

**MOUND CITY COUNCIL
SPECIAL WORKSHOP MINUTES
July 8, 2025**

The City Council of the City of Mound, Hennepin County, Minnesota, met in a special workshop meeting session on Tuesday, July 8, 2025, at 5:00 p.m. in the Council Chambers in the Centennial Building.

Members present: Mayor Jason Holt, Council Members, Michelle Herrick, Kathy McEnaney, Sherrie Pugh, and Kevin Castellano.

Members absent: None.

Others present: City Manager Jesse Dickson, Deputy City Manager Maggie Reisdorf, Finance Director Noah Iverson, Public Works Director Ryan Prich, and City Attorney Scott Landsman.

Water Treatment Facility Funding Overview

Reisdorf introduced this item to the City Council. She said that at the previous City Council workshop meeting on June 24, 2025, the City Council talked about a staff proposal for increasing Franchise Fees in 2026 to increase the amount received for this revenue stream. She said that the process for increasing the fees for 2026 requires the following of various city and utility company timelines/deadlines and therefore needs to be decided soon if there is interest in increasing the fees. She said that the additional revenue could be used to fund upcoming capital projects, similar to the current fee revenue, or it could be considered for use to help reduce utility rates in the future as the City Council continues to discuss the building of a water treatment facility.

Reisdorf said that tonight's meeting was going to focus on the historical efforts of the city and City Council with regards to the water treatment facility. She noted that it has been several years since the State of Minnesota notified the City of Mound about its manganese issue in its drinking water. Reisdorf provided a summary of the estimated cost of building a new facility (\$41.3 Million) and the external revenue that the City has received do far to help fund the facility's construction (\$10.3 Million in state funding – MN Bonding Bill 2023 and \$959,753 in Federal Funding – Congressionally Directed Spending). Reisdorf noted that the City is currently trying to figure out how it will pay for the nearly \$30 Million project balance.

Reisdorf stated that the City did not receive any requested state funding in 2025. She noted that the City has submitted for additional Federal funding (\$7.5 Million - Community Project Funding and \$15 Million – Congressionally Directed Spending). She noted that the most the City could get from both of those sources is \$15 Million. Reisdorf said that the City would know at the earliest by September 2025 if any funds are allocated to the project.

Holt said that the City would know the earliest about Federal funding in September/October and asked the City Council how it wants to proceed at this time with the project. He asked them based on what the City Council knows at this time as it pertains to funding, do they just rip of the Band-Aid and move forward with building the facility by financing the remaining \$30 Million, or do they keep trying to secure external funding. He noted that his original plan was to see if the City would get state funding in 2025 and then bring the information to a public forum in which the public would be invited on July 22, 2025. Holt noted though that the City did not receive state funding but could still wait to see if any Federal funding is received in September.

Reisdorf explained that the City qualifies for a 20-year Minnesota Public Finance Authority (PFA) loan, but would not qualify for their 30-year loan. She noted that the 30-year is based on an affordability algorithm that the City would like meet. She explained that the only 30-year loan option then would be a higher interest rate General Obligation (G.O.) Bond. Reisdorf provided a loan scenario pulled from data in April 2025, in which the 20-year PFA loan was showing an interest rate of 2.60% and the 30-year G.O. Bond was showing an interest rate of 4.57%. Reisdorf noted that the difference in interest alone would be about \$15 Million.

Holt referenced a graph that showed several utility bill increase scenarios for the average quarterly user. He explained that the graph showed the planned increases per the utility rate study, a 20-year loan at 2% and 2.60%, as well as what utility rate estimates if the City Council were to incorporate Franchise Fee/Liquor Store Transfer revenue into helping pay for the project debt.

The was discussion between the City Council on the different scenarios.

Holt stated that the presented scenarios are based on if the City decides to move forward with the project now and doesn't try to secure any more external funding. He did note though that if Franchise Fees and Liquor Store Revenue is shifted over to the utility funds to help reduce and manage utility bills, that this revenue would no longer be used for capital projects within the General Fund. Holt explained that the gap created by shifting those funds away from capital projects would have to be made up with the tax levy.

Iverson noted that to make up for the difference, it would be about a 9.4% increase to the tax levy.

Reisdorf said that the PFA does provide some flexibility in the early years of the loan as far as a potential shift in principal payments to the later end of the loan.

