BAXTER

"A Growing Community"

CITY COUNCIL WORK SESSION AGENDA

Tuesday, July 21, 2026 at 5:30 PM

Baxter City Hall, 13190 Memorywood Drive, Baxter, MN

CALL TO ORDER

ROLL CALL

BUSINESS ITEMS

1. Crow Wing County Annual Outdoor Warning Siren Maintenance Program Presentation
2. 2027 Budget Council Work Session
3. Widseth presentation related to the Mill & Overlay and Full Depth Reclamation Improvements Projects

ADJOURN

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ITEM REPORT
CITY COUNCIL

Agenda Date: 7/21/2026
Agenda Section: Agenda Item

Department Origination: Public Works

Agenda Item: Crow Wing County Annual Outdoor Warning Siren Maintenance Program Presentation

Approval Required: No Action Required

BACKGROUND

Crow Wing County Emergency Management Director Clayton Barg will present on the proposed annual Outdoor Warning Siren Maintenance Program.

On the regularly scheduled city council meeting is an agenda item to "Approve Entering into the Memorandum of Agreement between Crow Wing County and the City of Baxter Regarding Annual Outdoor Warning Siren Maintenance Services.

FINANCIAL IMPLICATIONS

No financial implications associated with the presentation.

STAFF RECOMMENDATIONS

COUNCIL ACTION REQUESTED

No formal action requested on work session.

CWC Outdoor Warning Siren Workshop

March 30, 2026

Crow Wing County

Land Services Building

Welcoming Remarks

Clayton Barg

Crow Wing County

Emergency Management Director

218-515-0328

Clayton.Barg@CrowWingCounty.Gov

Liz Gleason

Crow Wing County

Emergency Management Coordinator

218-829-4749

Liz.Gleason@CrowWingCounty.Gov

Crow Wing County
EMERGENCY
MANAGEMENT

Housekeeping

Restrooms

Emergency Exits

Phones

Security


NBCDFW
5:05 76°
5

Introduction & Purpose

History leading up to today's meeting

- Past practices and working with stakeholders

Goals for today's meeting

- Review current siren infrastructure
- Existing Policies & Standards
- Discuss Siren Capabilities & Limitations
- Public Feedback & Observed Issues
- Technical Assessment
- Modernization Needs
- Funding Options
- Operations & Preventative Maintenance Plan
- Decisions Needed from today’s Working Group
  - RFP – Annual Preventative Maintenance Plan
  - Current Service Providers

Current Siren Overview

Number of sirens

- 52 Sirens located throughout the County

Coverage areas

- Varies depending on terrain / seasonal conditions

Ownership and maintenance

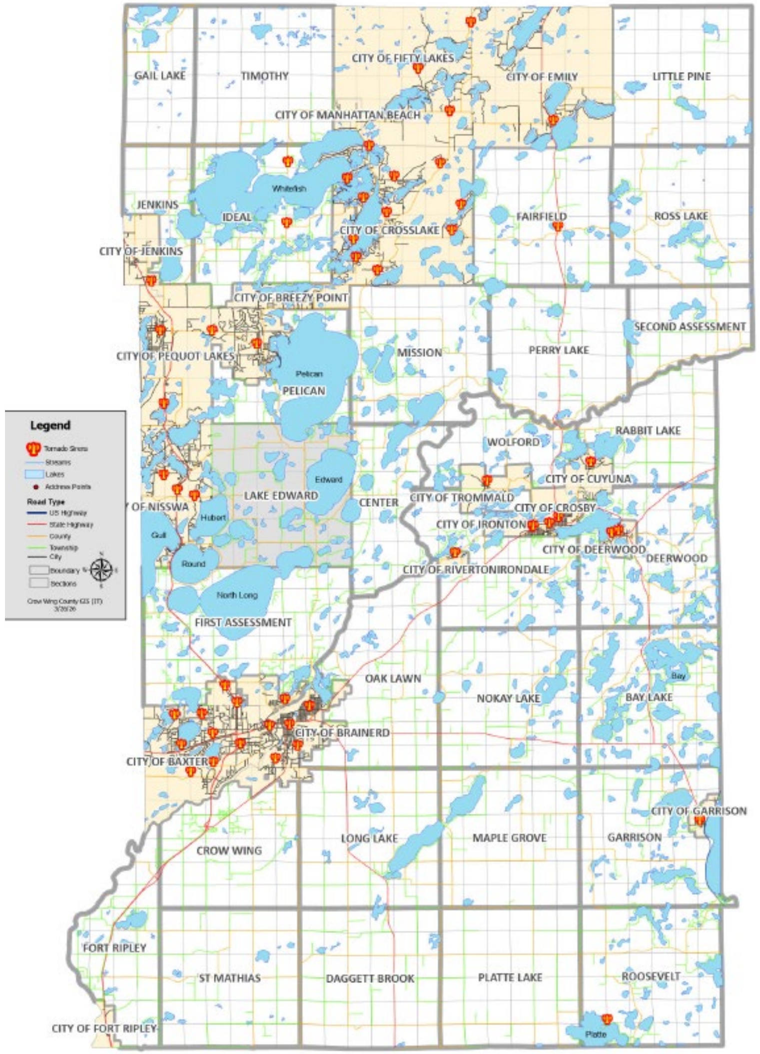
- County
- City / Townships

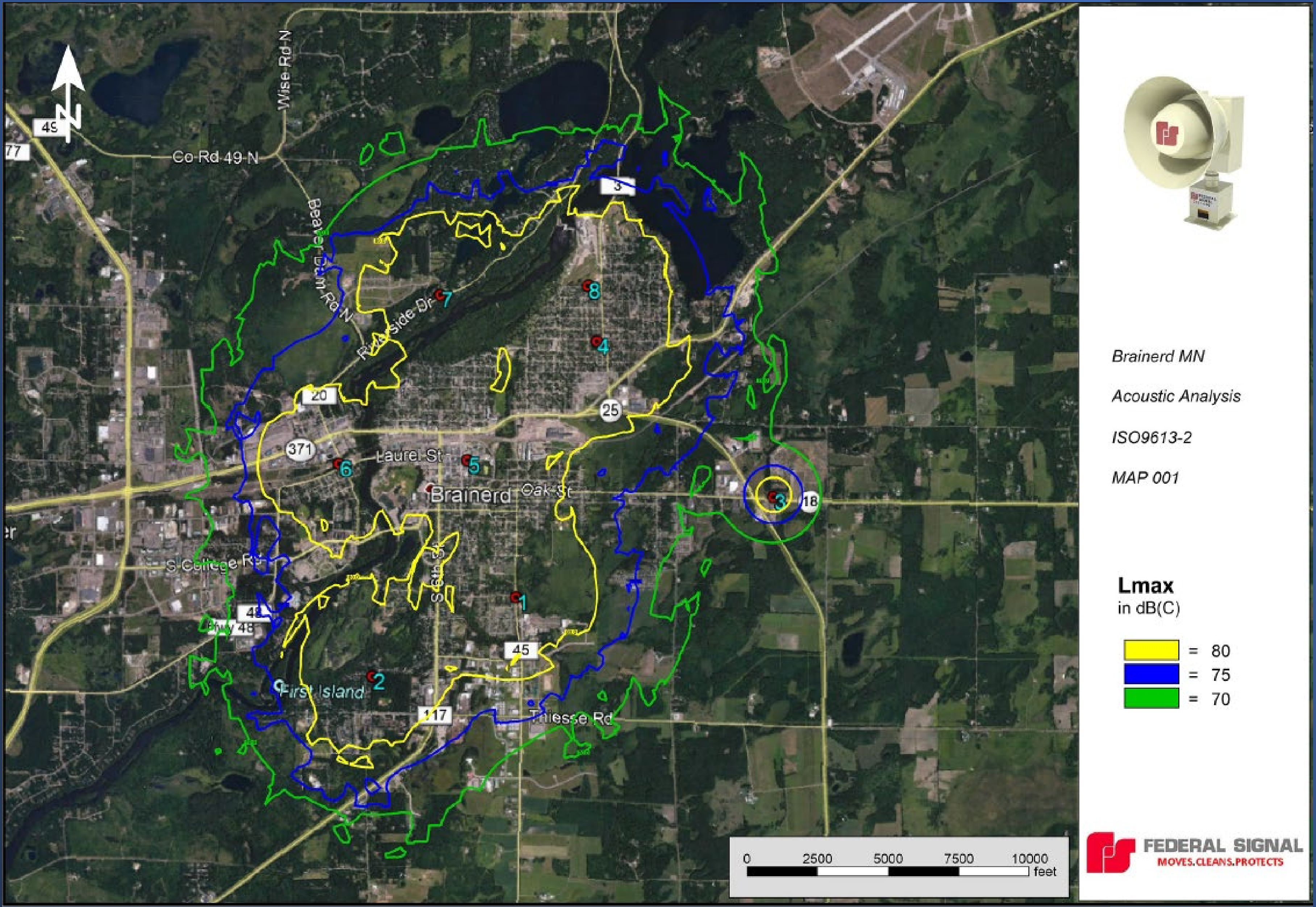
Activation authority

- Crow Wing County Sheriff’s Office
- National Weather Service (2-way Cellular)

Item 1.

CROW WING COUNTY EMERGENCY SIREN COVERAGE




Brainerd MN
Acoustic Analysis
ISO9613-2
MAP 001
Lmax
in dB(C)
= 80
= 75
= 70
0 2500 5000 7500 10000 feet
FEDERAL SIGNAL
MOVES.CLEANS.PROTECTS
Co Rd 49 N
Wise Rd N
Beaver Dam Rd N
Riverside Dr
Laurel St
Oak St
Brainerd
S College Rd
S 6th St
First Island
Thiesse Rd

Existing Policies & Standards

- Association of Minnesota Emergency Managers (AMEM) Outdoor Warning Siren Best Practices Recommendation
- NWS guidelines
  - Current activation criteria
    - Tornadoes (NWS Tornado warnings and/or trained spotter reported)
    - Destructive Winds (Measured or imminent at or above 70 mph)
    - Destructive Hail (measured or indicated at 2.75 inch or above)
- Local procedures
- Tested the First Wednesday of the Month at 1:00pm

System Capabilities & Limitations

- Range and coverage
  - Varies depending on terrain / seasonal conditions
- Environmental limitations
  - Wind / Rain / Snow
- Backup power and triggers
  - Solar
  - Battery Backup

Public Feedback & Observed Issues

- Public complaints
  - Why isn't my area covered
  - Sirens Inoperable
- Confusion about siren meaning
  - Intent – what does it mean (Civil Defense Siren / Tornado Siren)
    - Siren's are a warning tool for the public to seek shelter and attain additional information
    - IPAWS (integrated Public Alert & Warning System)
      - FEMA's national system for local alerting that provides authenticated emergency and life-saving information for the public through mobile phones via WEA (Wireless Emergency Alerts).
    - Not intended for one specific hazard / used as for an all-hazards approach (Maui Fires)
- Public expectations
  - Functionality / Maintained

Crow Wing County ALERT

Notifications

General | **Weather**

« Back | **Winter Storm Watch** This message has expired

Issued: 2026-03-11 12:54:00 CDT | Expiring: 2026-03-13 13:00:00 CDT

Winter Storm Watch issued March 11 at 12:54PM CDT until March 13 at 1:00PM CDT by NWS Duluth MN

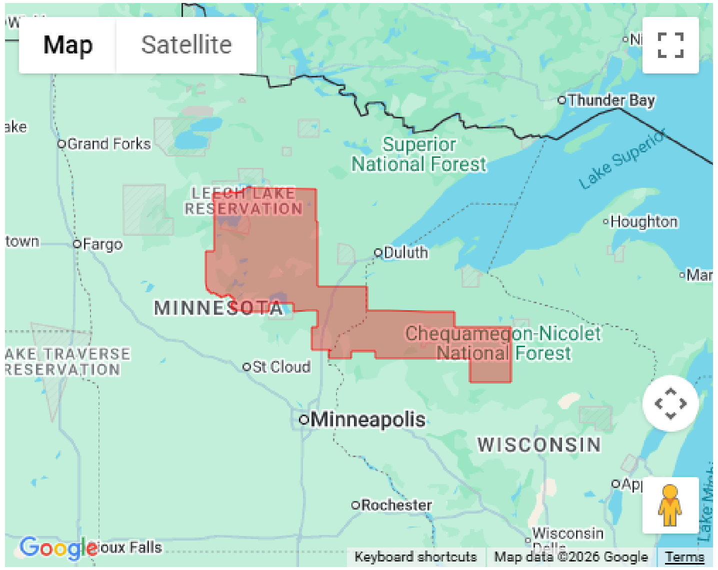
* WHAT...Heavy snow possible. Total snow accumulations between 1 and 6 inches possible. Winds could gust as high as 50 mph.

* WHERE...In Minnesota, Crow Wing, Aitkin, Pine, Cass, and South Itasca Counties. In Wisconsin, Price, Burnett, Sawyer, and Washburn Counties. This includes the Tribal Lands of the St. Croix Band in Burnett County, the Lac Courte Oreilles Reservation and the Mille Lacs Band, East Lake, Big Sandy Lake, Hinckley and, Lena Lake areas.

* WHEN...From Thursday afternoon through Friday afternoon.

* IMPACTS...Travel could be very difficult. The hazardous conditions could impact the Thursday evening and Friday morning commutes. Gusty winds could bring down tree branches. Due to strong winds, blowing snow may drop visibilities below 1/4 mile at times.

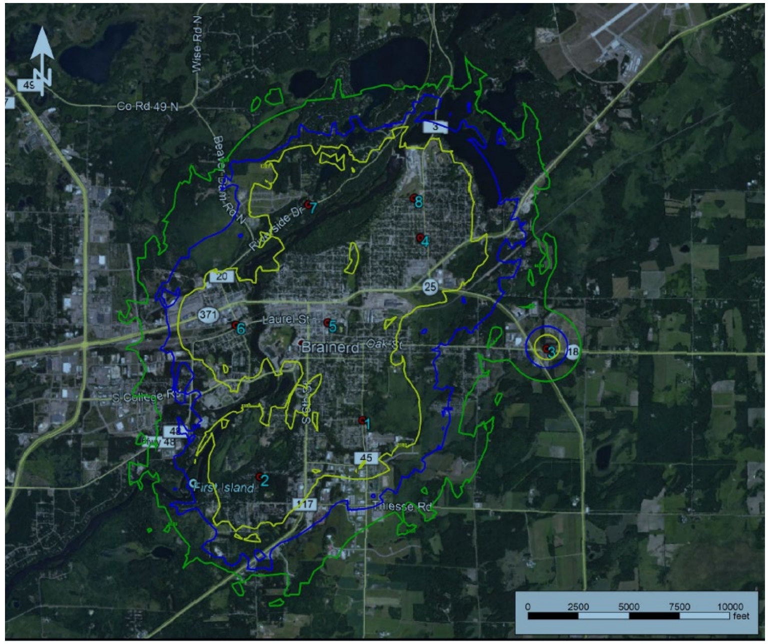
* ADDITIONAL DETAILS...The track of the system will greatly influence the amount of snow and wind that occurs



- National Weather Service Polygon - Wireless Emergency Alerts (WEA)
  - Watches vs Warnings
- Identification and Activation of Sirens located within the Polygon.

