

**City of the Village of Minnetonka Beach
Finance Committee Meeting Minutes
Thursday, August 25, 2022 - 6:00 PM**

1. Call to Order

Chair Zinn called the meeting to order at 6:00 p.m.

Members Present: Chair Chris Zinn, Erik Bender, Jim Dudley, Jaime Gmach, Liz Nordlie, John Woerner and Mayor Lindstrom in attendance for Council Liaison Vibhu Sharma.

Absent: Member Brian Call, Council Liaison Vibhu Sharma

2. Oath of Office – Liz Nordlie

3. Approval of Agenda

(All committee members voted to approve the agenda; all ayes.) Motion passed.

4. Approval of Minutes – September 22, 2021

(Bender motion, Woerner second to approve the agenda; all ayes.) Motion passed.

5. New Business –

5.1. 2023 Proposed Fee Schedule

Honey and Fawn Gage reviewed other city fee schedules and Honey is proposing some increases on those findings and others based on actual costs. Honey highlighted some proposed changes - \$25 permits increased to \$50 to represent the involved, added vendor service fees for electronic payments, tree contractors are now required to be licensed and added that and tree removal fees. During research Honey found out that there previously were two versions of the 1997 Building Code fee schedule, and the city adopted the one that was a bit less money. She is proposing to use the other version and add 15% as all other cities have done. A percentage of those fees are paid to the building official for plan review. Right of way permits were very under charged and require inspections by public works. Honey then proposed street impact fees. The City of Excelsior charges street impact fees based on building permit valuation. The hope is for this money to offset some of the damage to roads in the city from all of the construction. Zinn stated the city is proposing professional patch and sealcoating every other year to better maintain roads and this fund would help with other road maintenance. Lindstrom recommended that the Lafayette Club pay more since they use much more water. Zinn discussed that Ehlers will be doing a utility rate study to create fee increases for funds to be self-sufficient and will propose fees for the Club also. Water rates will likely be increased based on the results of the study.

Zinn went on to say that the city can build reserves and does not need to budget to zero annually. The water fund is running at a deficit now but has reserves to cover costs. It is preferable to increase rates constantly year over year until rates cover water related expenses and the water treatment plant. Zinn stated that they need to move ahead with the water treatment plant since

the city did not receive funding. Honey stated that the city budgeted money for engineering related to the water treatment plant. Stantec is working what the city needs to do to start the process, determining the roadmap, and preliminary engineering to determine if there are any potential issues at the proposed site. She added that regardless of if the city received funding next year or not, the engineering would need to be done. Honey stated that

There was discussion about the city not benefitting from the Lafayette Club and it has a big impact on the city with events and functions. Greenwood has the Old Log Theater as their one revenue generating business. Honey will check if they charge any fees to them or if there are wear and tear charges. There was discussion about increasing their water fees.

(Bender motion, Dudley second to approve the 2023 Fee Schedule as proposed; all ayes.) Motion passed.

5.2. 2023 – 2032 Proposed CIP

6. Zinn explained that the city is moving to fund accounting and each fund will strive to be self-sufficient. The CIP and Budget is broken into the general, water and sewer funds. Zinn stated the city has invested a lot in infrastructure over the past 4 years with a new water tower, major road project and Brooks Lane project. It bonded three times with great rates. A few years back, the CIP was over \$200,000 but the city is better at identifying issues. Jason Hilgers is updating equipment on a three-year cycle to save on repairs and maximum trade in value which in the end saves money. Zinn targets \$150,000 on a regular year for maintenance and needed items and 2023 is proposed at \$147,000. Woerner asked about moving items from 2024 to 2023 because the proposed 2024 CIP is large. It contains over \$200,000 in water treatment plant related items but they will likely not be spent. Lindstrom stated tree replacement does not seem like a capital expense. Honey explained that the Park Commission did plant 42 trees this year with a tree canopy grant but wanted to be able to plant a couple of substantial size trees. She discussed with an increase in plantings, they need to understand there are associated costs to watering and care. There were concerns about the drought causing tree loss. Bender thought it was a lot of money for trees when the city needs a water treatment plant. He suggested people donating trees. Honey stated that there may be money paid in lieu of replacements with the new ordinance. Woerner suggested putting the fire suppression system in 2023 from 2024. Some hydrants are from the 1930s and this would allow replacements each year. The current ones are functional and flushed regularly. The \$25,000 is contingency for the water treatment plant in the event of an emergency. Zinn stated that the Utilities Commission pushes for projects but during the budget process, the city finds that those funds do not need to be spent. Honey was asked to eliminate tree planting from CIP because planting is in the Park Commission budget; strikethrough \$5,000 restore the shore and write grant as funding source; and then get details on if this is a grant or match, move fire suppression to 2023 and it could get moved back to 2024 if needed. Zinn then explained how the city collects a specific tax amount and it is divided between the homes, but the newer, larger homes get a larger percentage.

Zinn stated the CIP represents about 10% of the \$1.2 million proposed levy. There is a lot of inflation, the labor market is strong and wages are increasing, and it is important that the city keep

its valuable employees. The proposed budget is 9.2% increase which may come down a little bit by approval of the final budget in December but it will easily be twice as high as it was over the past few years. He then discussed the city tax base is \$474 million and levy is \$1.192 million which is .00251 taxed per home so for a \$1.5 million home, it would be \$3,765. The proposed 9.2% increase is a \$310 increase for this value home. Of a tax bill, 26% is city, 37% is Orono schools, and Hennepin County is 35%.

