



Inver Grove Heights City Council
Monday, October 2, 2023 at 6:00 PM
8150 Barbara Avenue, Inver Grove Heights, MN 55077

AGENDA

NOTICE TO RESIDENTS: Individuals may submit written public comments in advance of the meeting by emailing comments to Rebecca Kiernan (rkiernan@ighmn.gov). Comments received prior to 4:00 p.m. on Monday, October 2, 2023, will be provided to the Council at or before the October 2, 2023 meeting.

1. **Call to Order**
2. **Roll Call**
3. **Discussion Items**
 - A. 2024 Budget Discussion - Utility Funds
 - B. 2023 Legislative Update - Part 2
4. **Adjourn**

This document is available upon a three (3) business day request in alternate formats such as braille, large print, audio recording, etc. Please contact Rebecca Kiernan, City Clerk, at 651.450.2513 or rkiernan@ighmn.gov.



Request for Council Action

SUBJECT: 2024 Budget Discussion - Utility Funds

MEETING DATE: October 2, 2023

ITEM TYPE: Discussion Items

CONTACT: Amy Hove, Finance Director, 651.450.2521
Brian Connolly, Public Works Director, 651.450.2571

ACTION REQUESTED

The Council is asked to receive a presentation regarding 2024 utility fund budgets, utility rates and overall fund forecasts and then provide input and direction to staff.

BACKGROUND

The City operates three utilities - water, sanitary sewer and stormwater. They are each managed as Enterprise Funds - with revenues received from rates and fees, and expenses spent on operating and capital costs. These Enterprise Funds are segregated from other City funds, so that revenue from utility bills is not used for other City operations, such as police and fire, and expenses for utilities are paid by rates and fees - not by property tax revenues.

The utility enterprise funds are also segregated from one another. Recent changes to the structure of these funds have resulted in the following Funds:

1. Water Operating Fund (Fund 510)
2. Water Capital Fund (Fund 511)

3. Sewer Operating Fund (Fund 520)
4. Sewer Capital Fund (Fund 521)

5. Stormwater Operating Fund (Fund 530)
6. Stormwater Capital Fund (Fund 531)
7. NWA Stormwater Capital Fund (Fund 533)

During this work session presentation and discussion, staff seeks to cover the following topics:

1. **Proposed 2024 Budgets for funds #1- 6 above.** The operating budget reviews will cover similar topics to other departmental budgets, including budgeted increases for employee wages and benefits, rising costs for supplies, etc. The capital budget reviews will focus on planned expenditures for replacement and maintenance projects in 2024, closely following the draft Capital Improvement Plan (CIP) that Council has already seen.
2. **Proposed 2024 Utility Rates.** The operating budgets for each utility are entirely funded by rate revenues. Staff will present proposed rate increases for 2024, based on the utility rate study conducted in 2022 and received by the Council in early 2023. The capital budgets for

each utility are funded by connection fees, paid largely by developers, as well as transfers from the operating budgets. The connection fees proposed for 2024 will be presented at a future Council meeting.

3. **5-Year Fund Projections.** Staff has prepared five-year fund projections for each of the capital funds to show where they stand in terms of having sufficient funds to pay for planned projects (as projected in the CIP) and to make debt service payments (for the Sewer Capital Fund). This multi-year look at the funds is particularly important for the City's utilities, where the expenditures for capital projects can vary significantly from year to year and money needs to be saved up over time to pay for major projects, like the Water Plant Rehabilitation project that is currently in development.