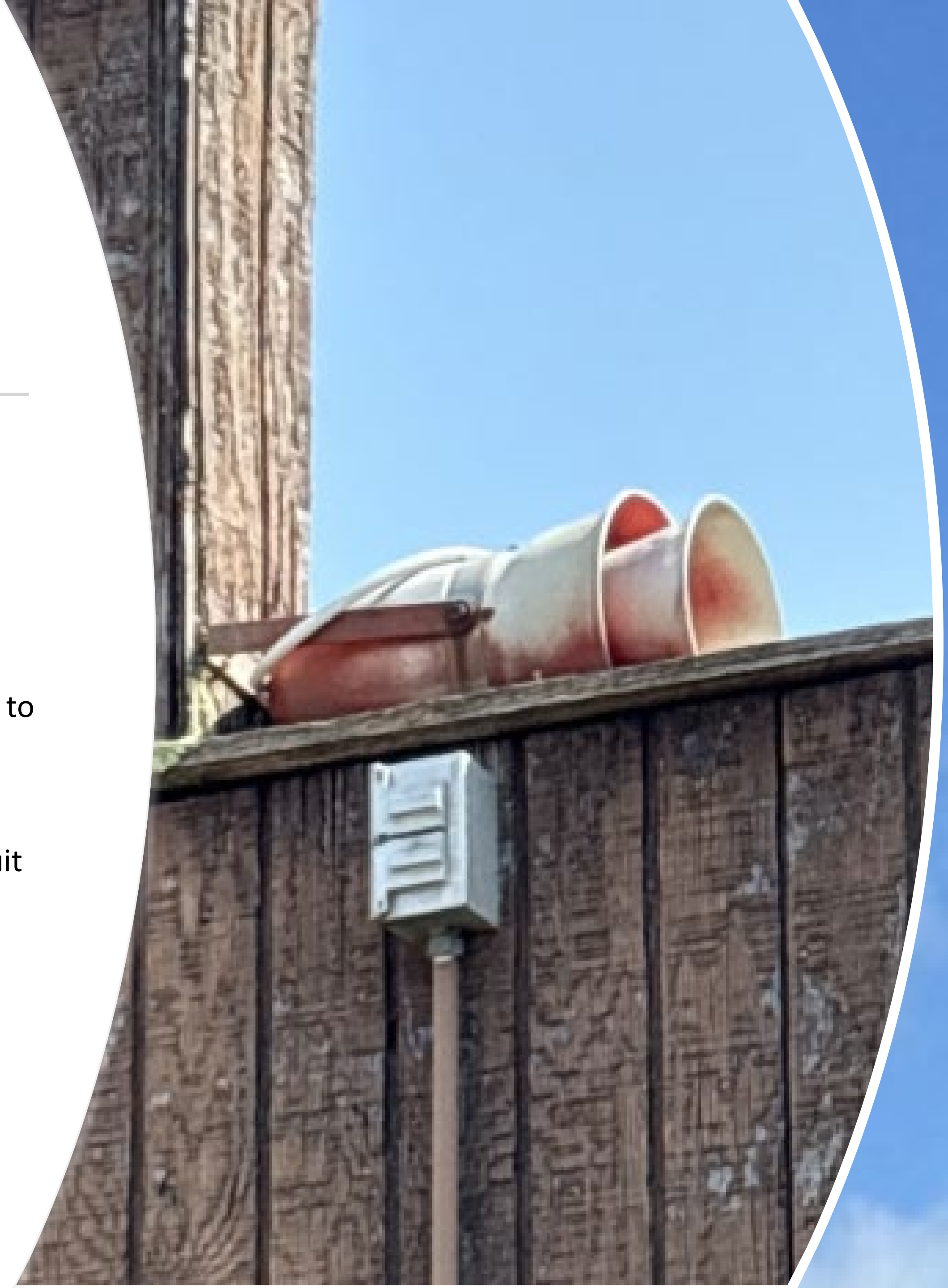
Technical Assessment

- Coverage gaps
  - Determined by Jurisdictions
    - High Population
    - Recreational
  - Established Soundplans
- End-of-life equipment
  - Can equipment be maintained / upgraded
- Communication pathway reliability
  - VHF Tone
  - 2-ways cellular



Modernization Needs

- Replacement priorities
  - Functionality / Age
- New siren locations
  - Working with jurisdictions to identify needs
- Upgrade options
  - Updated wiring and conduit
  - Battery backup
  - Aluminum Cabinets
  - Control Boards
    - Capable of Dynamic Zoning



Modernization Needs

- Steel vs. Aluminum Cabinets
- Verifying Control Boards are FCM Plus or FCX capable of Dynamic Zoning

Item 1.

Funding Options

- Local budget allocation
  - Capital Improvement Plan
  - Annual Preventative Maintenance
- FEMA/HSEM grants
  - The Next Generation Warning Siren (NGWS) Grant Program
- Shared-cost community models
  - SourceWell

SIMPLER Grants.gov

Home

Fiscal Year 2025 Next Generation Warning System Grant Program

Operations & Maintenance Plan

Testing schedule

- County Wide Siren Testing first Wednesday of the month at 1pm
  - Who's confirming operation
  - Reporting outages

Maintenance cycle

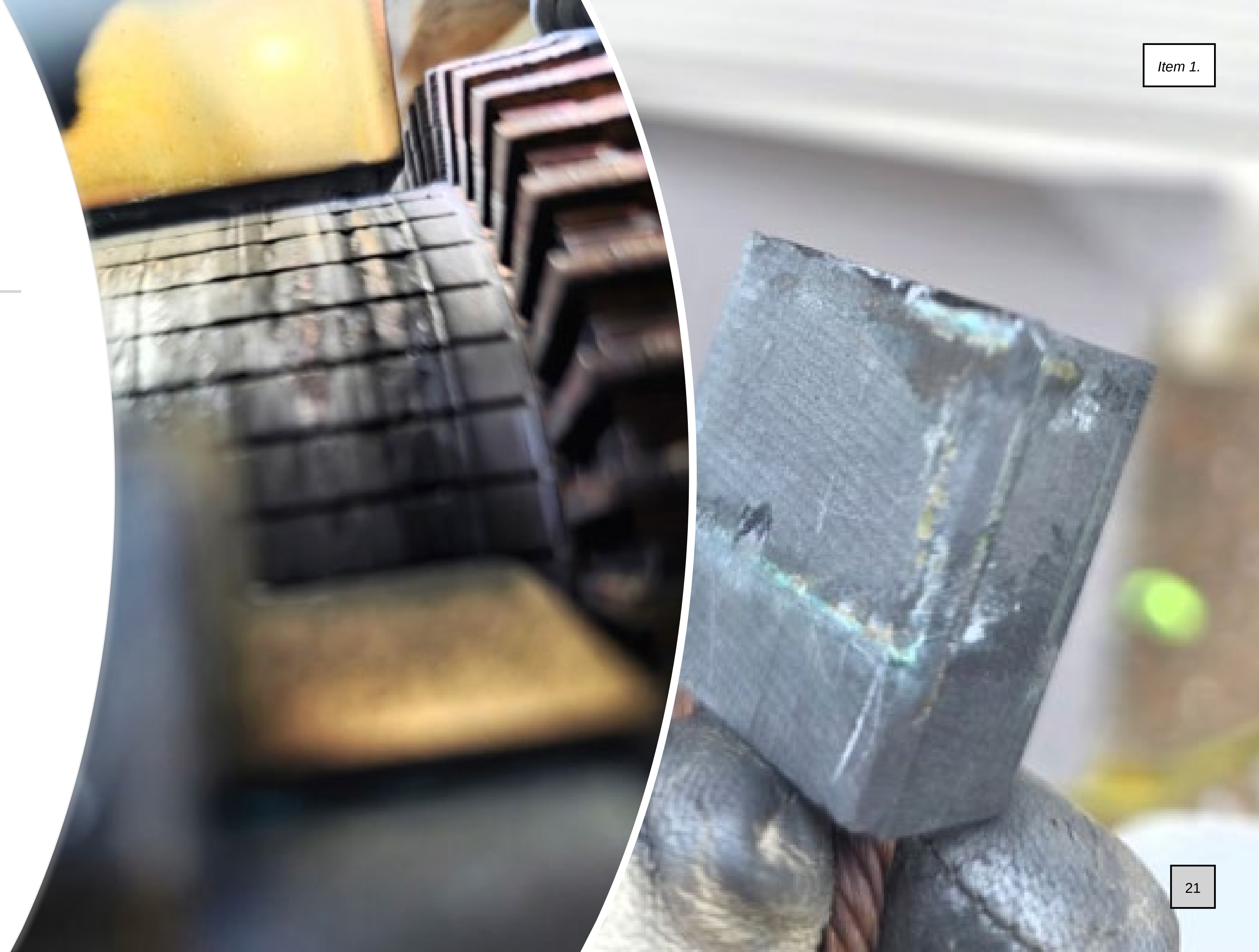
- Do stakeholders currently have a preventative maintenance plan/contract
- Batteries / general maintenance and repair

Documentation requirements

- Maintaining records / civil litigation

Preventative Maintenance

- Motor Brushes stuck from corrosion.
- Resulting in arching on siren motor commutator.



Moving forward with Phased Approach

Phase 1 – County Wide Siren Review and Inventory

- Conduct a top-to-bottom (siren head-to-grounding rod) assessment of each siren through a preventative maintenance program.
  - Cabinets / Batteries / Communications Boards
  - Drip loops / conduits / grounding rods
  - Programmed tones / frequencies / radio signals

Phase 2 – Repair, Upgrade and/or Replace Legacy Infrastructure

- Cabinet and Communication Board Upgrades
- Backup Battery Supply
- Complete Site Replacement (if required)

Phase 3 – 2 way cellular upgrade

- Adds Cellular Communications to Existing Systems
- Transmits and Receives data directly with Crow Wing County Dispatch
- Allows direct communication with the Nations Weather Service

Phase 1

Conduct a complete inventory, inspection and preventative maintenance of equipment at each siren location:

Make / Model / Serial # of siren head
- Age of siren if known or able to be determined by serial #

Inspection of pole for damage / serviceability and determine height

Confirm if electronics cabinet is steel or aluminum (steel cabinets are 25+ years old and will need to be replaced) (Phase 2)

Does the cabinet contain an FCM Plus of FCX Communications Board

If not – Board upgrade will be needed (allows for the capability of Dynamic Zoning) (Phase 2)

Update firmware at each tower site (if applicable)

Confirm if Siren has a battery backup?
- If not, upgrade site for battery backup (Phase 2)

Age and anticipated replacement date of batteries

Does the cabinet have a drip loop?

Does the cabinet have a 48 Volt single charger?
- If not, upgrade to 48 Volt single charger (Phase 2)

(5-year rotation recommended)

Diverts water/condensation away from running into the cabinet -upgrade if needed (Phase 2)

Read and record siren programing
- (allows for calibration with the CWC Dispatch center)

Make/Model of solar infrastructure (if applicable)

Phase 2

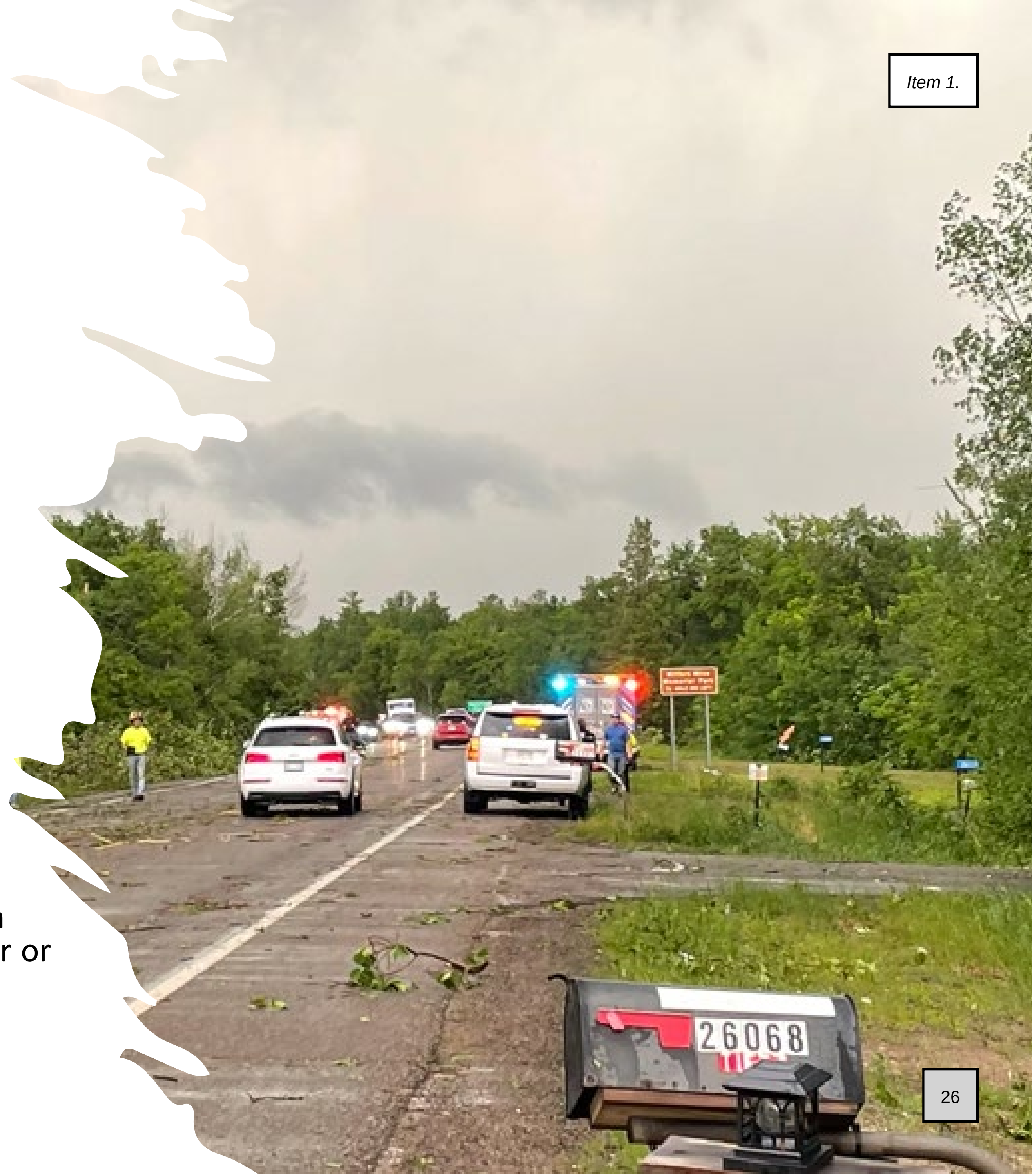
- Make any needed upgrades and/or replacement of equipment determined in Phase 1.
- Replace Siren head – If unserviceable due to damage or age
- Replace Pole – If damaged or unserviceable
- Replace Cabinet – If steel or damaged beyond repair
- Replace/upgrade control board – If an FCM Plus or FCX board isn't installed
- Install Drip loop to cabinet – If not already installed
- Install Battery Backup – If not already installed
- Upgrade to 48 Volt Single Charger – If not already installed
- Upgrade any wiring determined to be damaged or unserviceable

Phase 3

- Upgrade each siren site to a 2-way cellular capability utilizing Federal Signal Commander One IoT Platform.
    - Allows for direct communication with the National Weather Service
    - Allows CWC dispatch an auxiliary path of communication with each siren site
    - Allows 2-way communication between CWC Dispatch and the siren, allowing CWC dispatch to have a common operating picture of what sirens are activated and functioning in real-time

Discussion & Decisions Needed

- Current Repair / Maintenance Providers
  - DSC (Granite Electronics)
  - Holden Electric
  - Emergency Communications
  - Other ?
- CWC EM moving forward with creating an RFP for an Annual Preventative Maintenance Program.
  - Determine Cost per Siren Based on Details of Service
  - Establishment of MOUs between cities / townships and the County
- Funding
  - CWC EM continued collaboration and coordination with cities / townships regarding grant opportunities to cover or offset costs upgrading/replacing legacy infrastructure



Questions?

Clayton Barg

Crow Wing County

Emergency Management Director

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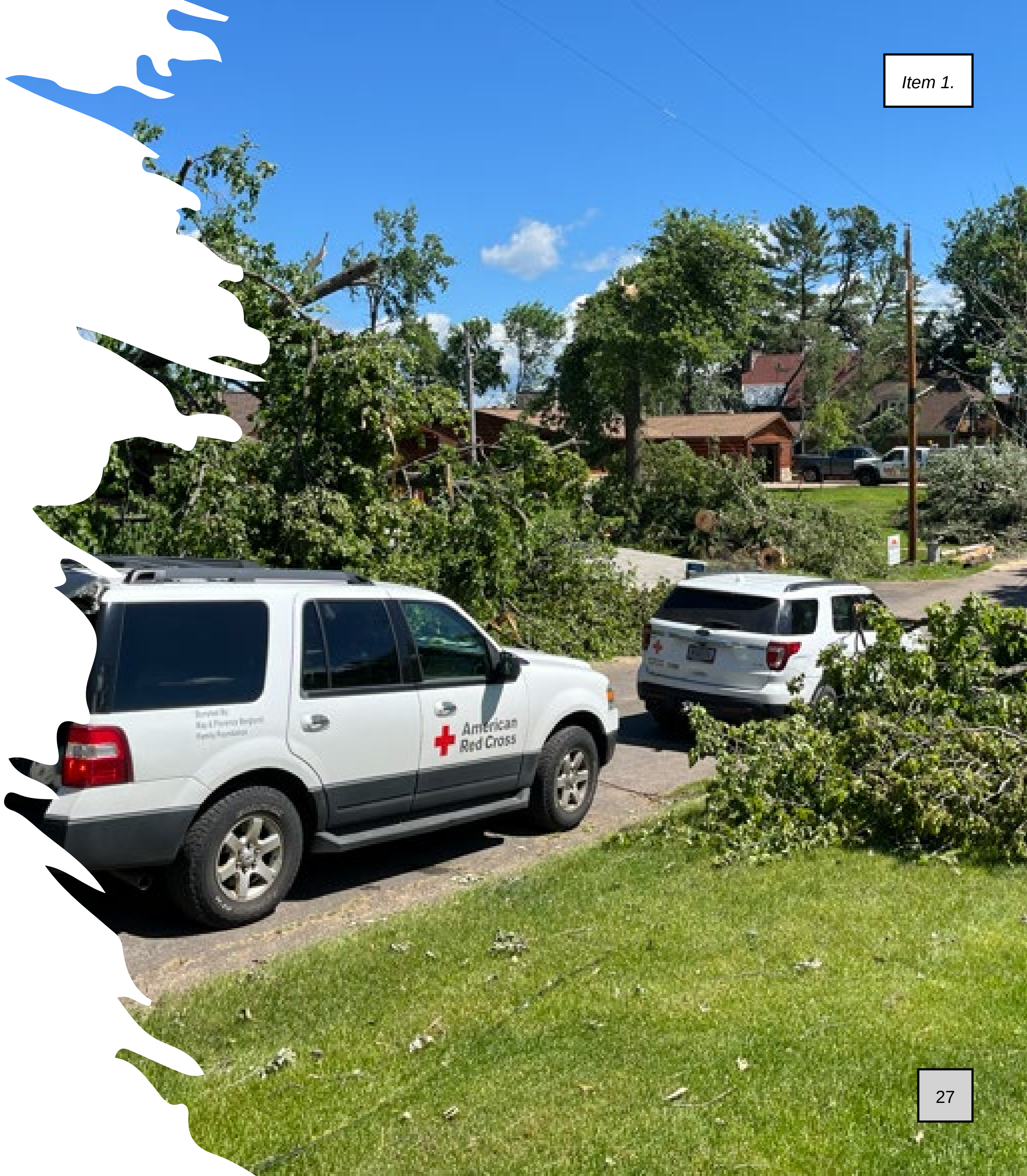


BAXTER
"A Growing Community"

TO: Mayor Olson and City Council
City Administrator Chapulis

FROM: Jeremy Vacinek, Finance Director

DATE: July 17, 2026

RE: 2027 Budget Council Work Session – Goals and Priorities July 21, 2026

Below is the agenda for Tuesday's kickoff meeting of the 2027 Budget. Similar to prior years, the primary purpose of the initial meeting is to have a preliminary discussion on the council goals and priorities that should be incorporated into the 2027 Budget as departments continue to assemble their respective budgets for council consideration. At the work session some of the factors that will impact the 2027 Budget will be outlined with additional impacts discussed as they are analyzed and become known.

