



MEMORANDUM

DATE: January 12, 2026

TO: Honorable Mayor and City Councilmembers
Jessica Jagoe, City Administrator

FROM: David Swearingen, P.E. Public Works Director / City Engineer

SUBJECT: Karth Lake Pump Improvements – Cost share

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| Budgeted Amount: \$556,000 (Potentially \$666,000) | Actual Amount: TBD | Funding Source: Stormwater fund, RCWD, KLID |
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Council Should Consider

Council should consider options/terms to propose to the Karth Lake Improvement District for their upcoming meeting on January 13, 2026.

Background

For the purpose of this discussion, the following background information summarizes how the financing of Karth Lake pump improvements has been addressed in the past. For more background leading up to the financing discussions, there were several meetings prior to what is listed below in 2003, the meeting minutes can be found on the City website.

On September 29, 2003, at the City Council Regular Meeting, pursuant to Minnesota Statute 103B.501 to 103B.581 and the Minnesota Department of Natural Resources rules part 6115.0900 to 6115.0980, the City of Arden Hills prepared a document proposing the establishment and the administration of a Lake Improvement District with the purpose of constructing and maintaining a lake elevation control structure. A Public Hearing was held, and ultimately the City Council established The Karth Lake Improvement District (KLID) and adopted the Board By-Laws (Attachment A). Discussion at the meeting included thoughts on how to fund the approved Karth Lake Pumping project, but no decision was made; direction was given to staff to bring back scenarios. The meeting memo and minutes can be reviewed in Attachments B & C.

On October 20, 2003, at the City Council Work Session, the City Council discussed how to approach financing the Karth Lake Pumping project and was presented with 4 scenarios. The direction was to proceed with what was described as “Scenario #2”, which split the cost 50/50 between the City and the KLID. Only the construction as-bid costs were split; the indirect and overhead costs were not included. The meeting memo and minutes can be reviewed in Attachments D & E.

On October 27, 2003, at the City Council Regular Meeting, the City Council approved moving forward with “Scenario #2” split 50/50 between the City and the KLID, that taxes be levied for a period of three years, and that the City portion be funded out of the surface water management fund. The meeting memo and minutes can be reviewed in Attachments F& G.

On March 9, 2020, the City Council approved the pump replacement and retrofitting the existing control cabinet for the Karth Lake pump, and to levy the cost for improvements on the Karth Lake Improvement District as described by the KLID Board Resolution dated January 15, 2020 (Attachment H). Essentially, the materials and construction costs (no indirect or overhead costs included) were levied 100% to the property owners within the KLID, and the City would address the failing retaining wall (stabilizing the slope) in the future.

On May 12, 2025, members of the Karth Lake Improvement District Board presented to the City Council and proposed that the City modify the pumping operations to have the pump turned on at an elevation of 935.5-feet and off at an elevation of 935-feet to reduce the bounce effect, thus minimizing shoreline erosion and enhancing water quality. Currently, the On/Off elevations are 936/934-feet.

At the June 23, 2025, Work Session, City staff requested direction from the City Council related to the Karth Lake Pump System Improvement design options. Three options were presented, “Option 2” was staff’s recommendation with current known funding, although staff also recommended exploring Rice Creek Watershed District’s interest in funding capacity with “Option 3”.

On July 8, 2025, the Karth Lake Improvement District Board recommended to the City Council that they include the pump improvements as “Option 2” in the final design with the 2026 PMP.

On July 14, 2025, the City Council accepted the 2026 PMP Feasibility Report, which includes project scope to pursue the Karth Lake pumping operation improvements as described within the Feasibility Report as “Option 2”.

At the December 8, 2025 Work Session, the City Council discussed the Karth Lake pump design with updated estimates and considered cost share options, including levying the KLID. At the meeting, the Council chose Councilmember Kurt Weber to act as the Council liaison for future discussions with the KLID Board.

Discussion

Direction staff must have tonight is if the City Council wants to move forward with the pump improvements in order to incorporate them in the final design bid package.

Decision for now or later is how to fund the project. Below are options and scenarios for the Council to consider. The outcome of this discussion will be shared with the KLID Board at the meeting scheduled for January 13, 2026.

