City of Minnetonka Beach
Truth and Taxation Hearing Meeting Minutes
Monday, December 2, 2019

Present: Mayor Jaci Lindstrom, Council Members: Tracey Breazeale, Susan Enlow, Steve Howarth and Andrew Myers, and Treasurer Chris Zinn

Absent: none

Staff Present: City Administrator Susanne Griffin and City Clerk Heidi Honey

1. Call to Order

Mayor Lindstrom called the Truth and Taxation Hearing to order at 7:00 p.m.

2. Approve Agenda

Myers motion, Breazeale second to approve the agenda. With all members voting in favor, the motion carried.

3. Truth in Taxation Hearing

The Truth and Taxation meeting is the annual review of the proposed final budget and the opportunity for the public to provide input and ask questions regarding the proposed budget.

3.1 Proposed 2020 Final Budget and Tax Levy Review

Zinn stated the proposed budget adopted September 9, 2019 included a 11% tax increase. Myers, Zinn and Griffin reviewed the budget and are proposing a 2.8% tax increase. The 2019 year end projected surplus is approximately $108,000. The city has historically had a surplus at year end. Zinn recommends that the city pay for deferred infrastructure investments in 2020 and the debt service will come on in 2021. This approach will provide a level tax increase for residents.

Treasurer Zinn reviewed the proposed changes by line item:

- 1270 – Recycling Grant - Decrease to $1,400 from $1,600 due to decrease in grant funding
- 1410 - Interest earnings – Increase to $17,000 from $10,000 based on Zinn's projected earnings.
- 1530 – Sewer - Increase to $80,000 from $75,000
- 1560 – Orono Water – Increase to $5,000 from $4,500
- 2960 – CIP - Decrease to $254,500 from $282,000
- 2015 – City Administrator – Decrease to $80,000 from $88,320.01 due to hiring a new administrator
- 2020 – City Clerk - Increase to $61,048.00 from $57,503.66 as approved by Council at the November Council meeting
- 2030 – Post Office and Part Time – Increase to $26,000 from $20,000 due to increased workload

- 2717 - Water Billing – Increased to $2,948.40 from $1,965.65
- 2728 – Orono Water – Increased to $5,000 from $4,500
- 2732 – Sewer Billing – Increased to $2,948.40 from $1,965.65

Zinn stated that three CIP items represent over 80% of the costs.

Howarth discussed that the 20% debt service from the water fund does not include the water rate increase, which will be used to fund the water tower. He recommended putting the increased water fees ($46,892.05) in a one-year reserve for the water tower so it shows a corresponding expense instead of using the fees to offset other expenses. Zinn can look at this for discussion on December 9, but the increase would fund $46,000 of the $150,000 in the CIP and then the funds would shift into debt service in 2021. Lindstrom stated water revenue should pay for water related expenses including maintenance and debt service can come on in 2021. Breazeale and Myers and Enlow agreed. Howarth then stated that there may be additional costs for water treatment plant improvements in following years. He expressed concerns about a 2% tax increase knowing there will be additional costs in following years and suggested building additional reserves. He recommended moving $30,000 for the generator from 2020 CIP to 2019. Berent requested $8,000 for a lift station pump in 2019 but was not authorized to purchase it. He also requested one in 2020 CIP which could be moved to 2019.

Howarth recommended increasing Legal 2060 to $37,000 by adding the $7,000 interest earning increase in interest earnings.

Griffin explained that her severance payout is in reserve earmarked for this purpose. The city will continue to build that reserve for future employee payouts.

Howarth anticipates additional engineering costs with 2020 projects. Lindstrom will call Amundsen to verify if $20,000 is enough but they will increase it to $30,000 as a placeholder until they get Amundsen's input by December 9.

Enlow discussed gravel for Phase 2 of the path and council discussed seeing how it is used and testing the gravel surface in 2020 and adding $16,000 for gravel to the 2021 CIP.

There was discussion about staff increases, merit raises, and reviewing the personnel policy before budgeting for increases.

3.2 Comments from the Public

Nell Mathews, 2643 Arcola Lane – Ms. Mathews expressed concerns that $55,000 for roads may not be enough. There will be $55,000 in 2020 and $55,000 in 2021. She also discussed areas on Arcola that were damaged during the infrastructure projects which would need patching. Mayor Lindstrom said there will be a reevaluation in the spring.

3.3 Proposed 2020 Final Budget and Tax Levy Discussion

- CIP – add $16,000 for gravel on Phase 2 of the path to 2021
- 2060 – Legal - Increase to $37,000
- 1410 – Interest Earnings - Increase to $17,000
- 2080 - Zoning Administrator – leave at $30,000

- 2719 - Engineering – increase to $30,000 as holding spot and adjust on December 9 after talking with Amundsen

Howarth then requested moving $40,000 to a one-year reserve for the water tower. Zinn discussed it would be for one year and future years it would pay for debt service. He recommended talking with Berent about the generator ($30,000) and lift station pump ($8,000) from the 2020 CIP prior to setting up the reserve. This would come out of the 2020 CIP. Council then decided to earmark the amount Berent can spend on the generator and pumps as the reserve ($30,000 or $38,000) to balance the amounts. Giffin will send the revised proposed budget to council prior to the December 9 meeting.

4. Motion to Continue the Hearing to December 9, 2019.

Myers motion, Enlow second to continue the Truth in Taxation Hearing to December 9, 2019. With all members voting in favor, the motion carried.

The hearing ended at 8:33 pm.

PUBLIC IN ATTENDANCE – The following individuals signed the sign-in sheet: Nell Mathews

Respectfully Submitted,

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Heidi Honey, City Clerk