

**INVER GROVE HEIGHTS CITY COUNCIL MEETING
MONDAY, MAY 22, 2023 - 6:00 P.M. - 8150 BARBARA AVENUE**

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, May 22, 2023, in person. Mayor Dietrich called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. ROLL CALL:

Present In-Person: Mayor Dietrich; Council Members: Murphy, Gliva, Scales, T'Kach; City Administrator Wilson, City Attorney McCauley Nason, City Clerk Kiernan, Public Works Director Connolly, City Engineer Merchlewicz, Police Chief Chiodo, Communications Manager Looze, City Planner Hunting, Associate Planner Botten, Parks and Recreation Director Lares

Absent: Community Development Director Rand (conference), Finance Director Hove (conference)

3. PRESENTATIONS:

A. Public Works Week Proclamation

Mayor Dietrich read the Proclamation for Public Works Week.

Highlights: It is proclaimed that the City Council of Inver Grove Heights celebrate National Public Works Week from May 21st through May 27th, 2023 with the theme "Connecting the World Through Public Works". The public is invited to join the City Council in extending its deepest appreciation to the hardworking members of the Inver Grove Heights Public Works Department whose knowledge, skill, and dedication make our community better throughout the year.

Mayor Dietrich presented a plaque to Public Works Director Brian Connolly.

4. CONSENT AGENDA:

A. Minutes of the April 24, 2023 City Council Meeting

B. Approval of Disbursements. **Resolution 2023-113**

C. Personnel Actions

D. Resolution 2023-114 to Accept Donation

E. Exempt Gambling Permit for Ducks Unlimited

F. Professional Services Agreement for Insurance Agent Services. **Resolution 2023-115**

G. Storm Water Facilities Maintenance Agreement for 6556 Alverno Lane

H. Resolution 2023-116 Amending Final Project Budget and Closing Project Account for City Project No. 2022-04 - Lund Easement Acquisition

I. Resolution 2023-117 to Close Emerald Ash Borer Fund, Transfer Remaining Balance and Amend 2023 Parks Division Budget

J. Resolution 2023-118 to Approve 2023 Tree Replacement Plan

K. Resolution 2023-119 Approving City Participation in SolSmart and Submittal of Letter of Commitment

L. Comprehensive Plan Amendments and Associated Rezoning of Existing City Park and Public Works Facility Parcels. **Resolutions 2023-120, 2023-121, 2023-122**

M. Resolution 2023-123 Approving a Comprehensive Plan Amendment and Ordinance Approving a Rezoning for Property in the 70XX Block of Concord Blvd.

N. Resolutions 2023-124 and 2023-125 Approving Variances for Minimum Lot Size and Lot Width for properties located at 11331 & 11335 Albavar Path (Case No. 23-15V).

O. Resolution 2023-126 Approving 2nd Amendment to FY 2022 MN DEED HCEP Grant Application

Motion by Murphy, second by Scales, to approve the Consent Agenda as presented.

Ayes: 5

Nays: 0 Motion carried.

5. PUBLIC HEARING:

6. REGULAR BUSINESS:

A. Rental Housing Licenses

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City Administrator Kris Wilson presented 12 Rental Housing Licenses for approval. All have gone through the review process, background checks, and keyholders. Staff finds them to be in order. The following are in order of Rental Address, Property Owner, and Property Manager:

5466 Bryce Ave., Leah Freeman Frederick, Anchorage, AK. - Mark Roesler, Hastings, MN
8785 Branson Dr., Nichole Frost 8709 Hunters Way, MN. - Daniel Keil Christensen, Apple Valley, MN
8791 Branson Dr., Alante Williamson Brooklyn Center, MN. - Brandon James Nation, Eden Prairie, MN
10805 Rich Valley Blvd., TSA Holdings LLC, Inver Grove Heights, MN. - Peter Tjornhom Inver Grove Heights, MN
3956 71st St E., HPA US1 LLC., Chicago, IL, - Gary Vanderbush, Roseville, MN
3875 75th St E., IH2 Property Illinois LP., Dallas, TX. - Invitation Homes, Mendota Heights, MN
4738 Barbara Ave., IH2 Property Illinois LP., Dallas, TX. - Invitation Homes, Mendota Heights, MN
3085 Upper 76th, IH2 Property Illinois LP., Dallas, TX. - Invitation Homes, Mendota Heights, MN
7324 Cahill Ave., IH2 Property Illinois LP Dallas, TX. - Invitation Homes, Mendota Heights, MN
6920 Clayton Ave., IH2 Property Illinois LP Dallas, TX. - Invitation Homes, Mendota Heights, MN
6978 Delaney Ave., IH2 Property Illinois LP Dallas, TX. - Invitation Homes, Mendota Heights, MN
1730 Atwater Path, IH2 Property Illinois LP Dallas, TX. - Invitation Homes, Mendota Heights, MN

Motion by Scales, second by T’Kach, to approve the Rental Housing Licenses as presented.

Ayes: 5

Nays: 0 Motion carried.

B. Third Reading of Ordinance Amending City Code to Allow Police Cadets to Issue Certain Citations and Summary Publication Resolution 2023-127

Police Chief Melissa Chiodo presented the Third Reading of City Code to allow Police Cadets to issue certain citations. City code currently authorizes various city employees, including Police Officers and Community Service Officers, to issue citations for violations of certain State Statutes and provisions of the city code. The police department has replaced the position of Community Service Officers with Police Cadets/part time uniformed employees of the city to assist with the enforcement of city code and state statute provisions related to parking restrictions, expired vehicle registration on a parked or abandoned vehicle, animal control, and park regulations. The police department seeks the ability to have police cadets issue citations for these types of violations. This would allow officers to focus on more serious violations.

City Administrator Wilson clarified that the Council is approving the Third Reading and a Resolution of Summary Publication. This allows for summary publication rather than the entirety of the ordinance.

Motion by Gliva, second by Murphy, to approve the Third Reading of Ordinance Amending City Code to Allow Police Cadets to Issue Certain Citations and Summary Publication Resolution 2023-127

Ayes: 5

Nays: 0 Motion carried.

C. First Reading of Ordinance Amending City Code Related to Alcoholic Beverages in City Parks

Parks and Recreation Director Adam Lares presented the following regarding an Ordinance Amending City Code related to Alcoholic Beverages in City Parks.

Background: City Code prohibits the consumption of alcoholic beverages in city parks, with exception of 3.2 percent malt liquor at:

- Rich Valley Athletic Complex

- South Valley Park
 - These are in connection with an event
- The city has been approached by several permit applicants to host small and large events/gatherings at park complexes.
- With the redevelopment of South Valley Park, which has a kitchen, staff anticipates permit applicants utilizing the space for graduations, receptions, and birthday parties.
- When applicants ask if the city allows alcohol higher than 3.2% and learn that it is not an option in the city, they usually go elsewhere to hold their events.
- City staff reviewed existing City Code, Title 4, Chapter 1, Section 16B language and prepared an ordinance that would change the existing language to allow alcoholic beverages containing less than 10% alcohol by volume (ABV) at the following:
 - South Valley Park Shelter
 - Rock Island Swing Bridge Park Shelter
 - Rich Valley Athletic Complex

Changes – South Valley Park:

- Removed:
 - 3.2 malt liquor language
 - 150 feet from park shelter
- Added:
 - Rock Island Swing Bridge Park
 - 10% by volume
 - Original container
 - Single serve
 - No more than 16 ounces
 - Event sponsor is required to identify guest age and who is eligible to consume alcohol
 - Consumption would need to be contained to the shelter (restricted to the shelter space due to the proximity to the playground)

To note: All levels of city staff would be impacted by the ordinance change including Police, parks department, recreation staff, and the city attorney

Changes – Rich Valley Park/Complex:

- Removed:
 - 3.2 malt liquor language
 - Removal of park (only used in the complex, not at the park on the south end)
- Added:
 - Must be in conjunction with an event where the sponsor obtained a permit from the city to use the athletic complex for a permitted event and only if the person possessing or consuming the alcoholic beverage is an invitee of the event sponsor.
 - 10% by volume
 - Original container
 - Single serve
 - No more than 16 ounces
 - Event sponsor is required to identify guests age and who is eligible to consume alcohol
 - Athletic Complex
 - Alcoholic beverages will not be allowed at any youth-focused events or tournaments
- New Add:
 - Allow for beverages to be sold at the Athletic Complex
 - Must obtain one of the following:
 - On-sale liquor intoxicating liquor license
 - Temporary on sale 3.2 liquor license
 - One-day consumption
 - Can be sold in non-glass or plastic cups, not required to be in original containers
 - Alcoholic beverages will not be allowed at any youth focused events or tournaments

Requested Action:

Council is asked to consider approval of the First Reading amending the City Code related to alcoholic beverages in city parks.

Recommendation:

- The proposed ordinance was reviewed at the May 10, 2023, Parks, and Recreation Advisory Commission Meeting. The Commission voted unanimously to recommend approval of the ordinance to the City Council.
- Staff recommends approval of the First Reading of the proposed ordinance as presented.

Mayor Dietrich asked how 10% ABV was determined.

Parks and Recreation Director Lares replied research was done on types of beer/seltzer ABV's that are typically allowed.

Mayor Dietrich asked if it was known what neighboring communities were doing regarding the 10%.

Director Lares replied to the west, they currently allow beer/malt liquor at all recreational parks without restrictions, it is not listed by volume. South St. Paul does not have an ordinance allowing alcohol in parks but are looking at how Inver Grove Heights progresses before changing their ordinance.

Mayor Dietrich referenced the Rich Valley campus asking what would happen if the event was in the parking lot itself.

Director Lares replied the parking lot counts as the complex itself. For example, Food Truck Day events are held there. Like any other event holder, the city would have to apply for their own liquor license. If a third-party vendor was brought in such as a brewery that already has one, they would have to present the information in order to take part in the food truck event.

Councilmember Murphy asked about enforcement issues relating to the 10% volume. A typical event may include beer and wine; wine would be over 10%. He suggested that be re-visited. He agreed with not allowing at youth related events. He questioned having an adult walking over with a beer to the playground to watch their child play. He said he sees an issue with this as it's allowed at the fields but not at the playground.

He questioned if those renting the pavilion at South Valley may want to play disc golf at North Valley but cannot be due to the alcohol limitation. He suggested this be worth exploring.

Parks and Recreation Director Lares replied staff could revisit the 10% to see if it would be more generalized such as beer/malt liquor/wine. He will consult with city police to get their feedback. He stated the event would have to be sponsored by a permitted applicant. It is not meant to roam freely. South Valley specifically would likely not have staff/police enforce. At the Rich Valley Athletic Complex, if going through the process of obtaining a short-term liquor license and have a threshold of a certain amount of people, it would be required to have a police officer on site to monitor sales, distribution, and the property. Other listed parks are meant to be smaller in stature and concentrated in the shelter area. He mentioned when discussing this with the Parks Superintendent, it was stated that an abundance of alcohol has been found throughout the parks system. This tries to create restrictions and accountability. There would be damage deposits that would help regulate. The damage deposit for South Valley would likely be increased.

Councilmember Murphy said he felt they could run into a problem with 150 feet/shelter only.

Director Lares replied people may still wander. With the way the ordinance reads for South Valley, they would not allow alcohol at the Disc Golf Course. He mentioned there is a tournament hosted out of South Valley's pavilion that goes to North Valley. Staff would be adamant if they were to anticipate having alcohol. Sales and distribution would not be allowed at South Valley or the Rock Island Swing Bridge. He mentioned that staff has picked up alcoholic cans and bottles at the disc golf course even though signage is posted.

Councilmember Gliva said if there was a group or sponsored event, there would be sale. She asked if it would stop anyone from having a cooler right next to them full of beer/alcohol and if it was allowable.

Parks and Recreation Director Lares replied the current ordinance allows having 3.2 malt liquor beverages for watching an event. The new ordinance would not allow someone to come in with regular liquor unless you are an invitee or a participant. In that case, the applicant must fill out and complete the proper protocol for how they plan to manage distribution and consumption. This would also have to be vetted through the city police department if obtaining one of the three types of liquor licenses. If the event sponsor says it's bring your own beverage, they would have to show how they plan on monitoring. It would also have to be approved through the parks department and staff would consult with city police. He said it may not be that easy to police but would look to the event sponsor to help develop a process and indicate what the process is, so if there is a spot check or issue it can be identified. This would hold the event sponsor liable and responsible.

Motion by T'Kach, second by Scales, to approve the First Reading of Ordinance Amending City Code Related to Alcoholic Beverages in City Parks.

Ayes: 5

Nays: 0 Motion carried.

D. Variance to Exceed the Maximum Allowed Square Footage for an Accessory Building at 11880 Albavar Path. Resolution 2023-128

Associate Planner Heather Botten presented a request for property located north of Albavar Path, west of Akron Avenue, zoned Agricultural. The applicant is requested to build an accessory structure 2,598 square feet in size when 2,400 is the maximum square footage allowed. The applicant's lot is 5.39 acres. Lots in residential, zoned E-1 or Ag., greater than 5 acres, are allowed to have up to two detached accessory buildings with a maximum square footage of 2,400 gross square feet. The owner is currently building a home with an attached three car garage with the proposed accessory structure to the north. That building would be in compliance with other zoning requirements such as exterior building materials and impervious surface; it exceeds setback requirements. The closest property line is to the north, the structure would be over 100 feet away from the northern property line.

The city recognizes that larger structures may be appropriate for some of the larger residential lots. The City Council has reviewed and modified accessory structure standards over the years, most recently in 2021. At that time, the size allowance for lots 3.4 to 5 acres in size was changed. A ratio method is now used multiplied by the lot size to come up with the square footage allowed, but still capped at a maximum of 2,400 gross square feet. Staff believes the direction for the city:

- Would be to regulate that size of accessory structures.
- Recommends denial of the variance request based on the findings that approval could set a precedence for other requests to exceed the maximum square footage on large lots.
 - Denying the variance does not preclude the applicant from reasonable use of the property; there is an attached garage on the house. They would also be allowed a detached structure up to 2,400 gross square feet.
- Staff does not believe criteria has been met to support a practical difficulty.

She stated that the applicant was present at the May 2, 2023 Planning Commission Meeting. No neighbors were present to testify at the hearing. The Planning Commission recommended denial based on the current code language and lack of a practical difficulty. The Planning Commission recommended that the Council consider a possible ordinance change and look at the accessory structure requirements for lots greater than 5 acres.

She mentioned that the Council packet contains two resolutions, one for approval, one for denial. If the Council goes with approval, conditions and a practical difficulty would have to be stated.

Councilmember Murphy asked if a calculation was done for the requested size.

Associate Planner Botten replied if the ratio method was used for the 5.39 acres times 480, it would equal 2,587 square feet. In this case they would be short 11 square feet. She was unsure if the applicant would be able to amend the proposed structure or would still need a variance for 11 square feet.

Councilmember Scales asked when doing square footage if they were doing the interior or exterior.

Associate Planner Botten replied they are interior measurements.

Councilmember Scales requested the square footage for the bump outs.

Planner Botten replied she was unsure; the applicant could address the question.

Bruce Lenzen, 106 Buckeye Street, Hudson, Wisconsin, stated he represents the property owner. He addressed the practical difficulty saying that it was the wishes of his client due to the amount of equipment, his shop, and the work he does. He wants to be able to have adequate storage and not have to store anything outside. He said he had mentioned at the Planning Commission Meeting that the ordinance was not clear. This came about when he did the original design of the home which is currently being framed. He could have added an additional stall onto the attached part of the home. He said the ordinance was not clear for someone outside of the city, it seemed to allow two structures. He said he suggested this be addressed at the Planning Commission meeting. He referenced the second portion of the ordinance stating he thought he was within 2 square feet, not 11. He could adjust that if needed. He replied the bump outs were about 80 square feet, they are for aesthetics.

Rob Gornick, owner of the home, stated when they were putting the house together, they did not see a problem with the way they laid stuff out. They would have done things differently if the language had been clear, whether it was two-2,400 square foot buildings or not. He wanted 3,200 square feet. He said he has plans for what equipment is going in the space. His toys, he does a lot of workshop work and wanted the square footage. He said they are now talking about a lean to or a parking spot out front. He wanted a building so things would not be left outside under tarps. This size was adequate. With the layout he has, they are not putting as much stuff as he wanted into it, he wanted it to look neat.

Mayor Dietrich asked the City Attorney if the way the ordinance reads could be a practical difficulty.

City Attorney Bridget McCauley Nason replied it could not. The practical difficulty has to do with the land itself. It is found in the uniqueness of the property not caused by the landowner.

Councilmember Scales commented that the building was nice looking, fits the landscape, and the neighborhood. The bump outs are more of a design feature than usable space, it would still be 118 square feet over. If using the calculation used on the lower properties, they are very close. He would like to find a way to make this work. He said the city needs to find a way of getting larger lot owners the buildings they need. He was unsure what the practical difficulty is, in the past they have been creative. He said he finds this to be a great fit and would like to find a way to support it.

Mayor Dietrich asked if a practical difficulty was presented to the Planning Commission.

Mr. Lenzen replied the practical difficulty to achieve the client's desire would be to make an addition to the nearly completed existing home but doing that would be more costly to the client. He said he could have achieved it earlier, but now that the home is sited, it's rolling terrain down a hillside. He stated that a lot of engineering was done; changes can be done but would mess up a beautiful home aesthetically. It would be more costly to gain 180-200 square feet for the client. This was due to a misunderstanding of how the ordinance was read.

Commissioner T'Kach asked if the applicant could make it 2,400 square feet or wait to build the building until the Council is able to go back and look at the ordinance clean up being done. She does not see a practical difficulty. She said they are empathetic, increasing becomes a slope when everyone comes in saying it was done for someone else. She sees it as making the space slightly smaller or wait.

Assistant Planner Botten asked the applicant if it was true due to the topography of the site and the trees next to the existing house, it might be challenging to add on to the existing house under construction versus where it is currently planned/altered.

Mr. Gornick replied when coming up with different layouts, this left it where they did not have to fill out towards the road. There was a lot of discussion after they found out they misread the ordinances. They questioned how they could attach it to the house. Due to the hills, it required fill. He said they cannot put a slab on fill, it should be on solid ground, there for a long time. He said it was unfortunate, they read the ordinance the way it was written. Regarding the size, he measured out what he has to fit the space they presented.

Councilmember Scales mentioned that one of the quirks in the system when building a structure, is that you can attach as large of a garage as you want to your house. He said he struggled with the idea that a homeowner can attach a garage of 5,000 square feet, yet bigger lots are limited to smaller buildings. He commented that when someone can add on any size garage to their house, having a detached structure be a little larger makes sense. It looks better for the house and the neighborhood. He would like to find a way for the Council to fix this, to have a sliding scale on the larger lots. He was unsure how quickly that change could be made and asked how long the process would take.

City Administrator Wilson said a public hearing would have to be noticed before the Planning Commission. It could be July before it is back before the Council.

Associate Planner Botten agreed it could be a couple of months. Staff believes more research be done rather than just applying the ratio to it. She mentioned that one of the Planning Commissioners brought up a valid point with having 10 acres and applying the ratio, they could have over 4,000 square feet. It was questioned what happens when they are allowed to subdivide; having two lots at 5 acres and one has a very large structure. Further research would need to be done regarding how that would impact some of these lots, what sizes they would be looking at, what other cities do, and if there should there be a cap. Changing the ordinance would require a public hearing with the Planning Commission which requires a notice in the paper and then three readings before the City Council. If ready to go with an ordinance amendment now, it would still be three months out.

Motion by Scales, second by Dietrich, to approve the request for a Variance to Exceed the Maximum Allowed Square Footage for an Accessory Building at 11880 Albavar Path, Resolution 2023-128, with the practical difficulty being the topography around the house for adding on to the garage.

Councilmember T'Kach asked if there was a way to move the proposed building smaller or to design it upwards with a second story.

Associate Planner Botten replied even with a second story, staff looks at total square footage.

Councilmember Gliva suggested the Council revisit the ordinance and the 2,400 square footage maximum regardless of the decision being made.

Councilmember T'Kach mentioned that a few of these requests have been denied in the last few months. She questioned if any applicant could come back to the city and say they were not offered a practical difficulty of trees in the way.

City Attorney McCauley Nason replied variances are unique because each situation stands on its own. In this case, the city has to look at the application, the uniqueness of the property, and the property owner's situation. If the Council finds that a practical difficulty exists in the situation, that it be something that differentiates it from other applications. If seeing repeated requests and would like to direct that a process take place to explore potential code revisions that would reduce the number of variances coming before the City Council, the Council can direct staff to do so.

Mayor Dietrich stated it seemed like that was something the Council has consensus on.

Councilmember Scales shared that while he was on the Planning Commission a lot of these variance requests came through for smaller lots and is why they have corrected it. It has cut down on the number of

smaller requests. Now is the opportunity to correct larger lots. Doing so would likely keep the variances down as it did with the smaller lots.

Councilmember T’Kach stated she came into this meeting thinking there was no practical difficulty. She did not go out to the site. She would consider tabling this item to the next meeting, it would give the opportunity to say if it was really a practical difficulty, they have one based on the site.

City Attorney McCauley Nason replied that presents a challenge with the 60-day deadline.

City Administrator Wilson mentioned the deadline is May 28th.

City Attorney McCauley Nason stated there is a motion on the table that Council needs to act on. Depending on the results of the motion: if the motion fails, in order to extend the deadline, something in writing would be needed now, from the applicant to extend the deadline so the Council could revisit the same application at a meeting to be determined. This needs to be in writing to avoid a situation where they would have to risk a special meeting if not receiving it in time.

Ayes: 3

Nays: 2 (T’Kach, Murphy) Motion carried.

E. Ordinance and Resolution Authorizing a 5-year Mining Extension and Conditional Use Permit for Bituminous Roadways, 11201 Rich Valley Boulevard. Resolution 2023-129

City Planner Allan Hunting presented a request by Bituminous Roadways for a 5-year extension for Sand and Gravel Overlay Zoning and a Conditional Use Permit (CUP) Amendment that ties to the asphalt plant. The mine has been in existence since the early 1970’s. Rich Valley Boulevard is to the east, city boundary to the south, and Cliff Road. Bituminous Roadways mines the sand on the property, there is an asphalt plant on the site with storage tanks for bitumen material. Asphalt is created for driveways, streets, and parking lots. The access point comes in off Rich Valley Boulevard. There are wash water ponds to wash sand for use in the mix. With Phases 4 and 5 they would mine out the balance of the site on the southern part of the site.

