

**OFFICIAL PROCEEDINGS OF A PUBLIC HEARING
TO CONSIDER ADDING NEW PROJECTS AND UPDATING COST ESTIMATES FOR
LAKE COUNTY'S TRANSPORTATION SALES TAX (TST) PROGRAM
COUNTY OF LAKE, MINNESOTA**

Tuesday, May 12, 2020. Lake County Board of Commissioners held a virtual meeting for the Public Hearing on Lake County's Transportation Sales Tax (TST) Program. Board Chairperson Rich Sve, County Commissioner Derrick "Rick" L. Goutermont and County Administrator Matthew Huddleston were present in the Lake County Service Center, Split Rock River Room, 616 Third Ave, Two Harbors, Minnesota. Other board members were present by video conference.

Board Members Present: District 1 Commissioner Peter "Pete" R. Walsh, District 2 Commissioner Derrick "Rick" L. Goutermont, District 3 Commissioner Richard "Rick" C. Hogenson, District 4 Commissioner Jeremy M. Hurd, and District 5 Commissioner Rich Sve. Board Members Absent: None

Also present: Lake County Administrator Matthew Huddleston, Clerk of the Board Laurel D. Buchanan, and Lake County Highway Engineer Krysten Foster. This Public Hearing was made available to the public to join remotely by telephone by dialing 1-888-742-5095 and entering Participant Code: 7635925916. In-person attendance is not allowed at this time. Lake County buildings are closed to the public due to the Novel Coronavirus Disease (COVID-19) pandemic. Board Chairperson Rich Sve announced that there will be opportunity for Public Comments during this Public Hearing. Written comments are welcome and may be submitted in writing by email to clerk.board@co.lake.mn.us or by United States Postal Service (USPS) mail addressed to Lake County Service Center, Attn: County Administrator Matthew Huddleston, 616 Third Avenue, Two Harbors, Minnesota 55616.

The Public Hearing was convened at 2:13 PM on May 12, 2020; Lake County Highway Engineer Krysten Foster provided a presentation on Lake County's Transportation Sales Tax (TST) program and the reasons for this public hearing. There are two times we need to hold a hearing: 1) in order to add new projects to the list, and 2) in order to increase the cost estimate for projects currently on the list that we provided to the Minnesota Department of Revenue when the tax was enacted. We seek feedback on both options. Ms. Foster advises that we are not requesting action today.

Ms. Foster reviewed the TST history. Legislation authorized this tax in 2013 as another transportation funding tool for counties. TST is one-half of one percent (0.5%) sales and use tax, which equates to one penny on every \$20.00. This 0.5% tax is charged on transactions if state sales tax is charged. Lake County approved this tax in late-2016 and began collecting in the second quarter of 2017. The Minnesota Department of Revenue collects the tax for Lake County and distributes it back to Lake County monthly. Ms. Foster reviewed key regulations pertaining to road projects, per Minnesota Statutes 297A.993. The tax must be dedicated exclusively to payment of the capital cost of a project or more than one project. The tax must terminate when revenues raised are sufficient to finance the project or projects designated by the County Board. As of May 11, 2020, we have collected approximately \$2.7 million of the \$4.5 million cap that the County Board authorized in 2016. The \$4.5 million cap is based on the list of pavement preservation projects that we provided to the Minnesota Department of Revenue. We can project that the TST could expire as soon as late-2022 without other action, earlier than that if there is a boost in spending, or later than that if there is a decrease in spending or a recession this summer.

TST revenue fluctuates from month-to-month, season-to-season, and year-to-year. For instance, September & October 2019 was down from the previous autumn, Fall 2018. TST amounts for the summer months tend to be higher amounts as compared to other times of the year. We do not know yet the COVID impacts on the TST program. Taxes collected by businesses in April are paid to the State in May. We will receive payment from the State based on an estimate in June and a final distribution in July. April is historically one of our slowest months. We will not know the impacts of July & August sales and use tax revenues until mid-November. We need to make decisions about this year's construction program this month. Ms. Foster reviewed planned 2020 TST construction projects, including initial estimates and current estimates. For 2020, we have \$2.69 million planned construction. Initial plans were for resurfacing Fall Lake Road and Moose Lake Road; however, we need to reclaim these two roads for an estimated 15- to 20-year lifecycle instead of a 5- to 10-year investment. The existing blacktop is not thick enough to mill and overlay these two roads. One change since we introduced this topic in February is the removal of the Little Marais Road chip seal from this year's bid as a precautionary measure if COVID tourism negatively impacts this year's revenue. This is a \$330,000 reduction in this year's planned investments since the list presented in February.

In review of unmet needs on our system, Ms. Foster recommends that the County Board consider allocating additional funds for reconstructing some of the streets in the City of Two Harbors and the City of Silver Bay. She reviewed unmet urban priorities and proposed urban projects, including the following: Reconstruct three blocks of CSAH 36 (5th Street) in Two Harbors from 7th Avenue to 4th Avenue; Replace Skunk Creek box culvert at 5th Street in Two Harbors; Reconstruct three blocks of CSAH 32 (Davis Drive and Banks Boulevard) in Silver Bay adjacent to City Hall and Fire Department; Reconstruct one block of CSAH 32 (Edison Boulevard) in Silver Bay in front of Mary Macdonald building and bus garage.

Ms. Foster plans to bring these items forward for May 26, 2020: updated Five-Year Plan, including these TST projects; updated annual bridge bonding resolution (whether or not Lake County received bond funds this year, updating the county's bridge priorities is done annually), and with Board support, updated Transportation Sales Tax resolution to submit to the Minnesota Department of Revenue. Ms. Foster reports that the Lake County Highway Department had received one phone call inquiring about Larsmont Road construction, which is not part of the TST program. Larsmont Road construction is fully funded through other sources. Lake County has not received any written public comments on proposed updates to the TST program. Board Chairperson Rich Sve opened the floor for public comments. Hearing no public comments, the public comment portion of the hearing was closed at 2:27 PM.

This Public Hearing on the Transportation Sales Tax (TST) Program was recessed at 2:29 PM on Tuesday, May 12, 2020. Board Chairperson Rich Sve announced that this Public Hearing on the TST Program will be continued at approximately 2:15 PM on Tuesday, May 26, 2020.

The Public Hearing on the Lake County's TST Program reconvened at 2:32 PM on May 26, 2020. Lake County Highway Engineer Krysten Foster provided an overview of the proposed updates to the TST Program. Board Chairperson Rich Sve opened the floor for public comments. Hearing no public comments, the public comment portion of the hearing was closed at 2:36 PM. This Public Hearing was adjourned at 2:38 PM on Tuesday, May 26, 2020.

ATTEST:

Laurel D. Buchanan
Clerk of the Board

Rich Sve, Board Chairperson
Lake County Board of Commissioners