

MINUTES OF A WORK SESSION OF THE  
INDEPENDENCE CITY COUNCIL  
THURSDAY, DECEMBER 1, 2022, AT 7:00 AM

1. **Call to Order**

Pursuant to due call and notice thereof, a work session of the Independence City Council was called to order by Mayor Johnson at 7:00 a.m.

2. **Roll Call**

PRESENT: Mayor Johnson, Councilors Betts, Spencer, Grotting, McCoy

ABSENT: None

STAFF: City Administrator Kaltsas, Assistant City Administrator Simon, Public Works Director Bode

VISITORS: City Accountant, Steve McDonald and Erin Enstad

3. **General Administration**

a. 2023 Draft Budget Discussion

Kaltsas said we adopted a preliminary budget in September this year and we are looking to finalize it by the end of the year. We went through the budget and took year-to-date actuals to make sure most expenses and allowances are to date. We were looking to make any minor modifications. These would be any changes to outside services, contracts, assessor, audits, etc. What is presented shows the same max budget as in September. It shows an increase of 6.4% which lowers our tax rate. The police budget has been finalized now so that went down \$17k since September. Fire budget did increase a little bit across our 3 departments where we have contracts. We shifted some increase in staffing to public works. Year over year insurance costs is stable. Majority of our budget was police going up by \$200k. But our whole budget is going up about that same \$200k. We are remaining pretty stable. Some cities around us that we are compared to are showing some slight decreases or flat lines in their tax rates.

We met with the new county assessor yesterday to look at where we are year over year and where we are projected. More than half of our residents will see a decrease in their property taxes. The county has a tax increase of 3.5%. Even with an average of 19.6% increase in market value, still half of the residents will see a decrease in their taxes.

Johnson said the county did decrease their rate 1% as well so that will show up on the new tax statements. The final statement will go out mid-January.

Kaltsas said Dayton actually dropped their rate, but a lot of the cities are still capturing the windfall. Next year we are looking at an inflation rate showing 8% but all leading indicators are

showing that it is going down. There is a little bit of carryover for payable 2024 taxes. By adopting a decrease, we may have to adopt an increase at some point to stay level. Most of the changes just changed incrementally within the budget. We historically try to stay within a 3% change. Our proposed budget represents a 6.4% increase and around \$200k. We had a couple decreases in bond payments. We are projecting under 6%. Residential valuation shows a 17.5% increase and majority of our budget comes from residential taxes. We have utilized the same cities historically. We are going down, but we are not growing, which is not normal. Corcoran is staying flat but growing like crazy. Greenfield is very similar for size, staffing, but they have a 33% tax rate without a police department and our police department represents half of our budget. Dayton is doing national builder development that is producing a lot of revenue.

Grotting asked if Minnetrista is a comparable.

Kaltsas said Minnetrista has a weird cross section. There is no growth or AG land. They have a large development in one area that is blowing up with lots of activity.

McDonald said now is a good time to capture the value.

Kaltsas said staffing stayed the same. We are capitalizing buildings, not showing a significant increase with roads, but some towards Town Line on the South end where we share the road with Orono. We are funding purchases with cash. We have a 15-year projection with our equipment needs. The big things coming in is a crack sealer. We have always shared ours, but it doesn't work well since we have so much more need for it. With renting, it would take be more than just buying one. Next year we have \$40k budgeted for the road grader. It still works fine, but it's 20 years old. A new one is \$250-300k, but if we put in the work on this one, we should get another 10 years out of it. We are going to replace the John Deere tractor and ditch mower. We are looking at another tandem in 2025 to help offset some of our snow plowing route. Some of these pieces of equipment need to be ordered a year or more in advance to get it. We fund Public Works with cash. We have been putting a flat amount of \$60k in the budget but we put in a 3% increase to allow for inflation and other things. We make adjustments as needed if something comes up during the year. We are always evaluating our needs, putting money into something to make it work better or something that would make things more efficient.

Johnson asked if the recycling contract is up that much or are they just increasing their prices.

Kaltsas said our contract is up at the end of 2023. We will be going back out to look at other options. Last time we renewed, we only had one bid.

Johnson said some cities charge residents for recycling.

Kaltsas said we can look at this again to see if that's a good option. I wonder if the package deal for garbage/recycling is better. We should investigate this to see if there is even a deal on this.

How we have structured debt historically is to retain flat. You can see in 2027 we have a bond payment coming off, the 2015 tax abatement bond. This was our road project for our first overlay project. We will have the opportunity to capture some debt once these come off around 2027.

Betts asked if we get a lot of interest in paving Nelson Rd.

Kaltsas said we get a lot of interest in paving Turner, Copeland, Nelson and Hitsman. It is a \$50k per house project. You would need to get 30% of the residents to sign a petition and then we are forced to look at it. It is a 10–15-year note. It is basically an overlay. It's not a curb and gutter road. If you get into drainage that will add in costs.

