property pursuant to Minnesota Statutes Sections 366.011, 366.012 or 415.01, or pursuant to any other

authority available to the City.

8. The Owner further agrees that payment of the assessment will continue to be the Owner's personal obligation until it is paid and the Owner will pay any part of the assessment which the City is unable to collect through the assessment process.

9. The covenants, waivers and agreements contained in this Agreement shall bind the successors and assigns of the Owner and shall run with the Property and bind all successors in interest thereof. It is the intent of the parties hereto that this Agreement be in a form which is recordable among the land records of Rice County, Minnesota; and the parties hereto agree to make any changes in this Agreement which may be necessary to effect the recording and filing of this Agreement against the title of the Property.

10. This Agreement shall terminate upon the final payment of the assessment levied against the Property regarding the Improvements.

IN WITNESS WHEREOF, the parties have set their hands the day and year first written above.

OWNER

By: _____

Printed Name: _____

By: _____

Printed Name: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by _____, a single person/husband and wife.

Notary Public

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by _____, a single person/husband and wife.

Notary Public

CITY OF FARIBAULT

By: _____
Kevin F. Voracek
Its: Mayor

By: _____
Timothy C. Murray
Its: City Administrator

STATE OF MINNESOTA)
) ss
COUNTY OF RICE)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by Kevin F. Voracek and Timothy C. Murray, the Mayor and City Administrator, respectively, of the City of Faribault, a municipal corporation under the laws of Minnesota, on behalf of the municipal corporation.

Notary Public

This document was drafted by:

Kennedy & Graven, Chartered
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

EXHIBIT A

Legal Description of the Property

Parcel ID:

Address:

CITY OF FARIBAULT

RESOLUTION #2018-XXX

ADOPT SPECIAL ASSESSMENT RATES FOR 2019 & 2020

WHEREAS, the City levies special assessments against benefiting properties pursuant to Minnesota Statutes, Chapter 429, for street reconstruction, street overlays, and sidewalk construction, on a fixed per-unit basis.

NOW, THEREFORE BE IT RESOLVED, that the City Council hereby adopts the following schedule of Special Assessment Rates for 2019 and 2020:

	<u>2019</u>	<u>2020</u>
<u>Street Reconstruction</u>		
Low Density Residential Property	\$74.00/l.f.	\$75.50/l.f.
High Density Residential Property	\$81.50/l.f.	\$83.00/l.f.
Commercial/Industrial/Institutional Property	\$88.50/l.f.	\$90.00/l.f.
Credit for Salvaged Curb	(-) \$15.00/l.f.	(-) \$15.00/l.f.
Lead Water Service Replacement	\$825.00/ea	\$825.00/ea
<u>Bituminous Street Overlays</u>		
Low Density Residential Property	\$20.50/l.f.	\$21.00/l.f.
High Density Residential Property	\$22.50/l.f.	\$23.00/l.f.
Commercial/Industrial/Institutional Property	\$24.50/l.f.	\$25.00/l.f.
New Curb & Gutter Added	(+) \$15.00/l.f.	(+) \$15.00/l.f.
<u>Sidewalk Construction</u>		
Low Density Residential Property	\$ 6.00/l.f.	\$ 6.50/l.f.
Other Property	\$22.50/l.f.	\$23.00/l.f.

Date Adopted: _____, 2018

Faribault City Council

Kevin F. Voracek, Mayor

ATTEST:

