

MINUTES OF A WORK SESSION OF THE  
INDEPENDENCE CITY COUNCIL  
THURSDAY SEPTEMBER 12, 2019 –7:00 A.M.

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, McCoy and Grotting

ABSENT: City Attorney Vose

STAFF: City Administrator Kaltsas, Administrative Assistant Beth Horner, Public Works Supervisor Bode

VISITORS: ABDO Andrea Worcester and Steve McDonald

3. General Administration

a. 2019 Budget

- o Preliminary Budget Review/Discussion
  - Police/Fire Budget Updates
  - Potential Bonding for City Hall/ Roadway Improvements

Kaltsas provided background on the budget. Council is being asked to consider and provide direction relating to the preliminary budget goals. For the past two years, Council has directed staff to prepare a budget using a flat tax rate of 40%. Abdo, Eick & Meyers and staff have prepared a draft preliminary budget which maintains no increase in tax rate and reflects an overall operating levy increase of 3.83% or \$113,824. The City has PW capital equipment cash balance of approximately \$166,000 with an additional \$51,467 being transferred by year end (~\$215,000). Based on the capital equipment plan, the City is in the process of purchasing a new tandem axel vehicle in 2020. The 2020 budget has planned for a \$75,000 transfer to PW capital fund. The City's capital equipment plan projects how the City will be able to fund capital equipment purchases moving forward using a flat budget number of \$60,000 per year after 2020 (see capital equipment plan). Once again, the capital improvement plan for City Hall shows no significant expenditures until 2020. The budget continues to contemplate the City taking on a more robust overhaul of the mechanical systems and interior and exterior needs of the building in 2020.

The budget reflects a 2% cost of living increase. It should be noted that health insurance costs are increasing by 6-8%. The City has been working on preparation of a capital road improvement plan. This plan has three primary areas: Street Seal Coating (Chip Sealing), Gravel Road Tiling, Bituminous Road Overlay/Upgrade. Staff has been working to project/prioritize needs for improving and maintaining roads for a five-year period. From the information prepared in the initial draft, it can be seen that the City would need to increase street funding by a significant amount in order to fully fund road improvement projects. It is anticipated that staff will revise this plan to show how the recommended road maintenance can be accommodated within the City's budget. As a placeholder, \$40,000 is being placed in both the seal-coating and road tiling line items for 2020. This amount, combined with some of the funds typically budgeted for gravel and bituminous road maintenance, could be used to realize the road maintenance needs moving forward.

McDonald said key items are outlined in the memo. Capital transfers were done at 75k whereas last year it was about 68k. We are keeping the tax capacity at 40 or below which will mean the general overall increase will be less than 4%. The City is starting to build reserves for future capital. McDonald said the wild card is the Fire budget. Kaltsas said he heard from Maple Plain that they will be pretty flat but he has not gotten an answer from Delano on their number. He noted they are generally our smallest percent. McDonald said the Police budget is at a 2.3% increase. The total City levy is 3.83%. Kaltsas is looking at the mutual aid charges and what percentage the City is being charged.

McDonald said the overall tax capacity increase for the City is 3.45%. County-wide that number is 10%. Residential saw a rather low increase at 2.31%. McDonald said most revenue categories will stay the same. Kaltsas said when the tax rate is kept flat it is an opportunity to true up line items. The budget does not have a fluff factor built into it. The pool of money left is used to fund capital equipment items or administration needs. Kaltsas noted two-line items added under the streets budget which are seal coating and road tiling at an amount allocated of 40k each. These may need to shift a bit, but the purpose is to fund a seven-year plan for roads. Betts asked about the aging road signs. Kaltsas said they will be replaced. He said tiling will help maintain the roads and reduce the need for gravel. Betts noted there are culverts that are not draining properly specifically citing Becker and Pagenkopf.

Grotting asked about technical security for the City. Kaltsas said two years ago we switched servers from shared with West Hennepin Public Safety to secured. He noted the City is 100% backed up to the Cloud now.