Preliminary property valuations, new construction figures, and the city's tax capacity from Crow Wing County along with other economic indicators will be reviewed at the work session. A summary of the city's budgeted funds is attached for reference.

More detailed information and discussion, including property tax data, will be held in the coming weeks at the scheduled budget work sessions and as information becomes available.

Should you have any questions, please feel free to contact me.

City of Baxter
2027 Budget Council Work Session – Goals and Priorities
July 21, 2026

1. Update on Factors Impacting 2027 Budget and Beyond
2. Property Valuations, Tax Increment, and Other Economic Indicators to be Presented
3. Council Comments, Suggestions, Priorities, and Goals for 2027 Operating Budget
4. Information: Budget Calendar for 2027 Budget Process
5. Adjourn – Next Scheduled Council Budget Work Session to Review and Discuss 2027 Governmental Funds Budgets and Proposed Property Tax Levy Slated for Tuesday, August 25, 2026 at 5:30 p.m.

City of Baxter 2027 Budget Council Work Session Discussion, 07.21.26
Factors Potentially Impacting 2027 Budget and Beyond

Minnesota Legislature Budget Impacts and Considerations

Changes in state aids or taxes

Legislative changes from the 2026 session and impacts still be being analyzed; however, no significant changes given the special session
Levy Limits are NOT in place for 2027
No changes to Local Government Aid (LGA) formula; 2026 Baxter portion was $203,142
No changes to the Homestead Market Value Exclusion (HMVE); was expanded for Payable to 2025 with an extended phase-out to homes up to $517,000 from the 2024 $413,800 (first change since program implemented in 2012)
Additional $125 million one-time state funding for property tax relief through refund program

Other Impacts - Current and Future

Moratorium on local option sales tax expired
No local sates tax requests approved in 2026; Senate had 37 proposals in their omnibus tax bill
Changing Tax Committee leadership - Senate tax chair and entire Republican committee members retiring
Continue to evaluate options and next steps

Other Items to be Factored into 2027 Budget

Property Valuations and New Construction

Figures on the city's new construction and change in estimated market value, along with other indicators to be provided
Will continue to analyze and provide more information when it becomes available

Personnel Costs

Unknown health insurance rates for 2027 (renewal late August)
City typically includes a 12% increase, until the actual, based upon claims experience & pooling, is known
No PERA Police and Fire (P&F) nor Coordinated Plan retirement contribution rate increases for 2027, 17.7% and 7.5%, respectively
Employee labor contracts in place through end of 2027; adjustments for anniversary step increases and COLAs
LMCIT workers' compensation premium estimated increases not yet available; prior recommendations budgeting for a 10-15% increase
Paid Family & Medical Leave state-administered insurance program began 01/01/26, requiring city and employee contributions
City utilizing a private plan at a reduced rate of 0.79% payroll tax that is split 50%/50% by employers and employees
Administering other unfunded mandates including tracking overtime exempt from federal income taxes, state ESST and PFML programs

Fire Contract with Brainerd

Fire Service amount is projected to increase $6,909 due to a $24,005 increase in overall budget and slight increase in contribution rate.
Last year, Baxter's contribution increased $16,450 from 2025, due to small increase in the contribution rate.
Baxter's contribution rate increased slightly from 26.52% to 26.56% for 2027, due to a higher proportion of the five-year average number of runs (weighted at 30%) offset by lower proportions of building values (30%) and population (30%) factors used in the funding formula.
The tax exempt building (10%) factor was unchanged in the funding formula.
The total fire operations budget is projected to increase from $1,429,930 to $1,453,935, a $24,005 or 1.7% increase.
The increase is attributable to a 1.3% increase in the operating budget and a 5% increase in the capital equipment funding, and a slight $1,680 increase in debt service on existing equipment.

		Annual Change	
2027 Proposed	$386,167	$6,909	1.82%
2026 Budgeted	$379,258		

Outside Funding Requests

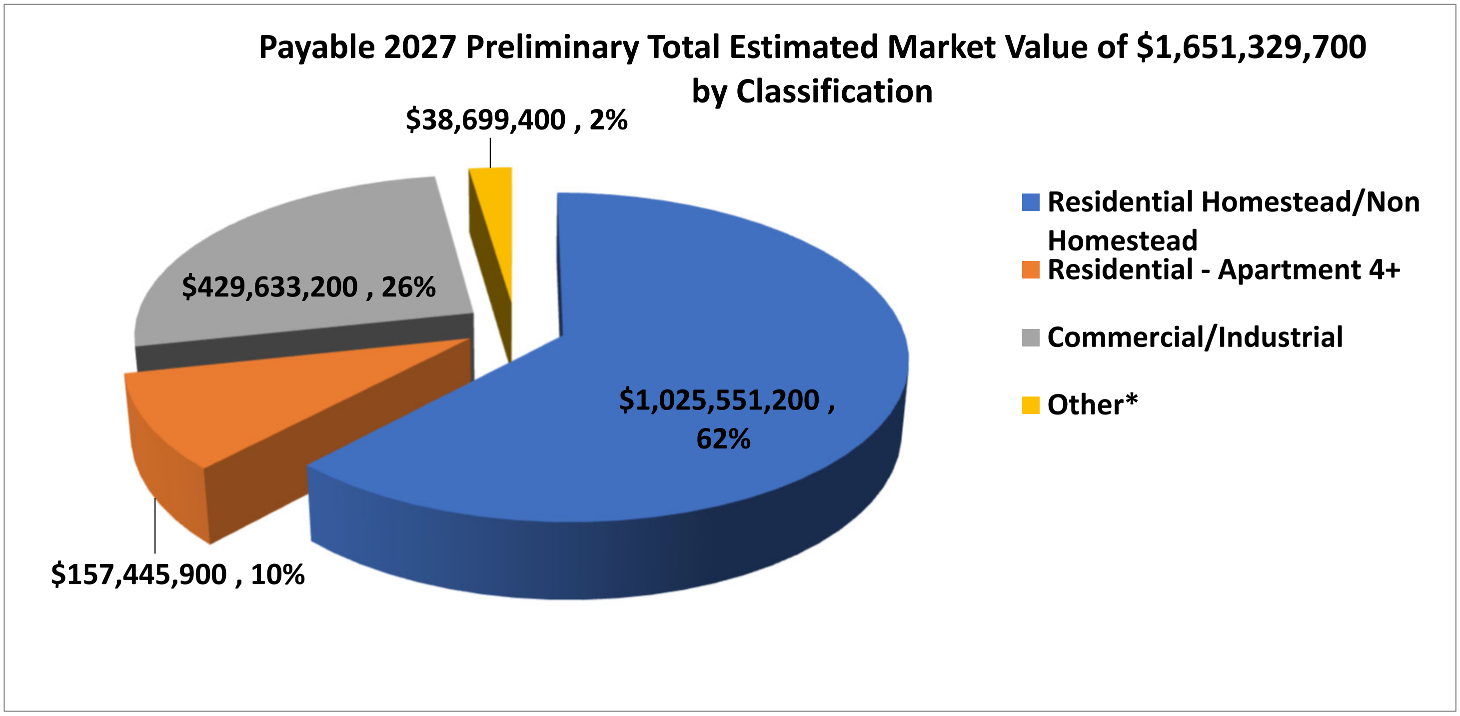
Organization	2027 Budget Request Rec'd	2026 Budget Funding
Community Action 4th of July		$8,000
Senior Center		$20,800
Central MN Initiative Foundation	$5,330	$5,330
ISD181 Recreation JPA	$23,000	$23,000
Brainerd Lakes Area Econ Dev Corp		$40,000

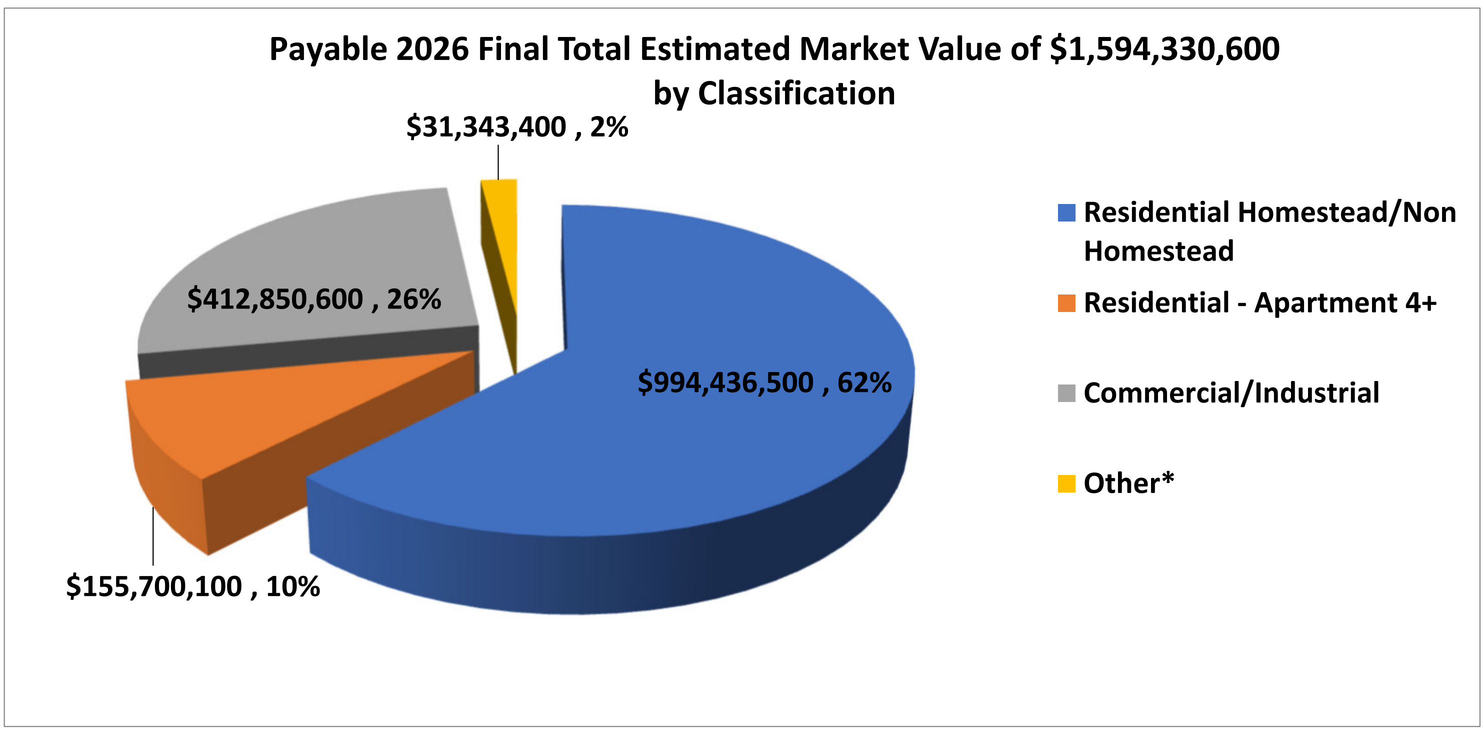
Other Costs

Property, Liability, and Auto Insurance Coverage estimated budget increases not yet available from LMCIT
Prior recommendations budget for a 10% increase in property coverage and about 5% for Liability and Auto based upon reinsurance cost. City has had a number of more property claims within the past two years.

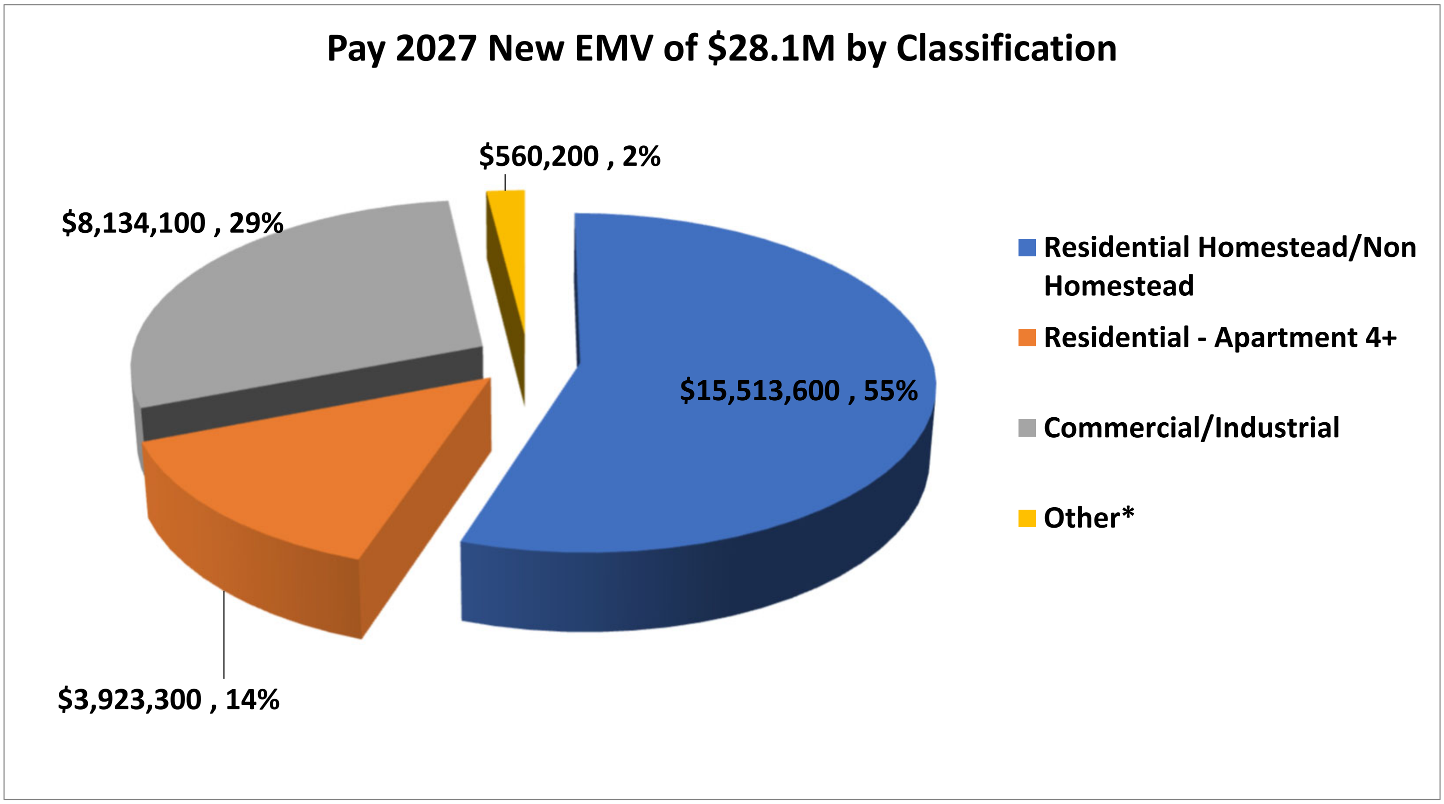
Other Items?