Background:

- Bituminous Roadways (BRI) has been in place operating sand and gravel zoning. This was first approved in 1974, to be renewed every 5 years.
- Also operate an asphalt plant through a Conditional Use Permit, first approved in 1979.
- BRI is requesting the ability to mine deeper than they currently are. The current level they can mine down to is 840 feet below mean sea level. The request is to mine at an elevation of 800 feet.
 - This gives an extension of about 10 years to the life of the mine.
 - BRI assumes the current mine with an 840 elevation has a life of about 30 years. Dropping it down to 800 would extend it an additional 10 years; giving it a 40-year life before mining out all of the sand.
- Barr Engineering has been hired to help the city review their updates along with this plan to see if there were any potential impacts with digging into deeper elevation (gets them closer to the water table).
- Staff has reviewed, based on Barr’s review and information provided by Bituminous Roadways. Barr feels the modifications of the plan, allowing for digging a deeper elevation, would not have a negative impact on the groundwater or well testing with limits established by the MPCA.
- The Planning Commission first reviewed this item in November, several questions were raised. Time was taken to address those questions. Bituminous Roadways provided more information, Barr Engineering did further analysis and review. All reports are included in the Council packets. Research came up with nothing different.
 - The Planning Commission asked the Environmental Advisory Commission to review, which they did at their April 27th meeting. They recommended approval.
 - The Planning Commission reviewed this item again during their May 2nd meeting. At that meeting Bituminous Roadways recommended new well testing protocol.
- This continues with three monitoring wells that would be reviewed once per year.

- The wells, their design, and water table levels would be checked quarterly.

A graphic prepared by Barr Engineering was shown depicting the general elevation of the water table.

- Identifies that the water table would always be below where they are mining (in a range of 10, 15-20 feet) below the 800.
- Well protocol, is having three additional wells with an analysis of why those sites were chosen.

Action Requested:

- Council is asked to take action on the new 5-year Sand and Gravel Overlay Ordinance.
- There are 34 conditions of approval, many of which have been carry overs from when it began.
- Within the set of plans approved, one of the conditions is allowing the drop to 800 feet.
- The Environmental Advisory Commission recommended approval on April 27th.
- The Planning Commission recommended approval of both requests with the 34 conditions listed in the Council packets. These reflect changes recommended by Barr.
 - Material to be brought in when capping be cleaned.
 - Conditions that are more detailed and specific on well testing, what they would be testing for, and how it would be tested.
 - New well protocol.

Councilmember T’Kach referenced Condition #3, Section 3, and questioned if the plans, final land use plan from 2002, and other plans from 2012, was planned for development, open space, or solar ready for a solar field.

City Planner Hunting replied that the reclamation of land has not changed since 2002. This is in agriculture rural density. The plan was for the potential of 10 acre lots with access off of Rich Valley Boulevard. There would be grade changes. Once closer to final completion there could be an updated plan but shows a residential land use.

Councilmember T’Kach mentioned she read that all material brought in would be tested for contaminants. She asked if that was correct.

City Planner Hunting replied yes.

Councilmember T’Kach questioned the moss operation for shingles. She asked if there was a reason to prohibit shingle storage. If allowed, and had to move any leftover shingle material off, for example, 30 days after closing for the season, if they would be able to remain in operation of shingle recycling.

City Planner Hunting replied this was done a long time ago. Bituminous does not recycle shingles any longer. There may have been stock piles at one time; this may have stopped around the mid 90’s.

Councilmember T’Kach addressed water issues and the request giving them a 10-year life with the 800-foot request. She said it wasn’t really a 5-year renewal, it was 10 years. As they get closer to the aquifer it can be difficult to clean up if contaminated. She asked if the city has done any type of risk assessment as to what the city or Bituminous Roadways would do if there was contamination of the aquifers. She asked if there was an assessment of the risk and then a mitigation plan.

City Planner Hunting replied no, staff has not done anything further based on Barr’s recommendations. Staff follows Barr Engineering’s lead as they are the experts.

Councilmember T’Kach shared that this is a big thing for the Council, they should think about what their responsibility is to protect the aquifer. There is already contamination going on in the southern part of the city, which is why there is city water out there now. She asked what the risk was. She mentioned that she watched the Planning Commission meeting where the representative from Barr Engineering was “pretty darn sure” that there would not be contamination. She was unsure if that was enough for the Council to say it sounded good. She asked what the Council would be thinking about when it comes to this and what happens if there was contamination. She liked the idea of monitoring wells. She commended the Planning Commission which did a fabulous job of fine tuning the original application and putting safeguards into place. She questioned if going to an 825- or 820-foot elevation, there is still five years to get there, they would be able to come back in five more years. She mentioned if the State loses any battles when it comes to having water shipped out of the state, the aquifers in Dakota County are the ones that companies are looking at to ship. She said she felt this needed to be looked at in a bigger picture. She

questioned if there was a chance the water would flow to the west accidentally. She said they can see that the contaminants are going to go to the Mississippi River, if anything happens, that is where it is going. She said it is their responsibility as a Host Community to try to protect some of that. She believes the water issue is a big issue with the high volume well on site, all the washing, the potential for contamination, and the holding ponds.

Councilmember Scales requested information on the process stating they came before the city in November; there were questions. He said Bituminous Roadways agreed to take the time, do an investigation, as did Barr Engineering, extra time was allowed to do this research. He asked if that was the reason for the delay. He said it was not that it was not approved, it was that everyone agreed to go through the process to answer the questions that were asked.

City Planner Hunting replied that was correct.

Councilmember Gliva mentioned there was reference that the life may be estimating out 10 years.

City Planner Hunting replied they are estimating the current life at 840 feet to be about 30 years.

Going down to 800 extends the life 10 more years, for 40 years of the mine.

Councilmember Gliva asked with the first extension, where the five years came in and if it was the actual mining part.

City Planner Hunting replied 5 years was the way it was originally approved. Bituminous would have to come back every 5 years regardless of whether they were asking for a change or not. This would be to extend and continue the sand and gravel.

Councilmember Gliva asked if that wasn't another precaution to have them come back every 5 years.

City Planner Hunting replied they would have to come back every five years regardless of what is done this evening, or any action taken. Monitoring is still done yearly and quarterly. Staff reviews along with Barr Engineering as they have the expertise if there are any issues.

Councilmember Murphy asked why 840 was to start and not 800. If they could get more life out of it, he questioned why didn't they just start at 800.

City Planner Hunting replied he was unsure, Bituminous would likely have the answer.

Councilmember T'Kach referenced Condition #26 stating there is a voluntary well interference protocol agreement for the neighboring properties. She asked if this has been used in the past even if voluntary.

City Planner Hunting replied yes, that was put in, in 2012. Bituminous would be able to provide history.

Kent Peterson, President of Bituminous Roadways, lives at 6130 150th Street Southeast, Prior Lake. He said he would like to answer questions but wanted to invite Michaelaea Whelan from Sunde Engineering to say a few words about the proposed new groundwater monitoring.

Michaelaea Whelan, Sunde Engineering, 10830 Nesbitt Avenue South, Bloomington, gave an overview of the draft phase of groundwater monitoring. Per conditions, they are planning to put the plan together in a written document that Bituminous Roadways would follow as they do well testing, hire consultants, and do the analysis. After the wells are installed, there would be a sampling event. Three monitoring wells proposed:

1. On the upgradient side of the site. Serves as the background base. Far westerly well #1.
 - a. Testing for naturally occurring elements.
 - b. This well provides a base idea for what is coming through on the top layer of the groundwater table.
2. and 3. Downgrade of the mining operations.

These wells would be tested by a sampling firm via the required processes of the MPCA.

- This includes sampling, transporting the samples, and in-lab testing.
- Results would be sent to Bituminous Roadways who would give results to engineering/Sunde Engineering, who would then prepare the report.

- Sunde Engineering would check the results. If anything exceeds an action limit (level below any EPA or Minnesota Department of Health Water Quality Standard), it would be re-tested.
 - The groundwater plan would have an action protocol if test results exceed limits.
 - A verified exceedance would result in contacting the city and the MPCA.
 - The MPCA would be involved in a remediation plan.