Timothy C. Murray, City Administrator

Special Assessment Rates

City of Faribault

Year	Street Reconstruction (l.f)	Street Reconstruction w/ Salvaged Curb (l.f.)	Street Overlay (l.f.)	Street Overlay w/ New Curb (l.f)	Sidewalk (L.D. Residential) (l.f.)	Sidewalk (Other) (l.f)	Lead Water Service Repl. (ea)
1988	\$40.224	\$34.224	\$7.50	\$15.50	n/a	n/a	\$471.00
1989	\$40.224	\$34.224	\$7.50	\$15.50	n/a	n/a	\$479.00
1990	\$40.224	\$34.224	\$7.50	\$15.50	n/a	n/a	\$419.00
1991	\$40.224	\$34.224	\$7.50	\$15.50	n/a	n/a	\$419.00
1992	\$40.224	\$34.224	\$7.50	\$15.50	n/a	n/a	\$419.00
1993	\$41.75	\$35.75	\$7.50	\$15.50	n/a	n/a	\$419.00
1994	\$41.75	\$33.75	\$7.50	\$15.50	n/a	n/a	\$419.00
1995	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
1996	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
1997	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
1998	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
1999	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
2000	\$43.75	\$35.75	\$7.50	\$15.50	\$2.00	\$10.00	\$419.00
2001	\$46.00	\$36.00	\$8.00	\$16.00	\$2.10	\$10.50	\$420.00
2002	\$48.00	\$38.00	\$9.00	\$18.00	\$2.30	\$11.50	\$435.00
2003	\$50.00	\$40.00	\$10.00	\$20.00	\$2.50	\$12.50	\$450.00
2004	\$50.00	\$40.00	\$10.00	\$20.00	\$2.50	\$12.50	\$450.00
2005	\$50.00	\$40.00	\$10.00	\$20.00	\$2.50	\$12.50	\$450.00
2006	\$50.00	\$40.00	\$10.00	\$20.00	\$2.50	\$12.50	\$450.00
2007	\$50.00	\$40.00	\$10.00	\$20.00	\$2.50	\$12.50	\$450.00
2008	\$60.00	\$48.00	\$12.00	\$20.00	\$3.00	\$15.00	\$700.00
2009	\$62.50	\$50.00	\$13.00	\$24.00	\$3.25	\$16.25	\$725.00
2010	\$65.00	\$52.00	\$14.00	\$28.00	\$3.50	\$17.50	\$750.00
2011	\$65.00	\$52.00	\$14.00	\$28.00	\$3.50	\$17.50	\$750.00
2012	\$65.00	\$52.00	\$14.00	\$28.00	\$3.50	\$17.50	\$750.00
2013	\$65.00	\$52.00	\$14.00	\$28.00	\$3.50	\$17.50	\$750.00
2014	\$65.00	\$52.00	\$15.00	\$28.00	\$3.50	\$17.50	\$750.00
2015	\$65.00	\$52.00	\$15.00	\$28.00	\$3.50	\$17.50	\$750.00
2016	\$67.50	\$53.50	\$17.00	\$31.00	\$4.25	\$18.75	\$775.00
2017	\$70.00	\$55.00	\$18.50	\$33.00	\$5.00	\$20.00	\$800.00
2018	\$72.50	\$57.50	\$20.00	\$35.00	\$5.50	\$22.00	\$800.00
2019	\$74.00	\$59.00	\$20.50	\$35.50	\$6.00	\$22.50	\$825.00
2020	\$75.50	\$60.50	\$21.00	\$36.00	\$6.50	\$23.00	\$825.00

* Surcharges of approximately 10% and 20% are added for High Density Properties and Commercial/Industrial/Institutional Properties, respectively.

For period from 1991 to 2018, the assessment rates have increased the following average percent per year:	2.3%	3.8%	4.7%	3.6%	2.8%
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Under the proposed 2019 and 2020 rate increases, the assessment rates will have increased the following average percent per year:	2.3%	3.7%	5.0%	3.5%	2.7%
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Assessment Period (through 2013)

10 years - Reconstructions
5 years - Overlays
5 years - Sidewalks

Assessment Period (2014 & beyond)

15 years - All

Interest Rate

2% over City Bonding Rate

M.S.A. Streets

Reconstructions assessed same as non-MSA streets.
Overlays on MSA streets not assessed prior to 2003.
Low density residential properties on MSA streets received a 50% reduction in rate for overlays through 2015.