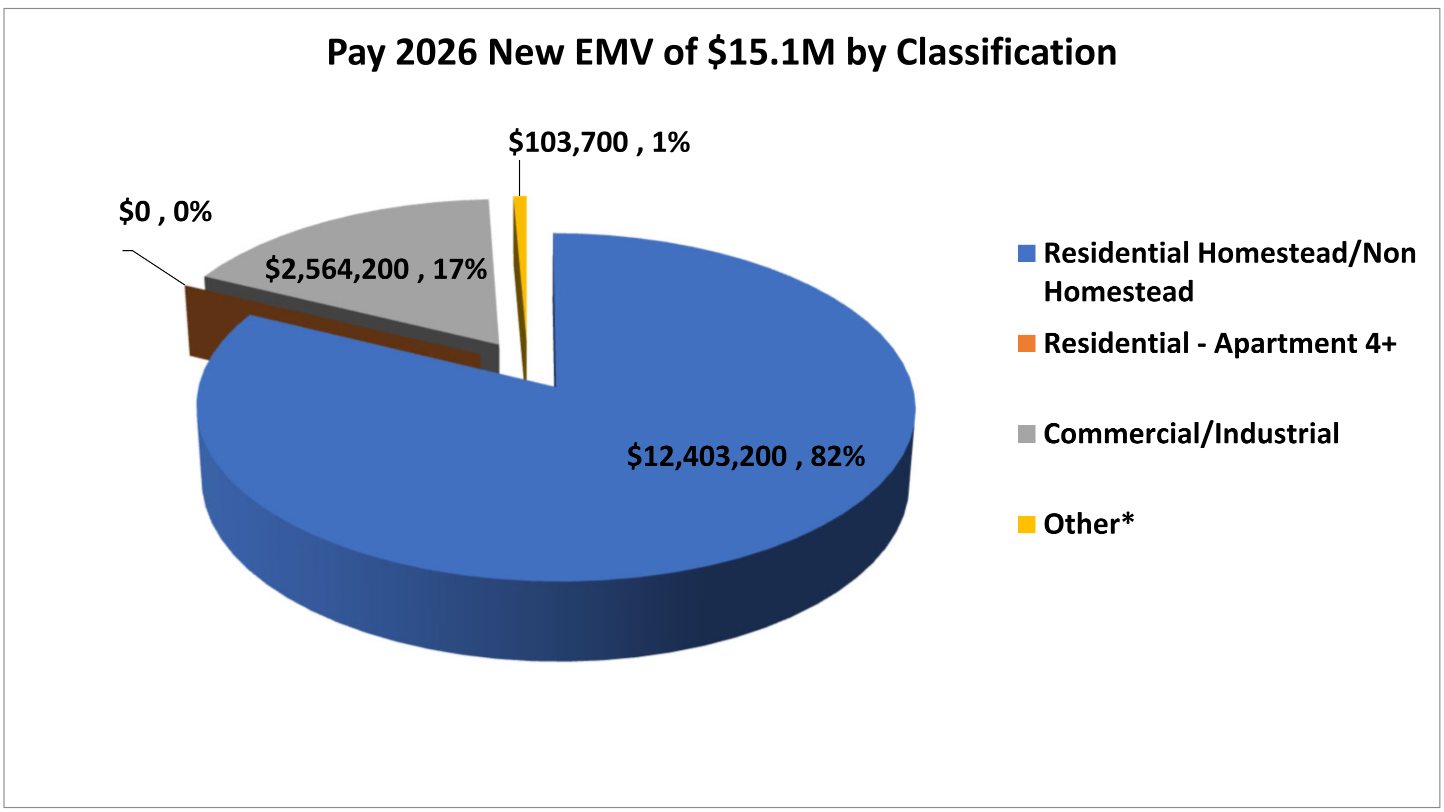
No Elections in 2027
Other?





Source: Data from Crow Wing County Spring 2026 and Final 2025 Abstracts from MNDOR website





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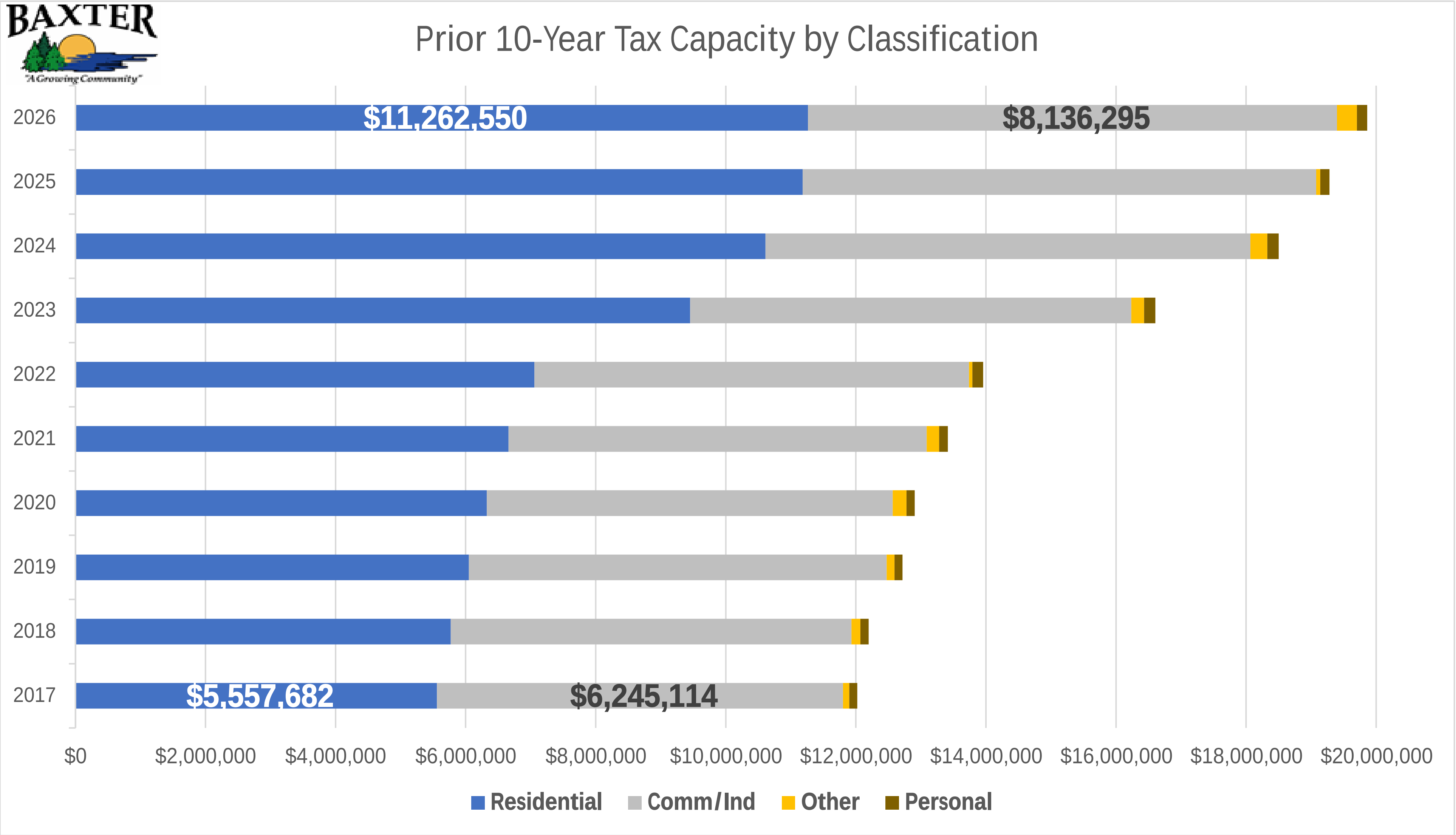
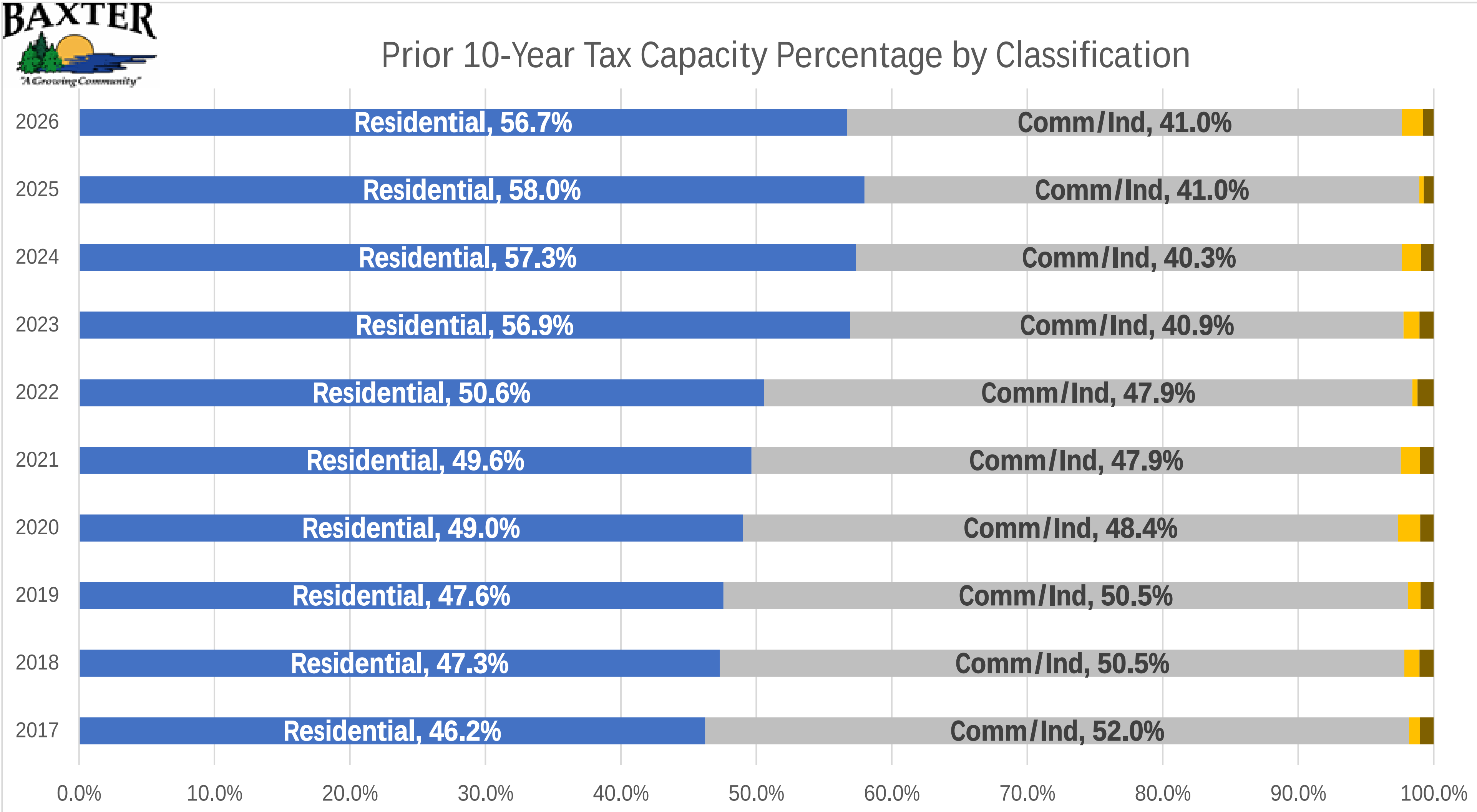


Prepared by City of Baxter Department of Finance with Figures Obtained from Crow Wing County



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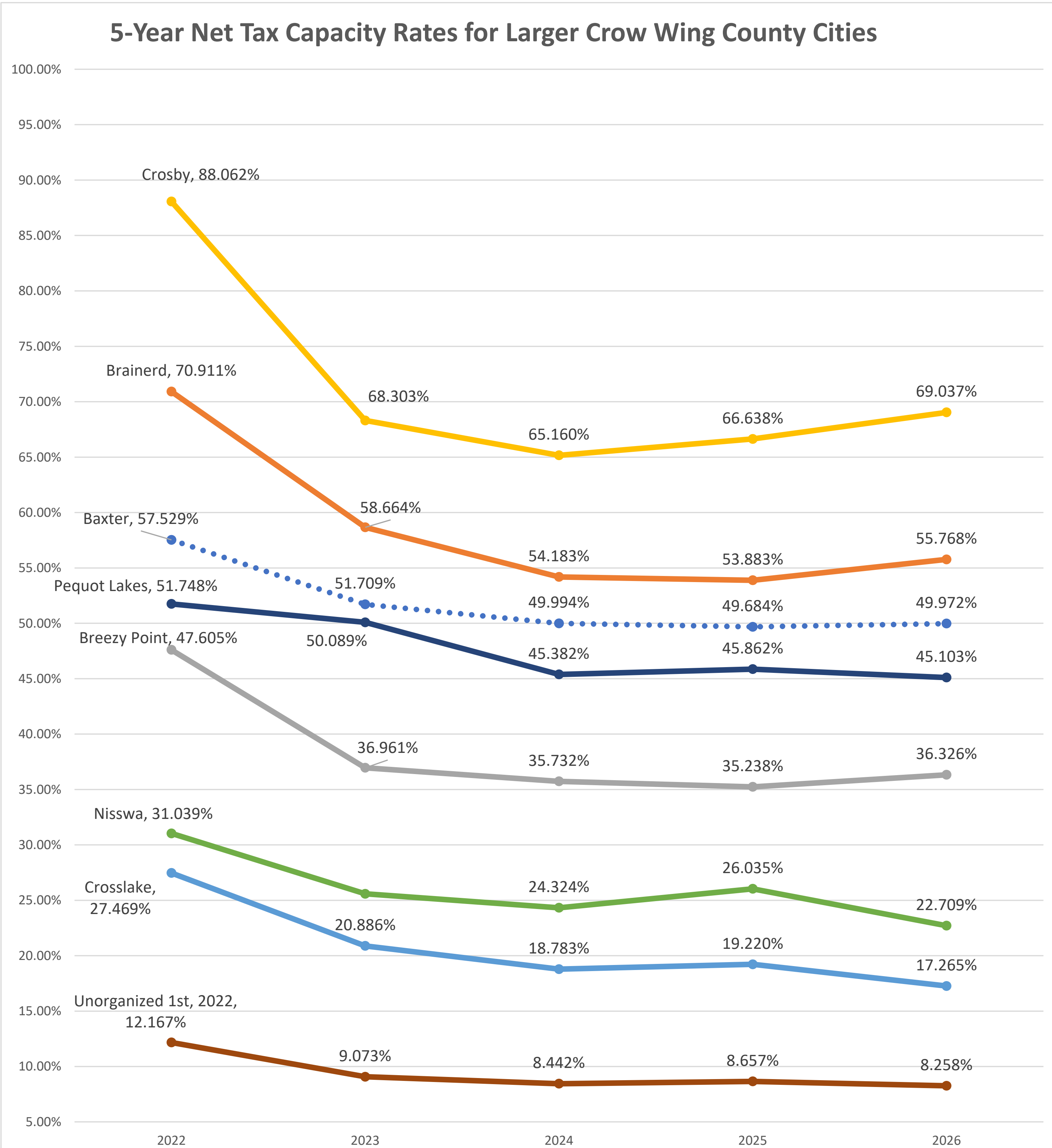
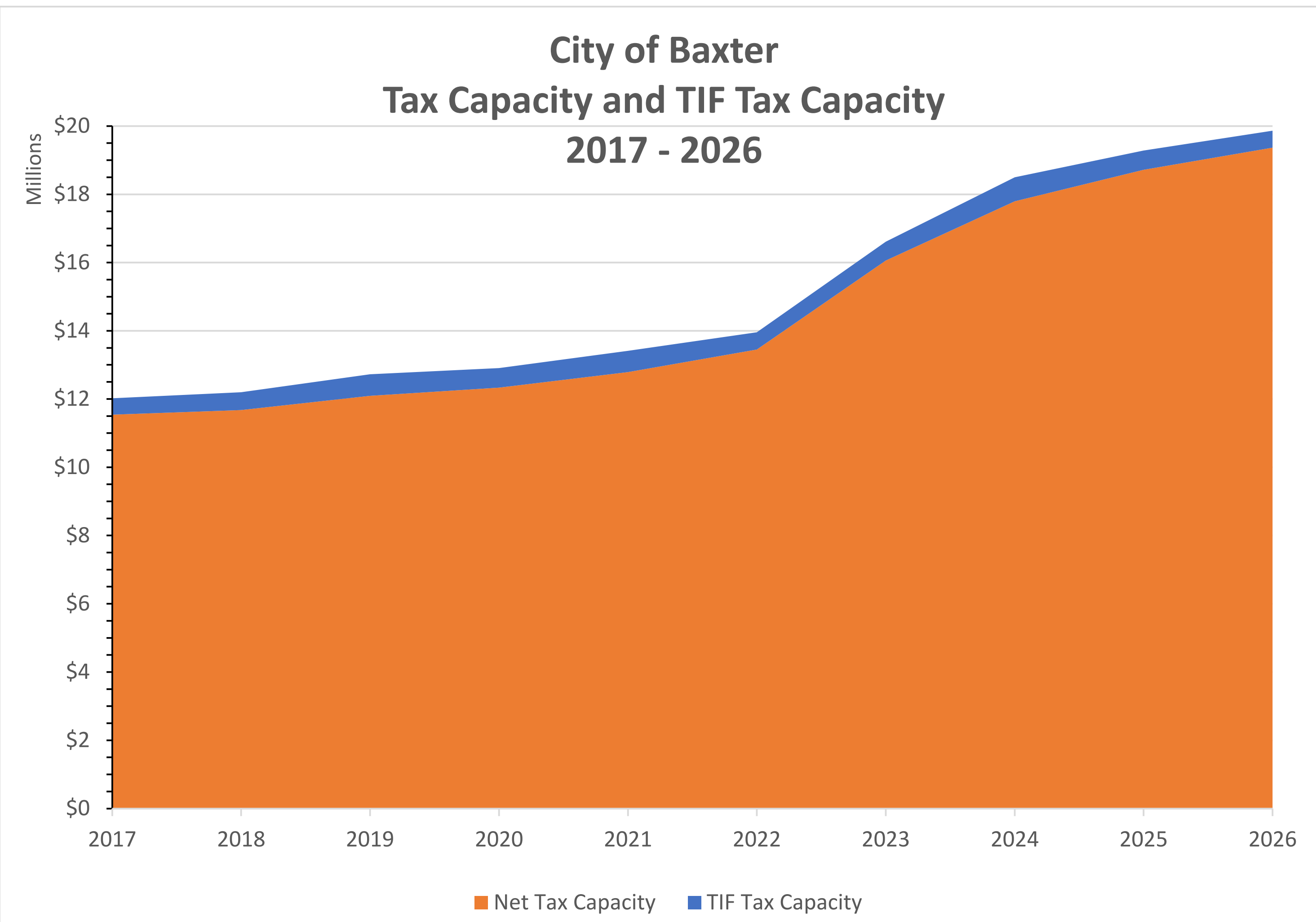

5-Year Net Tax Capacity Rates for Larger Crow Wing County Cities
100.00%
95.00%
90.00%
85.00%
80.00%
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
Crosby, 88.062%
68.303%
65.160%
66.638%
69.037%
Brainerd, 70.911%
58.664%
54.183%
53.883%
55.768%
Baxter, 57.529%
51.709%
49.994%
49.684%
49.972%
Pequot Lakes, 51.748%
50.089%
45.382%
45.862%
45.103%
Breezy Point, 47.605%
36.961%
35.732%
35.238%
36.326%
Nisswa, 31.039%
24.324%
26.035%
22.709%
Crosslake, 27.469%
20.886%
18.783%
19.220%
17.265%
Unorganized 1st, 2022, 12.167%
9.073%
8.442%
8.657%
8.258%
2022
2023
2024
2025
2026

City of Baxter
Ten Year Comparison of Tax Capacity to Tax Increment (TIF) Tax Capacity
with Composition of TIF Tax Capacity
2017 to 2026

Tax Pay	Full Tax Capacity	TIF Tax Capacity	Net Tax Capacity	TIF Portion of Overall Tax Capacity	Composition of TIF Tax Capacity** Developer Housing		Developer Comm/Ind		City Infrastructure	
2017	12,020,928	479,155	11,541,773	4.0%	272,694	56.9%	10,848	2.3%	195,613	40.8%
2018	12,196,649	521,962	11,674,687	4.3%	271,746	52.1%	55,504	10.6%	194,714	37.3%
2019	12,725,418	632,770	12,092,648	5.0%	270,745	42.8%	56,744	9.0%	305,282	48.2%
2020	12,905,652	573,799	12,331,853	4.4%	187,152	32.6%	55,506	9.7%	331,141	57.7%
2021	13,414,635	628,721	12,785,914	4.7%	194,659	30.9%	58,812	9.4%	375,260	59.7%
2022	13,957,879	505,416	13,452,463	3.6%	229,041	38.4%	64,998	12.9%	211,373	41.8%
2023	16,612,748	552,485	16,060,263	3.3%	236,202	37.7%	69,070	12.5%	247,214	44.7%
2024	18,501,473	705,473	17,796,000	3.8%	299,902	38.0%	107,156	15.2%	298,410	42.3%
2025	19,282,141	562,479	18,719,662	2.9%	176,018	29.2%	91,198	16.2%	295,269	52.5%
2026	19,863,157	495,067	19,368,090	2.5%	177,662	33.5%	-	0.0%	317,405	64.1%

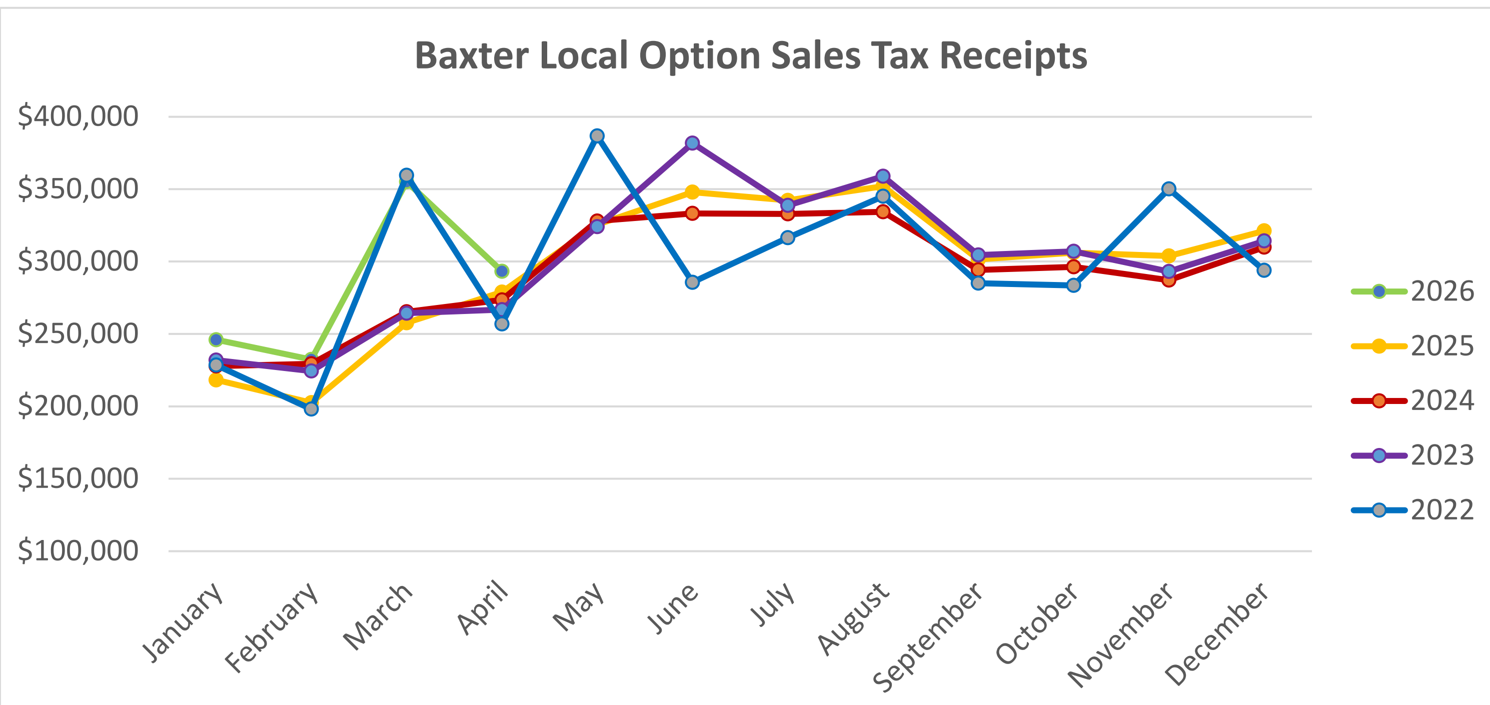
* Includes TIF Districts 5 through 15; TIF District 6, 10, and 13 final tax capacities in 2019, 2021, and 2025, respectively.
Total TIF Tax Capacity figure may not equal to Composition of TIF Tax Capacity subtotal figures due to rounding.



Current Economic Indicators: 2026 YTD Local Option Sales Tax Receipts Comparison

Baxter Local Option Sales Tax Receipts
Comparison of 2026 and 2025 YTD with 2024, 2023, and 2022

	2026	2025	Prior Year Change		2024	2023	2022	
January	245,988	218,248	27,739	12.2%	227,857	231,892	228,470	
February	232,382	202,524	29,858	13.0%	229,355	224,416	198,090	
March	355,062	257,699	97,363	36.7%	265,275	264,310	359,504	
April	293,216	278,913	14,303	5.2%	273,472	266,752	256,851	
May		325,479			327,950	324,045	386,687	
June		347,883			333,189	381,682	285,677	
July		342,192			332,884	338,714	316,411	
August		352,004			334,301	358,854	345,032	
September		301,460			294,200	304,472	285,016	
October		306,128			296,309	307,049	283,491	
November		303,800			287,159	293,133	350,118	
December		321,156			309,878	314,232	293,863	
Total		**3,557,487**			**3,511,828**	**3,609,551**	**3,589,210**	
Annual Change		**1.3%**			**-2.7%**	**0.6%**		
April YTD	**1,126,649**	**957,385**	**169,264**	**17.7%**	**995,958**	**987,370**	**1,042,916**	**8.0%**



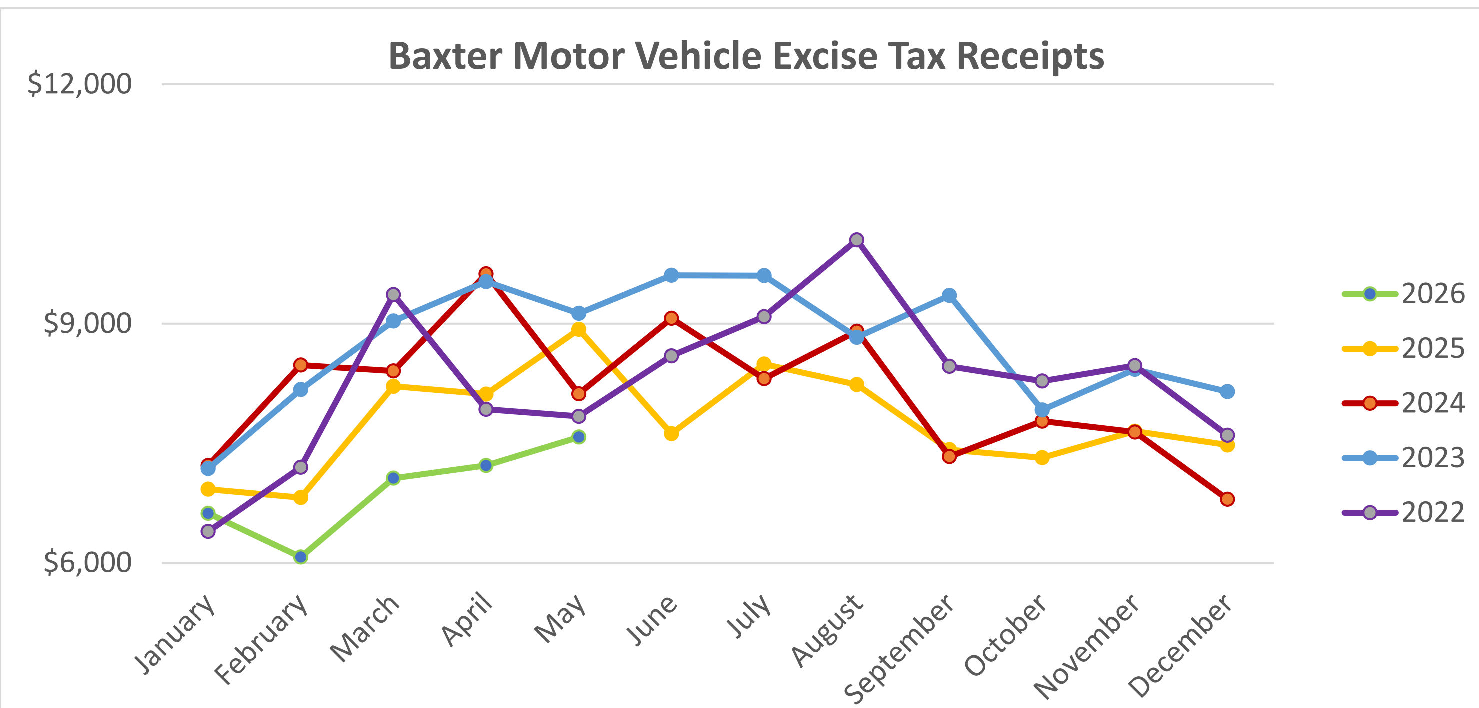
Prepared by City of Baxter Department of Finance

Local option sales tax receipts for the first four months of 2026 are 1.3% higher than 2025. YTD comparison to same time 2022, 2026 collections are 8.0% higher through April. Overall, annual sales tax collections were up 1.3% in 2025 over 2024. The 2024 receipts were down 2.7% over the preceding year of 2023. There now is over a 70-day lag of when the tax is collected, reported, and remitted to the state, and received by the city due to an administrative change implemented by the state in 2024.

Current Economic Indicators: 2026 YTD MVET Receipts Comparison

Baxter Motor Vehicle Excise Tax Receipts
Comparison of 2026 and 2025 YTD with 2024, 2023, and 2022

	2026	2025	Prior Year Change		2024	2023	2022	
January	6,622	6,924	(302)	-4.4%	7,221	7,182	6,395	
February	6,074	6,819	(746)	-10.9%	8,481	8,173	7,199	
March	7,062	8,214	(1,152)	-14.0%	8,406	9,034	9,364	
April	7,222	8,116	(894)	-11.0%	9,625	9,527	7,926	
May	7,578	8,929	(1,351)	-15.1%	8,120	9,128	7,838	
June		7,621			9,066	9,606	8,596	
July		8,493			8,310	9,601	9,088	
August		8,236			8,905	8,829	10,049	
September		7,420			7,333	9,353	8,465	
October		7,319			7,777	7,918	8,280	
November		7,651			7,641	8,426	8,473	
December		7,479			6,799	8,148	7,600	
Total		**93,221**			**97,684**	**104,925**	**99,272**	
May YTD	**34,557**	**39,003**	**(4,446)**	**-11.4%**	**41,853**	**43,044**	**38,721**	**-10.8%**



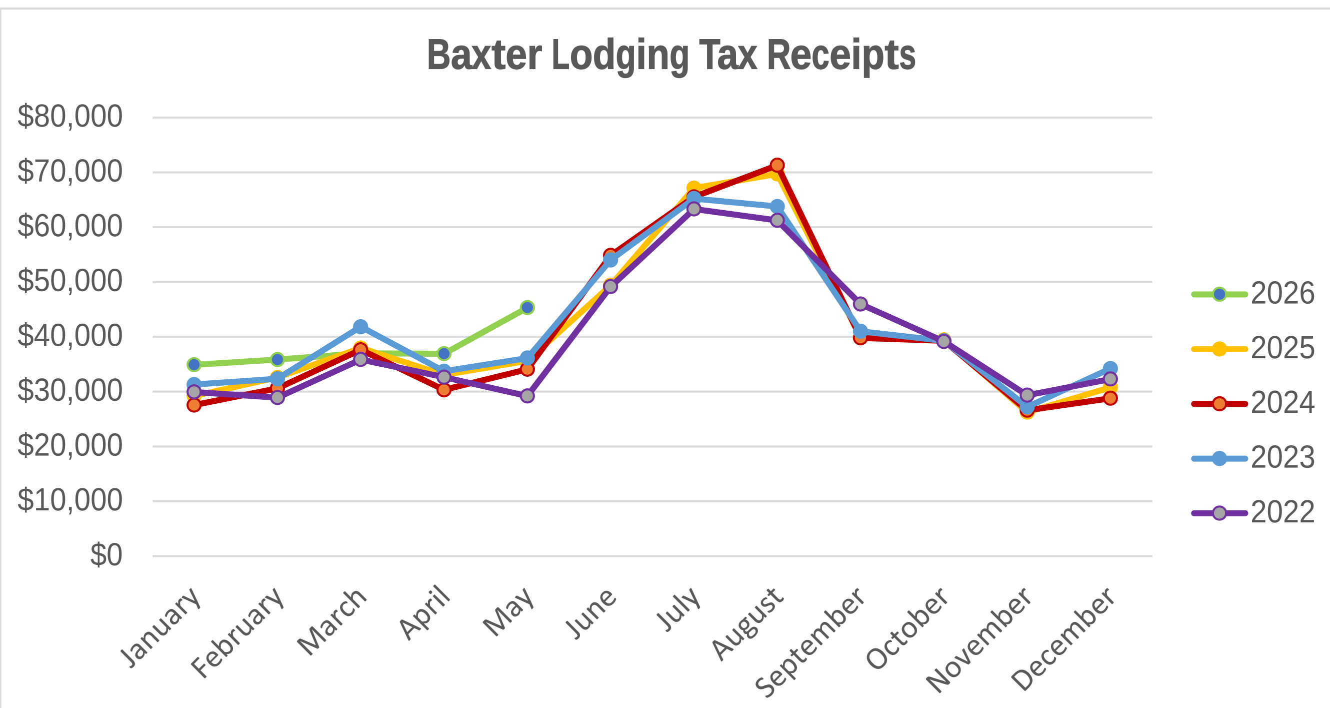
Prepared by City of Baxter Department of Finance

Motor vehicle excise taxes (MVET) are down for the first five months of the year compared to 2025 (down 11.4%) and are running lower than the same period for the prior three years also.

