

# *City of the Village of Minnetonka Beach*

2945 Westwood Road - P.O. Box 146 Minnetonka Beach, MN 55361

[www.ci.minnetonka-beach.mn.us](http://www.ci.minnetonka-beach.mn.us)

952-471-8878

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Dear Resident,

The renowned hydrologist, Luna Leopold, wrote, "*Water is the most critical resource of our lifetime and our children's lifetime.*" Today, I am writing to you on behalf of the City Council and Treasurer to provide context and specifics regarding the new Water Treatment Plant to be constructed in Minnetonka Beach.

## **Context**

The City's water delivery system includes the water tower, water treatment plant and 33,000 feet of water mains that carry water to our homes. In 1998, the City realized that all three were approaching or had already exceeded their life expectancy. City leadership decided it better to fund the replacement through the issuance of bonds rather than building reserves. Over the last five years, Minnetonka Beach invested \$5 million to replace the 94-year-old water tower and 22,000 feet of 1930's vintage cast iron water mains. This summer, another \$12.7 million will be invested in the replacement of the 66-year-old water treatment plant. That leaves the City with 11,000 feet of water mains remaining in need of future replacement.

## **Water Treatment Plant - Today and Tomorrow**

The City is entering the construction phase with a heightened sense of urgency. The existing plant will be 18 years past its original life expectancy when the new plant is completed in 2026. It will take increased plant monitoring, maintenance, and good fortune to prevent interruption of clean water delivery while the new plant is constructed. The City has a contingency plan for water delivery with the City of Orono should there be an issue before the new plant is completed.

In addition to treatment for iron and manganese, the new plant will treat for PFAS substances, the chemical compounds linked to harmful effects in humans, animals, and the environment. It is important to note that Minnetonka Beach drinking water currently meets State safety standards and Federal standards for PFAS. However, this spring, the EPA finalized enforceable standards for several forms of PFAS at 4.0 parts per trillion. Minnetonka Beach has two wells, which are tested regularly for PFAS and have had reading levels ranging from 2.0 to 3.2 parts per trillion. With resident health in mind, Council felt it important to treat for PFAS even though the City's test results have remained under the new enforceable standards. The construction of a new plant also provided the City with the timely opportunity to include PFAS treatment at a fraction of what it would cost to do so later. With the new treatment equipment, we will be able to continue to meet State and Federal drinking water guidelines and position the City to comply with future regulatory changes.

Municipal Builders was the low bidder for the project at \$10,076,966, and was awarded the building contract at the June 10<sup>th</sup>, 2024 City Council meeting. Construction will begin this summer. Although many trees were removed to make room for the new plant and service access, the plan is to reforest the Public Works site soon after construction is completed.

### **Funding the Water Treatment Plant**

The current cost for pre-construction, construction and PFAS treatment equipment is \$12.7 million, which will be funded by the 2023 Water Revenue Bond (\$5 million), the 2025 General Obligation Bond (\$7.2 million) and Federal Funds. There are no capital replacement funds to draw from.

Understanding the impact on residents, the City and our Federal and State elected officials exhausted every avenue in search of funding support. U.S. Senators Klobuchar and Smith and Representative Phillips were driving forces in the awarding of \$959,752 to Minnetonka Beach. City Staff is now working with the EPA to determine what project expenses beyond the \$500,000 for PFAS equipment can be funded by the Federal award. State Senator Morrison and Representative Myers both authored bills on behalf of Minnetonka Beach. It was disappointing that the City's request for funding was not included in the State's 2023 Infrastructure Bonding Bill that was made possible by a \$17 billion surplus. The legislature failed to pass a bonding bill this year.

### **Financial Impact On Residents**

Residents receiving Minnetonka Beach water will be funding the water treatment plant over the next 25 years using a combination of increases in water usage rates, fees and a tax levy.

Beginning in 2025, water usage rates and water treatment plant fees will increase by approximately \$1,400 for a home with a City average usage of 120,000 gallons per year. Your actual number of gallons used will appear on your individual quarterly utility bills.

The tax levy will go into effect for property taxes payable in 2026. Ehler's, our public finance advisor, prepared a chart estimating what the annual tax levy will be for homes ranging from \$1 million to \$10 million. That chart is included to assist residents in determining their individual tax levy for just the water treatment plant. For example, a home with a market value of \$2 million in 2025 will have an estimated tax levy of \$1,696 payable in 2026.

The above numbers are estimates at the present time. The actual amounts will be finalized during the 2025 budget and fee review processes. Residents on Orono water are subject to the tax levy but not the water usage rate and fee increases.

### **Long Term**

Looking strategically and longer term, the City Council strongly believes the City would benefit greatly by identifying, prioritizing and exploring funding options for the next 5-10 years for infrastructure needs including the 11,000 feet of water main replacement. Accordingly, last November this was designated as a 2024 Strategic Objective. This initiative will take center stage with both the Council and the City's Utilities Commission in the second half of this year.

Please contact City Hall if you have any questions or need further information.

Thank you,

Joe Pagano  
Mayor