INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, OCTOBER 3, 2022. 6:00 PM - 8150 BARBARA AVENUE

1. Call to Order: The City Council of Inver Grove Heights met in person for a Work Session on Monday, October 3, 2022. Mayor Bartholomew called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. Roll Call: Present In-Person: Mayor Bartholomew; Council Members; Piekarski Krech, Gliva, Dietrich, Murphy; Deputy City Clerk Katie Malott, Finance Director Amy Hove, Parks and Recreation Director Adam Lares, Golf Course Superintendent Joel Metz, Golf Clubhouse Superintendent Matt Moynihan, Technology Manager Marc Gade, Operations Maintenance Supervisor Phil Stier
Absent: City Administrator Kris Wilson

3. Discussion Items:

A. Proposed 2023 Golf Course Budget

Golf Clubhouse Superintendent Matt Moynihan presented the 2023 Budget for Inver Wood Golf Course:
Golf Course Overview: 2023 Priorities and Goals:

- Provide well-conditioned quality golf courses and practice facilities.
- Provide fair and equitable tee time access to the general public.
- Contribute to the overall recreational operations available to the community.
- Protect green space area in an environmentally responsible manner.

Golf Course Revenues Projected for 2023: $2,539,750

Mayor Bartholomew asked if there were figures for this season through the end of August.

Golf Clubhouse Superintendent Moynihan replied they are behind last year's total rounds and revenues.

- Last year they opened April 1st. This year they opened April 22nd, bringing them about $130,000 behind
- May 2022 was even with May 2021
- June 2022 was over June 2021
- July 2022 was over July 2021
- August 2022 was the same as August 2021
- September 2022 is higher than September 2021

This will likely go into the $130,000. He doesn't believe they can make up the 21 days from April in the fall.

Councilmember Murphy asked when the course will close.

Golf Clubhouse Superintendent Moynihan responded weather dictates closing. It's either due to the first measurable snowfall or frost. The latest it's ever closed has been December 2nd, the earliest was October 26th. The earliest they have opened is March 17th, the latest opening was April 29th.

Noteworthy Revenue Items were discussed:

- Projecting a 12% overall increase to revenues.

- Proposing a 15% across-the-board rate increase for greens fees and golf car fees to keep up with operational expenses.
- Proposing elimination of senior discount for golf car rentals and senior discount:
    - Senior discount on the golf car: Created at a time utilization was low to attract more people to use golf cars, bring in more money.
    - Senior discount during prime tee times: Prime tee times are from 12:00 to 5:00 on Friday; Saturday and Sunday morning from open to noon.

Councilmember Dietrich asked what led to the 15% increase versus a different percentage.

Golf Clubhouse Superintendent Moynihan replied with inflation, cost of staffing, supplies such as fertilizer, seed, food and beverages, beer, liquor, golf shirts, and balls, has been told if he's not high enough with the percentage, which could be anywhere from 8% to 25%, they could be in trouble on the back end.

He mentioned that he does a study of all the golf courses in the area. He puts them all (roughly 35) into a spreadsheet along with rates. He places then in a Tier system with Tier A, B, and C. He considers Inver Wood in the top part of Tier B. Currently they have fallen into the bottom 1/3 of Tier B. He believes prices are too low for the quality of product and amenities. Having spoken with others in the golf community, he has been told the percentage isn't that far off.

Proposed Green Fee and Cart Rate Increases (at 15%):

- 18-holes regular weekday rate: Currently $39. Proposed $45
- 18-holes Senior weekday rate: Currently $28. Proposed $32
- 9-holes weekday regular rate: Currently $22. Proposed $25
- 9-holes weekday Senior rate: Currently $16. Proposed $18.50
- 18-holes regular weekend: Currently $46.50. Proposed $53.50
- 9-holes weekend regular rate: Currently $31. Proposed $35.50
- Evenings-Twilight (after 5:00 p.m. May be getting more than 9 holes in, but less than 18): Currently $30. Proposed $34.50

Mayor Bartholomew asked if Golf Clubhouse Superintendent Moynihan was locked in with these rates.

Superintendent Moynihan replied that he is locked in, ultimately the Council decides.

Mayor Bartholomew asked if he was certain the market would bear it.

