



PUBLIC HEARING

PROPOSED SUPPLEMENTAL SERVICE CHARGE CHARLOTTE/MARTHA SUBORDINATE SERVICE DISTRICT

AUGUST 25, 2021

Christine Husom	District 1
Darek Vetsch	District 2
Mark Daleiden	District 3
Mary Wetter	District 4
Michael Kaczmarek	District 5

DATE APPROVED: [DATE]

Staff Present: Christine Husom, Mark Daleiden, Mary Wetter, Lee Kelly, Brian Asleson, Holly Wilson, Bob Hiivala, and Lindsay Salo

THESE MINUTES ARE IN DRAFT FORMAT AND REQUIRE APPROVAL BY THE COUNTY BOARD

Chief Deputy County Attorney Brian Asleson explained subordinate service districts are formed for the purpose of providing services at a higher level to a select area than are provided generally throughout the county. Minnesota Statute requires the services to be paid for by revenues from within the district. Counties may issue bonds for capital projects in subordinate service districts. However, fees to support the bonds must be imposed until the bonds are repaid.

The Charlotte/Martha Subordinate Service District (CMSSD) was formed in November 2000. The County purchased bonds in 2001 to fund the original sewer improvements for the district. Charges to landowners connecting to the sewer service were established in August 2001. Some landowners made a single payment, while others paid the charge over 20 years. Residents that added connections after 2002 had to finance the connections on their own. Those individuals paid a trunk charge. The bonds were refinanced in 2011 for a cost savings and a lower interest rate.

The supplemental service charge is necessitated by a shortfall in the dedicated fund for the sewer district. The bonds purchased to fund the original sewer improvements are nearly paid off, with the last payment due in 2022. Due to the shortfall in the district fund, the County has made the most recent bond payment, and the supplemental service charge will be used to reimburse the County. The proposed service charge is \$2,700 per connection or future connection, with the landowner choosing whether to make a single payment of \$2,700 or to spread the payment over three years. Payments spread over three years would be subject to payment of interest at a proposed rate of 4 percent.

Commissioner Mark Daleiden opened the meeting to public comment.

John Witstine, 7426 9th Street SE, Buffalo, MN 55313

Witstine stated more landowners opted to pay the charge off early than what the county expected, which is one of the reasons for the shortfall. At the time many of the charges were paid, there was additional money in the dedicated account. Witstine questioned what happened to all the money. Asleson stated Witstine was correct that there were a higher number of pre-payments. However, the money was put into a dedicated fund that earned interest at the same rate the county was earning interest on all other investments. The county did not have the ability to pay down the bonds for debt service until a certain date. The bond was refinanced in 2011 to a lower interest rate. The housing market crash in 2008 affected things as well.

Witstine questioned if the scenario were reversed if the landowners would have received a refund. Asleson stated that would be a possibility but it is likely the excess funds would have been added to a maintenance fund for future repairs. The City of St. Michael services the system for a portion of the district, however the city is not responsible for the repair and maintenance of the lines because the district is outside city limits.

Jeff Reed, 7252 9th Street SE, Buffalo, MN 55313

Reed stated he was assessed for two lots but only has one house. His additional lot has city storm sewer lines running through it, making it a non-buildable lot. He questioned from a legal standpoint, why he would be charged for the non-buildable lot. Asleson stated it is up to the County Board to determine the amount charged for the lot. Daleiden stated Reed's situation needs to be addressed.

Dorothy Brede, 846 Halsey Ave SE, Buffalo, MN 55313

Brede questioned if the 4 percent interest rate would carry through for the full three years. Asleson stated if landowners pay in full, there will be no interest. Landowners that choose to spread the payment out will be charged interest until the full payment is made. The interest rate of 4 percent is being proposed; the rate could change.

Brede questioned the total of the shortfall. Taxation Process Specialist Lindsay Salo stated the shortfall is approximately \$422,700. Brede raised concerns that there could be a shortfall again if landowners pay the full amount up front and aren't charged interest. She suggested the county determine how many landowners are planning on paying the full amount and how many will spread the charge over three years, incurring interest. Daleiden stated if all landowners paid in-full by a specified date, the total amount collected would be \$429,300. The excess money could be put into a maintenance fund.

Additionally, Brede questioned an unexpected bill in the amount of \$70,000 mentioned in previous meeting minutes. Asleson stated the City of St. Michael needed an additional easement across a property for the main line. The landowner was paid more than what had been budgeted, causing \$70,000 to be removed from the dedicated fund. This is another reason for the shortfall.