In regards to the 7th fund listed above - the NWA Stormwater Capital Fund -- this is a remaining fund from the City's old way of accounting for utility connection fees, where revenues from development in the NWA of the city were segregated from those generated by development elsewhere in the city. Staff is still working to analyze the authorizing language for this fund in hopes of consolidating it into the main Stormwater Capital Fund, but for now it remains in a holding pattern.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. DRAFT Slides -- 2024 Utility Budgets

2024 Budget Utility Funds Operating & Capital

Public Works Department

*Brian Connolly, Public Works Director
Eric Kramer, Utilities Superintendent
October 2, 2023*



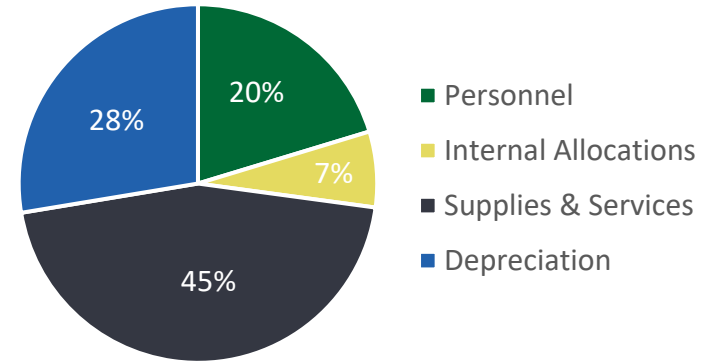
Water Funds

- Fund 510 – Water Operating Fund
- Fund 511 – Water Capital Fund
 - In 2023, the City combined previous Water Connection Fund & NWA Water Capital Fund to create one Water Capital Fund

Water Operating Fund (Fund 510)

Water Operating Expenditures by Category

2024 Operating Budget



	2021 Activity	2022 Activity	2023 Budget	2024 Requested
Personnel	\$ 692,094	\$ 688,355	\$ 776,300	\$ 826,500
Internal Allocations	201,700	222,000	274,400	277,885
Supplies & Services	1,424,301	1,701,766	1,717,230	1,841,185
Transfers Out	79,076	493,624		
Debt Payment	201,488	204,650		
Subtotal - Operating	\$2,598,659	\$3,310,395	\$2,767,930	\$2,945,570
Depreciation	986,000	998,866	1,000,000	1,123,500
Total Budget	\$3,584,659	\$4,309,261	\$3,767,930	\$4,069,070

Water Operating Fund - Overview

Rebalancing of Operating vs. Capital Expenses

- Shifting watermain break repairs restoration (pavement, curb, etc.) from Capital to Operating
 - +\$90,000 into Operating Fund over 2023
- Shifting pump replacements and other “Capital Improvements” historically paid for through operating dollars fully into the Capital Fund (Fund 511)
 - \$165,000 out of Operating Fund over 2023

Noteworthy Expenditure Items

- Chemical Supplies (60019) – 70% increase (+\$70,000 over 2023)
- Depreciation (70100) – 12% increase over 2023

Water Operating Fund - Highlights

- Proposed budget includes 10% increase to water rates for 2024
- Eagan Rate Structure vs. IGH

Water Operating Fund Rate Study - Forecasted Rate Increases

Single Family Residential Parcel

	2023	2024	2025	2026	2027
Recommended %					
Estimated \$					

Water Operating Fund 2024 Budget Overview

Water Operating Fund (Fund 510)	2023 Budget	2024 Proposed Budget
Revenues	\$ 3,738,850	\$ 3,950,475
Expenditures	(2,767,930)	(2,945,570)
Expenditures - Depreciation	<u>(1,000,000)</u>	<u>(1,123,500)</u>
Surplus/(deficit)	\$ (29,080)	\$ (118,595)

Water Capital Fund (Fund 511)

Water Capital Fund - Revenues

Revenue	2023 Estimate*	2024 Proposed Budget
Development-Related Connection Fees	\$ 925,000	\$ 725,000
Interest	75,000	75,000
Transfers In-Water Operating Fund Annual Depreciation	1,070,000	1,123,500
ARPA Dollars-Water Treatment Plant	-	2,500,000
MPFA Loan Proceeds-Water Treatment Plant	<u>-</u>	<u>2,706,000</u>
	\$ 2,070,000	\$ 7,129,500

