

MINUTES OF A REGULAR MEETING OF
THE INDEPENDENCE CITY COUNCIL
TUESDAY, SEPTEMBER 20, 2022–6:30 P.M.
City Hall Chambers

1. CALL TO ORDER.

Pursuant to due call and notice thereof, a regular meeting of the Independence City Council was called to order by Mayor Johnson at 6:30 p.m.

2. PLEDGE OF ALLEGIANCE.

Mayor Johnson led the group in the Pledge of Allegiance.

3. ROLL CALL

PRESENT: Mayor Johnson and Councilors McCoy, Betts, and Spencer.

ABSENT: Grotting

STAFF: City Administrator Kaltsas.

VISITORS: Troy Gabler- Clifton Larson Allen/CLA and
Ali Howe – Orono School Board Member
(See additional on Sign-In Sheet.)

4. ****Consent Agenda****

All items listed under Consent Agenda are considered to be routine by Council and will be acted on by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

- a. Approval of City Council Minutes from the September 6, 2022, Regular City Council Meeting.
- b. Approval of Accounts Payable (Batch # 1; Checks Numbered 21474-21477, Batch # 2; Checks Numbered 21478-21507).

Motion by Spencer, second by McCoy to approve the Consent Agenda. Ayes: Johnson, McCoy, Betts, and Spencer. Nays: None. Absent: Grotting. Abstain. None. MOTION DECLARED CARRIED.

5. SET AGENDA – ANYONE NOT ON THE AGENDA CAN BE PLACED UNDER OPEN/MISC.

6. REPORTS OF BOARDS AND COMMITTEES BY COUNCIL AND STAFF

Spencer attended the following meetings:

- WHPS vs. Maple Plain Fire Dept. Softball Game
- Lake Sarah Board Mtg and Ice Cream Social Octoberfest Lk Ind Sat @ noon Baker Pk Shelter

McCoy attended the following meetings:

- WHCC Mtg - presented
- WHPS vs. Maple Plain Fire Dept. Softball Game
- Rick Denneson's father's funeral

Betts attended the following meetings:

- Police Commission Mtg

Johnson attended the following meetings:

- Rick Denneson's father's funeral
- Deb Taylor Senior Community Services – Blackwater - Mayor will be leaving its board Dec'22.
- WHPS vs. Maple Plain Fire Dept. Softball Game
- Regional Council of Mayors Mtg – Attorney's Office Downtown Mpls.
- League of Women's Voters - 2 Representatives
- Orono School Board Mtg
- Police Commission Mtg
- League of MN Cities Policy Committee Mtg
- WHCC Mtg
- NW League of Mayors – County Commissioner presented
- Herb Bunting's funeral
- Kristin Robbins' event
- Tom Loucks' (former City Planner) memorial service
- Fire District Mtg

Kaltsas attended the following meetings:

- Three Rivers & HN Cty

7. Presentation of the 2021 Financial Audit.

- a. 2021 Financial Audit
- b. 2021 Audit Presentation

Troy Gabler, from Clifton Larson Allen/CLA presented the audit results. They've given the City an unmodified (Clean) opinion for the state of the City's financials, which is the best possible. A comparative statement for the Sanitary Sewer Fund was included again as well as the Government-wide Financial Results 2020-2021, highlighting a strong Cash and Investments Balance funds which increased pandemic funding. The General Fund Revenues reflect yearly increases which are necessary with inflation demands which uptick over time and are very typical with needs. Capital Outlay increased from new truck, radar signs, and Public Works' dust control, road tiling and culvert work. Delinquent Taxes Receivable have a 98% collection rate with \$3,329,920 collected of the \$3,395,208 levied for 2021. This is nice to see and helps with cash flow projections and people are happier without them. Unassigned Fund Balance – General Fund policy is to maintain 40-60% of the next year which contributes to the health of the fund. Future Debt Service shows all the principal and interest payments due this year and the next 9 years, and it stays consistent until 2026 and then dips lower helping with cash flow projections. Johnson asked if it's 2026 that a bond is paid off. Gabler stated 2026 begins some of that and then one that's structured for principal payoffs until 2028 which is typical for cash flow management payoff. It's good to not have spikes throughout the year. Kaltsas clarified that the 2015 street project will be coming off in 2026. The