McCoy said you might start getting inquiries for Valley, Pagenkopf and Lake Sarah since they use this route to get to Maple Plain now.

Spencer said the gravel roads cost a couple million dollars to add a good material to them to help maintain the roads better. We need to consider these costs soon. More significant maintenance

programs in other cities allowed for this. We are just scraping clay back into the middle and we really need to do some work on them.

Kaltsas said that 2027 is a good timeline to make it work if that makes sense to the City. We are trying to do our tiling projects.

Johnson asked about granite material for the gravel roads.

Bode said we did not get a bid this year

Betts said it is really a hard material to get right now.

Bode said dust control doesn't stick to con-bit. We have had a few loads with pieces that popped tires and ruined other things. Franklin Township put 32 loads down and they had to scrape it all back out because their grader kept getting flat tires.

Erin Enstad introduced herself – she has been with ABDO for 12 years and working with the City the past couple of months learning the operations.

McDonald said with the tax rate going down and a reasonable increase with the police financing issues, you have it all managed well. You are comparable with other cities.

Grotting asked if they are seeing an increase in cost of safety and police.

McDonald said salaries are going up. We are seeing that everywhere. It has to level off at some point.

Johnson said we asked Josh (assessor) yesterday if there is a drop in housing value with the interest rates going up. He said sales are slower, but values are still staying the same.

Grotting said there are some sectors depending on values.

Betts said there seems to be certain types of homes that are not selling.

Grotting said luxury homes are still doing fine.

Johnson said their year starts in September, so we are already into their new year.

McCoy said he heard that 40% of real estate transactions are cash.

Grotting said we are having a lot of interest out at the Koch farm. It is \$1.5-2m and people are not blinking at the cost. Those lots are big enough to accommodate a mixed generational home.

The budget meeting will be December 6<sup>th</sup> at 6pm for the TNT.

- Final City Budget and General Tax Levy
- Compensation Analysis Study

Kaltsas explained that this is part of our budget. We do a comprehensive analysis to make sure we are competitive and marketable with inflation and changes. I asked ABDO to put together a comp study and to look at classifications of each of our job descriptions. We are required to have pay equity among all our positions and be in pay compliance with the state. We haven't looked at this since 2015 so now seemed like a good time. What we did was like the police, looked at 15+ cities to compare. We selected 15+ cities that were market comparable. We looked at cities around us, but some of them didn't match our city. People are willing to travel more. With positions that are like positions – similar experience requirements, job function requirements, we compared those. In looking at those, we looked at what the average salary ranges were. Leah from ABDO did look at benefits as well. There wasn't a full benefit analysis but a high level of comparison. We are right in line with what most cities are offering. We are looking at minimum and maximum salaries for each position. Our minimum salaries were below average, but our

maximum salaries were above average. Our current pay for similar positions was right where it should be. We looked at our current pay grade system and we are proposing a new model/scale. Our current scale is based on job requirements if you have subordinates, management, etc. The new system is a good idea in order to promote people or grow as a city. This gives us more range to create or change positions. On the minimum scale, we wanted to have compensation that was right at or above 50% for market average. On the high end, we used 75% for the maximum range to be competitive. We had specific boxes for steps, and I wanted to eliminate the automatic step feature. We had 8 grades and pay steps that goes across the chart. Instead of having minimum, mid and max, we wanted to get rid of those steps and have pay grade range. Every year we would adopt a COLA so the whole table goes up by that COLA amount and within your pay grade range, we would annually adopt our pay increase based on merit pay. I am reworking our merit pay in our reviews. If employees hit all their measurables, they would have the opportunity to earn up to the max merit pay. This would allow us to work without limitations. We have to move between a box right now. We want to increase pay grade minimum by adopting a 12-grade system.

McCoy asked if the COLA would increase the table each year by whatever the COLA is.

Kaltsas said someone might get 1%, 2% or 3% but everyone would get COLA. It is based on performance more than a step scale. It limits someone from earning more than necessary for more than just showing up for work.

McCoy said we have 5 council members that want to support the staff, but what happens when you get a vindictive council member that would rather increase their salary and doesn't like their personnel. We don't have a union shop.

Spencer said we are really lucky to have Kaltsas. The point is that if we get a bad member, they are going to change it anyway. We will have to deal with it at that time.

Kaltsas said most cities do use the box scale. You get complacency.

Grotting asked if we compare in a bubble of government constitutions. This is very generous and add the benefits on top of that. Your average employees are not searching from one city to another. From a market hourly pay standpoint, it seems very generous.

McCoy said I know the cost to an organization if you are running short staffed. People will drive an extra 10 minutes for more money. No one would leave for \$5k but at \$10-15k, that would make a difference.

Betts said you can give people a lot of money but if you put them in an environment they don't like, they will leave.

Grotting asked if you created a bubble outside of government, is that a valid comparable.