Bender asked about the city collecting a local sales tax or other tax from the Club.

(Woerner motion, Gmach second to approve the CIP as amended with moving the \$20,000 fire suppression to 2023 from 2024, remove tree replacement, move restore the shore to a grant opportunity; all ayes.) Motion passed.

6.1. 2023 Proposed Budget and Tax Levy

Zinn discussed budget is separated into general levy, water, and sewer funds. Lindstrom, Zinn and Honey met and reviewed the budget line by line. The increase in CIP of \$20,000 will increase the percent change to 11.2%. Building permits are budgeted at \$60,000 and are offset by the plan review fee. Revenue could be higher, but it is a risk to budget higher. Leaf pick up is now offsetting related costs, especially higher disposal costs. Zinn stated the interest earnings could be raised based on increased rates. Debt service for bonds increase is due to principle payments beginning in the second year which is 2023.

Zinn discussed employee wages. The market is very competitive. Staff had new positions last year so they started at the bottom of the compensation step charts. The city had a consultant create a step chart a few years ago. Honey explained that there are eight steps to get to the current market rate. Council adopted the rate chart and agreed to one step per year plus the current market rate increase. If the city continues to do 3% step or even a 3% increase, staff will slide backwards in wages as it had in the past and not be competitive. Honey stated that other cities are moving employees up toward the top of their charts and adding the market rate adjustment. Honey is proposing employees move from their current step 2 to step 5 and then adding the market rate adjustment. In discussions with other cities the market rate adjustment is 5-12%. Zinn stated due to turnover and starting new employees at the bottom, the difference between wages with taxes in 2019 to proposed 2023 is \$338,000 to \$371,000 which is under 10% in 4 years. Employees are experienced in their roles, and he supports the proposed increase. Lindstrom discussed turnover in neighboring cities and there have been nine new administrators, and public works are being recruited from cities. Honey explained that people are moving to other cities because it is the only way for better pay when they are stuck in a step chart. She stated some cities are promising 5% per year for the next 5 years. She added that each step is not a lot of money, example for the admin assistant, it is only \$.63 per hour. Gmach stated this is the reality right now and people move around because they can. Bender is in support of it and added that this environment may change in future years. He stated the staff does a great job and staff should be compensated. He thinks salary increases are better than bonuses and city employees cannot get bonuses. He recommended pushing staff to the top of their chart if they can. Nordlie supported the logic of the proposed increase and it would be bad to lose someone due to wages. Zinn added that they have a small

staff that needs to have diversified talents. Staff has proven they are able to do these ranges of responsibilities. Nordlie recommended continuity of the paid staff with the change in council leadership in 2023. Bender thought the city should have a more senior executive director type of role because it is a much more efficient way of running a city than staff that is just filling a role. Important to have someone who can really lead. The council or board should be able to make simple decisions but he thinks they make way too many decisions and deliberate over a lot that could be dealt with by the administrator and compensate accordingly. He thinks wages should be bumped up and give staff more authority and seniority. Honey and Lindstrom stated they have been trying to move this direction, Bender added it is the right thing to do. Nordlie asked if they benchmarked with other cities. Honey did benchmark other cities and even with this proposed increase they are in the middle of other cities and no longer at the bottom. Dudley asked if other staff is supportive of the proposed wage. Honey stated they are.

Zoning Administrator – recommend decrease to \$30,000 for 2023 based on how they are now tracking his budget and approving projects based on where they are at in the budget and controlling the expenses.

The committee discussed if Orono creates a fire department, the city could contract with another city or be financially impacted by Long Lake not having Orono's funds.

Park Operation increased which is offset from a decrease in the Park Commission budget and movement of parks items to Public Works - \$17,325. Parks will have a proposal of what work is to be done and Hilgers will work with them and oversee the expenses.

Zinn discussed that the city can run a budget deficit or surplus and it can build reserves and doesn't have to budget to zero.

Water fund – Zinn stated that water fees may be increased after the utility rate study. Discussed commercial rates can be added by the end of the year. Bender stated Lindstrom and Zinn have done a good job of cleaning up many things from the past and getting things done. Water funds are currently running at a deficit as proposed but rates may go up and there are reserves available but they will need to start running at a surplus.

Sewer fund – Zinn stated it is a small budget currently running at a surplus.

There was additional discussion about finding a tax or fee to offset impact from people using the Club.

(Bender motion, Gmach second to approve the budget as proposed with amendments; all ayes.)

Motion passed.

6.2. Utility Rate Study – Ehler's

Discussed earlier. Honey added that in the packet is a memo from the city engineer regarding the force main break. She included it just so they are aware that there may be large costs for similar repairs so Ehler's is including sewer in their rate study.

7. Adjourn

(Bender motion, Nordlie second to adjourn; all ayes.) Motion passed.

Finance Committee meeting adjourned at 7:36 p.m.

Minutes taken by Heidi Honey, City Administrator

Others Present: none