Superintendent Moynihan believed it will.

Senior Green Fee Modification:

- Proposing to eliminate the senior discount rate during prime times, Keeping for other times
- Applies to both courses
- This is common practice amongst market competition such as: Eagle Valley, Valleywood, Highland, Keller, and Bunker Hills

Mayor Bartholomew asked what the nearest course was that offers a senior discount.

Golf Clubhouse Superintendent Moynihan replied River Oaks may have one.

Senior Discount Cart Rate Change:

- Based off golf car volume had in 2020 and 2021. Running them at the regular rate rather than the senior rate would have provided roughly $35,000 each year in additional revenue.
- Examples of golf courses in the market (city municipals) that do not have senior golf cars: Braemar, Bunker Hills (most like Inver Wood), and Dwan.
- 70 golf cars in the fleet, all are used on a good weather day.

Councilmember Murphy questioned if all 70 golf cars are rented, how many tee times there were on a good day and how many are filled. He asked if people are turned away.

Superintendent Moynihan replied on a weekend, from 6:00 a.m. to the last tee time at 7:00 p.m., they would see 600 golfers in a day. There would be 78 tee times that would be filled at 98%. They have had to turn people away.

Expenditures by Category:

- Subtotal for the operating budget: $2.3 million dollars
  - Depreciation: $250,000
  - Debt Payment: $82,000 per year. This is the 5th year of a 25-year loan.

Expenditures by Area:

- Includes: Operations, practice center, golf shop, food/beverage, outside services (those that pick-up driving range balls, maintain the golf fleet, pick up garbage), common (Clubhouse Superintendents area and expenses), grounds (Golf Course Superintendent's department, handles maintenance of the golf course).
  - Subtotal for Operating: $2.3 million dollars

Mayor Bartholomew referenced depreciation stating that it's holding the line at $250,000. He questioned if there were substantial additions in tax year 2022. He felt depreciation should be declining unless there were additions.

Superintendent Moynihan agreed it should be going down.

Finance Director Hove replied it is a round estimate.

Noteworthy Expenditure Items:

- Proposing a 13% increase to the budget for seasonal wages
- Anticipating product manufacturer delays to continue into 2023
- Continue to see increased costs to supplies and equipment such as fertilizer, seed, food/beverages, golf shop merchandise
- $82,000 loan repayment
- $250,000 annual depreciation

Mayor Bartholomew was concerned about having a labor problem due to the difficult market.

Golf Clubhouse Superintendent Moynihan responded on the maintenance/golf course laborer side, it's a worry. This also includes outside services staff. He was hopeful the increase helps with seasonal positions. The course hasn't been in a labor pinch, they have been able to retain some people.

Councilmember Dietrich asked if there were any supplies that could be locked into for a season.

Superintendent Moynihan replied that Golf Course Superintendent Metz is usually offered an opportunity this time of year, to buy fertilizer at 2022 pricing for 2023. The same applies to golf shop merchandise (for that they would not be invoiced until March). It has also been done with driving range mats.

Noteworthy Expenditure Items – Capital

- Proposed improvements:
  - Replacement of steps at Hole #12 (There since 1992). Estimated at $20,000
  - Storm shelter replacements at Hole #5 & #15. (Grounded for lightning, built in 1993, would need to be knocked down and rebuilt). Estimated at $40,000
  - These items were put into the budget for Capital Improvement for next year
- Equipment: (There is opportunity, if seeking action, to purchase at 2022 pricing, save 5-7%)
  - Toro Pro Core $37,000
  - Turfco Topdresser $17,000
  - Sidewinder Rough Mower $47,000
  - Reelmaster with fixed heads $47,000
  - 2-Toro Greens Mowers
  - Total of $238,000

Mayor Bartholomew asked if there were dollars allocated.
Superintendent Moynihan replied they are purchased from golf course funds. The funds are there.

