

**City of the Village of Minnetonka Beach  
Finance Committee Meeting Minutes  
Wednesday, September 22, 2021 ~ 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, Brian Call, Jim Dudley, Jaime Gmach and Mayor Lindstrom in attendance for Council Liaison Vibhu Sharma.

Absent: Council Liaison Vibhu Sharma

Others in attendance: Bruce Kimmel - Ehler's

**2. Approval of Agenda**

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

**3. New Business –**

**3.1. 2022 Preliminary Budget and Proposed Tax Levy and Adopted 2022 – 2031 CIP**

Treasurer Zinn gave a high-level overview of how the city budget works and discussed transitioning to a fund-based budget with the general fund supporting general obligations, water funds supporting water obligations and sewer funds supporting sewer obligations. Previously, water and sewer projects were funded by general fund levies but the city wants them to be self-funded. Zinn discussed that the city does not have many sources of revenue and most fees are pass throughs. Water revenues significantly impact the city. There was discussion about charging a fee or increasing fees to the Lafayette Club because of the increased burden on streets and infrastructure by the additional people who use the Club or work there. Kimmel stated the city can charge franchise fees for a specific project (roads, infrastructure) but a city tax to the Club would be a complicated process requiring legislative approval. He added it would be reasonable to increase their utility fees as they impact the infrastructure. Call stated that if there are consistent year over year operating costs, they could reasonably have the Club pick up a portion of that burden and they could pass that along to members. Zinn explained that many infrastructure projects have been deferred in the past and beginning a few years ago, there were immediate needs to address.

Kimmel discussed water rates and stated that as a percentage, the water increases seem high but in reality the dollar amounts are not large. He added that the city has had artificially low water rates and expenses have been paid from the general fund. The city can decide if it wants to reallocate what source of revenue pays what but this new view of the budget is beneficial. The city will need to find out how to match monthly reporting to reflect fund balances. Zinn then discussed that a large portion of property tax does not go to the city. Bender mentioned that the city may be losing money on the post office. There was discussion about it being a service to the community for a small cost.

### **3.2. Ehler's Investments**

Zinn discussed re-investing CDs that are coming up. The city's standard is to maintain 65% of operating budget in reserves but is not required to do so. He added that the city has a lot of expenses coming up and they may want investments to be more liquid. Kimmel stated that the fund balances in 70-75% is part of what keeps the city at AAA rating. They discussed staggering the CDs over two years and retaining reserve balances to maintain the rating and to access funds in the event of an emergency.

**(Call motion, Dudley second to invest the money currently at Ehler's in two tranches not to exceed 24 months; All ayes.) Motion passed.**

### **3.3. Water Treatment Plant Analysis**

Kimmel reviewed water treatment plant options –

- Option 1: Maintain existing with capital costs over 20 years (2022-2041), 20 year useful life: \$3,475,630
- Option 2: Replace with upfront capital cost (2022), 50 – 100 year useful life: \$4,843,492
- Option 3: Purchase from City of Orono with upfront capital cost (2022): \$450,000

He then reviewed debt service models over 25 years. Kimmel will get realistic useful life data for options 1 & 2 and come back with analysis using those numbers. The distribution system is the same regardless of which option is used and not part of the analysis. The water tower was needed even if the city purchases water from Orono. The city would need to establish stable water rates with Orono for at least ten years if the city purchases from them. Kimmel said the city would want to get a better idea of the ability to buy from Orono, with reasonable caps on inflation. Minnetonka Beach residents would be paying Orono's water rates, and they would also continue to pay the city water related fees to pay off the debt service of 20% of the 2012A and 2019A bonds and all of the water tower bond. Gmach asked what repairs may be needed during the 20 years. The city also should have a threshold when they would switch to replace over repair if expenses happen faster than predicted. There was a discussion about the ability to switch between various options. Call expressed concerns about giving up control without optionality. Orono could decide after a contract expires that they no longer wish to provide water to the city. Mayor Lindstrom discussed the possibility of receiving state and federal funding so committee members recommended waiting to make a decision until spring of 2022 when they find out if any funding is awarded to the city. Kimmel will calculate rates for Options 1 & 2, operating costs, and compare total user rates needed for Options 1-3.

### **3.4. Refinance of 2012 Bond**

Zinn stated that the 2021 bond is callable in February 2022 and it can be done within 90 days without penalty so it can be done in November 2021. They can be sold anytime prior to the call date. He added that the Brooks Lane watermain relocation costs of \$150,000 – \$175,000 can be added to the bond. There are 10 years left on the bond. Kimmel stated the additional Brooks Lane funds could have their own maturity scheduled or remain on the 10 year maturity schedule. He explained the refinance could save the city \$73,000 over the next ten years. He added that the city has done referendum bonds in the past except for the water tower. The city did not need to go to a

referendum for that bond. He suggested to do the same for Brooks Lane and it is consistent with what other cities do.

**(Bender motion, Dudley second to recommend refinancing the existing 2012A outstandings this year and potentially increase the size of the bond to include a portion of the Brooks Lane project as necessary; All ayes.)** Motion carried.

Zinn stated the city can pay some of Brooks Lane from reserves and Kimmel discussed \$150,000 for the bond. Kimmel then stated the presale discussion would happen at the October 12 council meeting, the bond sale would be at the November meeting, it would close early December. Money would be in an account until it pays off the 2012A bond on February 1, 2022. S&P is familiar with this scenario and the temporary increased debt would not affect the city's rating. Kimmel will bring the scenarios with and without Brooks Lane to the October meeting for them to consider for their support.

#### **4. Adjourn**

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

Finance Committee meeting adjourned at 7:51 p.m.

Minutes taken by Heidi Honey, City Administrator

Others Present: