

MINUTES OF A WORK SESSION OF THE  
INDEPENDENCE CITY COUNCIL  
WEDNESDAY, AUGUST 28, 2024 – 7:00 AM.  
(WHPS Conference Room)

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 Spencer, Betts, Grotting, McCoy

ABSENT: None

STAFF: City Administrator Kaltsas, Administrative Services Director Simon, Public Works Supervisor Bode

VISITORS: Michael Hirsch (Engineer with Kimley Horn), Chief Kroells, Steve McDonald (ABDO)

3. GENERAL ADMINISTRATION

a. 2025 Draft Budget Discussion

- City Budget and General Tax Levy
- WHPS Budget
- Fire Budgets

Kaltsas explained there was a \$45k decrease from where we were at since the last meeting, with majority of that change coming from the WHPS and Fire budgets. The budget went from 6.3% down to 5% for the general budget. Overall, it is going up by 4.5%. The city is still working on MP Fire due to administrative charges that changed significantly. The rate went up 5.03% over prior year. This shows the tax rate going down by almost a full percent. The streets budget is showing an increase because the city is funding the gravel road projects. The Hennepin County assessor fees are now zero, so the city is getting a break on that, which is usually in our budget for \$80k. We are increasing line items for gravel roads about \$100k, the recycling budget is going up (but we were aware of that increase in our contract). Another number that is going up is calcium treatment. The city saw a big jump in pricing last year, so this is an estimated increase for next year.

Mayor Johnson asked Chief Kroells what caused the decrease in his budget for WHPS.

Kroells said it was prior year work credit for longevity. The employees asked for 0.75% for one year.

Kroells also looked at a few other line items that had some room to adjust a little. He said he decreased the wage increases from 8.4% to 7.5% and said it could get reduced a little more if the police commission says to do that.

Johnson said he doesn't want to cut so much that we wish we hadn't gone so low later. He said we can always cut between now and December.

Kaltsas said we can go lower later, but we shouldn't go too low right now until we know more solid numbers.

McDonald said the tax rate went down but valuations went up 8%. Those are the drivers. He said four years ago, the goal was to stay under 40% and the city is at 30% which is great.

Kaltsas said Greenfield's budget was at 5.6% and they have no police. Gary knows a big part of our budget is policing. If you took it out of our budget, we would be down to 2%.

Grotting asked about pulling items that WHPS self-expenses to make that more realistic.

Spencer said we do that because of the joint powers agreement. Independence can't tear that up.

Johnson asked if we heard anything from LMCIT for anticipation on pricing or payments.

Kaltsas said we haven't heard anything, but we usually do talk about rates and where those are expected to go.

McCoy asked Kroells if there is anything in his budget that he has a choice in besides longevity and wages.

Kroells said those are basically the two items he can control. The only determining factor is inflation cost or COLA costs for the employees. He said work comp costs went from \$60k to \$120k from LMCIT. I can't do anything about it. Squad cars went up and gas went up. Other than paying for officers there is not a lot we can do. People have said reduce benefits, don't give them a raise. Those aren't good options for us right now. We struggle to find help and are always short. This budget includes another officer. We used public safety aid to help us with that extra officer but 2026 it will come due. Kroells said defunding the police scared a lot of people. No one wants to do the job anymore and parents don't want their kids to do it either. We had 150 applications 10 years ago. We can't even get 1 a month now and the job has been posted for over a year!

Spencer asked about Pioneer Sarah Creed Watershed.

Kaltsas said we are up 1% YOY for PSCWS.

McCoy asked if the fire budget increase is related to the audit.

Kaltsas said Maple Plain got rid of their finance clerk. They hired ABDO to do the finance and budget. They used to have an admin fee of \$7k that they charged, but now they added an admin fee and asked Independence to pay \$37k.

McCoy said Maple Plain Fire should have three line items: audit, capital, operating.

Kaltsas said the price went from 0 to \$37k for that line item. If there is an increase, let's lock down what it pays for.

Johnson asked if Kaltsas wants to put this on the agenda for the next agenda.

Kaltsas said the second meeting. If anything else comes up we have the option to change it. It won't be the final budget. We do have to certify the highest level we are willing to go to and we can always come down. We have historically tried to come in close. He asked if we are going too low at some point. Police is offsetting with some federal money. We have 2 more years of \$30k saved to offset from ARPA funds. At some point, I don't think we will continue to see 8% market value increases. If we see some compression of that, we will have to raise our rates. The tax rate number is 30.55% and we set a bar to not go over 40%. If market values continue to compress, our rate will have to jump back up.

Spencer said he doesn't think people understand the tax rate very well.

Kaltsas referenced the city's next project. If the city issues more debt levy, the one thing to think about is the impact for gravel roads. We have an existing debt levy \$315K for 2026 and adding \$246k onto that in two years. We should start thinking of that. That's if we do the bigger gravel road project. We have this window from 2027-2036 where we have a levy we have to absorb. Based on interest rates based on 3.3%.

Spencer said we might come in a little lower than that when we get to that.

Kaltsas said it's not a terrible rate. We were at 1.3% before. He asked how we capture that amount in our budget. He said the city can structure that debt however they want, but he wanted to show it as 2027 payable.

Spencer asked if the city is going to do some 2025 work.

Kaltsas said yes.

Spencer asked if the city could build some of that into the 2025 budget and stair step that into the budget. He said the city has other smaller projects we could do. Let's say we put \$175k in gravel roads for a one-year item. We could pay for it in 2025 so when we get to 2026 it isn't such a jump. We could also get a little more work done and citizens are really looking for that gravel road project. Fixing culverts, etc for \$175k-200k. It will bump our tax rates a little bit but it won't be such a jump in 2026. Maybe we take on a couple more projects in 2025.

Kaltsas asked what percent he wants.

Spencer said how about a 5.99% increase. He asked how much that would give us.

Kaltsas said we have \$100k. It would be about 6.2% if we went to \$175k.

Spencer said we are still looking good in comparison to other cities.

Kaltsas asked what if market only goes up 5% or goes down.

Kroells said we added an 11<sup>th</sup> officer in 2025. I took \$120k to keep the budget low. In 2026 that money goes away and you could have a double impact on the budget.

Spencer said let's say we came in at 6.9% to give us a little more money to do more work in the city.

McCoy asked what if we kept the tax rate the same.

Spencer said annual maintenance isn't ever going to get cheaper.

Kaltsas said we also have things that come up sometimes. If we get any extra money, it's nice to not be so tight.

Johnson said we won't have an \$80k assessment next year decrease like we will from 2024-2025.

Kaltsas said we keep going low and running efficient but at some point, it might bite us.

McDonald said 6.9% puts another \$70k on the levy.

Spencer said he thinks the city should cushion it and get more done this year and then it's a little less painful the following year.

Kaltsas said we can go through the gravel. We would be front loading a big chunk in this project.

What was going to be a 10-year plan is now a 5-year plan. It is probably 6 years total. At that point, the city would have redone all the roads in the city. We could take that a little longer if needed.

Spencer said we could bump up the taxes a little more and take advantage of this now. It is money being used.

Kaltsas asked McDonald what stay flat gives us for funds.

McDonald said \$110k.

Spencer said maybe we put that into the budget now. We can always pull it down if we need to.

McDonald said the increase would be 8.2% for a tax rate.

Spencer said how about 7.5% and put it into gravel roads as a front runner. Let's see what that looks like as a preliminary.

Kaltsas explained that if you are talking with the public, we are actually lowering the tax rate. If a \$500k house this year had no change in value, you would actually pay less taxes to the city of Independence. The portion of taxes to the city only accounts for 1/3 of the total property taxes. We can't control market value. We are trying to do a \$2m road project investment without assessments. We don't assess in Independence yet. If we do Ilduhapi or Copeland for paving, then we would, but right now we are not forcing assessments.

McCoy asked if there is a fire accommodation plan and if there is anything we need to address for 2025-2026.

Kaltsas said the issue we have is the funding for the relief. There is \$165k in reserves that is unaccounted for. The fire dept should be a \$0 balance. We fund it if its short and get money back if there is extra. The \$165k could be utilized for the buydown.

Spencer said if you merged the two depts together, we would have \$200k in there. It's doable without a number in here. We are at a point of appointing an attorney to get the nuts and bolts in order.

b. Miscellaneous Administration Updates

Kaltsas said Shawn, our public works supervisor, wants a new lawn mower. We have had issues with the Kubota. It just had a major warranty repair of \$8k. It is a 2017 and Larry liked that lawn mower. Our guys would like 2 zero turn lawn mowers instead. We have talked about this for a while. The repair guy said this is a known issue and will probably happen again. Its 7 years old. We have money in our capital budget to shift around. Public works would like a Toro. We would trade in the Kubota this year for \$7k, buy a new one for \$15k and pull the difference out this year. Next year we would buy the second one. The plan would be to fund the new one out of the capital budget next year. We had \$30k in 2027, so it doesn't impact anything.

Betts said it's a good idea.

Johnson asked who the dealer is.

Bode said Lano. He said this price is with better tires and heavy-duty blades. It would be the same lawn mower that lawn crews are using.