Proposed options:

- Option #1 - Move forward with pump improvements as proposed.
 - Estimated Total Cost = \$185,000, which includes 10% construction contingency and 27% overhead.
 - Applying the \$56,000 RCWD cost-share, the remainder to determine funding for is \$129,000.
 - Per previous scenarios, two are shown here, but Council may adjust however they see fit. To align with the previous Council decisions, the 27% overhead is removed from the estimate; therefore, the total to be split is \$89,670. Council can include overhead if they so choose.
 - Scenario #1, split 50/50 between the City and the KLID. Only the construction as-bid costs are split; the indirect and overhead costs were not included.
 - City cost = \$44,835
 - KLID cost = \$44,835
 - Scenario #2, 100% of the materials and construction costs (no indirect or overhead costs included) levied to the property owners within the KLID.
 - KLID cost = \$89,670
 - Determine levy term (2 and 3 years have been used in the past).
- Option #2 - Remove pump improvements from project scope, only address the erosion issue on the slope near the pump per the Resolution (Attachment H). This would require replacement of the retaining wall with a similar design to allow access for maintenance, as is how it is operated today. Due to construction impacts, the control panel will need to be relocated and likely replaced.
 - This option would be only City cost at approximately \$100,000 to \$125,000.
 - RCWD cost-share would not be utilized as it is specific for the pump improvements.

Public Works recommends moving forward with the proposed pump improvements, Option #1, Council will need to choose which Scenario or create an alternate Scenario. The City benefits from the improved water quality as the pump discharges ultimately to Lake Valentine, which is considered an impaired water. These improvements can be used to show the City is implementing BMPs to reduce pollutants and meet what is called the Total Maximum Daily Load (TMDL) limits, a requirement of the MS4 Permit. The proposed improvements will also simplify Public Works operations and become compliant within the existing DNR Permit requirements related to consistent monitoring. Having the pump turn on and off automatically will ensure immediate response time to the elevation of the lake level. Installation of the pump will be within a structure on top of the slope rather than scaling the existing retaining wall to deploy a floating pump system into the lake. Having the pump within the structure will prevent vandalism.

KLID consists of 46 lakefront property owners, the City of Arden Hills is not included in the district. A map is provided on page 5 of Attachment A.

Through further research, staff found that the costs cannot be allocated as a uniform assessment to all properties. Rather, it will consist of the levy ad valorem taxes on properties within the district. As such, the amount will vary depending on the homeowner's market value, corresponding with the actual bid price for the proposed project.

Budget Impact

A RCWD cost-share of \$56,000 was awarded to Arden Hills.

Staff is currently pursuing another water quality grant through RCWD as it relates to addressing the failing retaining wall. The maximum grant amount is \$10,000 for this program.

Staff is also pursuing stormwater management grants through RCWD as it relates to other stormwater improvements for the 2026 PMP. The maximum grant amount is \$100,000 for this program.

Overall 2026 PMP estimated stormwater costs:

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|---|-------------------|
| Proposed Pump Improvements | \$ 185,000 |
| All other storm related improvements included in 2026 PMP | \$ 430,000 |
| Total: | \$ 615,000 |

Funding sources:

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|--------------------------------------|-------------------|
| Stormwater Fund | \$ 500,000 |
| RCWD cost-share | \$ 56,000 |
| Potential water quality grant | \$ 10,000 |
| Potential surface water mgmt. grants | \$ 100,000 |
| KLID levy | TBD |
| Total: | \$ 666,000 |

Reference Attachments I & J to review the effect of Scenario #1 as it relates to the Stormwater Fund balance and the proposed levy amount of \$44,835. Attachment J is shown to have the taxes pay the City back in 1-year, if the Council chooses a longer term, it will lower the annual amount and spread it over the determined term. The high/low range shown in Attachment J is \$1,437.10/\$648.82.

Reference Attachments K & L to review the effect of Scenario #2 as it relates to the Stormwater Fund balance and the proposed levy amount of \$89,670. Attachment L is shown to have the taxes pay the City back in 1-year, if the Council chooses a longer term, it will lower the annual amount and spread it over the determined term. The high/low range shown in Attachment L is \$2,874.21/\$1,297.64.

If a levy is determined for the KLID, the City Finance Director will include the final pump improvement cost amount with the City's future property tax levy resolutions to Ramsey County.

Attachments

- Attachment A – KLID By-Laws & district property map
- Attachment B – September 29, 2003, Regular City Council meeting memo (dated September 22, 2003)
- Attachment C – September 29, 2003, Regular City Council meeting minutes
- Attachment D – October 20, 2003, Work Session memo (dated 10-14-2003)
- Attachment E – October 20, 2003, Work Session minutes
- Attachment F – October 27, 2003, Regular City Council meeting memo (dated 10-21-2003)
- Attachment G – October 27, 2003, Regular City Council meeting minutes
- Attachment H – Resolution of KLID Board dated January 15, 2020
- Attachment I – Stormwater Fund balance analysis for Scenario #1
- Attachment J – Property Tax table for Scenario #1
- Attachment K - Stormwater Fund balance analysis for scenario #2
- Attachment L – Property Tax table for Scenario #2