

City of the Village of Minnetonka Beach

2945 Westwood Road - P.O. Box 146

Minnetonka Beach, MN 55361

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952-471-8878

Dear Resident,

February 19, 2025

As an enhanced commitment to resident communication, this is the third Mayor's letter providing an update on the new water treatment plant project. As you may recall, you received similar update letters in February 2023, and July 2024.

For decades, Minnetonka Beach, like other Lake Minnetonka cities, chose to keep City fees and property taxes low for residents over building reserves for future City infrastructure replacement projects.

In 2020, our City realized that replacing aged infrastructure including watermains (30,000 feet of them originally installed in the 1930's), the water tower (constructed in 1928), and water treatment plant (constructed in 1958) was needed in order to continue meeting the requirements for providing clean and safe water to residents. Five years ago, every one of those utilities was well past their expected service life. In 2023, treatment for PFAS (Forever Chemicals) became a necessary addition to the new water treatment plant. When construction was underway for the new plant in 2024, the City learned that upon inspection, two new wells are required, replacing the two existing wells constructed in 1958 and out of MN Department of Health compliance standards for continued long-term use.

The costs for these infrastructure projects are staggering for our community of only 228 homes. Between 2020 and 2025, the City of Minnetonka Beach will have issued \$17.9 million in Municipal Bonds to fund these projects. These bonds come with an associated annual debt service for the City of \$1.3 million which is funded by water usage fees, a water treatment plant fee collected on residents' quarterly utility bills, and resident property tax levy.

Our present situation would be much different had the City started building reserves 20 years ago for future infrastructure replacement, and if the City had been awarded state funding over the last five years. However, as we must focus on the current state of the City today, we are faced with no choice but to implement the fully vetted recommendations presented by our various financial, engineering, public works, committee and commission experts, and approved by the City Council in December of 2024.

Although revenues from water usage and the water treatment plant fee kept up with debt service and existing plant operational costs through 2024, that is no longer the case for 2025 and beyond. Accordingly, residents using the City average of 120,000 gallons of Minnetonka Beach water annually, will pay approximately \$1400 per year more for water usage and water treatment plant fees over four quarters of utility billing. The usage rate for those homes using Minnetonka Beach water increased January 1st to \$13.40 per thousand gallons. The water treatment plant fee (assessed only to those homes using Minnetonka Beach water) increased to \$335 per quarter this year. The 19 homes supplied water by Orono are subject to Orono's water-related rates and fees.

Another component of increased infrastructure project funding will affect resident property taxes. A home with a Hennepin County valuation of \$2 million will see an increase of approximately \$1800 in annual property tax billings beginning in 2026 for the new water treatment plant. Please see the attached chart showing the approximate property tax impact for homes valued between \$1 million - \$10 million. The increase in both water-related utility billing and property taxes will be in place for the next 23 years. Water usage rates and tax levies are subject to change.

As the impact of the replacement of the City's water delivery system has warranted frequent resident communication, you will receive important and pertinent messaging in the future.

Respectfully,



Joe Pagano, Mayor

City of the Village of Minnetonka Beach, Minnesota						
Estimated Series 2025A Bond Property Tax Impacts						
February 4, 2025						
	divided by:	equals:				
Estimated	City Net	New Debt				
<u>New Debt Levy</u>	<u>Tax Capacity</u>	<u>Tax Cap Rate</u>	Minnetonka Beach Estimated Tax Levy by			
615,000	6,889,368	8.93%	Home Valuation for Water Treatment Plant			2/19/2025
	less:	equals:	times:	equals:	times:	equals:
Estimated	Market Value	Taxable	Classification	Net Tax	New Debt	Estimated
<u>Market Value</u>	<u>Exclusion</u>	<u>Market Value</u>	<u>Rate</u>	<u>Capacity</u>	<u>Tax Cap Rate</u>	<u>Tax Impact</u>
1,000,000	-	1,000,000	1.00%	10,000	8.93%	893
2,000,000	-	2,000,000	1.00%	20,000	8.93%	1,785
3,000,000	-	3,000,000	1.00%	30,000	8.93%	2,678
4,000,000	-	4,000,000	1.00%	40,000	8.93%	3,571
5,000,000	-	5,000,000	1.00%	50,000	8.93%	4,463
6,000,000	-	6,000,000	1.00%	60,000	8.93%	5,356
7,000,000	-	7,000,000	1.00%	70,000	8.93%	6,249
8,000,000	-	8,000,000	1.00%	80,000	8.93%	7,141
9,000,000	-	9,000,000	1.00%	90,000	8.93%	8,034
10,000,000	-	10,000,000	1.00%	100,000	8.93%	8,927
Highlighted line above is an example for \$2 million value home.						