

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, St. Paul, 55104
Thursday May 11, 2017
7:30 am – 10:00 am

Committee Members Present: Tanya Bell, Ellen T. Brown, Zach Crain, Mike Day, Niles Deneen, Jon Gutzmann, Kit Hadley, Jake Hamlin, Doug Hennes, Bror Herrick, Matt Hill, Heather Johnston, Jay Kiedrowski, Susan Kimberly, Barb McCormick, Greg Mellas, Joan McCusker, James Moeller, Kaye Rakow, Rinal Ray, John Regal, Joe Reid, Pa Der Vang

Members not present: None

Staff & staff support present: Sean Kershaw, Mark Haveman, and Lincoln Bacal

Guests: Todd Hurley, Jon Manillo, Kristen McHenry, Jon Kavanagh, Amy Filice, James McClean, Melenie Soucheray, Rachel Walker, xx, xx

Project scope: Is a 'payment in lieu of taxes' and/or 'services in lieu of taxes' (PILOT/SILOT) model advisable for St. Paul, and how would the program be structured and sustained if so?

Proposed Committee outcomes:

- Findings: Shared understanding of the facts, data and local/national trends on this issue that are accessible and relevant to broader public.
- Conclusions: Shared set of statements and questions related to the implications of these findings. Why do they matter to the citizens of St. Paul and the region?
- Recommendations: Proposed set of actionable recommendations IF changes are needed to address current situation. Recommendations might come in phases.
- Base of support for implementation: Buy-in from key stakeholders needed to advance and sustain any potential recommendations.

Proposed outcomes for May 11 meeting:

- Introduce Committee members and co-chairs;
- Review proposed scope, outcomes and Citizens League study committee process, and answer questions related to these topics;
- Review and discuss the background and current City activity on 'right of way' questions;
- Provide overview and discuss basics of City budget process and sources of income/expenses; and
- Discuss agenda for May 18 meeting

Co-Chair Rakow called the meeting to order at 7:30am

Introductions

Co-Chair Rakow welcomed the committee members and introduced herself. All committee members were invited to introduce themselves, their organization, and add a comment. She outlined the goal ("to present a solid, well thought out perspective for the City of St. Paul") and urged the group to resist the temptation to jump to solutions right away.

A Citizens League staff member briefly spoke about logistics and outlined the scope. He stressed that the committee members can revise the scope. He then read through the proposed committee outcomes and proposed meeting outcomes. He also explained the Citizens League process of evaluations after a meeting. The staff member went through the contents of the binder, specifically the Citizens League governing document and operating guidelines.

A committee member wanted to know if there was going to be a way for ongoing communication between committee members. A staff member assured that he would provide a list of names and emails to distribute to the group before the next meeting.

A committee member asked if there was a general idea of how each meeting would go, or if that was still to be determined. A staff member answered by saying that although the next meeting was mapped out, the next meetings could be shaped by the committee members and what the group decided is important to talk about.

A committee member was curious about the City of St. Paul's right of way court case. She wanted to know if there any background on it that would be relevant to the committee. A staff member assured the committee that if it became important, they could bring in someone to talk about it, but stressed that although the court case is important in terms of timing, the committee's role is not specifically tied to the outcomes of this case.

Co-Chair Rakow turned the meeting over to Co-Chair Reid to introduce the speaker. He invited the group to contact him or Co-Chair Rakow with any questions or comments outside of committee time. He then introduced Todd Hurley, Finance Director for the City of St. Paul. He said Mr. Hurley was there for two main reasons: one, to talk about the Right of Way assessments, and two, to talk about the overall budget of St. Paul. He made it clear that in August, once the committee has reached a conclusion, their recommendation would be given to the City of St. Paul to help inform future budgets.

Right of way: background and current status by Todd Hurley, City of St. Paul Finance Director (see PowerPoint)

Todd Hurley introduced himself and thanked the committee for giving their time and made himself available as a resource. He explained that he was there to provide an overview of the Right of Way program, how it affected the City, and what kind of revenue it generated. He said he would briefly comment about the court case, but warned that since they were still in litigation, he would not be able to go very deeply into the topic. He began his presentation by using PowerPoint slides to illustrate his points and provide statistics.

A committee member asked Mr. Hurley to clarify his definition of downtown. Mr. Hurley said that he didn't have the exact information on hand, but there's a downtown boundary map which would be provided to the committee (and was distributed following the committee meeting).

A committee member asked Mr. Hurley to define Right of Way. Mr. Hurley clarified that Right of Way is city owned property that citizens have the right to use.

Todd Hurley continued his presentation by explaining the Right of Court case and how the Minnesota Supreme Court finally ruled that the City of St. Paul should treat the Right of Way program as if it were a tax versus a fee. He went on to explain how it is now called the street maintenance program, and that the goal is to collect the revenue in a more equitable way.

