

**MOUND CITY COUNCIL MINUTES**  
**September 10, 2019**

The City Council of the City of Mound, Hennepin County, Minnesota, met in regular session on Tuesday, September 10, 2019 at 7:00 p.m. in the council chambers of the Centennial Building.

Members present: Mayor Ray Salazar, Council Member Jeff Bergquist, Paula Larson, Sherrie Pugh, Phil Velsor.

Members absent: None

Others present: City Manager Eric Hoversten, Director of Finance & Admin Services Catherine Pausche, City Engineer Brian Simmons, Mary Davis, Cassidy Jenkins, Zack Hayes, Elexis Joncoeur.

*Consent agenda: All items listed under the Consent Agenda are considered to be routine in nature by the Council. There will be no separate discussion on these items unless a Councilmember or citizen so requests, in which event it will be removed from the Consent Agenda and considered in normal sequence.*

**1. Open meeting**

Mayor Salazar called the meeting to order at 7:00 p.m.

**2. Pledge of Allegiance**

**3. Approve agenda, with any amendments**

Hoversten modified agenda item 8 by adding a 15 slide handout to be included with supplemental packet.

MOTION made by Velsor, seconded by Bergquist, to approve the agenda as amended. All voted in favor. Motion carried.

**4. Consent agenda**

MOTION made by Larson, seconded by Velsor, to approve the consent agenda. Upon roll call vote, all voted in favor. Motion carried.

\*A. Approve payment of claims \$535,293.45

\*B. **RESOLUTION NO 19-60: APPROVED PURCHASE OF HENNEPIN COUNTY TAX-FORFEIT PARCEL IDENTIFIED AS PID NO. 24-117-24-44-0128 AND DETERMINATION OF CONSISTENCY WITH 2030 COMPREHENSIVE PLAN AS REQUIRED BY MINNESOTA STATUTES 462.356**

\*C. **APPROVE PAY REQUEST NO. 5 AND FINAL IN THE AMOUNT OF \$14,953.64 TO MINGER CONSTRUCTION FOR 2018 LIFT STATION (SHOREWOOD/BEACHSIDE) AND WILSHIRE BLVD SEWER IMPROVEMENT PROJECT PW 18-03, 05**

**\*D. RESOLUTION NO 19-61: AUTHORIZING 2019 CENTRAL BUSINESS DISTRICT (CBD) PARKING MAINTENANCE ROLL TO BE CERTIFIED TO THE COUNTY AUDITOR AT 5% INTEREST**

5. **Comments and suggestions from citizens present on any item not on the agenda.**  
(Limit to 3 minutes per speaker.)

None.

6. **City Engineer Brian Simmons presenting final construction costs for 2018 Street and Utility Improvement Project (Westedge Blvd) PW-18-01 for discussion and action:**

Simmons requested approval of the final construction costs for the 2018 Westedge Boulevard project, noting the assessments are approximately \$400 less per ERU than the original estimate.

MOTION by Bergquist, seconded by Velsor to approve the final costs for Westedge Improvement Project. All voted in favor. Motion carried.

- A. **RESOLUTION NO 19-62: DECLARING COST TO BE ASSESSED, AND ORDERING PREPARATION OF PROPOSED ASSESSMENT ON 2018 STREET, UTILITY AND RETAINING WALL IMPROVEMENT PROJECT – WESTEDGE BOULEVARD, CITY PROJECT PW-18-01**

Simmons said the next action is to call for the assessment hearing which will trigger the correct 429 process, including sending out letters and publishing notice in the paper notifying affected property owners that special assessments will be levied to the property tax and providing them the opportunity to pay up front to avoid interest.

MOTION by Berquist, seconded by Velsor, to approve the following resolution. All voted in favor. Motion carried.

- B. **RESOLUTION NO 19-63: FOR HEARING ON PROPOSED ASSESSMENT FOR 2018 STREET, UTILITY AND RETAINING WALL IMPROVEMENT PROJECT – WESTEDGE BOULEVARD – PW-18-01**

7. **City Engineer Brian Simmons requesting discussion and action to approve a change Order in the amount of \$46,960 for the 2019 Manhole Rehabilitation Project PW-19-09**

Simmons said the Council voted to approve the low bid on a manhole rehabilitation project on August 13th, and since the amount was well below the \$90K budget for 2019, the contractor has agreed to take on more work at the same unit prices. Simmons said the change order allows the City to double the amount of manholes and take advantage of an aggressive price from a well-known contractor. Simmons said the work will be mainly in the Island Park neighborhood and, if approved, the total amount for the project would be \$88,820.

MOTION by Velsor, seconded by Larson, to approve the change order. All voted in favor. Motion carried.

Simmons commented the Swenson Park tennis courts has been paved smooth and black and noted there is a 28-day curing period before applying the acrylic playing surface and then net posts will be installed. Mayor Salazar said the Council is pleased noting this is wonderful news.

8. **Catherine Pausche, Director of Finance and Administrative Services, with an overview of the 2020 Preliminary Budget and Levy and requesting action on the following resolutions:**

Pausche discussed the proposed preliminary budget and levy, stating state statute requires that the preliminary levy is set in advance of September 30<sup>th</sup> and that it is certified to the county auditor for use in preparing truth in taxation statements that are sent in November so owners can see the potential impact on their property in advance of the final budget approval, which will take place on December 10th.

Pausche gave a presentation to highlight relevant tables in the budget packet and stated more detail will be given at the budget workshop on October 15th, noting tonight's discussion is really about setting the preliminary levy as required by statute.

Pausche said a 3.5% increase in the General Fund Revenue Levy and a 3% increase in the overall levy is being proposed. Pausche stated the proposal is to utilize \$399K of General Fund-fund balance reserves, including a one-time \$75,000 potential expenditure to allow for a smooth transition of a key staff member.

Pausche reviewed past discussion and analysis on the difference between property tax levies and utility rates. Pausche noted the Long Term Financial Plan (LTFP) approved in 2018 provided for building reserve funds that will help offset deficits in the utility funds and reduce future reliance on debt. Pausche said Mound is mainly residential, with diversity in property values because of lakeshore and non-lakeshore, but similar in usage of water consumption based on demographics. Pausche further explained that Mound is

actually a very homogeneous group of residences with 1-5 people to a family who use 1-20,000 gallons of water per quarter, compared to cities who have a major commercial industrial complex that uses tons of water and makes up a large part of the total tax capacity.

Pausche explained the tradeoff between putting things on the property tax levy vs. the utility bill. Pausche showed a chart comparing Mounds tax and utility rates compared to other cities as well as a chart that showed 95% of the tax base is residential, 74% which are off-lake parcels and pay 45% of the taxes and 22% which are lakeshore and pay 43% of the taxes.

Pausche highlighted the property tax levy is 48% of total revenue and utility user fees are 37%. Pausche showed charts indicating debt service is a significant part of the overall expense, noting the City is highly leveraged from millions of dollars of investments in roads, water and sewer infrastructure. Pausche showed comparisons to peer cities showing more debt but lower actual operating expenses per capita. Pausche said the debate is over what constitutes a fair system of allocating the cost of city services and it is up to the City Council to determine the balance between property taxes and utility rates.

Pausche said taxes based on property values do not necessarily bare any direct relationship to the benefits of government goods and services received, noting a family of 5 who lives on the lake is apt to use the police and fire, streets and parks similar to a family of 5 off-lake. Pausche said Mound is very much in the norm in how costs are allocated and electing to charge utility rates instead of taxing is to treat these services like commodities and charge for the perceived benefit to each property.

Pausche noted the resolution to update the debt service levies is just a housekeeping exercise to reevaluate the initial bonding assumptions against the actual special assessment revenues received.

Mayor Salazar asked if there were any questions. Bergquist asked if most cities use the utility fee model. Pausche answered close to 100% use it in some capacity and it is just how it's divided between the base and variable fees. Bergquist agreed and said it seems to be a fairly good way to do it because it is based on usage and it's easy for a city to balance those. Pausche noted the base fees tend to be higher because of the debt related to infrastructure upgrades but also noted Staff is hearing many municipalities are feeling the same pressure. Pausche said it can't be all based on variable because of weather conditions and at the end of the day, the City would have to raise the variable rates considerably to achieve the revenue targets if the base fees were reduced.

MOTION made by Larson, seconded by Velsor, to approve the following resolution. All voted in favor. Motion carried.

- A. **RESOLUTION NO 19-64: RESOLUTION APPROVING A LEVY NOT TO EXCEED \$248,555 FOR THE PURPOSE OF DEFRAYING THE COST OF OPERATION, PURSUANT TO THE PROVISIONS OF MSA 469, OF THE HOUSING AND REDEVELOPMENT AUTHORITY OF AND FOR THE CITY OF MOUND FOR THE YEAR 2020**

MOTION made by Bergquist, seconded by Pugh, to approve the following resolution. All voted in favor. Motion carried.

- B. **RESOLUTION NO 19-65: RESOLUTION AUTHORIZING CHANGES TO DEBT SERVICE LEVY SCHEDULES AND TO APPROPRIATE FUNDS IN THE DEBT SERVICE FUND FOR BOND SERIES 2011A, 2012A, 2012B, 2016A, 2018A AND 2015B**

MOTION made by Pugh, seconded by Bergquist, to approve the following resolution. All voted in favor. Motion carried.

- C. **RESOLUTION NO 19-66: RESOLUTION APPROVING THE 2020 PRELIMINARY GENERAL FUND BUDGET IN THE AMOUNT OF \$5,619,313; SETTING THE PRELIMINARY LEVY AT \$5,993,083; AND APPROVING THE PRELIMINARY OVERALL BUDGET FOR 2020**
- D. Mayor Salazar announcing: The 2020 Final Budget and Levy discussions and decisions will take place at the Dec 10, 2019 Regular Meeting, at 7:00 pm, in the Council Chambers. Public comments will be taken at this meeting. Comments or questions on the 2020 Budget and Levy can be directed to the Finance Director at 952-472-0633.

9. Information/Miscellaneous

A. **Comments/Reports from Council members**

Hoversten highlighted the following dates:  
Westedge Street Project Assessment Hearing - October 8  
Budget Workshop - October 15  
Final Budget Approval - December 10

- B. Reports:
- C. Minutes:
- D. Correspondence:

10. Adjourn

MOTION made by Bergquist, seconded by Velsor, to adjourn at 7:37 p.m. All voted in favor. Motion carried.

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Mayor Raymond J. Salazar

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Attest: Catherine Pausche, Clerk