Current Economic Indicators: 2026 YTD Lodging Tax Receipts Comparison

Baxter Lodging Tax Receipts
Comparison of 2026 and 2025 YTD with Three-Year Priors of 2024, 2023, and 2022

	2026	2025	Prior Year Change		2024	2023	2022	
January	34,909	29,232	5,678	20.6%	27,546	31,296	29,924	
February	35,840	32,576	3,264	10.7%	30,603	32,345	28,907	
March	36,997	37,948	(951)	-2.5%	37,629	41,838	35,862	
April	36,911	33,042	3,869	12.8%	30,331	33,709	32,637	
May	45,315	35,623	9,692	28.4%	34,078	36,125	29,200	
June		49,404			54,841	54,008	49,148	
July		67,113			65,508	65,200	63,319	
August		69,704			71,297	63,761	61,237	
September		39,868			39,800	40,993	45,959	
October		39,431			39,260	39,271	39,148	
November		26,262			26,599	27,213	29,345	
December		30,778			28,798	34,207	32,298	
Total		**490,982**			**486,289**	**499,965**	**476,986**	
May YTD	**189,972**	**168,421**	**21,551**	**12.8%**	**160,186**	**175,312**	**156,531**	**21.4%**



Prepared by City of Baxter Department of Finance

Lodging Tax Receipts are up through the first five months of the year. As of May YTD, they are 12.8% higher than the same time period in 2025. Last year receipts exceeded 2024 but were still lower than the four year high in 2023. Of the 3% lodging tax remitted to the city, 95% of the proceeds are used for marketing purposes. The city retains the remaining 5% for administrative purposes.

City of Baxter Budgeted Funds Summary

General Fund – The general fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. The major funding source for the fund is the annual property tax levy. Departments within the General Fund include: General Government, City Council, Administration, Finance, Legal, Information Systems, Public Works Administration, Police, Fire Protection, Streets and Street Lighting, Parks, Trails, and Ground Maintenance, and Recreation Programs. The fund's budget also includes transfers out to other city special revenue and capital project funds.

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes and are a primary funding source for the departments within those funds.

Cemetery Fund - This fund is used to account for the activities of the City-owned and operated Baxter Cemetery. A portion of plot sales are committed for capital outlay and perpetual care of the cemetery.

Community Development Fund - This fund is used to account for funds committed to the operation of the City's Community Development department. Operations include building inspection and community planning. Building permit and planning and zoning fees fund much of the fund's operations.

Capital Park Fund - This fund is used to account for donations, developer fees, and other revenues legally restricted or committed for capital expenditures related to the City's parks.

Economic Development Fund – The economic development special revenue fund is used to account for the financial activity of the City's Economic Development Authority (EDA). Funding from a general fund transfer and land sales finance this fund.

Lodging Tax Administration Fund - This fund is used to account for the collection of lodging tax revenues and the promotion of tourism for the City.

Tax Increment Financing (TIF) Funds – The City's TIF districts are budgeted collectively. Currently there are nine active TIF districts. Tax increment revenues are the primary funding source of the districts. Expenditures include pay-as-you-go TIF note payments for developer reimbursements. Debt service principal and interest payments related to city infrastructure is another primary expenditure for TIF District 12 Isle/Falcon Drive and TIF District 14 Excelsior/Edgewood.

Sales Tax Collections Fund – The sales tax collections special revenue fund is used to account for financial resources financed by sales tax collections. These revenues are legally restricted for the funding of infrastructure projects. Primary revenues are the local option sales tax and motor vehicle excise tax. Expenditures include sales-tax based general obligation notes for the city's share of the wastewater treatment plant capacity with the City of Brainerd. Other budgeted expenditures include transfers to capital project funds for eligible capital projects.

Budgeted Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital infrastructure, improvements, and equipment.

Capital Equipment Fund – The fund provides a sinking fund for future capital equipment replacement purchases. Steady funding attempts to smooth annual capital outlay expenditures for systematic replacement of capital equipment, including squad cars, public works vehicles , parks vehicles, and information technology equipment. Funding is primarily by transfers from benefiting departments.

Collector Street Fund – The fund provides a sinking fund for future collector street construction on a pay-as-you-go basis. The fund helps minimize the need to issue debt and levy for debt service for the city's share of project costs such as additional street width, lanes, and curb and gutter. The fund provides another revenue source to leverage the city's municipal state aid for city collector streets.

Street Replacement Fund – The fund provides a sinking fund for future street maintenance, including sealcoating, on a pay-as-you-go basis. The primary funding source is from the gas and electricity franchise fees collected by the city.

Trail Construction and Maintenance Fund – Similar to the Street Replacement Fund, the Trail Construction and Maintenance Fund provides a sinking fund for future trail maintenance and reconstruction. Funding is primarily from the gas and electricity franchise fees.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds. Revenues for the fund include the annual property tax levy for debt service, special assessments, and transfers from the enterprise funds and sales tax fund.

The City budgets for three enterprise funds: water, sewer, and storm water.

Water Fund – The water fund accounts for the activities of the City's water wells, water treatment plant, and distribution system. Revenues for the fund primarily are the monthly water fees charged to customers. Water availability charges (WAC) charged on new construction and connections is another primary source for financing capital asset needs. The city's debt service related to the water treatment plant is also included in the water fund budget.

Sewer Fund – Similar to the water fund, the sewer fund accounts for the activities of the City's sanitary sewer system. Revenues are primarily the monthly sewer fees paid by customers with sewer availability charges (SAC) financing sewer capital assets.

Storm Water Fund – The storm water fund accounts for the activities of the City's storm water infrastructure system. The main funding source for the storm water fund is the monthly and annual storm water fees charged to properties within the city.

2027 Proposed Budget Calendar

Friday, July 17, 2026	Budget Packets Distributed to Departments
Tuesday, July 21, 2026 (prior to council meeting)	Council Budget Work Session to Discuss 2027 Goals and Priorities
Friday, July 31, 2026	Completed Department Budget Packets Returned to Finance
July 31 to August 24, 2026	– Finance Preliminary Assembly and Review of Initial Departmental Submittals – Finance/Administration Initial Meeting with Departments to discuss Proposed Budget – Determine Initial 2027 Spending Targets and Preliminary Operating Levy & Debt Service Levy (the levies may not be increased after September 30th)
Tuesday, August 25, 2026 5:30 p.m.	City Council Budget Work Session to Review and Discuss 2027 Governmental Funds Budgets with Department Presentations and Proposed Property Tax Levy
August 26 to August 31, 2026	Finance/Administration Continued Review and Refinement of Proposed Budget Meet with Department Heads to Formulate Proposed Budget
Tuesday, September 1, 2026 5:30 p.m. (prior to Council meeting)	City Council Budget Work Session to Review and Discuss 2027 Governmental Fund Budget and Proposed Property Tax Levy Continuation
Friday, September 11, 2026	Preliminary Governmental Funds Budget and Proposed Property Tax Levy Distributed to the City Council for Consideration
Tuesday, September 15, 2026 5:30 p.m. Work Session 7:00 p.m. City Council Meeting	City Council Budget Work Session *(Continuation Meeting, if necessary; additional meetings may be scheduled, including special meetings below)* City Council Meeting – Council Approval of Preliminary Governmental Funds Budget and Levy (Levy can be decreased after this point, but not increased) – Special Meeting(s) can be set for September 21st or 28th, if needed – Preliminary Levy must be certified to Crow Wing County and Minnesota by September 30th
September 16 to November 8, 2026	– Administration and Finance Continued Review and Refinement of Proposed Budget – Additional Budget Work Sessions for the Governmental Funds Budget and Levy, if necessary – Meet with Department Heads to Formulate Proposed Budget – Finance Department Prepares Final Draft of Proposed Budget
Monday, November 9, 2026 5:30 p.m.	Council Budget Work Session to Review Proposed Budget, including Introduction of Enterprise Funds Budgets
Tuesday, November 17, 2026 5:30 p.m. (prior to Council meeting)	Council Budget Work Session to Review Proposed Budget, continued, if necessary *(additional meetings may be scheduled, if necessary)*
Wednesday, November 25, 2026	Final Budget Document Submitted to City Council
Monday, November 30, 2026 6:00 p.m.	Informational Meeting to Review the 2027 Budget and Property Tax Levy with Public Testimony
Tuesday, December 1, 2026 7:00 p.m. or shortly thereafter	Council Adoption of 2027 Final Budget and Levy

Highlighted dates represent proposed City Council meetings and/or work sessions to be held at Baxter City Hall, 13190 Memorywood Drive. Other meetings may be scheduled as determined necessary during the budget process.

"A Growing Community"

ITEM REPORT
CITY COUNCIL

Agenda Date: 7/21/2026
Agenda Section: Agenda Item

Department Origination: Public Works

Agenda Item: Widseth presentation related to the Mill & Overlay and Full Depth Reclamation Improvements Projects

Approval Required: No Action Required

BACKGROUND

Widseth will be presenting the details the proposed Mill & Overlay and Full Depth Reclamation Improvements Project and their project layout & schedules.

FINANCIAL IMPLICATIONS

No financial implications associated with the presentation.

STAFF RECOMMENDATIONS

COUNCIL ACTION REQUESTED

No formal action requested.

MILL & OVERLAY AND FDR IMPROVEMENTS PROJECTS

PROJECT LAYOUT & SCHEDULE

COUNCIL WORKSHOP
JULY 21, 2026

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City Project Background

- The City of Baxter follows the Chapter 429 Special Assessment Process which allows the City to assess the benefitting property owners for improvements
- The requirements of the 429 process includes the following:
    - Feasibility Report
    - 8 Required Resolutions
    - 2 Required Public Meetings
    - Notification Milestones
    - Bidding Procedures
    - Appeal Procedures

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2

City Project Background

- Past Project, Residents have been frustrated due to short notification timeframe
  - City staff sat down in 2017 to review a plan to resolve this
    - 12-month to 18-month notification
  - Early notification was initiated in 2018 and 2019
  - In 2020, projects were pushed
  - 2021, projects started and notifications became shorter with each project

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3

EXAMPLE LETTER

BAXTER

"A Growing Community"

July 25, 2017

Re: 2018 Street Improvements

City of Baxter Property Owner:

This letter is written to update you on a street improvement project being considered in your neighborhood during the 2018 construction season. We understand many roadways do not currently "appear" to need improvements. Please understand the project being considered is either a capital project or maintenance project intended to increase the life expectancy of the street. Once a roadway appears to have failed, it HAS failed … and the repairs are expensive. Hopefully this letter will assist you with answering questions you may have related to the proposed project.

Background Information
The City of Baxter has approximately 85 miles of roadways to maintain. In 2013, the City of Baxter began the process of developing a pavement management system by completing a "Comprehensive Pavement Management System Report". In 2016, the City completed the "Pavement Management Program". The goal of the pavement management program is to extend the life of existing pavements and lower future maintenance costs by utilizing proactive maintenance and rehabilitation strategies. Details of the Pavement Management Plan and frequently asked questions can be found in the attachment to this letter.

Roadway Maintenance Options
In addition to crack sealing, four street pavement management or capital projects are currently being utilized by the City of Baxter. A very brief description of each type of maintenance operation is as follows, in order of severity and associated cost:

Sealcoating: Is a maintenance operation that rejuvenates the bituminous surface by placing a coating directly on the surface. Sealcoating only seals the surface to prevent the intrusion of water to the aggregate base beneath the roadway. Approximate costs vary between $7 and $9 per lineal foot of roadway, depending on the roadway width.

Mill & Overlay: Is a capital project that grinds off the top level of the existing bituminous surfacing and replaces it with a new bituminous surface. Used when the bituminous surface starts aging and the base material supporting the bituminous is in salvageable condition. Existing cracks in the bituminous surface will reappear (reflective cracking). Approximate costs vary between $56 and $70 per lineal foot of roadway, depending on the roadway width.

Full Depth Reclamation: Is a capital project that grinds bituminous surface and some of the aggregate base together and lays it back down as a new homogenous mixed aggregate base material. New bituminous surface is then applied over the mixture. Use when both the bituminous surface and aggregate base show signs of aging. Approximate costs vary between $91 and $118 per lineal foot of roadway, depending on the roadway width.

Full Depth Reconstruction: Is a capital project that removes all bituminous surfacing and underlying aggregate base and replaces both with new aggregate base and bituminous. Used when roadway has reached the end of its useful life and the existing aggregate base is not capable of supporting continued traffic loads. Approximate costs vary between $174 and $253 per lineal foot of roadway, depending on the roadway width.

The maintenance operation/capital project being proposed for your roadway is Mill and Overlay.

Cost Participation
Costs are calculated based on the City of Baxter Assessment Policy for Public Initiated Improvements. 100% of the costs associated with a Residential Mill & Overlay project, to a maximum street width of 26', are assessed to the benefitted property owners. The cost for street width over 26' is paid by the City. Assessments for mill & overlay in 2017 dollars are estimated at $3,300.00 - $3,700.00 per lot. Assessments will be collected in equal annual installments over a period of 7-years with an interest rate set at 1.5% over the True Interest Cost rate of the project bond issue.

Additional details regarding methods of assessments, assessment conditions, payment procedures (including prepayments and partial payments) and deferments can be found in the assessment policy on the City of Baxter's website (www.baxtermn.gov).

What's Next?
The process associated with a public improvement project has numerous steps that need to be followed. During the next 6 – 9 months residents can anticipate the following process in association with proposed improvements:

- A report will be prepared to study the feasibility of the project. The report will include a review of existing conditions, proposed improvements, estimated costs, assessments and recommendations.
- All residents will be mailed a notice for a Public Open House which will be held to present the findings of the report and obtain input from the property owners.
- Council will pass a resolution accepting the feasibility report and calling for the Improvement Hearing.
- Property owners will be notified of the Improvement Hearing by mail and a notice will be published in the Brainerd Dispatch.
- Improvement Hearing will be held and property owners will receive information on the proposed improvements, project costs, estimated assessments and anticipated schedule.
- Council decides if the project is to proceed … if project proceeds:

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4

EXAMPLE LETTER

- Council will pass a resolution ordering the project and preparation of plans and specifications.
- Plans and specifications will be prepared.
- Council will pass a resolution approving plans and specifications and authorizing advertisement for bids.
- Project will be publicly advertised and bid.
- Bids will be received and reviewed.
- Council will pass a resolution ordering the Assessment Hearing.
- Property owners will be notified of the Assessment Hearing by mail and a notice will be published in the Brainerd Dispatch. The mailed notice will include a summary of the final proposed assessment amount with an amortization schedule.
- Assessment Hearing held and property owners will be presented with the final project costs and assessment information.
- Council decides if the project is to proceed … if project proceeds:
- Council passes a resolution adopting the assessment roll.
- Contract will be awarded to the lowest responsible bidder.
- Residents will be mailed a notification for a Public Informational Meeting with the contractor on the construction schedule.
- Construction starts and is completed.

Hopefully this letter has answered your questions regarding the upcoming roadway project. If you have any questions or would like to stop by and visit with me, please send an email at twalter@baxtermn.gov or call (218) 454-5110 to make an appointment.

Sincerely,

Trevor Walter
Public Works Director
City Engineer

Pavement Management Program

ABOUT

The City of Baxter's Pavement Management Program (PMP) is designed to track the condition of City streets and to outline the costs associated with regular street maintenance along with rehabilitation projects including mill & overlays, full depth reclamation, reconstruction, new construction, and utility installations. Maintenance activities are aimed at preventing or minimizing the deterioration of street pavements while rehabilitation activities (on degraded streets) are aimed at restoring pavements to a newer more maintainable condition.

In 2013, the City's streets had an overall average condition rating of 6.1 on a scale of 1 to 10 with 10 being a new street. A rating of 3 or lower would typically be considered a condition so poor that the public would generally avoid using the street. The City wholeheartedly began pavement maintenance and rehabilitation activities in 2014. In 2016 the City's streets had an increased overall condition rating of 6.6. Most cities in Minnesota strive to maintain their streets at an average condition rating of 7 to 8.

The City is on the lower end of the condition rating scale on a citywide basis. As a result, there is a large amount of street rehabilitation work that is needed. Recently there has been and there will continue to be significant and costly street rehabilitation projects in the near future.

Pavement Management is a recognized Best Management Practice where proper maintenance and rehabilitation activities applied at the proper times minimize overall pavement ownership costs. The City Council believes this proactive long-term approach to pavement maintenance and rehabilitation is necessary to responsibly address the ownership of this City infrastructure.