Holt stated that looking into that flexibility may be helpful. He noted that no one wants to raise the tax levy, but that they are in a tough spot as a City Council based on past decisions and that this City Council needs to be fiscally responsible and get the City finances where they need to be.

Reisdorf stressed again that this data is if the City were to move ahead and finance the project now. She said that the City Council could wait to see if it gets Federal Funding in September, which could significantly help fund the project. She said that bidding out the project will also be important information, as the project bid could come in lower than the estimated and projected current cost.

Holt noted that the City of Mound has a reputation for not doing anything. He explained that the manganese issue will not go away on its own. He referenced two other nearby cities that recently approved building a water treatment plant.

McEnaney said that people are going to be either mad about the water issue and/or they will be mad about their water rates going up to get the water treated with a facility.

Castellano agreed. He said that it could be helpful when the time comes, to have a line item on the utility bill showing users their cost for the water treatment facility.

There was discussion between the City Council about how if the City were to finance the project now, it would double the City's debt.

Herrick stated that the City Council needs to be aware that the school referendum that was passed during the last election will hit people's taxes in 2026.

Castellano said that the City is only one part of the tax bill and that it would be important to show the residents which part is going to the City of Mound.

Herrick noted that she talked to a resident recently who put in their own filtration and water treatment system. She expressed concern over residents who have already put systems in and are now going to see their bills increase for the water to be treated by the City.

Holt said that people tend to focus a lot on the negative and that the City needs to do a better job with presenting the positive.

McEnaney said she doesn't like the idea of doubling the City's debt for this project.

Holt said that he wants to give the public an opportunity to share their thoughts and help guide the City Council on next steps. He stated again that a decision needs to be made to do something now or to wait to do something in the future. He noted that since he has been mayor, he has included a water update in eight of the ten newsletters.

McEnaney expressed concern about how the increases in rates will impact some people really hard.

Castellano agreed.

Holt talked about considering monthly utility bills again instead of quarterly. He noted that it could be easier that way for users to budget.

Castellano stated that he hopes the City Council gets good attendance on July 22, 2025, with the hope of getting good feedback from residents.

Holt said that the City can still keep lobbying at the state level as much as possible. But he noted that the City did this in 2025 and did not receive any funds. He stated that if the City could get more Federal funding, that would be great. He explained that he wanted to at least show worst case scenario at this time and help the City Council make a decision on how to move forward.

Iverson and Dickson talked about how another updated utility rate study is recommended by the PFA and that it would be reimbursable by the loan. They noted that the last study did not include the water treatment plant construction. Reisdorf said too that it would be an opportunity to explore monthly billing.

Castellano stated that he doesn't like raising rates and potentially the levy, but that it needs to be done. He noted that residents are asking for the City Council to do something about the water and that they need to listen.

Herrick said that people are upset because the water is brown. She said that they don't understand completely the manganese issue. She stated that people don't really know how bad

the manganese issue really is that the opinion on it could be subject to change. Herrick said that there are a lot of variables. She also stated that there is likely a good percentage of residents who have already mitigated the issue by installing their own system.

Pugh said that the City Council needs to present information that pertains to what it means to do the project now and what it would mean to wait. She noted that it is an issue that is never going to go away and that delaying the project means that it will continue to increase in cost.

Holt agreed. He noted that the City Council has been fiscally conservative over the past several years.

McEnaney stated that the City Council needs to get the word out as much as possible about the July 22, 2025 meeting. She said she wants people to show up to share their opinion. She said that she doesn't think it is likely that the City will get any additional external funding. She noted that she is bothered by the thought of doubling the City's debt.

Castellano said that residents want the water issue fixed.

Prich stated that a lot of people who call the City with questions about filtering options ask about when the City is going to build a treatment plant. He explained that the residents usually decide to put in a short-term lower cost solution with the understanding that the City may do something soon to treat the water.

Holt said that the City Council will have handouts at the Spirit of the Lakes Festival, inviting the public to the meeting on July 22, 2025. He said that there is going to be a presentation by the City Engineer, City Council discussion and an open period for public input. Holt explained that if the City Council decides not to build the water treatment plant, that that is fine, but that they just need to make an official decision. He noted that adding \$30 Million in debt is troubling to him as well, but that brown water and the manganese in the water needs to be fixed.

The City Council directed staff on items to bring to the July 22, 2025, City Council meeting.

Adjourn

The meeting was adjourned at 5:56 pm.


Attest: Kevin Kelly, Clerk


Mayor Jason R. Holt