



To: MAYOR AND COUNCIL

Agenda Item #: VIII. J.

From: Scott Neal
City Manager

Action

Discussion

Date: December 18, 2012

Information

Subject: PROPOSED POLICY FOR PEDESTRIAN & CYCLIST SAFETY (PACS) FUND

Action Requested:

Approve the proposed PACS Fund Policy.

Information / Background:

The City Council approved the first of two readings on August 6, 2012 for two enabling ordinances to establish franchise fees for Edina customers of Xcel Energy and CenterPoint Energy. The Council gave final approval to the two ordinances on October 16, 2012.

Following adoption, the City notified both utilities of the new ordinances and directed them to implement the new franchise fees. The proposed franchise fee will add \$1.45/month for both Xcel and CenterPoint residential customers for a total of \$2.90/month. Both utilities will start charging the fee during the first quarter of 2013 and distribute the first quarter fee revenue to the City sometime during the second quarter. The City will collect three fiscal quarters of franchisee fee revenue in 2013. Annual franchise fee revenue in 2013 is expected to be approximately \$825,000. Starting in 2014, the new franchise fees are expected to generate approximately \$1.1 million each year in new revenue.

The Council has tentatively committed to dedicating 100% of this new revenue toward the purpose of increasing the convenience, safety and options of the City's pedestrians and cyclists. During the Council's August 6 discussion on the matter, the Council asked for a proposed policy to be created that would establish parameters and expectations for the expenditure of these new revenues. Attached to this report, you will find my recommended policy. The attached policy was drafted with the assistance of the City's finance, public works, engineering and administration management staff. It was also reviewed by the City's Transportation Commission at their October 25 meeting. The ETC's comments have been included later in this report.

As you review the proposed policy, I would like you to have a sense of the five principles that guided me as I drafted the proposed policy:

1. To tightly connect the new revenue to a specific new purpose: Increase the options, convenience and safety of the City's Non-Motorized Transportation Facilities (NMTF) network for the City's pedestrians, cyclists and drivers. I attempted to connect the new funds and the new purpose as tightly as possible. However, while I am trying to write a thorough policy, I am also trying to refrain from creating a MnDOT-like system of legalisms and internal rules that cause us to struggle to accomplish our purpose. I am searching for balance in the "tight-loose" paradigm. You will see this objective reflected in the generalized language used to describe the improvements that are eligible for payment from this fund.

2. To be biased toward construction. When imposing a new tax or fee that is dedicated to a defined purpose, it is important for the public to be able to see action or change that they perceive as being connected to their financial

sacrifices. Our residents will need to see positive tangible changes that they connect to the franchise fees. We need to be able to point to positive tangible improvements in the community as well to show that we can be trustworthy stewards of public funds. You will see this objective reflected in the tight definition of the purpose of the funds. You will also see it reflected in the proposed ineligible expenses, such as consulting studies, non-standard street markings, benches, public art and trash receptacles.

3. To have conservative fiscal management. I am proposing this fund be segregated as a special revenue fund, which means the franchise fees will be managed away from the City's General Fund. This will make the fund more transparent for ETC, Council and the public. It will make it easier for the City to be accountable for the manner in which the funds are spent as well. I am proposing that we create an annual work plan that spends no more than 95% of the franchise revenue we forecast receiving during the budget year. And, finally, that we operate the fund and the work plan on a "pay-as-you-go" basis. You will also see this principle reflected in the proposed policy by the proposed bar on using the funds for debt service payments.

4. To provide support to both maintenance of existing infrastructure and creation of new infrastructure. The proposed policy has been written to provide support for both maintaining our existing NMTF infrastructure as well as creation/construction of new NMTF infrastructure. I have not mandated that this support be equal. I would like the staff, ETC and Council to have the flexibility to make the decision of how to preference maintenance of old and creation of new on an annual basis.

5. To provide support and flexibility for staffing functions. Creating and implementing a plan to increase the options, convenience and safety of the City's Non-Motorized Transportation Facilities (NMTF) network for the City's pedestrians, cyclists and drivers is a staff-led and volunteer-supported activity. But working directly with property owners, designing public infrastructure improvements, striping new bike lanes, building new pedestrian crosswalks and installing new street lights are all staff functions. The policy has been composed to provide me with the flexibility to decide the best manner to carry out these staff functions. In some cases, it may be through City employees. In other cases, it may be through outsourced vendors/consultants. The only specific staffing decision that is built into the policy is the creation of a staff position that will coordinate this new function within our organization.

The ETC offered the following comments on the draft policy at their October 25 meeting:

1. Use funds for construction only, not for staffing;
2. Change the name from Pedestrian and Cyclist Safety Fund to Active Living Infrastructure Fund to emphasize active living;
3. Identify a certain percentage that will be used for construction vs staffing;
4. Chair Nelson's suggestions: consider incorporating an escalator into the franchise fee ordinance to insure it grows over time with inflation; can these funds be used to pay the operational expenses for lighting, i.e. – electricity; a new staff person paid from these revenues seems like a luxury – is it necessary?
5. Clarity on the meaning of 'maintenance' and consider changing it.

The proposed policy is as follows:

PROPOSAL: The Pedestrian and Cyclist Safety Fund (PACS Fund) is a special revenue fund created to account for the new utility franchise fee revenues. The utility franchise fees will be dedicated revenue to the PACS Fund. Other potential revenues for the PACS Fund may include grants, gifts, special assessments and transfers from other City funds.

The purpose of the PACS Fund is to provide funding for the creation, maintenance and improvement of non-motorized transportation facilities for the primary benefit of pedestrians and cyclists in Edina. Non-motorized transportation facilities (NMTF) shall be defined as sidewalks, trails and other bicyclist-related facilities. Eligible expenses for the PACS Fund will include the following:

1. Construction costs (both outsourced and direct) of new NMTF
2. Maintenance costs (both outsourced and direct) of existing NMTF
3. Legal and consulting services necessary for the construction and maintenance of NMTF
4. Street lighting and traffic signals necessary to meet safety standards for new and existing NMTF
5. Street markings and signage consistent with MnUTCD standards for NMTF
6. Purchase of real property for right-of-way for new NMTF
7. Staffing and operational costs (compensation, overhead related employee costs) for a new 1.0 City employee that is 100% dedicated to the task of maintaining, improving and expanding the City's NMTF network.

Examples of ineligible expenses for the PACS Fund include the following:

1. Debt service
2. Consulting studies not related to the construction and maintenance of NMTF
3. Capital expenses not related to the construction and maintenance of NMTF
4. Non-standard signage and street markings
5. Snow removal
6. Storm water management facilities
7. Benches, trash receptacles, trailhead shelters, fountains, and public art.

The proposed new City staff position would be responsible for creating a budget and work plan each year to accomplish the PACS Fund goals. The new PACS staff position would also serve as the staff liaison to the Edina Transportation Commission.

The revenue for the PACS Fund will be determined by the Finance Director each year based upon a consultation with representatives from both utilities. The Finance Director will provide a revenue forecast to the new PACS staff member.

The new PACS staff member will create a draft Work Plan based on the expenditure of no more than 95% of the forecasted PACS revenue each year. The Work Plan will be consistent with previously adopted City plans will consider input from City staff, BETF, ETC, City Council and residents. The Work Plan will be presented to the ETC for review and comment before it is presented to the City Council for approval. Once approved by the City Council, the new PACS staff member, in consultation with his/her supervisor, will be charged with the primary responsibility to implement the Work Plan.