HISTORY

The City started pavement maintenance and rehabilitation projects in 2014 as a result of recommendations provided in the 2013 Bolton & Menk pavement management study. PASER pavement ratings were performed in 2013 as a part of that study. Since then quite a few sealcoat, rehabilitation, and reconstruction projects have been completed in the City. Due to the condition of the streets, these projects were pursued citywide during 2014 and 2015 generally based on a worst first priority basis. Pursuing projects on this basis raised concerns over efficiency, public notifications, and impacts to property owners.

During early 2016 the City officially adopted a Pavement Management Plan (PMP) which provided direction on how to evaluate, prioritize, and develop street maintenance and improvement projects in a more deliberate and coordinated fashion in the City. The City was split into seven areas where maintenance and rehabilitation projects could be identified and consolidated over a seven year cycle - see attached exhibit "Pavement Management Areas". During 2016 identified streets in area 3 were sealcoated and PASER ratings were taken in all 7 areas.

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5

EXAMPLE LETTER

The City requested PASER ratings which were obtained during April of 2016. The new ratings were intended to aid in future project prioritization and development along with evaluating the impact of the street projects recently completed across the City. The results of PASER ratings from 2013 and 2016 are shown in the following table. This information shows improvements in the overall network rating over the three years pavement management projects have been completed in the City. This indicates the overall condition of the streets in the City are improving.

Summary Table

Street	Area	2013 Ave		2016 Ave
Residential	1	6.66		6.39
Residential	2	6.46		6.44
Residential	3	5.93		7.45
Residential	4	5.77		6.99
Residential	5	6.34		6.64
Residential	6	5.19		4.97
Residential	7	6.16		6.98
	Ave	6.10		6.57
MSA (Collector)	1	5.88		4.85
MSA (Collector)	2	6.64		6.84
MSA (Collector)	3	5.99		6.39
MSA (Collector)	4	5.77		7.96
MSA (Collector)	5	6.42		4.95
MSA (Collector)	6	na		na
MSA (Collector)	7	5.04		4.90
	Ave	6.04		6.52
Citywide	Ave	6.09		6.56

PROGRAM PURPOSE

Delays in maintenance increase the quantity of pavement defects and their severity so that when corrected, the rehabilitation cost is much greater. It is beneficial from both a cost and user perspective to focus on preventive maintenance efforts, where possible, to extend pavement life and enhance system-wide performance in a cost-effective and efficient way by providing the right maintenance or repair at the right time. Therefore, the purpose of this program is to:

1. Preserve and perpetuate existing City owned local and MSA street pavements in a fiscally responsible manner
2. Correct pavement deficiencies and slow the rate of pavement deterioration
3. Consider immediate and long term needs of existing local street pavements
4. Coordinate pavement maintenance and rehabilitation with utility repairs and redevelopment efforts
5. Provide information for better informed and involved decision making

Providing a mechanism, to address the problem of deteriorating streets, is a responsible action for the City to take and will help avoid having a large portion of the network deteriorate at any one time.

PROGRAM GOAL

The goal of the Pavement Management Program is to continuously maintain the City owned (local and MSA) street system in a safe and fiscally responsible manner. To accomplish this, the Public Works Department is to program and implement long-term, cost-effective maintenance and rehabilitation strategies in a manner intended to maximize street pavement lives at the lowest long term cost.

To accomplish this, preventive maintenance activities (crack sealing and sealcoats) should generally be performed on local streets with higher PASER ratings; and, rehabilitation activities (full depth reclamation and overlay projects) should be performed on streets with lower PASER ratings.

PROGRAM CONCEPTS

The following major concepts are incorporated into the pavement management program:

1. Appropriate pavement maintenance and rehabilitation done at the proper time reduces City pavement costs over the long term
2. The PMS methodology used is the PASER system
3. Preventive maintenance strategies consist of patching, crack sealing, seal coating, and micro-surfacing
4. Rehabilitation strategies consists of overlays, reclamation, removal, and reconstruction
5. Preventive maintenance strategies are employed on streets with PASER ratings of 6 or higher - except streets older than 15 years in age
6. Rehabilitation strategies are employed on streets with PASER ratings of 6, when they are older than 15 years in age, and streets with PASER ratings of 5 and lower
7. The City is divided into seven (7) pavement management areas, of roughly comparable size, to the extent practicable
8. Rehabilitation projects are prioritized with worst being considered first
9. Future utility coordination and development efforts are factored into project identification and prioritization

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6

EXAMPLE LETTER

PROGRAM CONCEPTS (continued)

10. Future utility coordination and development efforts are factored into project identification and prioritization
11. This program is aimed at addressing existing City street pavement preservation and perpetuation needs
12. MSA streets are contained and acknowledged in the street database
13. Construction of new (additional) streets and enhancement or reconstruction of existing streets due to utility or redevelopment needs are acknowledged in the street database but are not funded under this program
14. All streets should be rated at least once every three (3) years to maintain accurate street condition ratings

PROGRAM SCHEDULE

A seven-year rotation or cycle is utilized to allow maintenance and rehabilitation activities to be focused in one "area" of the City per year. A seven-year cycle was chosen based on preventive maintenance research which shows that roads, in good condition, should be sealcoated every 5-7 years. Based on this cycle, the City was divided into 7 management areas of comparable size. The areas were also divided along physical boundaries where possible. As can be seen in the attached exhibit "Pavement Management Areas", preventive maintenance (sealcoating) is scheduled in area 4 and rehabilitation projects in area 7 for 2017. Maintenance and projects may vary slightly from this schedule due to past commitments and other development or utility related concerns that need to be addressed from time to time.

SUMMARY

The historical approach to managing pavements has been reactive – wait until pavements fail then fix them. The investment in good or fair pavements and the use of quantitative data was limited. With the establishment of a Pavement Management Program, street segments and associated rehabilitation strategies, which benefit the network as a whole, are identified first. From there, individual projects are analyzed and verified at the project level. This new approach is proactive, and emphasizes preservation and perpetuation of the existing system along with enhanced system-wide performance through thoughtful, conscientious application of the right pavement management strategy at the right time.

ADDITIONAL INFORMATION

Additional information can be obtained at:

1. Frequently Asked Questions (FAQ's) - attached
2. Adopted Pavement Management Program (PMP) - http://www.baxtermn.gov/departments/public-works/streets/

PAVEMENT MANAGEMENT FUNDING
FREQUENTLY ASKED QUESTIONS

1. What is a Pavement Management Program (PMP)?

The street system in the City of Baxter is one of the most valuable and costly assets owned by the City. Extending the life of this asset through regular maintenance will provide the lowest possible cost to the City and the stakeholders. A pavement management program uses actual condition data to estimate the best time to complete maintenance activities. It is proven that extending the life of streets through regular maintenance will lower the overall cost of the street investment. The majority of the City streets were constructed within a twenty year period during a time of rapid development. These streets are now reaching an age and condition where providing preventive maintenance will extend their life and lower their overall long term ownership cost. This program serves as a guide in projecting maintenance and rehabilitation activities along with estimated costs that can be used for planning and budgeting for these purposes.

2. What options were considered to pay for the PMP?

The City Council considered the following options to fund the PMP:

- Tax levy: residents and businesses would see an increase in their property taxes.
- Assessments: property owners would be assessed to pay 100% of the cost to replace or resurface existing streets. Assessments would be certified to Crow Wing County and property owners would pay these assessments with their property taxes.
- Franchise fees: property owners would pay a small monthly charge on their gas and electric bills. The fees would be set aside in a dedicated fund used solely for expenditures related to the PMP.

3. How long will the Pavement Management Program be in place?

The City intends to have a continuous program for the maintenance and rehabilitation of City streets. The program will complete a number of rehabilitation projects every year to keep the overall condition of all City streets at an acceptable level and will spread out the cost of preventive maintenance over a longer period of time.

4. Why hasn't the City saved money for this work?

Pavement management had not been considered necessary in the past due to the relatively new age of City streets. However, as City streets have aged and pavement management activities have come to be better understood, pavement management has now become a standard infrastructure practice.

The City did fund minor maintenance projects and crack sealing activities over the past years through the normal budget process utilizing the annual tax levy. In 2013, the City Council determined that a defined pavement management program and stable funding source equitable for all users had become necessary.

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7

EXAMPLE LETTER

PAVEMENT MANAGEMENT FUNDING
FREQUENTLY ASKED QUESTIONS

5. Why not just use property taxes to pay for these activities?

There are very few cities that use property taxes as the method to pay for street maintenance or rehabilitation activities. Tax rates are very competitive for attracting business and using property taxes puts an undue burden on moderate to higher-valued businesses and homes to pay for a street system that serves the entire City.

Increasing the property tax levy to cover the cost of preventive pavement maintenance or rehabilitation projects is generally not always a viable option:

- Property taxes exempt most renters, non-profits, schools, and other entities that use the public infrastructure.
- The property tax option would change annually based on values of homes and businesses.
- The State Legislature may impose levy restrictions limiting needed funding.
- PMP annual levies may not be construed as a permanent dedicated funding source by future Councils.

Special assessments are a common way to fund street rehabilitation activities as the City can spread project costs to property owners over a period of time. However, their use is not without controversy:

- Minnesota State Statutes have rules on how special assessments can be levied to property owners and there are limitations to the amounts that can be assessed.
- Assessments are often unanticipated by property owners and project need can become controversial. At times it can be difficult to gain support for project approval and enact assessments to obtain the necessary funding to pay for improvements.
- Cities that use special assessments often find that their projects have difficulty in moving forward until a street is in complete failure, increasing the cost of the repair.

Franchise fees are a method that spreads costs to everyone over a longer period of time and provides a dedicated fee to ensure local control of the revenue and that preventive maintenance stay on schedule as detailed in the Pavement Management Plan.

6. I thought my property taxes were for street improvements. Why would you add special assessments or franchise fees for the same thing?

The City has not and does not collect property taxes for street improvement projects. The City's annual property tax levy includes dollars for minor routine street maintenance and snow removal. The City uses special assessments as their chosen method to fund rehabilitation activities. These costs can be spread to property owners over a long period of time.

- *Full Depth Reclamation Street Improvement Projects* – these are assessed at 100% of the total project cost for roadways less than or equal to 26 feet in width in R-1 and RS zoned areas. The City pays for the extra costs associated with any street widening beyond 26 feet in width or pavement strengthening they feel may be needed. In Commercially zoned areas, 100% of the total project cost for roadways less than or equal to 44 feet in width are assessed. The City pays for the extra costs associated with any street widening beyond 44 feet in width that they feel may be needed. The City also pays for portions of frontage road street improvements abutting Trunk Highways 210 and 371.

PAVEMENT MANAGEMENT FUNDING
FREQUENTLY ASKED QUESTIONS

- *Street Resurfacing Projects* - street resurfacing projects, commonly known as overlays, are assessed in Residential R-1 and RS areas at 100% of the total project cost, up to 26 feet in roadway width. The City pays all project costs for the portion of a roadway width in excess of 26 feet and for the portions of frontage road street improvements abutting Trunk Highways 210 and 371. In Commercially zoned areas, 100% of the total project cost, up to 44 feet in roadway width, is assessed. The City pays all project costs for the portion of a roadway width in excess of 44 feet and for the portions of frontage road street improvements abutting Trunk Highways 210 and 371.

- *Assessment Particulars*
  - Terms - special assessments are collected in equal annual installments over a period of years as follows:
    - Mill and Overlay Projects – 7 years
    - Reconstruction and Full Depth Reclamation Projects – 12 years
    - Terms may be reduced to less than the above when annual installments are estimated to be less than $200 per year
  - Interest charges - interest rates charged on assessments for these projects is 1.5% greater than the True Interest Cost (TIC) rate of the bond issue
  - Payments - the following options are available to property owners:
    - Tax payment - the installment will appear annually on the individual's property tax statement for the duration of the assessment term
    - Full payment - no interest is charged if the entire assessment is paid off within 30 days from the date of adoption of the assessment roll
    - Partial payment - owners have a one-time opportunity to make a partial payment in any amount against their assessment within 30 days from the date of adoption of the assessment roll
    - Prepayment - owners may choose, after the initial assessment year, to pay the remaining assessment balance at any time - interest charges may apply
    - Hardship deferments - assessments may be deferred for the elderly, disabled, or in the active military where hardships are determined
      - Individuals meeting age, disability and military active duty requirements based upon qualifying income may be eligible to request a deferment of their special assessment.
      - Deferment criteria, application and documentation requirement and procedures are specified in the City of Baxter Assessment Policy for Public Initiated Improvements & Specials Assessments of the City of Baxter Code.
      - The annual deadline to apply is August 31 of each year with the deadline for first payment in 2019 being August 31, 2018.

Franchise fees are now being utilized to fund the increased costs associated with annual preventive maintenance activities.

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8

EXAMPLE LETTER

PAVEMENT MANAGEMENT FUNDING FREQUENTLY ASKED QUESTIONS

7. Aren't franchise fees just another tax?

While not considered a tax, this is a new dedicated revenue source for the City of Baxter. It is it is a method of collecting funds from utility companies which use City rights of way. These funds are typically passed directly through to all businesses/residents that use the street system. These fees are charged in lieu of property taxes and assessments.

8. What are franchise fees utilized for?

Franchise fees are set aside in a dedicated fund and are used solely for maintenance expenditures related to the PMP (crack sealing, patching, sealcoating, etc.). New construction and street rehabilitation activities are paid for by other funds - the current practice is generally 100% assessments to property owners.

9. What is the City's authority to charge a franchise fee?

Minnesota State Statutes allow for a city to impose a fee on a utility company for its use of publicly owned right-of-way (MN Statute 216.36).

10. How much are the Franchise Fees?

During June 2016 the City Council set monthly Franchise Fees for residential properties for the pavement management program at $2.00 on electric bills and $2.00 on gas bills. Commercial/Industrial properties are charged monthly at the schedules below. These rates have been developed to generate $394,188 annually for the pavement management program.

- Electric:
  Small Commercial - $7.00
  Commercial (Demand) - $41.00
  Large Commercial - $120.00
- Gas
  Small Commercial (Non-Demand) - $7.00
  Large Commercial (Non-Demand) - $22.00
  Commercial (Demand / Interruptible) - $65.00

11. I live in an apartment or town home. Will I be charged a franchise fee?

Yes, the fees are charged on electric and gas accounts and you will pay the standard residential fee on each account you have. The fee pays for your use and maintenance of the public City streets.

12. I have multiple bills or two or more meters on my property. Do I have to pay the fee more than once?

The fees are collected per utility account, not per meter. However, the fee will be based upon the largest meter on the account. The City works with the utility companies to define the classification of their accounts.

PAVEMENT MANAGEMENT FUNDING FREQUENTLY ASKED QUESTIONS

13. I live on a private street. Will the money I pay be used for maintenance of private streets? If not, why would I pay it?

Private streets typically are constructed to a condition that is less than the standard City street. Because these streets are not constructed to City standards, the City does not currently contribute to any of their maintenance. There is no future plan to participate in maintenance on private streets in the City. The PMP not only pays for the maintenance of City owned streets in front of homes/business, but also pays for the collector streets that connect all parts of the City, which everyone needs to contribute to.

14. How often will the City review the franchise fee for consideration of changing the Franchise Fees?

The City is planning to review the fee every few years to determine the need to adjust. It is not anticipated that the fee will need to be changed in the near term.

15. Why doesn't the City simply charge a fee to each property for street maintenance? Why go through a third party for collection?

State law does not allow the City to charge a direct fee for maintenance of our system. State law does allow for the collection of a franchise fee from utility service providers for their use of the right-of-way. That is why we are proposing to charge this fee to the utility companies and then dedicate its use to maintain the City street system.

16. Why are franchise fees more efficient than other funding options?

- Reduced expenses: this option does not involve assessments for maintenance activities. Assessments add administrative costs related to preparing/executing and managing assessments. In addition, there is no need for benefit appraisals or legal expenses associated with justifying assessments.
- Financing savings: this option eliminates the need for bonding for maintenance activities. Financing/bonding includes issuance costs and annual interest payments to the City.
- Reliable funding: this method provides predictable funding that allows the City to be efficient with planning and bidding at opportune times. This reliability allows the City to complete the proper maintenance projects at a time that will minimize cost and maximize the life of the streets. Many times completing an assessment process can be unpredictable and sometimes does not allow projects to be completed when necessary.
- Early planning/bidding: Reliable funding allows the City to complete planning, design and bidding at the most opportune time. Lower and more competitive bidding reduce costs.
- Regular maintenance: While the PMP will outline a timeline for improvements, there are times when a street experiences unusual deterioration. Being able to adjust the program to address the need without following an assessment process will allow for addressing the needs to preserve the street system.