A committee member asked for clarification about the court's ruling and whether or not St. Paul could charge fees. Mr. Hurley clarified that the ruling was that Right of Way was not a fee and said they had to decide which services were going to stay in the new program, and which ones would be moved to the general fund.

Mr. Hurley continued by outlining the four main types of services that were staying in the program (streetlights, street sweeping, seal coating, and mill and overlay).

A committee member asked what services went to the general fund and whether or not a fee assessed for the homeowner was tax deductible.

A committee member wanted to know how Mr. Hurley was defining benefit. He clarified that he was not defining benefit, he was defining cost.

A committee member asked what the cost was based on. Mr. Hurley said that if you received a service, you would be charged the cost of the city paying for the service.

A committee member asked about the city council deciding to subsidize half the cost of the mill and overlays. Mr. Hurley answered by saying the city council was looking at the affordability of the services, and they had the option to charge full mill and overlay costs.

A committee member commented that mill and overlay is just for arterials, and everyone shares arterials, at least more than they share residential areas.

Mr. Hurley went on to present the adopted 2017 budget for everything in the Right of Way program and the current Street Maintenance program. He explained that the same services provided by Right of Way are still being provided, but many of them are now in the general fund.

A committee member asked if tax exempts would have to pay in full for services provided to them. Mr. Hurley clarified that they will be paying full for light, sweeps, and seal coating. The committee member commented that the issue now was that before the Right of Way ruling, tax exempts paid for everything, and now they don't.

He concluded by explaining parcel count and how tax exempt property is valued.

A committee member asked if the scope of the group was just the tax exempt part of street maintenance, and the co-chairs assured her it was bigger (see Project Scope above).

Fundamentals of City finances and process John McCarthy, City of St. Paul Finance Director

John McCarthy introduced himself and began to explain St. Paul's overall budget. He started with the total operating budget for 2017, which is \$563,000,000. The Right of Way program is about 6% of the overall budget. He explained that the operating budget is broken down into the general funds, which is \$270,000,000, and the special funds 290,000,000.

A committee member asked if the money from the Street Maintenance program went into special funds. Mr. McCarthy answered by explaining that special funds are funds where there is a dedicated revenue source tied directly to the spending. Based on this definition, he explained that the Street Maintenance program is a special fund because the money is specifically for the program.

General funds, Mr. McCarthy continued, aren't usually tied to a revenue source. Most core services that citizens rely on like police, fire, parks and libraries are in the general funds. It's also where property taxes go. He went on to explain Local Government Aid (LGA), and who receives it.

A member asked if one of the factors in determining the amount of LGA a city receives is the percentage of value that's in tax exempt properties. Mr. McCarthy thought that was an interesting question, but he wasn't sure.

A member wondered if state government property had ever paid PILOTs, and if the state should be responsible for some of the PILOTs. A few committee members agreed that this was worth talking about.

A member asked about federal government properties, and Mr. McCarthy clarified that they don't pay.

Co-Chair Reid thanked Todd Hurley and John McCarthy for their time and their presentations.

Discussion and May 18 agenda

A Citizens League staff member went over the preliminary agenda for the May 18th meeting.

Co-Chair Rakow opened up the floor for comments and suggestions.

A committee member who is part of an organization that pays PILOTs to the city of St. Paul offered to do a quick presentation about his organization's PILOT program. Another member agreed that this would be an interesting presentation, especially if he could tell the group why his organization agreed to pay PILOTs.

A member wanted more information about PILOT programs in other large cities, especially capital cities.

A member introduced the idea of fiscal disparities and thought that that might be worth talking about.

A member was curious about SILOTs.

A member wanted more information about tax exempts paying for services that weren't covered e.g. Right Of Way.

A staff member offered to find information about other capital cities for the group to use.

A member mentioned discussing the school district, as it's a considerable percent of the tax exempt property.

A member mentioned different classes of tax exempt properties, and wondered if it was worthwhile to look into the different types of services they use.

A staff member pointed out the importance of using the words "tax exempt" rather than "nonprofit."

A member asked for information about Boston and cautioned the group against not learning from issues that they may have already solved in Boston.

A member brought up the issue of smaller tax exempt properties not being able to pay PILOTs.

A member mentioned it might be worthwhile to discuss the difference between nonprofit status and tax exemption.

A member asked for clarification about the definitions of tax, fee, special assessments, and PILOTs.

A member mentioned that would like to have handouts in advance.

Evaluation

A Citizens League staff member explained the Citizens League evaluation process. He explained that staff would like to know how well the meetings are going. It is on a 1-5 scale, 5 being we met or exceeded objectives, 1 being it was not productive at all. The members evaluated the meeting as follows: 5, 5, 5, 4, 4, 5, 5, 5, 4, 4, 5, 5, 5, 5, 5, 5, 5, 4, and 5 for an average of 4.7

Chair Rakow adjourned the meeting at 10:00 a.m.