



**Request for City Council Committee Action
From the Department of Public Works**

Date: September 1, 2009

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: **Nongovernmental Tax Exempt Parcel Street Light Operations Fee Assessment – Set Public Hearing**

Recommendation:

Adoption of a Committee Report designating the Citywide street light operations assessment against properties exempt from ad valorem taxation and directing the City Clerk to give notice of a public hearing to be held on October 20, 2009 before the Transportation and Public Works Committee.

Previous Directives:

8-14-09 – Passage of an ordinance authorizing a citywide street light operations fee.

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Approved by:

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Presenters: Jon Wertjes, P.E., PTOE, Director, Traffic and Parking Services

Financial Impact

Special Assessments against benefited properties

Background/Supporting Information

The purpose of this letter is to set the special assessment proceedings for a street light operations fee assessment against nongovernmental tax exempt parcels.

Minneapolis Public Works operates 46,700 street lights with an annual budget of \$5.5 million. Approximately \$3 million of this total pays for the operations of the street light system, namely electricity costs and light bulb replacement. These costs are funded by the city's general fund which is primarily made up of property taxes and local government aid (a revenue sharing formula distributed by the state).

History

From 1960 to 1973, Minneapolis expanded the street lighting network by adding midblock lights. Project districts were created and a rate was set by spreading the costs of the project to all properties within the district. These rates were assessed annually to all properties in the district on a front foot basis. As districts were added after 1973, rates were calculated based on the district project cost with the rate being applied to nongovernmental tax exempt parcels within that district.

The Minnesota Legislature passed a special law in 1973 requiring “that all costs of maintenance of streets and street lighting within the city may hereafter be paid from the general revenues of the city of Minneapolis.” This special law prohibited the city from continuing its practice of assessing for street lighting costs (as well as street maintenance costs, which the city was also doing). The 1973 law was amended in 1974 with qualifying language that stated “provided that the portion of the costs assessable against nongovernmental real property exempt from ad valorem taxation may be levied as a special assessment against the property.” Under this authority, the city implemented an annual street light operations and maintenance levy and a separate street maintenance levy against nongovernmental tax exempt parcels for pay-1975 property taxes.

On August 14 2009, the Minneapolis City Council authorized Public Works to update the nongovernmental tax exempt street light assessment.

Methodology

The recently adopted Chapter 431 of the City of Minneapolis Code of Ordinances allows for the City to assess nongovernmental tax exempt parcels for the cost of operating the street light system. State Statute 429.101 and special legislation applying to the City of Minneapolis allows the city to provide collection of special charges, fees and taxes for all or any part of one of any service to streets or sidewalks. Based on this authority, and to be consistent with the current practices of uniformity and fairness, the fee will be applied to properties via a uniform assessment rate using the influence area method. This is the method currently used for street and street light capital construction projects.

The assessment for a single parcel is calculated by multiplying the parcel’s assessable area, rounded to the nearest square foot, by the assessment rate and rounding it to the nearest dollar amount. The minimum assessment amount is \$1.00/year.

The group of properties included in this assessment are all assessable, nongovernmental tax exempt parcels. Governmental properties not being assessed include:

1. City of Minneapolis
2. Hennepin County
3. University of Minnesota
4. Minneapolis Park and Recreation Board
5. Metropolitan Council
6. State of Minnesota
7. Minneapolis School District #1

Rate

The assessment rate is determined by dividing the street light operations budget by the citywide assessable square footage.

$\$3,000,000 / 764,437,240/\text{sqft} = \$0.00392/\text{sqft}$.

The assessment rate is then multiplied by the assessable square area of individual nongovernmental tax exempt parcels to determine annual assessments.

Rate changes will require a new public hearing and Public Works anticipates rate changes occurring when Xcel Energy adjusts electricity rates. Xcel changes electricity rates approximately every five years.

Assessment Results

There are approximately 1,600 nongovernmental tax exempt parcels in the city with a total assessable area of 40,550,443/sqft. The median assessment for these properties is \$41/year and the mean assessment is \$97/year. The projected income for the street light operations assessment is \$158,962/year. Current revenue from assessments against nongovernmental tax exempt parcels is \$51,500/year.

Next Steps

Prior to the October 20, 2009 public hearing, notices will be mailed to all properties receiving an assessment. Included in the notice will be dates for pre-assessment public meetings where questions can be answered prior to the public hearing. Additionally, e-mail addresses (streetlightfee@ci.minneapolis.mn.us and streetmaintenancefee@ci.minneapolis.mn.us) will be used in conjunction with 311 to take and answer questions from property owners.

T&PW – Your Committee reports that in accordance with Chapter 431 of the Minneapolis Code of Ordinances passed August 14, 2009 relating to imposing a street lighting fee upon benefited parcels that are otherwise exempt from ad valorem taxation (said Chapter 431.20 determining the City finds it to be in the interest of all citizens that the establishment, construction, operation and maintenance of street lighting promotes the general health, safety and well-being of the citizenry and provides a benefit to each and every parcel within the City and further that the cost of street lighting operations should be offset by imposing a street lighting fee upon benefited parcels that are otherwise exempt from ad valorem taxation), the City engineer has presented to your committee the details required by said Chapter 431 in connection with proposed Street Lighting Project #1337 for assessment of the operation costs on street lighting for the convenience and safety of the whole City of Minneapolis area.

A summary of the facts relative to this assessment is as follows:

Number of assessable parcels in the City of Minneapolis	1,640
Total assessable square footage	40,550,443
Annual cost per square foot	\$0.00392

Your Committee recommends that the City Clerk be directed to give notice of a Public Hearing to be held by the Transportation and Public Works Committee on October 20, 2009, in accordance with the provisions of Chapter 431 of the Minneapolis Code of Ordinances, to be considered for the establishment of said proposed Street Lighting Project No 1337.