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9

Resolution

- Develop a policy to adhere to an early notification schedule.
  - Mill & Overly and FDR Projects
    - Hold a Public Informational Meeting 12 to 24 months prior to Assessment Hearing
  - Water & Sewer Projects
    - Hold a Public Informational Meeting 18 to 36 months prior to Assessment Hearing

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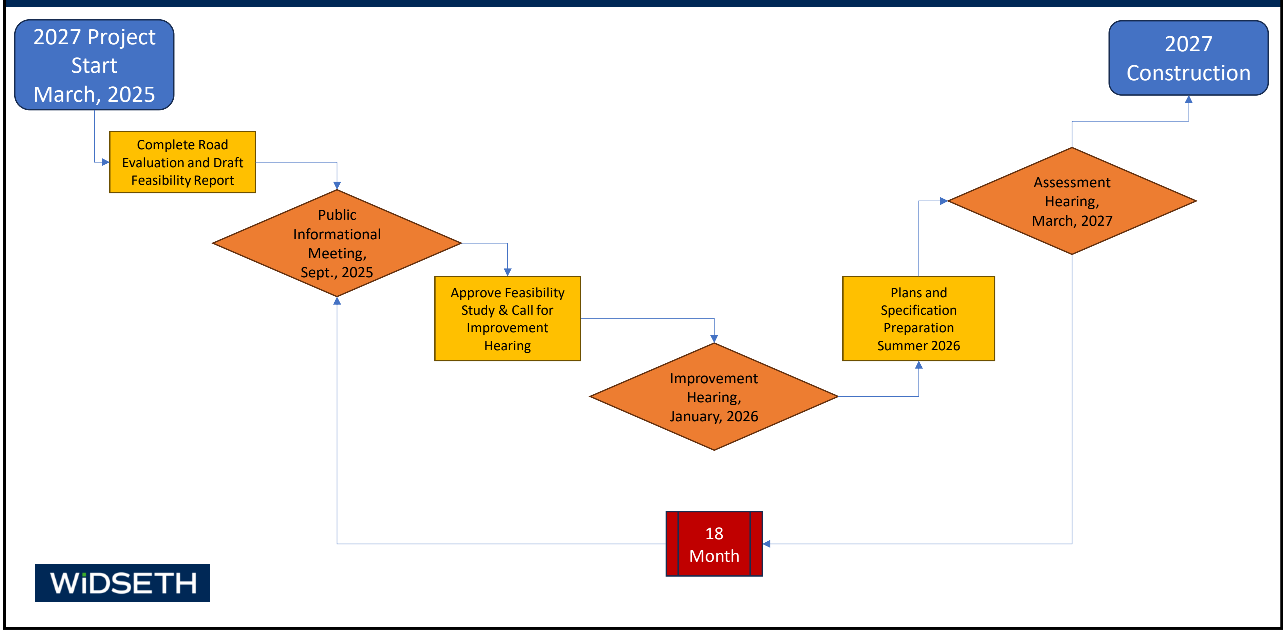
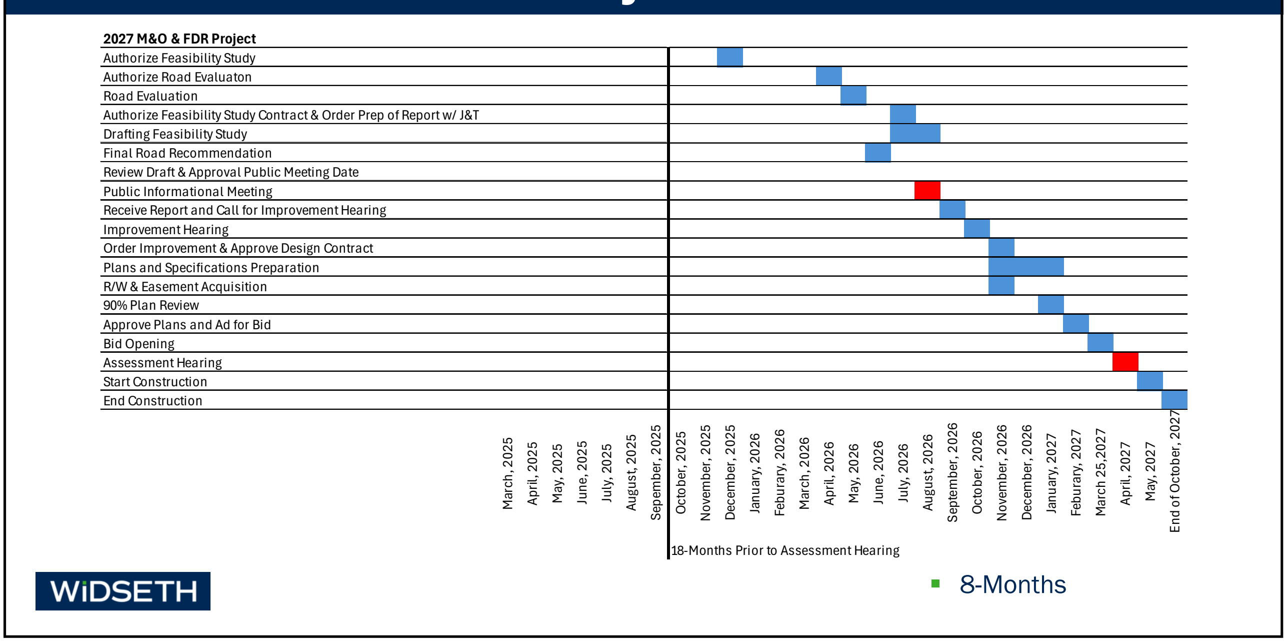
10

2027 M&O & FDR Project Flow Chart



11

2027 Project Schedule



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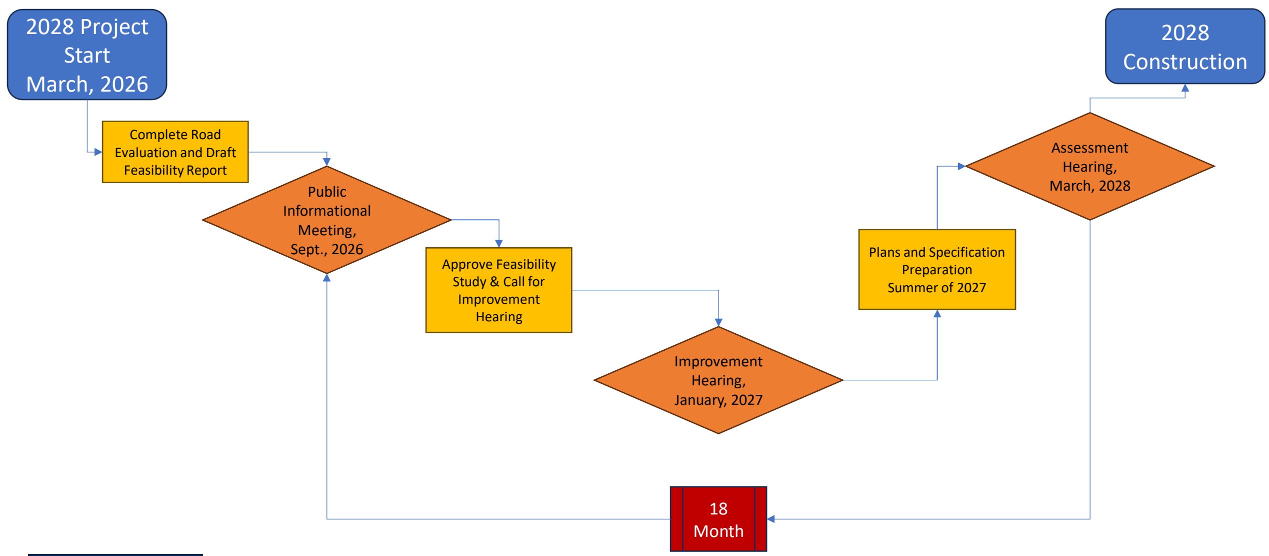
2028 Project Flow Chart



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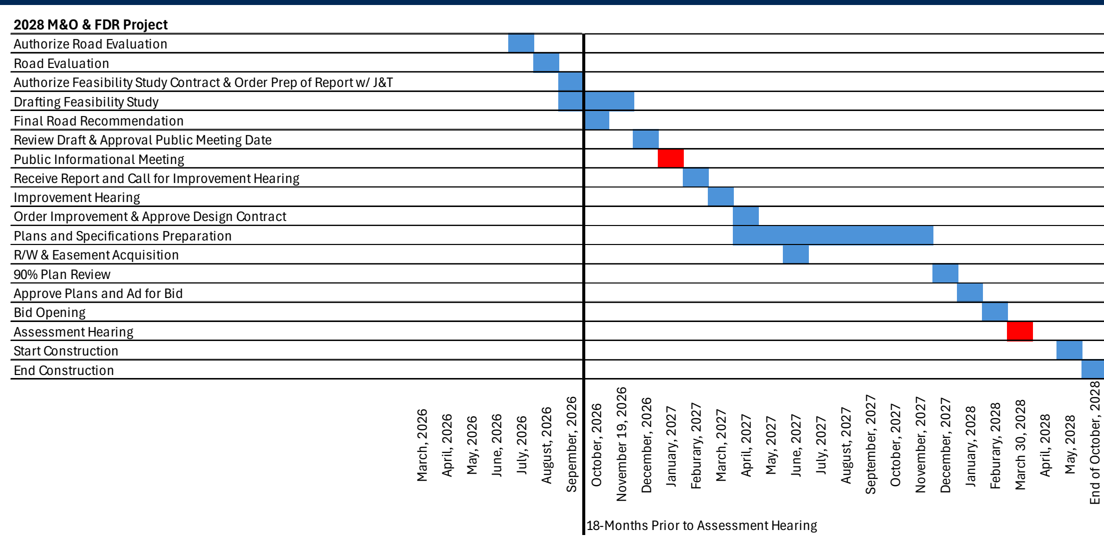
13

2028 Project Schedule



- 14-Months

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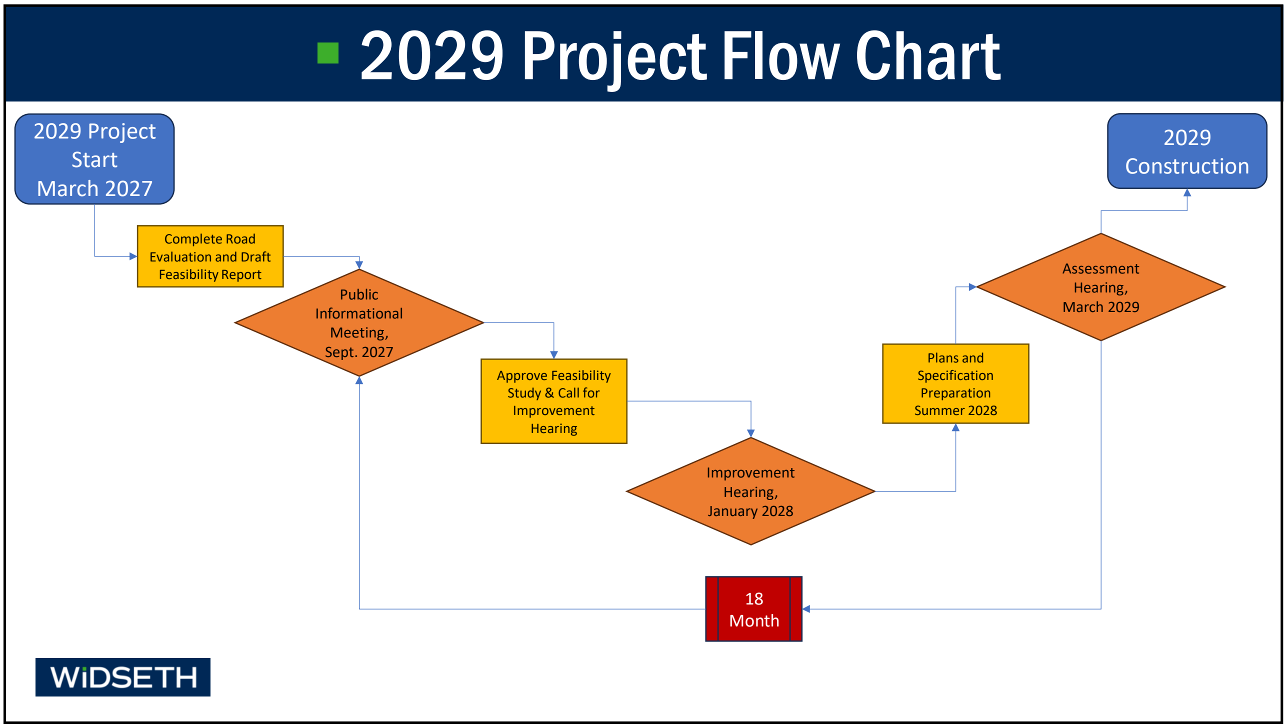
14


2029 Project Flow Chart
2029 Project Start March 2027
Complete Road Evaluation and Draft Feasibility Report
Public Informational Meeting, Sept. 2027
Approve Feasibility Study & Call for Improvement Hearing
Improvement Hearing, January 2028
Plans and Specification Preparation Summer 2028
Assessment Hearing, March 2029
2029 Construction
18 Month
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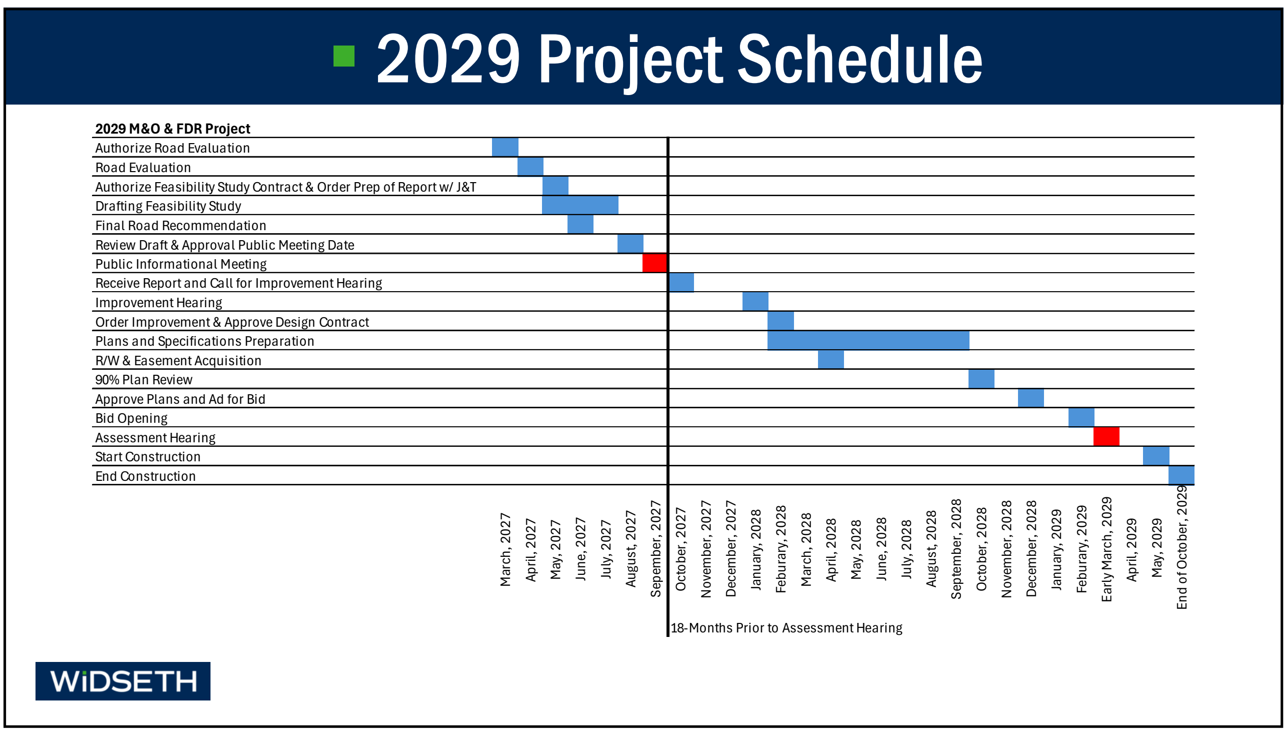
15


2029 Project Schedule
2029 M&O & FDR Project
Authorize Road Evaluation
Road Evaluation
Authorize Feasibility Study Contract & Order Prep of Report w/ J&T
Drafting Feasibility Study
Final Road Recommendation
Review Draft & Approval Public Meeting Date
Public Informational Meeting
Receive Report and Call for Improvement Hearing
Improvement Hearing
Order Improvement & Approve Design Contract
Plans and Specifications Preparation
R/W & Easement Acquisition
90% Plan Review
Approve Plans and Ad for Bid
Bid Opening
Assessment Hearing
Start Construction
End Construction
March, 2027
April, 2027
May, 2027
June, 2027
July, 2027
August, 2027
Sepember, 2027
October, 2027
November, 2027
December, 2027
January, 2028
Feburary, 2028
March, 2028
April, 2028
May, 2028
June, 2028
July, 2028
August, 2028
September, 2028
October, 2028
November, 2028
December, 2028
January, 2029
Feburary, 2029
Early March, 2029
April, 2029
May, 2029
End of October, 2029
18-Months Prior to Assessment Hearing
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16

Conclusion & Recommendation

- Currently following the Pavement Management Plan and the Draft CIP
- The 2027 project area has been recommended and is recommended to continue moving forward on this project to maximize the public notification timeframe
- Start the process for the 2028 project
- Develop a policy on project notice timeframe
- Complete the 5-Year CIP and keep updating it every year

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17

- Questions?

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18