goal of the Sanitary Sewer Fund and the Enterprise Fund is to pay for itself or create additional funds for the City's projects. It's great to see this is healthy now. Johnson asked if we had received any MetCouncil 2020 funding? Kaltsas said it began in 2021 and is a nominal amount but every bit helps. Cash Flows from Operations has been positive. Unrestricted (Spendable) Net Position trend is a healthy fund. No MN legal compliance issues were noted. Required Communications: we provide reasonable but not absolute assurance taking into consideration the possibility of any errors in statements we're given. The City and ABDO agreed that 3 entries needed to be adjusted. The City's year-ending actual vs. budget again shows that the City's expenditures came in less than revenues by \$57,557. As a result of the City Hall construction and Cares act funding, there were some unplanned expenditures made throughout the year. These expenditures were offset by the additional \$360,000 in revenue. ABDO is heavily involved and there's been no management issues. Internal Control Letter is good. Future Accounting Standards: BASB No 87 Leases – tangible leases for 12+ months = assets. GASB No 96 – Subscription Based Info Technology Agreements (non-intangible leases – Microsoft, etc.) implemented in 2023. Kaltsas – We lease very little: copier. Some subscriptions are needed. Calculation is complex but the accounting firm handles it well. We work closely with them. We can do a workshop or email if you have questions going forward. (24:31) Questions: Johnson and Kaltsas discussed the Conduit Funding being in the General Fund now and it's thankfully healthy. The Legislation Road Fund is still listed as a revenue. The AG credit was new last year.

Motion by Betts, second by McCoy to accept the 2021 Financial Audit.

Ayes: Johnson, McCoy, Betts, and Spencer. Nays: None. Absent: Grotting. Abstain. None.

MOTION DECLARED CARRIED. 4:0

8. Consider Approval of the 2023 Preliminary Budget and Tax Levy:

- a. **RESOLUTION NO. 22-0920-01** – Establishing the General and Debt Service Preliminary Tax Levy and Setting a Date for the 2022 Truth in Taxation Meeting for December 6, 2022.
- b. **RESOLUTION NO. 22-0920-02** – Establishing the Pioneer Sarah Creek Watershed Management Commission Preliminary Tax Levy.

Kaltsas summarized since Viktoriya from ABDO is on maternity leave. It represents about a 5% increase on the total City operating levy. It includes a \$193,000 WHPS increase for next year which is the majority of our increase. We've been doing our long-range planning efficiently as possibly maintaining a flat tax rate for 8 years now, and this year we are reducing our tax rate. If all things were equal, the City would see a reduction in taxes for market values, and we're going from a 38% to 32% tax rate for 2023. The proceeds of the bond issuance are being used and that will decrease. We've been successfully doing long-range planning on capital improvements needs - city hall, equipment, and streets. Over the last 8 yrs. we paid cash for equipment and funded long-range for needs. We added in \$40,000 for the road grader overhaul and likely have a few tweaks in 2024-25. There's a 2025 line item for a tandem axel vehicle – possibly pushing it back a year or funding it if needed. We're implementing a 3% increase annually on that capital for increasing inflation costs. It's smart to budget for it upfront. The Preliminary Property Tax Levy can go down but not up after it's certified. The City's current proposed levy is \$3,627,322, and the Truth in Taxation meeting will be held on December 6th, 2022, at 6:00 PM.

Then RESOLUTION 22-0920-02 relates to the approval the Preliminary Pioneer Sarah Creek Watershed Management Commission Tax Levy for the 2023 Budget which increased by 5% this year,

up to \$67,736. Johnson, Spencer, and Kaltsas agreed that it's considerably lower than other Minnehaha Watershed District's.

Motion by Betts, second by Spencer to approve RESOLUTION 22-0920-01 – approving the 2023 Preliminary Property Tax Levy and Setting Public Hearing Date for the 2022 Truth in Taxation Meeting to be held on December 6th, 2022, at 6:00 pm. Ayes: McCoy, Betts, Johnson, and Spencer. Nays: None. Absent: Grotting. Abstain. None. MOTION DECLARED CARRIED 4:0

The Truth in Taxation meeting will be held on December 6th, 2022, at 6:00 PM.

Motion by Spencer, second by McCoy to approve RESOLUTION 22-0920-02 – approving the Preliminary Pioneer Sarah Creek Watershed Management Commission Tax Levy for the 2023 Budget. Ayes: McCoy, Betts, Johnson, and Spencer. Nays: None. Absent: Grotting. Abstain. None. MOTION DECLARED CARRIED 4:0

Mayor Johnson thanked Kaltsas for his hard work on this noting the City's tax rate was closer to 40% last year but then dropped closer to the end of the year. Will it likely repeat this year? Kaltsas replied that we will fine tune it after getting information from the County as far as projected market values. We use actuals for budgets. We just got the first round of our compensation pay analysis yesterday and will be scheduling a Personnel Committee meeting to review that. We're set up to handle that and we may be able to come down a little from the preliminary budget projections. It's a balance from the market value swings, If MN could ever get to a rolling average, it'd be easier for us. When market values compress, we could be in lots of trouble. ... Government/cities think if we could still be flat and have all this stuff added in, but you know to be careful with that moving forward. Johnson - If we can get most of the Public Safety Building payments out of the way then the surplus % will change drastically because we had the money in the bank. So we'll have to answer for the carry-over amount too. We haven't heard 57% for a long time. That's a good number.