2023 Budget Summary:

- Revenues $2,539,750
- Operating Expenditures -$2,313,700
- Net Operating Income: $226,050 (before debt payment and depreciation)

Golf Course Cash Balances:

- In 2019 the golf course paid off the Interfund Loan
- The only outstanding Interfund Loan was the 2016 golf course improvement
- Outstanding balance as of December 31, 2021 = $1.7 million dollars
- 2020 increase to cash reflects cash inflows from the 3-year membership drive
- 2022 projection shows to be above $2.2 million
- 2023 dips down due to the equipment purchase
  - Discussion will take place fall 2023 regarding the possibility of having another membership drive for the 2024, 2025, and 2026 seasons

Councilmember Gliva asked if there was a reason why they wouldn't do another membership drive.
Superintendent Moynihan replied no, he advises to do one, staff is interested.

Councilmember Piekarski Krech said she spoke to Superintendent Moynihan previously about conserving water, putting in grasses that don't require much water, and doing so city wide. She noticed a metro area golf course that installed an irrigation system that senses how much water is needed and doesn't overwater/underwater.

Golf Course Superintendent Joel Metz replied the golf course referenced is the Edina County Club. Our golf course has the exact same system they have with the same sensors, it only waters what needs to be watered. It's the bare minimum. As it evaporates, they replace only what leaves. Chemicals are only used on a preventative basis.
He said he felt they may have better technology than the Edina Country Club because they have HDP pipe, which never leaks. The system was placed in 2016 and they haven't had a leak yet.

Mayor Bartholomew referenced the 2023 investment interest stating it was a pretty significant change. He requested information on the figure of $20,000.
Finance Director Hove responded she would make note of that.
Councilmember Murphy asked what account it was in and what it was earning.
Finance Director Hove replied the money in the Golf Course Fund is pooled with all city resources.

Finance Director Hove stated the rates proposed by the Golf Clubhouse Superintendent for next year's fees will be on the fee schedule when it comes before the Council.

B. Proposed 2023 Internal Service Fund Budgets
Finance Director Amy Hove discussed three Internal Service Fund Budgets. The top three include:
1. Technology
2. City Facilities
3. Risk Management

Others:
4. Central Equipment would be brought forward at a future meeting
5. Central Stores. Staff has a recommendation for fund closure at year-end (structural change)

Technology Manager Marc Gade presented the 2023 Technology Budget (Fund 606). He stated the IT (Information Technology) Division is not seeking additional staffing or significant increases to the IT budget. Staff is taking the time to realize savings when it comes to software licensing, capital hardware replacement, and process improvement.

- There will be a significant structure change to how they allocate the IT Budget.

Technology (Fund 606):
- For the past 3 years (2020, 2021 and 2022) the Technology Operating Budget was within the General Fund
- Proposing for 2023, shifting the technology operating cost into an Internal Service Fund
- IT operating costs include:
  - 6 FTE Salaries
  - Software and licensing used across the city
  - Copier and postage (will be added)
  - To note: Previously department/division specific software was included, those are being shifted back to departments to better reflect true costs
- Technology Allocation (60071) is the fund noted in the department's budgets

- The technology allocation fund chargeback to departments includes a formula that is calculated on employee count and number of devices. This will also include cell phone stipends and usage to those departments.
- Previously Fund 606 was solely used for capital replacement.
  - Allocation for departments was small
  - For 2023, continue to use the capital replacement out of Fund 606. When adding IT operating expenses, the allocations back to other departments would be much larger
- General Fund (101). For the past three years has funded IT operating expenses.
  - Going forward there will not be any operating expenses in Fund 101

Technology Fund – Budget Summary:

- Department allocations for 2022 are smaller
  - For 2023 the allocation increases
- Purchased Services/Property/Equipment showed a decrease. This is due to the software that was in the operating expenses for department, it will go back to the departments/divisions

Mayor Bartholomew asked about the increase in supplies.

Technology Manager Gade replied that previously, there were multiple supply line items in the General Fund. Those were consolidated into one.

Technology Fund – Cash Balances:

- Maintain a healthy balance
- Balance average hasn't changed that much over the last five years

Mayor Bartholomew asked how inventory is done, how they know where everything is.

Technology Manager Gade replied there are a couple of different inventories:

-Staff maintains a physical inventory with software assists.

-Multiple spreadsheets keep logical inventory such as user accounts and software licensing.

Councilmember Murphy asked what the formula was.