Commissioner Mary Wetter stated another reason for the shortfall is there was less development in the area than what was anticipated. There was a total of 235 lots available; 159 were built. Asleson stated the county could have up to 190 connections, with a potential for increasing to 235 connections. It was likely projected that the agricultural land would be developed into residential housing.

Nate Johnson, 7396 9th St SE, Buffalo, MN 55313

Johnson questioned if it was standard practice to form a subordinate service district. Asleson stated this is the only subordinate service district in Wright County. Daleiden stated a city would have to annex the area to dissolve the subordinate service district. There could be additional subordinate service districts if septic systems start failing in areas outside city limits and a city decides not to cover the cost or annex the area.

Asleson stated the county appointed residents to an advisory committee at the end of 2019. The purpose of the committee is to answer questions that are being raised and determine future expansion of the system.

Terry Kilian, 375 Halsey Ave SE, Buffalo, MN 55313

Kilian requested handouts that include history and financial information. She asked Asleson to further explain the statute that defers payment in the area. Asleson stated Minnesota Statute 375B defines a subordinate service district as a compact and contiguous district within the county in which one or more governmental services or additions to countywide services are provided by the county and financed from the revenues secured from within that district. When the County Board adopted the resolution forming the district, residents were notified. There is a procedure by which residents can petition for a referendum. There is also a procedure for disbanding subordinate service districts. It would require a petition signed by 10 percent of the qualified voters within the district.

Greg Eckblad, 818 Hammond Ave SE, Buffalo, MN 55313

Eckblad stated he owned five lots when the sewer system was installed. He decided to install three services; one is hooked up and the other two are inactive. Each service location will cost \$2,700. Additionally, Eckblad questioned where the pipes are located on Reed's property, as most of the township pipes run down the property line. Reed stated the pipes are in the middle of the property, making it impossible to build.

Maksym Kloka, 7781 8th Street SE, Buffalo, MN 55313

Kloka stated \$2,700 is a large amount to pay. He questioned how the county is ensuring that the shortfall will not happen again. Daleiden stated after this payment is received, there will be an excess amount in the fund. The subordinate service district may have additional expenses in the future for repairs and maintenance.

The following written comments were submitted prior to the public hearing:

Lisa and Jamie Benson, 7376 9th Street SE, Buffalo, MN 55313

Good afternoon. I am writing with regard to the August 25th hearing on the proposed supplemental service charge for Charlotte and Martha Subordinate Service District. Unfortunately, my husband and I both have to work and are not able to attend. However, we wanted to be clear that we very much oppose any levy of a supplemental service charge due to poor budgeting by the county for sanitary sewer costs in our area.

Per previous communications, the shortfall was due to underestimating earned interest because many families paid in full rather than making payments. Whoever worked on that budget and approved it should be held accountable and held responsible, and make whatever budget cuts etc on their end, not on ours.

The person who owned our house before us paid their amount owed in full, and we should not be penalized for him doing that. Thank you for your consideration.

Anne Sutton, 7282 9th Street SE, Buffalo, MN 55313

This communication is specific to the sewer "service charge." I've reviewed all the communications sent previously (thanks to Brian in the county attorney's office, who did respond to my phone call), including meeting minutes, and talked to members of the Lake Martha Improvement Association, and it's very clear that the reason for the funding problem is due to poor planning and lack of oversight of the fund. It should have been apparent at least 10 years ago that the fund wasn't sufficient to complete sewer hook-ups. This conversation should have taken place 10-15 years ago, when the "service charge" would have been significantly less. Asking residents to contribute a small amount years ago would have avoided asking for such a significant amount in 2021.

I wholeheartedly oppose the decision to ask residents to contribute \$2,700 to pay for sewer expenses. The county or the township should be responsible for the situation, not targeted residents.

Scott and Carole Pearson, 594 Halsey Avenue SE, Buffalo, MN 55313

We oppose any levy of a supplemental service charge due poor budgeting for sanitary sewer costs in our area.

Our understanding from previous communication was this shortfall was from underestimating earned interest because so many families paid it in full rather than making payments and paying more. Whoever worked on and approved over budgeting uncertain revenue should be accountable and make necessary budget cuts on their end, not ours.

We paid up front to avoid extra charges and do not wish to be penalized by being charged now. Thank you.

Daleiden closed the public comment period.

Asleson stated he will work with Finance and Taxpayer Services to create an assessment list which would include the owner's name, the parcel, and amount. The information will be brought before the County Board to set the amount of the assessment, interest rate, and specified date payment is due. Salo said ideally the County Board would adopt the assessment and interest rate by October 12, 2021. This would allow landowners 30 days to pay without incurring interest charges and County staff time to include the information on tax statements.

Adjournment at 3:56 P.M.

Minutes submitted by Elizabeth Clow, Office Manager