9. Presentation by Orono School Board Member Ali Howe - Technology Levy

Howe recapped the 2022 Tech Levy Fact Sheet stating that this is a simple renewal of their existing technology levy which the schoolboard unanimously passed. It originally began in 2002 and then was renewed again in 2011. If the voters passed it, there won't be a tax increase and it would continue to provide a dedicated funding for the next 10 years. If not approved, they'd face budget cuts of \$1.2 million annually which would cause significant funding loss impacting the teachers, programs, and technology districtwide. A portion of their 4-minute Tech Levy Renewal informational video (<https://www.oronoschools.org/>) was played. She highlighted the three bulleted points on their informational flyer. The levy includes the classroom learning and teacher support, and reliable access (updated fiber, etc.), and security (building and cyber, student privacy, etc.) and technical support.

Mayor Johnson asked if the levy was based on market valuation and considered for new homes too? I suspect it, yes. Kaltsas – Affirmed it's based on a percentage. Johnson – I hope the community is in support of it.

10. Consideration of Approval of the First Amendment to Development Agreement Between Gustavus Development LLC and the City of Independence.

Mayor Johnson turned the meeting over to Vice Mayor Spencer.

Kaltsas introduced the first amendment to the Hilltop Prairie development after meeting with Hennepin County relating the needs of building turn lanes are being approved as part of the final plat. Since it is off County Rd 90, the City typically defers to their requirements and noted that there are (13) lots in this initial development preserving a ROW on the NE -W road on the North part of the land and is anticipating connecting to Co Rd 90 from Cty Rd 83. If passed, they'd defer the construction of the Cty Rd 90 Northbound and Southbound turn lanes to the future. Costs, Cty Rd shoulder being rebuilt, and the smaller development now - with a larger future connection while still ensuring the turn lanes being built in the future - were all taken into consideration. We agree after the City Engineer reviewed it.

Spencer – This would happen with the next phase of the development. Kaltsas- Turns lanes will be needed if the northern E-W road gets connected. Preserve the ROW for a collector road to Co Rd 83 in lieu of Turner Rd connection. I anticipate this Quass Cutoff extension going through E-W. Anyone who'd develop that doesn't have enough Co Rd 83 frontage to build 2 connection points without future acquisition. On the north there's property that goes to Main St W, but it's a gravel road and comes out to Cty Rd 90 at a bad location. So this is the best possible E-W connection. This development agreement is being recorded so that it is remembered. Hennepin County is involved with the Co Rd 83 access which triggers the turn lane conversation again. This will be recorded against the property. Spencer – The turn lanes wouldn't be necessary until more development? Kaltsas – That was the County's finding. We looked at it with 13 lots. It is a high-speed road and there are some sightline issues at some point, but the County looks at the number coming in & out of it and whatever is on Co Rd 90 right now. Spencer – If there becomes a public safety at some point, could we trigger that? Kaltsas – No language regarding that is included, but this suggests it'll be pushed off until the next development. Whoever the landowner is will be needing the turn lanes at some point. The County is approving it because it is their road and the City is trying to support them. McCoy – We just don't want another Brie Kessel issue. Kaltsas – The one thing we have going on here is that we have the separate N-S ROW. Gustavus has its own cul-de-sac and does not extend through. It's north of that that we collected a blank ROW. They are berming and landscaping it. They can't develop that further without getting this to be a road at some point, and then the turn lanes wouldn't be needed.

Motioned by McCoy, second by Betts to approve the First Amendment to the Development Agreement Between Gustavus Development LLC and the City of Independence as presented. Ayes: McCoy, Betts, and Spencer. Nays: None. Absent: Grotting. Abstain. Johnson. MOTION DECLARED CARRIED 3:0

Vice Mayor Spencer returned the meeting to Mayor Johnson.

11. Open/Misc.

12. Adjourn.

Motion by Spencer, second by McCoy to adjourn the meeting around 7:23pm.

Respectfully Submitted,
Linda Johnson / Recording Secretary