Kaltsas said in my 25 years of experience in both government and private sector, at some point private sector employment will pay differently. It is hard to compare with private industries. There are bonus structures, retirement, investments. If you get into management, they start to fall out. On the low end, an admin position, this is a great position with great benefits. When we went out for our last admin opening, that was not a good experience. We didn't get many applicants. Public Works could go drive a truck and make more money, but they have to collect unemployment.

Grotting said if you have an hourly wage, but you have all these benefits, that's where it puts it all back into perspective.

McCoy said in my experience, we are in a weird time with the economy. Traditionally speaking when the economy is robust, public sector cannot get employees. With the anti-cop stuff going on, we probably wouldn't get applicants. I look at these wages and there is a lot of public sectors that would give you more and a lot more benefits.

Grotting asked if there is some give and take there.

Kaltsas said we have a set amount (stipend) that each employee would take to put towards benefits.

Grotting said there should be some consideration of the public sector is necessary in order to compare.

Kaltsas said we could probably do some admin staff, but probably not public works.

Betts said the work load we have is entirely different than a private sector.

Kaltsas said there are people who won't work private sectors because there are a lot of people that you work for.

Grotting said there is definitely some uniqueness and similarities in this.

Kaltsas said we have a 7% COLA in our budget this year since we missed the boat last year, so we need to increase it to be competitive. We are backfilling from last year and this year it has gotten worse so we are trying to bring that back up.

McCoy asked if part of the resolution will be to adopt this scale and then the COLA amount.

They you will set the employee wages accordingly.

Kaltsas said yes.

- Miscellaneous Project Updates

Kaltsas updated on Bridgevine. He said we have had lots of discussions with Medina on this. They have usually been positive. We made formal requests for the 26 additional connections. They brought it to their council and now they were not super favorable but willing to work with us. They had their engineer do some work and they feel that once we finish development that they will hit a compacity that they don't like. If we will pay to update one segment of pipe under Independence and Baker Park, they would be ok with that. It is \$400k. We met; it is a money grab by Medina. They want him to pay the \$800 connection fee. The quad city agreement says Medina can determine when they are at max compacity. If we do hit that threshold after we do that, we will figure out the formula. It is Medina's pipe that we all dump into. We do have additional compacity we have held for the Vinland project.

Spencer said they just put over 100 in for their developments. Our 26 connections are nothing. Kaltsas said we are trying to show them there is no impact. If we would agree to pay their 39% (back to the developer). We are asking the developer to update our lift station and that could be a \$400k upgrade. If you start doing the math on that, \$560k it's \$20k per lot. If you throw SAC charge and our charge, that is about \$30k/lot. We have to shoot for what we need for a lift station. Medina said they will give us sewer, but now we have to work out the details. I asked what the threshold is for capacity, and they couldn't tell me.

Betts asked if the pipe they put in a smaller pipe.

Kaltsas said they updated the lift station by Baker Park. No one projected that they would even be close to capacity.

Betts asked what is to stop them from doing more.

Kaltsas said the apartments are in the works and they should have paid some of that fee.

McCoy asked isn't the small 8" originally Maple Plain's.

Kaltsas said no, MP has their own pipe.

Grotting asked if they need to have the substandard length of pipe in there how this hasn't been brought up before. There seems to be 2 different issues. We should have a tabled discussion about it not being engineered correctly. What are we going to do about it.

Kaltsas said I'm arguing that they can take 26 homes just fine. We are not putting hardly anything into it. They are saying they don't know if it will work because they have the apartments to get out of paying any upgrade. We can ask them if it doesn't work, we would then agree to the 39%. As far as the Met Council comp plan piece, we got them to agree to our numbers and now I am waiting to hear back if they are going to change everything. I got a call from head; he is fine with numbers but there was a May rain event that caused our new lift station in MP to go over the top. It's a MP issue since they have too much and now we may not be able to do anything with Independence. He needs to figure it out before they can approve our comp plan. I asked for just Otten for now. He said they will allow us to put Otten into our current comp plan. We are not on the agenda to get approved yet.

Bill Stoddard did submit, proposing a commercial development. He is asking for 8 single family homes. It's more than what we should give him, but it is good since it closes off that road from Nelson Rd and protects the residents. He is proposing right in right out, and still trying to get the field. These are garage condos and high tax based. The lots are AG lots around 3.5-4 acres.

Betts asked if the roundabout would have any impact.

Kaltsas said they wanted to do a stub road off of Johnson's land if they allow it.

Betts said I wonder how long that lady will keep that land once those buildings go up.

Kaltsas said Stoddard is preserving the woods out there. These are really nice garage condos.

High tax commercial. The right in right out is \$750k. We are working on our own well to provide water out there. The cost is \$2m for storage and a well.

Johnson asked if they are demanded to have sprinkler system.

Kaltsas said yes. There is a storage requirement.

McCoy asked if we could service those 8 lots.

Kaltsas said yes you could.

Spencer said it gives us the upper hand to show we can service that area.

#### 4. **Adjourn**

The Workshop adjourned around 8:44 a.m.

---

Respectfully Submitted,  
Amber Simon/ Recording Secretary