The contamination of concern in a sand and gravel mine is diesel fuel.

- Diesel fuel is stored on-site along with asphalt and other materials. All are secondary contained.
- Moving equipment around has the potential for a spill or leak.

She mentioned the reason Barr Engineering had suggested the metals they test is because of the foundry sands brought to the site many years ago. It was determined the foundry sand is no longer there with exception of a small amount on the east side of the site.

The contaminants proposed to be tested are recommended by Barr Engineering. Bituminous Roadways continues to follow what is recommended by the experts.

She stated the groundwater flows to the east towards the river. It is very unlikely that any wells or groundwater to the west would be affected by anything.

Mr. Peterson stated that part of the monitoring program would be for Bituminous Roadways to measure the level of the water table quarterly. It is not their intention to ever mine below the water table. If the water table is measured to be 800 or 805, they would not go to 800, they would stay above the water table. Sampling and testing would be done annually.

Councilmember T'Kach thanked Ms. Whelan and Mr. Peterson for the work they have done with the Planning Commission and city staff in the past. She referenced the upgradient well and asked if there was a scientific reason behind putting it where it is.

Mr. Peterson replied the reason they were proposing where it is was because it was on their property line. Going further west would require approval to go on someone else's property. He was unsure if that would make a difference or not.

Councilmember T'Kach mentioned in theory, any pollution would be going downstream. She questioned if staff knows if this would be the right place for it.

Mr. Peterson replied they are proposing the groundwater monitoring program and submitting a draft to the city for approval, this includes review from Barr Engineering.

Ms. Whalen replied the location of the well would help better determine groundwater levels with one upgradient and two downgradient. As the groundwater flows to the east, it is higher to the west.

Councilmember T'Kach asked if that was known.

Ms. Whalen replied it is very well documented.

Councilmember T'Kach asked if the city would be notified, or if the city would know if there were trends so there are not contaminants that exceed a threshold but were starting to see a trend. She asked if that would be looked for and to have staff do the analysis or if it would be the people testing the water.

Ms. Whalen questioned if that information would be given over time such as year to year, if there was a trend over time

Councilmember T'Kach responded that it was not exceeding the limits.

Ms. Whalen replied all information would be included in the annual report submitted to the city. There would not need to be a need for a mitigation or remediation plan if the levels were not exceeding the Department of Health or EPA thresholds. Their action limits are lower than any of the EPA or Department of Health limits for many of the analysts to be tested. If there was a result above an action limit it would be retested and verified. If the verified result showed to be above the action limit, it would be addressed with the MPCA and the city.

Mr. Peterson stated part of their report would include graphs that show results over time. Trends could be identified by this method. They have always tested water as a part of their permit requirements. They took the samples, submitted them to a testing laboratory, the laboratory sent back the data, and Bituminous sent the data to the city. There was no analysis done on it. He said that was what was required and was

what they did. He said he was not sure that Barr looked at all the results as they came in on an annual basis. The program they would do now would be to hire an independent testing lab to go out and take the samples, taking Bituminous out of the equation. The data would be submitted to Bituminous' engineer, perhaps Sunde Engineering, and Sunde would put together a report annually that would analyze the results and compare it to standards and graphs to identify trends. This would all be submitted to the city for annual documentation.

Ms. Whelan said it was not as if the results were never analyzed, Sunde and Barr have looked at them in more detail. None of the analyst testing has ever exceeded EPA standards.

Councilmember T'Kach asked if they would be testing for PFAS. These are chemicals that have been found in the groundwater by Gertens.

Ms. Whelan replied that was not something Barr Engineering recommended they test for. The chemical of concern in sand and gravel mining is diesel fuel. The BTEX they are proposing to test are root chemical compounds found in diesel fuel or other types of fuel. She said they have a groundwater action level that is lower than any state or federal contaminate level allowed.

Mr. Peterson addressed Councilmember Murphy's question regarding why they did not go to the 800 level before and replied as they get further along in the life of the gravel pit, they would like to see a longer future there. They would like to stay operating there. He said it came to him in the last year that they should be proposing to go deeper and utilizing the material closer to the water table, but not intending to go into the water table. This extends life by 10 years.

He mentioned that the total life expectancy, including the 10 years would be 30 years, not 40 years. They would like to do it now because they mine in phases. They would like to mine to the limit of each phase before moving onto the next phase, then they reclaim the phase they have left.

Councilmember Murphy said if as much due diligence was done at the time 840 was set as it is now, he was curious if the difference was to protect the water table. He questioned if the extra 40 feet protected the water table.

Mr. Peterson replied he was unsure if that was the reason, it was likely established 30 years ago, at the 840. If limiting and saying they would go only 10 or 20 feet further down, significantly reduces the amount of material they were hoping to be able to utilize.

Councilmember T'Kach asked for further explanation. She was aware there are reclamation areas. She questioned if they needed to go down all the way to the 800 level versus going to 830 and then moving somewhere else.

Mr. Peterson responded it has always been the city's expectation they reclaim areas after mining, not leave the whole gravel pit open until the end. As they progress through the mine, areas they are done with are reclaimed.

Councilmember T'Kach asked if going to 800, in the conditions they have to be 20 feet above the water. She asked if there would be a convenience from preventing future development on that property that might have borings that would, subsequent to their mining, hit the water.

City Planner Hunting replied if there was ever development after this, they would not develop and go down to a water table. All development stays above. At a future development date, wherever the table is, they would be limited to what could be done.

Councilmember T'Kach asked if there would be any documentation 30-40 years from now letting people know there used to be a sand and gravel pit here.

City Planner Hunting replied that has been established for when they close the mine.

Motion by Murphy, second by Scales, to approve the Ordinance and Resolution 2023-129 to extend the temporary Sand and Gravel Overlay Zoning an additional five years for Bituminous Roadways, 11201 Rich Valley Boulevard.

Ayes: 5

Nays: 0 Motion carried.

Motion by Scales, second by Gliva, to approve a Conditional Use Permit amendment to modify the conditions of the current CUP to be consistent with the renewed Sand and Gravel Overlay Conditions for Bituminous Roadways, 11201 Rich Valley Boulevard.

Ayes: 4

Nays: 0

Abstain: 1 (T’Kach) Motion carried.

F. Resolution Accepting Utility Rate Study Final Reports. Resolution 2023-130

City Administrator Kris Wilson stated Public Works Director Brian Connolly would be joining her in the presentation. The work being discussed also reflects the efforts of Finance Director Amy Hove who is at a training conference. The following was presented about the 2022 Utility Rate Study:

- Started in March, 2022. Council awarded a contract to AE2S, who had experience doing this type of comprehensive rate study with other metropolitan area cities.
- Goals:
 - Arrive at a rate structure for water, sewer, and stormwater utilities that is fair and equitable for the various categories of rate payers. For example: residential users paying a fair share compared to commercial or industrial users.
 - Reasonable to administer and easy to articulate to policymakers and rate payers.
 - Bringing in sufficient revenue to cover annual operating costs for the city utility systems and the current and future needs for reinvestment in the system.
- The study originally intended to examine water, sewer, and stormwater rates and fees equally. The study did not fully dive into stormwater rates and reinvestment needs as originally intended due to the fact that the stormwater system is incredibly complicated. Challenges came about with time and data.

Discussion at previous City Council Meetings during 2022:

- Focused on the structure of utility rates:
 - Fixed fee versus the volume metric costs based on what was used
 - Tier structure to incentivize conservation of water
 - Northwest area surcharge was reviewed and eliminated
- Established 2023 water, sewer, and stormwater rates.
- Connection fees were looked into during 2022 (Fees paid by property going through development when connecting to city municipal utilities).
- Fees are simpler than they used to be but still somewhat complex.

Tonight's Discussion:

This would be the last discussion of the Utility Rate Study as a standalone. The work would still be referenced in discussions about utility budgets, CIP, and rates moving forward.

- Review the projected future rate increases needed to fund necessary capital reinvestment.
 - This study took a 10-year look.
 - Discussion up to now has been about 2023 rates.
 - The consultant made some projections about rate increases that are likely needed in order to sustain the level of funding needed.
- Summarize recommendations, the number and purpose of utility funds, and recommended fund balances.
- Accept the final reports via the Resolution in the Council packets.

Public Works Director Brian Connolly discussed Risk Assessment, the foundation for what they built. This was a component of the study with a lot of behind-the-scenes work done by staff using available data and working with the consultant AE2S to build a foundation for what the recommendations are that have come out in the reports included and recommended for acceptance by the Council.

A comprehensive review was done of the overall infrastructure

- This includes water, sewer, and stormwater assets such as pipes, manholes, catch basins, valves, well houses, pumps, lift station.
- All of this is categorized in the Geographic Information System (GIS). Tens of thousands of these assets exist in the system. This system was built over the past 15-20 years. Over 95% of the information was already in the system. This rate study offered the opportunity to review the quality of the data, make sure it was still accurate, and checked to see if there were any major gaps for the last 5%. Time was spent filling in those gaps from March through June 2022.
- The review identified and verified the size of pipes, age, what material, past maintenance, depth of installation, and service areas. This was all from existing city data. Excess time was not spent looking at and doing a rating of the system; the sewer was not televised.

Assigned Risk Factors:

- Material type (PVC, clay, metal, concrete, etc.)
- Pipe life expectancy
- Soil type (corrosivity)
- Past issues (pipe breaks, clogs)
- Slope
- Location (ROW, easements, surface conditions)

Identified the likelihood of failure

- Applied weighting to risk factors

Identified consequence of failure

- Service impacts (how many properties were impacted)
- Cost to repair (how much an emergency repair would cost)
- Existing system redundancy (mostly applied to water systems)

Data input vetted across city departments

- Utilities (Sewer and Water)
- Streets (Stormwater)
- Engineering
- Finance

AE2S modeled each system with identified risk factors

Resulting output: Needs-based recommendations

- Regular reinvestment targets are for infrastructure, doing maintenance and rehabilitation
- Planned replacement intervals
- Recommended funding levels (revenue adequacy)

Recommendation from AE2S model updates on 4–5-year intervals

- Update conditions
- Add new infrastructure to model
- Update costs for maintenance and replacement
- Extend study time horizon (20+ years)
 - One of the criteria of the study was to look at a 10-year timeframe.
 - Risk analysis looked out 20 years. This timeframe can be more difficult to hone in on costs, this is more projected costs.

Councilmember T’Kach said what was presented was great. It was the kind of risk assessment that needs to be done across operations. She asked if it was anticipated being able to do stormwater.

Public Works Director Connolly replied that he knows stormwater needs to be done and would like to have one done. It is a lot more complex. It would have a different structure from water and sewer that is very unique. Staff believes it is much more difficult to manage, but there are a lot of options out there. Staff has not determined when they want to revisit. It was something he said he would have loved to launch in 2023 but did not think there would be a point to have solid recommendations until 2024. He said there are cost estimates from AE2S; staff may also solicit

assistance from other firms to get cost comparisons. This was something staff would look to budget for in 2024.

Public Works Director Connolly discussed Aging Infrastructure:

- Finite Lifespan
 - Sanitary Sewer: 60-100 years. The oldest pipes in town are clay, which has a 60–70-year lifespan. PVC pipes. Ductal iron and cast iron have a lifespan closer to 100 years.
 - Watermain: 70-100 years. This is an average lifespan. Half the pipe has a likelihood of failing before that lifespan while the other half may have the likelihood of failing way beyond that.
 - There are watermain in town that has failed after just a couple of years.
 - There is watermain in town that has never had an issue.
 - There are hydrants that were installed in the 1950's that are flushed regularly and work fine.
 - There are other hydrants from the 1950's that were replaced in 1965.
To note: This is a wide range; a challenge they have in public works to try to maintain and find targets for which they expect life expectancy. (Life expectancy is not actual life).
- Oldest city utilities were constructed in the mid 1950's
 - Infrastructure is hitting the lower limits of life expectancy (70 years).
 - In the next 20 years, over 25% of infrastructure will reach its average intended life expectancy (80 years).
To note: This is not unique to Inver Grove Heights. This is common across all first and second ring suburbs.
- Quantity of infrastructure mirrors population growth
 - Shows quantity of the infrastructure mirrors population growth.
 - As the city grew in the late 50's into the 60's, and then the 70's, 80's, and 90's, infrastructure was installed as land developed.
 - That infrastructure need will continue to increase over the next 40+ years.

Inver Grove Heights Population Growth (1940-2020). There is still growth; not growing today as quickly as past decades.

- Aging Infrastructure – Water example, watermain replacement needs:
 - 2020 shows recent expenditures over the past 3-4 years relating to watermain replacement within the community.
 - Approximately \$500,000 total investment in watermain infrastructure
 - The next 20 years indicate numbers going up substantially by 2035 and 2036.
 - Stays relatively high beyond the 20-year timeframe. The next 40 years, or 60 total years, still remains high.
 - Estimated out to 2083
 - Assuming other technologies with watermain may be able to extend the life through cleaning, monitoring, detection, so they are not doing a full replacement at 80 years for everything. Instead of replacing the pipe, reinvest in it and maintain it over a longer period of time to extend its life.
- Similar needs for sewer (and stormwater)
- Recommended options to address these needs:
 - Invest in more annual routine maintenance
 - More preventative maintenance = longer infrastructure life
 - Utilize new technologies to extend infrastructure life
 - Example: sewer lining can increase clay pipe lifespan by up to 40 years
 - Strategically plan for projects and financing on a longer planning horizon
 - Past: 1-2 years
 - Present: 5 years (Capital Improvement Plan)

- Future: 10-20 years (Utility Rate Study and long-term Capital Improvement Plan)
This is the next step that will be recommended to staff; to target a future long term Capital Improvement Plan. Staff may still request that a 5-year Capital Improvement Plan be adopted by the Council but would be supplemented every couple of years by a much longer-term plan that would still be looked at from a budget and financing standpoint.
 - Begin budgeting for future needs today
- Save now or pay later:
 - Development is finite
 - Cannot rely on development fees to pay for existing infrastructure replacement or rehabilitation.
 - Construction material inflation costs outpace average consumer inflation
 - Greater rate increase in the future
 - If needing triple, quadruple, or even five times the funding needed now, it would be a difficult ask for utility rates to go up by 5x.
 - Want to put themselves in a position to save for that now, so rates would not have to be raised substantially in the future.
 - Bonding (and subsequent debt repayment)
 - Great for buildings
 - Not for this type of situation.
 - Paying the debt service on bonding for utility that is self-sufficient is usually through rates. This may not be the best approach, may get through short term challenges. Not recommending long term.
 - May need to assess for utility infrastructure replacement
 - Sewer and water maintenance and replacement are not currently assessed with PMI projects.
 - Only new installations are assessed.
 - Deferred maintenance increases failure risk
 - For example: Water treatment plant. If they had replaced the sand filters that are in the plant that had aged out at 20 years, at 20 years, they would not be dealing with the current issues they have with radium. This is the risk. Letting something go too far, it fails, now in a situation where there is no choice and may be paying a premium to fix.
- Past Rate Levels:
 - Historic rate increases:
 - Have not kept up with inflation. For example: From 2010-2022, residential water rate increases:
 - Average increase was 2.2% a year, 30% total.
 - During the same period, the consumer price index average was 2.8%, 38%.
 - Construction cost index average, 3.6% a year, or 52%.
 - Ground has been lost over the last 12 years in the amount of money collected for the system because they have not kept up with inflation for key metrics, they need the money for (construction and rehabilitation).
 - Have not adequately accounted for needs beyond 1-2 years.
 - Results in underinvestment in infrastructure maintenance.
 - Not a critical underinvestment. Getting by with what they have. This report has shown there is definitely a need to come forward and a need to figure out a way to pay for it.

Recommended Utility Rate Increases. Set at a level to:

- Catch up funding and meet reinvestment targets
- Reduce the need for even higher increases in the future
- Build a savings plan for future replacement needs

Projected Water Rate Increases:

Necessary to cover operating costs, day-to-day costs of staff, facilities, fund capital reinvestment target, and maintain adequate reserves.

Rates are also designed to achieve a desired mix of rate revenue (30% from a fixed rate).

- If connected to the system, pay 30%
- Remaining 70% comes from volumetric rate increases

In the past, this has been a big discussion point regarding cost-of-service analysis.

- Trying to make it equitable across all different functional classes for rates through 2022 and rates established for 2023.
- The city was at about 25/26% of the fixed rate.
- This recommendation helps get to the overall revenue coming in, closer to 30%. Will take several years to get to that point.
- Fixed rate increases for water would be 10% for the next 6-7 years, followed by 8% increases.
- Volumetric rate is a similar increase with a slightly lower rate at the end of the 10-year period.
- Projected revenue increase (revenue taken in):
 - 2024 takes into account that the city is currently under-collecting for a fixed rate
 - 2025 shows more rate payers coming online

To note: Models have been run to show various/different levels

There is close to \$9 million dollars in the fund. It would be drawn down quickly due to bigger capital projects currently in the CIP. For example: water treatment plant rehab, water tower and pump rehabs, street projects.

Water Rate Benchmarking:

A summary of rates for Minneapolis/St. Paul metro area communities that AE2S does annually. 26/27 different communities were shown.

Assumptions:

- Assumes all communities increase their rates by 3% a year.
- Inver Grove Heights increases by the recommendation stated, anywhere from 8-10% per year.
- \$20.34 is the average residential monthly bill, 37th percentile.
- In 2028, jumps up to the 59th percentile at \$28.52 a month.
- In 2033, if doing all projections, would be in the upper 85th percentile at \$38.53 a month.

He stated this may be shocking to the Council; it was for staff. It was also noticed once the baseline was built and rates were higher, they were able to drop what the annual increases were.

To note: Many of the communities on the comparison are struggling with the same question. He highly doubts all communities would stick with a 3% rate increase. All are looking at making substantial rate increases.

Projected Sewer Rate Increases:

- There is debt payment they are still making on sewer for the northwest area sanitary sewer debt.
- Sewer rates adjusted in the past are not in the same shape as watermain.
 - Often piggyback onto what Metropolitan bills the city for regional wastewater treatment. They set a rate year over year, no negotiation.
 - Their rate increases have varied from 4-8% over the last 12 years (a lot closer to what inflation costs are).
 - Because the city piggybacks on this, even though 55-60% of costs go right through the Met Council, the remaining 40% is internal, it goes into operating costs.
- There is not as big of a starting balance for sanitary sewer; they do not draw it down.
 - Sanitary sewer the city has is more cost effective to maintain.
 - Still have a lot of clay pipe in town they are looking to do more lining on.
 - More cost effective than replacing
- If the Met Council says it would be another 7.5% increase this year (likely in 2024), staff would look at the numbers and possibly change some in the models to see what the impact is.

Sewer Rate Benchmarking:

- 2023 Ranking: 48%

- 2028 Ranking: \$37.88
- 2033 Ranking: \$38.00, 59th percentile
- From 2028-2033 there is almost zero change
 - No massive change to rates in comparison to other communities
- Other communities stick with a 3% rate increase
 - Inver Grove Heights goes to 6% and drops down to 3.1%, level with other communities

City Administrator Wilson stated 2024 rates will be discussed and set after Labor Day/into the fall.

Recommendations on Utility Funds and Target Fund Balances were discussed:

Old Structure: There were 3 Funds for each utility – with operating and capital money intermixed:

- Water Utility Fund
- Water Connection Fund
- NWA Water Connection Fund
- Sewer Utility Fund
- Sewer Connection Fund
- NWA Sewer Connection Fund

New Structure: Recommends going down to 2 Funds for each utility – one for operating expenses and one for capital needs and no longer having a distinct fund for revenue coming in from the northwest area (NWA).

This has been discussed with the City Attorney regarding water and sewer. The City Attorney was comfortable with the changes. There are the same 3 accounts for stormwater, but different city code language. Staff's intention is to continue with the 3 funds for stormwater until they can investigate deeper.

Water Operating Fund (510):

- Revenue In will be from monthly and quarterly utility bill payments from current customers.
- These utility fees are set at a level intended to cover operating costs and capital reinvestment needs.
- Expenses Out will include operating costs such as wages and benefits for employees, supplies, building maintenance and utilities, technology software.
- Planned Transfer Out to the Water Capital Fund.
- Target for the remaining cash balance at the end of each year as being 180 days (6 months) of operating costs. For 2023 this would be approximately \$1.4 million dollars (for unexpected rising costs, unanticipated maintenance issues, selling less water than anticipated and if revenues are down).
- The balance of the fund at the end of 2022 was \$7.4 million dollars.
 - Because some funds intended for capital reinvestment have been left to sit in the fund.
 - Goal moving forward is to keep all funds intended for capital reinvestment in the same fund. This makes for better transparency for policy makers and the public, and easier for staff when planning for the future.

Water Capital Fund (511):

- Revenue In would be from connection fees paid by development city wide. No longer segregating fee revenue from inside and outside the NWA.
- Planned Transfer In on an annual basis from the Water Operating Fund.
- Expenses Out would be for capital improvement/reinvestment/replacement projects such as:
 - Water utility portion of street reconstruction projects
 - Rehabilitation of the Water Treatment Plant
 - Debt service payments if and when it exists
 - Water utility is currently debt free. There is no debt service to come out of this in the immediate future.
- There is no specific target fund balance.
- Proposed one-time Transfer's In:
 - Take everything out of the Water Operating Fund that exceeds the 180-day operational costs. (Approximately \$6 million dollars).

- Take all of the balance in the old NWA Water Connection Fund.
 - Has approximately \$4.3 million dollars at the end of 2022.

If the Council agrees to this, the Finance Director would bring forward a formal action to make these transfers and consolidations of funds at one of the two June Council Meetings.

Sewer Operating and Capital Funds:

- Would be structured and set up in the same manner.
- To note: The target fund balance for the Sewer Operating Fund is recommended to be 90 days rather than 180 days.
 - When it comes to sanitary sewer, the city only collects wastewater and transmits it to the Met Council for treatment.
 - There is less infrastructure in the ground, less things that could go wrong.
- Sewer Funds have Debt Service Obligations. Set up to actively pay out debt service on the sewer utility.
 - Currently pay just over \$1 million dollars per year in debt service on sewer bonds.
 - Continues until 2031.
 - It will step down to about \$681,000 in 2032.
 - Expected to all be paid off in 2036.

Summary of Fund Recommendations:

- Maintain just two funds for Water Utility and two for Sewer Utility
- Structure those funds based on their intended use rather than revenue source. One fund each for operating expenses and one for capital expenses.
- Stop segregating revenue based on geographic area of the city.
- Benefits of this include simplicity, clarity, and transparency.
- Allows to plan multiple years ahead and know what resources they are working with.

Councilmember Gliva asked for clarification on the sewer fund for the northwest area development.

City Administrator Wilson replied the sewer debt was to front the extension of those services.

Water and sewer were fronted, there was cash on hand to pay for water and bonded for sewer.

Councilmember T’Kach asked if this was where the whole city would pick up the bonding expense for the northwest area.