Technology Manager Gade replied it was something staff devised. A value was given to full time, part time, and seasonal employees. Device counts were also added as department share.

Parks and Recreation Director Adam Lares discussed the budget for City Facilities, Fund 605:

- For activities funded for each department, each department has an allocation.
  - For 2023, proposing an 8% increase ($8,000)
- Up until 2022, this fund covered facility costs solely related to the operation of City Hall.
  - Currently in a transitional phase. Would cover all city facilities.
- The current allocation is based on historical FTE's and square footage formula by department. The formula has not been updated in years.
  - The allocation does not include a capital replacement component
- 2023 Budget includes solar garden activity that brings in $375,000, it expends the same.

City Facilities – Budget Summary:

- Department allocations: In 2022, $740,000. 2023 requested budget $800,000
- Interest and other revenues: 2022, $16,200. 2023 requested budget $394,000

  - Total 2023 requested budget: $1,194,000
- Personnel: In 2022, $291,300. Requested budget for 2023 $283,700
  - This went down due to re-evaluating employee's time
- Professional/Technical: 2022, $90,000. 2023 requested budget $20,000
  - This went down due to being shifted to supply and other expenses
  - A new position was hired
- Purchased Services/Property/Equipment: (Includes solar panels). In 2022, $387,200. 2023 requested budget, $788,400
- Supplies & Other Expenses: (Includes the move from professional/technical). In 2022, $22,700. 2023 requested budget, $94,700
- Capital Outlay/Transfers: (New this year) In 2022, $75,000. 2023 requested budget, $288,500

Councilmember Gliva asked where the credits come from for the solar garden.
Parks and Recreation Director Lares replied the city pays to have solar farms and then receives credit for the energy they conserve. Credits vary by year.
Mayor Bartholomew asked who the contract was with.
Director Lares replied AEP, a solar company.
Councilmember Gliva asked if the solar panels were in the city.
Director Lares replied the solar panels are not on site. They are through a third party. There is solar at the VMCC which helps offset energy costs.
Councilmember Gliva asked if the city has ever been in a position over the last 10 years where they are paying less than receiving in credits.
Director Lares replied yes.
Mayor Bartholomew asked the Finance Director for details on the inception of the contract to current year.
Councilmember Murphy requested information on the firm helping.

Parks and Recreation Director Lares discussed the 2023 Budget Summary:

- $1,194,000 in Revenues
- -$1,475,300 in Expenditures
- $281,300 change to the Fund Balance

Operations and Maintenance Supervisor Phil Stier discussed the next five-year plan:
City Facilities – 5 Year Capital Plan:

- Fire Station 1 & 3: 2023 request of $166,500
  - Lighting in the truck bays, integrate automation (those already integrated include Fire Station #2, VMCC, City Hall/Police Department), replace roof at Fire Station #3, exhaust fans, ADA updates to locks/hardware.
- Public Works: 2023 request of 63,000
  - Lighting replacement (LED), integrate automation, replace heaters, ADA updates to locks/hardware.
- City Hall/Police: 2023 request of $145,000

    - Complete automation work on the ground floor, replace lighting controls system, replace heat pumps, duct work, ADA updates to locks/hardware.
- Water Treatment Plant: 2023 request of $14,000
    - Update fire alarm panel, ADA updates to locks/hardware.
- Golf Course: 2023 request of $5,000
    - ADA updates to locks/hardware.
- Rich Valley:

Information was also included for 2024 through 2027 built off estimates and life cycles. It is a future estimate. He said if he can estimate the life of an item(s) he will push it out to the following year. A lot of the things they have are 20+ years old.

- Average over the five years is approximately $268,800

City Facilities Grand Total: $393,500

Mayor Bartholomew questioned the water treatment plant.

Operations and Maintenance Supervisor Stier replied the biggest expense for the water treatment plant comes in next year. $130,000 includes the dehumidification for the entire building.

Councilmember Piekarski Krech referenced a future refurbishment due to the age of the water treatment plant building and asked if this would be a part of that or separate.
Supervisor Stier replied for the rooftop units, they are due to mother nature/hail damage. The biggest component is refrigeration, the refrigerant, R22, is no longer manufactured and has gone up in cost. When changing up a unit, he brings it to the most current one. Inside the plant, everything is pretty good. Dehumidification is original to the building and ready to go anytime.

