



Mayor Kim Norton
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February 19, 2020

Dear Chair Masin and Members of the Subcommittee on Local Government:

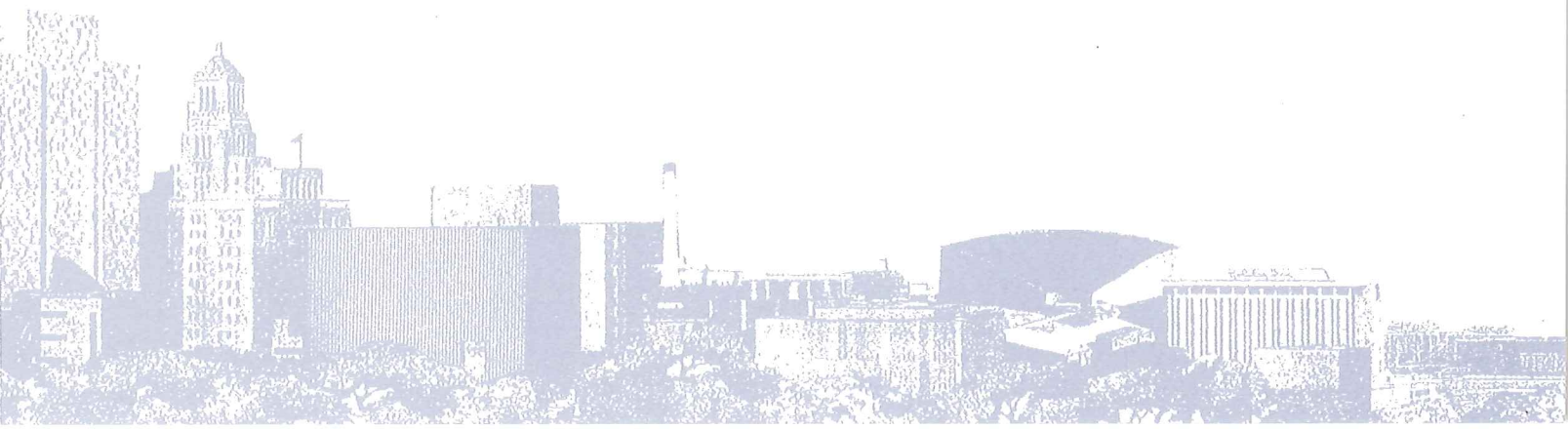
We are grateful for your committee hearing HF 1095 tonight and to Rep. Elkins for authoring this bill. Unfortunately, the hearing also falls on a day when our city council is meeting due to the President's Day holiday this week. Please accept this letter on our city's behalf.

Similar to other cities in Minnesota, Rochester will face major financial constraints in the future due to the cost of maintaining and repairing the city's network of streets. **Currently, we have are over 100 miles of streets that are at least 51 years or older.** This presents a looming financial challenge. The city has allocated \$9 million of annual funding for preserving, rehabilitating, and construction/reconstruction. However, **Rochester is still facing an annual shortfall of \$14 million to adequately address current and future needs for the city.** This bill would allow for a tool to perform maintenance and reconstruction on schedule. Timely maintenance is essential to preserving streets and thereby protecting taxpayer investments.

Existing funding mechanisms for street maintenance and reconstruction are inadequate. Special assessments can be onerous to property owners and are difficult to implement for some cities, including Rochester. In a recent reconstruction project, there were over 70 special assessment objections out of 100+ properties. The city then had to spend over \$30,000 to perform a special benefit appraisal that determined the benefits for all parcels. That study showed an amount lower than the original assessment policy by approximately \$1.3M, for which the city needed to find gap funds to move the project forward. The city's Municipal State Aid (MSA) account will be utilized for this particular gap, but using it for this project results in not being able to do work on other eligible streets this year which would have otherwise used State Aid funds.

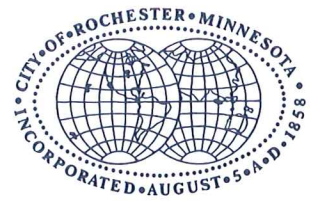
Utilizing other traditional methods such as the tax levy would place a heavy burden on the citizens of Rochester. The City needs to diversify its revenue sources with an alternative method to defray the costs of street improvement and sees HF 1095 and authority for street improvement districts as one way to do this.

This authority would provide a funding mechanism that is fair. It establishes a clear relationship between who pays fees and where projects occur, but stops short of the benefit test that sometimes makes special assessments vulnerable to legal challenges. It also does not prohibit cities from collecting fees from tax exempt properties within a district.





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This tool would allow property owners to fund expensive projects by paying relatively small fees over time, which can be particularly helpful for those residents or entities with limited income. The tool could be used to mitigate or eliminate the need for special assessments.

In sum, enacting a street improvement district will allow the City to have a long term financial plan which addresses the growing infrastructure needs, lowers the financial investment needed over time and begins to address a significant unfunded future liability on behalf of our residents and visitors to our community.

Signed on behalf of the Rochester City Council,

Mayor Kim Norton

Council President Randy Staver