Spencer said it's good idea.

Parks:

Kaltsas said we have a bridge in pioneer park that is underwater. It is not a permanent bridge. He asked about getting a boardwalk in there that goes up and over the creek, that is permanent, and won't go under water. He said Shawn has been trying to find people to talk to us about it. It would be 50ft long, 8ft wide. It would look like a golf course boardwalk and would have a railing on it. Bruce said the building code doesn't require a railing, but it is a good idea to do one. This would also be big enough that a squad could drive across it if needed. The bid is approximately \$23,750.

Betts asked what kind of wood it is.

Bode said it is brown treated.

Kaltsas said it will last 20 years or more.

Spencer asked if green treated seems to last longer. If we put green treated in, it would look the same. We can have the church volunteers seal it a year later since they are always asking for work. He asked if this would come out of the park fund.

Kaltsas said yes. It's a good investment in our park. He said he would bring it back as a council item.

Grotting said he thinks a floating bridge would be a good option that would handle a z turn.

Bode said it might flex.

Grotting asked if there are any other design options.

Kaltsas said a steel bridge, but the cost would be at least double. You have to design the abutments.

Grotting said he just put in a floating bridge at his cabin, and it is very stable.

Betts asked about wintertime.

Grotting said you can section them together. It freezes in and freezes out. You can get over there with a decent mower, maybe there's an option for it in the park. He said his doesn't have a railing, just a floating one. It's very stable. It rides up and down on posts.

Betts asked about the Maple Plain Museum and what we were going to do with that.

Kaltsas asked if council wants to give more.

McCoy said we have our own museum that needs to be cleaned out.

Kaltsas said the same thing needs to be done on ours with relocating it and rebuilding it.

Spencer said it would have to be rebuilt, you cannot preserve it.

Kaltsas said Maple Plain has the museum slated to go in memorial park.

McCoy said we need to let them know that we have our own that we need to work on.

Kaltsas said that might be a good volunteer project too.

#### 4. Gravel Roads Capital Planning

##### a. 5-Year Capital Gravel Road Plan Discussion

- Phase I – 2025 city wide gravel road project
- Phase II – 5-year capital gravel road plan

Kaltsas explained that Shawn and Michael have been working on the road projects. He asked what if we do \$1.25m and back in some additional funding for annually. We increased to \$1.5m to do more in 2025 and backfill after that.

Kirsch said this would spread the wealth to some other roads. It would add Additional soil on Lake Sarah and other roads. This also includes the other line items that weren't originally proposed. Game farm, Kuntz, Ingerson and some others in comparison. This includes culverts, ditches, etc. There are 18 culverts needing repairs.

Kaltsas said Ingerson has 3 culvert replacements. It is more comprehensive than what we talked about before. These are the issues we know about.

McCoy asked if this was starting this winter.

Kaltsas said Kirsch has it drawn out for late this year.

Kirsch said yes, around January timeframe.

Grotting asked about the quality of material because we have seen it degrade on some roads.

Kirsch said we will get quotes from different suppliers. They will have to meet the gradation of everything and inspect it.

Spencer asked about doing an open house on this topic this winter. He said it's a good way to let people know we are doing this and show people what we are doing. Let's get them out there. This hits a lot of roads. This is much better.

Kaltsas talked about the Copeland Road meetings. He said Copeland Road has a significant investment need. It's a very robust project. We have taken the Copeland Rd model and applied it broader. He said let's do the full culvert, ditch, everything in the first project. It's about a \$490k investment for Copeland in 2025. Lake Sarah Rd shows increase in gravel. Part of it will be a 6" recap. These are the areas we can do a 3" but other areas on it where we need more. The cost is around \$1.5m. The next piece of this is 2025-2029 with the rest of the roads in the city. It correlates with the \$100k per year budget. We have a CIP for seal coating and tiling. We broke the roads into years.

Grotting asked about Klaers Dr.

Kaltsas said we are not maintaining Klaers Dr. under agreement. We are paying \$2500/year to Brian Van Beusekom to maintain it. This is North of Lake Sarah where half of the road is in Independence and half is in Greenfield.

Spencer asked if Lake Sarah Rd was  $\frac{3}{4}$  with different mix of fines. He said it got soupy.

Bode said that was class 5.

Spencer said it was such a nice project to begin with and now it looks bad.

Kirsch said that's what the 3" minus goes under class 2 to help support.

Spencer said he doesn't want to do all of this and have the roads look like that in a couple years.

Bode said dust control does not stick to conbit.

5. Adjourn

Johnson motioned to adjourn at 8:28 a.m.

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Respectfully Submitted,  
Amber Simon/ Recording Secretary