Spencer asked if there would be an increase for Pioneer Sarah Creek Watershed and Kaltsas said there was \$10,930 allocated to that fund.

Kaltsas said the road piece will be detailed out to work with the capital plan. Spencer thanked Kaltsas for working on the budget over the past few years to make it more transparent.

Kaltsas asked about another round of debt issuance. He said he reached out to Northland to take a look at what the City could do with new bonding. He wants to look at the max amount on a 15 or 20 year debt and what those payments may look like over 6 years. Kaltsas said they would look at the interest and the net present difference. 3.7 million could be under the 15-year note. Kaltsas is looking at what is the most efficient way to accomplish two projects which include the street overlays and improvements to the City Hall building. He noted one of these projects could be done in 2020 with debts coming off. Kaltsas said if there were to be a bigger bond issuance then both projects could be done. He noted City Hall needs carpeting, paint, AC/ heating units and wallpaper. He noted it would also be nice to update the Community/ Council Chambers. WHPS would like to have more garage space.

Johnson said he heard of a soybean product to spray on bituminous roads for 10-year longevity. Spencer asked about the tax abatement recall. Kaltsas said we did not have the time to wait so had to do the tax abatement. He said a 3 million debt could be structured anyway we want. Spencer noted rates are historically low and it's never been cheaper to do this. Spencer said we may never get this opportunity again. Spencer asked if it would be possible to do for the 1.2 million. Betts said the Council Chambers need to be reconfigured. Betts noted we have always been very conservative and we need to invest in roads and City Hall. She said she would like to see everything get done as we are in a good position and rates are good.

- b. National League of Cities Service Line Warranty Program
  - o Discuss Program and Potential Offering to Residents

Kaltsas said Staff has discussed the possibility of offering the National League of Cities Service Line Warranty Program to residents of the City. The program is operated by a third-party insurance group that provides insurance for sanitary sewer and water service lines that run between the City owned main line and the residence. Many homeowners are not aware that their homeowner's insurance policy does not typically cover the costs associated with leaks or breaks in the service line between the street and the home. The City is only responsible for the main line and does not cover any breaks or leaks outside of the City's right of way.

The program that is offered would cover both residents connected to sanitary sewer and also residents on septic systems. The cost for the service line program is \$7.75 per month. In addition, there is a second insurance that can be purchased that covers interior plumbing and drain tile. This program costs \$9.99 per month (see attached program cost and coverage summary). The City is involved in this offering by allowing the company to use the City's logo on marketing information that is sent to the residents. In exchange, the City would receive \$.50 per product per user per month. The City has no other involvement in the process, claims or coverages. Information pertaining to the program is attached and can be discussed further at the workshop. Staff will be seeking direction relating to the product and whether or not it should be offered to residents of the City.

Johnson said 3 or 4 years ago we sent a feeler out to residents, but he was not sure what that outcome reflected. Spencer said it would be a good thing to offer and a great public service message from the City.

- c. Zoning Discussion for Property (PID No. 0111824220010) on Lake Sarah Heights Drive
  - o Use of Existing Property

Kaltsas said the City received an inquiry about the use of an existing vacant property located on Lake Sarah Heights Road. The property is an out lot that was platted as a part of the Beamish Estates 2<sup>nd</sup> Addition plat. The property appears to have been platted to accommodate a future right of way that would provide access into the property located north of the railroad. The property owner across the street from this property is asking if the City would ever allow this out lot to be re-platted and combined with the property across the street for the purpose of constructing a detached accessory storage building. Staff will provide additional context at the meeting and is seeking the initial reaction of the Council to this concept.

Council thought the interested party should ask the neighbors first who border the property and get a feel for what their thoughts would be about it.

4. Adjourn

**Mayor Johnson adjourned the work session at 8:48 a.m.**

Respectfully submitted,

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Trish Gronstal, Recording Secretary