Councilmember Dietrich asked if the ADA request was for interior items.

Supervisor Stier replied there is a push button to get inside the City Hall. They do not have any coming into the Council chambers, a common space, or the bathrooms.

2023 CIP Funding:

- $393,500 for 2023 Capital items
- -$38,000 All ADA improvements from the ADA Fund
- -$58,000 Public Works Capital from the Central Equipment Fund
- - $9,000 Water Treatment Capital from the Water Fund
- Total of $288,500 Capital paid out of City Facilities

Finance Director Amy Hove discussed the Cash Position and CIP Spending:

- In previous years this covered operating costs. There hasn't been a capital savings component to the allocation.
- Earlier this year, staff recommended to Council that there were some sale proceeds and non-bond funds left in the Fire Station project. Staff recommended transferring any residual dollars into the City Facilities Fund.

- In 2022, one of the recommendations from staff will be the closure of the Central Stores Fund. This includes items such as copier agreements, contracts, postage meter, and supplies. Those costs were allotted to other areas.
    - At year end a recommendation will come forward that Central Stores be closed into this fund.
- There is another increase in 2022 at $1.6 million dollars, projected.
- The 5-year Capital plan anticipates $1.3 million in capital needs. 62% of that falls under the city facilities.

Mayor Bartholomew referenced the existing Capital Improvement Plan and asked if items were dropped.

Finance Director Hove replied the city had an equipment plan for equipment/vehicles. There is a CIP that can be built for city facility needs.

Mayor Bartholomew was concerned that something gets lost in translation.

Finance Director Hove replied staff has a financial model that helps plan for how to pay for things. Staff will continue to improve upon that. She mentioned that most cities have actual improvement software. Staff is looking at purchasing inexpensive software to input information in, so projects are not lost.

Councilmember Murphy asked when this would take place.

Finance Director Hove replied they were hopeful to roll out the software by year end.

Councilmember Dietrich felt the software was a great idea. She wanted to make sure it helps on the resident side too.

Finance Director Hove believes it will help both staff and residents.

Finance Director Hove discussed the Risk Management Fund (Fund 602):

- This fund is used to pay insurance premiums and Workers Compensation
- Covers deductible payments
- Corporate charges for attorney representation in lawsuits
- Portion of finance personnel costs
- Activities are funded by departmental allocations:
    - Insurance Allocation (50019). Proposing a 6% increase
    - Workers Compensation Allocation (20750). Proposing a 5% increase

Mayor Bartholomew asked if 6% was actual.

Finance Director Hove replied the 6% is an increase to the allocation.

Risk Management: Allocations

- Workers Compensation was at $649,200 for 2021. At $688,800 for 2022. 2023 is $723,200 (increase in workers compensation coverage)
    - Due to adding positions
- Insurance was at $473,100 for 2021. At $1,161,900 for 2022, and $1,224,600 for 2023.
- Average balance over the last five years is $911,150
- At the end of 2021, cash on hand was just over $1 million dollars

Councilmember Murphy asked about a comment made about workman's compensation.

Finance Director Hove replied when the premium renewal happens, staff needs to estimate when the budget is put together for next year. The renewal doesn't occur until September of the next year. Staff put together an estimate for what they thought was needed to pay premiums. Staff estimated it to be $723,200. In past years it was less than what staff was allocating.

Risk Management: Summary:

- Departmental Allocations: 2023 requested budget $1,224,600 (Revenue)
- Insurance Premiums: 2023 requested budget $1,151,400 (Expenditure)

Central Stores (Fund 604) – Recommending to be discontinued in 2023

- General office supplies, copy machine, and postage meter use
- Technology allocation covers the two largest items
- Department budgets now have supplies built in
- Staff recommendation is to close the fund to City Facilities
    - Estimate the balance to be about $600,000

C. Continued Discussion of Utility Rate Study and 5-Year Capital Improvement Plan (CIP) for City Utilities

This item has been pulled from the agenda.

4. <u>Adjourn</u>:

Motion by Gliva to adjourn the meeting at 7:25 p.m.

Ayes: 5
Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sheri Yourczek