City Administrator Wilson replied the whole city is already picking up the northwest area. The northwest area has not developed and paid connection fees at the rate projected. The fund is \$1.6 million dollars in the red. Money has been transferred in from other sources. These are sewer obligation bonds of the city. The city is obligated regardless of how much revenue is taken in from the northwest area.

Councilmember T’Kach questioned as development continues in the northwest area if those dollars would go into the new Sewer Capital Fund to help cover the cost of everybody in the city.

City Administrator Wilson agreed.

Councilmember Gliva mentioned she liked the consolidation.

City Administrator Wilson stated the Council would see this item at one of the two City Council meetings taking place in June. Actual water and sewer projects that staff is proposing to plan for in the next five years is scheduled to come before the Council in mid-July. Rate increases would be looked over in the fall/October.

Councilmember T’Kach asked if there would be a summary to allow the public to understand, more than just on the web page.

City Administrator Wilson replied staff could check. Staff is currently collecting content for the summer issue of the Insights newsletter. She will work with the Communications Manager regarding this topic.

City Administrator Wilson mentioned Council action on this item is to accept the report. This states the information was received and acknowledges the consultant has done the work they were hired to do.

Loel Lowary, 1680 Atwater Path, questioned if there was money left in the fund unspent if it could be saved or if it would have to be spent in the current year.

City Administrator Wilson replied money is carried year over year intentionally because there are years of high expenses with the major capital projects. There may be years with smaller or lower expenses.

Mr. Lowary suggested raising fees now with the current inflation. Raising those fees now could cover the five years and creates a slush fund so it does not have to take place all at once when a big catastrophe comes, such as with the sand filters.

Motion by Gliva, second by T-Kach, to approve Resolution 2023-130 Accepting Utility Rate Study Final Reports.

Ayes: 5

Nays: 0 Motion carried.

7. PUBLIC COMMENT:

Loel Lowary, 1680 Atwater Path, stated he has an easement next to his home for a storm sewer. A major modification was made. He did not agree with how it was done and was told several times that because he is not an engineer, his opinion did not count. He commented that someone in the city said that nobody is to talk with him. Nobody is returning his phone calls or answers their phones; he could not get through to anybody. He said he came to the mayor at the time, Mayor Bartholomew, and asked how to get on the agenda; nobody knew how. The mayor told him three times that he would call him the next day and he never called. Mr. Lowary stated one day he called nine numbers, left messages, and nobody called him back. He said the same thing is happening with City Administrator Kris Wilson and Mayor Dietrich. He said he spoke with the City Administrator after she arrived, told her of his situation, and was told that she would be speaking with engineering and would get back to him in a couple of days. Three weeks later he called the City Administrator, and she blew him off. He addressed Mayor Dietrich and said he went through the same thing with her. He said the mayor told him she would be speaking with someone else to get the other side of the story. He said he would like to get together with the people involved and sit down and talk. His experience is when sitting down directly and speaking, people are more likely to tell the truth. He asked what the city was afraid of talking to him about. He asked why City Administrator Wilson and Mayor Dietrich did not call him back.

He said he called Katie, the Deputy City Clerk, several times. She was not in, so he left messages. He said he figured out a way to not leave his Caller ID so when he called her a third time, she answered the phone right away. He told her he wanted to get on a regular meeting instead of the three-minute interval. The Deputy City Clerk's response was that he cannot get on the total meeting. When he asked why he was told that some people are not allowed on there. He does not know who else to talk to.

Mayor Dietrich recommended if Mr. Lowary had information he wanted to leave, to put it in writing and give it to the City Clerk.

Mr. Lowary asked why nobody was talking to him. He said he could not get a hold of anyone on the City Council to deal with him.

Mayor Dietrich called for a short recess at 8:40 p.m.

Mayor Dietrich called the meeting back into session at 8:43 p.m.

George Fell, 1765 Upper 55th Street East, stated he lives in the section west of Babcock Trail, east of South Robert Trail. He discussed traffic noise, stating he wrote to all of the City Council two months ago regarding everything that had transpired under the previous administration last year. He said he missed a

couple of things, one of which was the one day that it functioned, there was a passive radar speed detection unit. It only lasted one day but was there for 4-5. He said the other item he should have produced for the Council was from the Department of Transportation. He was happy to share the information if anyone was interested. He said the item discusses traffic noise, its impact on human health, and what could be done. The other item not in the packet he had sent was the original appeal from his neighbors and himself which was given to the previous administration at their November meeting. The front page includes vehicles and decibel readings. All fall into the category as being on the fringe of impacting and being a nuisance. He said Mr. Connolly phoned him one afternoon to discuss the issue. He was told as soon as there was staff, they would get together, which they did. He said they had a thorough discussion about the whole situation and agreed it was not an engineering problem. It is a city street with the speed limit set by the Council, governed by the city police department, to enforce the laws there. He said that was not happening. With the weather improving and the aircraft taking off from the airport just adds to the problem. He said he is hearing impaired. If it is bad for him, one can imagine what it is like for others. He mentioned that the last sentence in his email to Council asked that whatever the circumstances are, to please acknowledge, write to the neighbors and himself, and state this item was acknowledged.

Mayor Dietrich asked Mr. Fell to leave the Department of Transportation information with the City Clerk along with the other sheet from him and his neighbors.

8. MAYOR AND COUNCIL COMMENTS:

Councilmember Scales shared that he had the opportunity to be involved with the Military Honor Flight over the weekend. He greeted them as they got off the plane. They were from World War II, Korea, and the Vietnam era. He said he was surprised at the size of WWII and Korea groups that were getting very very small. He asked if anyone knows of any family or friends that are Veterans, to thank them for what they have given this Country. He shared that it meant a lot to those Veterans to get off the plane and be greeted by thousands of people in the airport. Some received a reception they probably did not receive when they came back. He said it meant a lot to them and he appreciated his small part in being on the greeting line to shake a few of their hands.

Mayor Dietrich reminded all that it was National Public Works Week. When seeing the road crews out working hard, give them a high five or some appreciation.

City Administrator Wilson stated the Minnesota House of Representatives has passed a Capital Investment Bill earlier today by the Senate and is now on its way to the Governor's desk. She thanked the hard work of the Legislative Delegation including Senator Matt Klein, Representative Rick Hansen, and Representative Mary Frances Clardy. The Bill headed to the Governor's desk has \$5 million dollars to the City of Inver Grove Heights for the reconstruction of 117th Street and \$2 million dollars for Phase 5 of Heritage Village Park. This involves the construction of an inclusive playground and splash pad. She also thanked the City Lobbyist, Katy Sen, from Messerli Kramer. She said that further updates will be shared about items coming out of the Legislative Session once things settle down.

City Administrator Wilson noted that the Council made appointments last week to regularly scheduled open seats on Advisory Boards and Commissions. In the week since, there have been two resignations mid-term. Jaime Besser has resigned from the Planning Commission; she had two years left in her term. Todd Krause has resigned from the Environmental Advisory Commission; he had one year left in his term. She wanted to make the Council aware and looks for direction on desired next steps for filling the vacant seats.

Councilmember Scales stated he would like to re-appoint.

Councilmember T'Kach would also like those seats filled. She suggested checking in with those who had previously applied to see if they are interested.

Mayor Dietrich requested to leave it open for a little while to see if anyone else is interested in applying.

Councilmember Gliva recommended putting the request out again. She suggested two weeks or whatever is necessary.

City Administrator mentioned if the Council was interested in having a brief application acceptance period, staff could also reach out to those that were interested and may reconsider. Staff could get that done and look to make appointments at the Council's second meeting in June. The positions could be filled in time for July.

The Council agreed.

9. ADJOURN:

Motion by Murphy, second by Gliva, to adjourn the meeting at 8:53 p.m.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sheri Yourczek