* Activity has been estimated for 2023 and used for comparison purposes

Water Capital Fund - Expenditures

Expenditures	2023 Budget	2024 Proposed Budget
Pump Inspections	\$ 25,000	\$ 60,000
Well Pump & Service Rehabilitations	125,000	130,000
Watermain Breaks & Street Patching	90,000	-
Automated Metering Infrastructure <i>- study delayed</i>	200,000	-
Water Treatment Plan Repair/Rehab	300,000	5,206,000
Northside Booster Pumps	75,000	-
Dehumidifier-Water Treatment Plant	-	125,000
TRANSFERS OUT – Street Projects	<u>1,033,500</u>	<u>920,839</u>
	\$ 1,848,500	\$ 6,441,839

Water Capital Fund – 2024 Transfers Out

\$ 910,089 Pavement Management – Local Streets

10,750 Pavement Management – Partnership Projects*

\$ 920,839 Total Transfers Out

* 2024 Partnership Projects: Dakota County Cost Share - Cahill Lane Reduction Study
Dakota County Cost Share - Bowman Lane Reduction Study

Water Capital Fund – 2024 Budget Overview

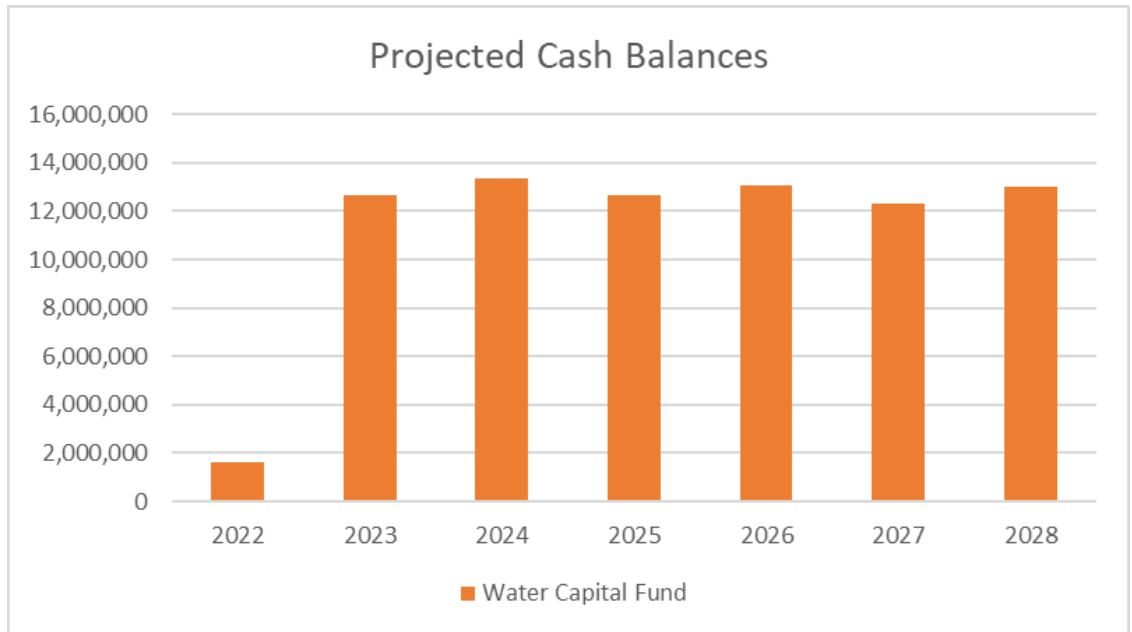
Water Capital Fund (Fund 511)	2023 Estimate	2024 Proposed Budget
Revenues-Development Fees, Transfers In, & Interest	\$ 2,070,000	\$ 1,923,500
Revenues-APRA/DWRF Loan	-	5,206,000
Expenditures	<u>(1,848,500)</u>	<u>(6,441,839)</u>
Net Activity	\$ 221,500	\$ 687,661

Water Capital Fund Modeling

- Based on latest 5-year CIP (2024-2028)
 - AMI Project removed from 2024-2028 CIP - will analyze feasibility at a later date
- Operating Transfer In at annual depreciation estimate (AE2S)
- Using \$2.5 million in ARPA Funds towards Water Treatment Plant (City Project No. 2023-03)
- MPFA Loan Proceeds to cover estimated balance of Water Treatment Plant Project (\$2,706,000)

Water Capital Fund

Water Capital Fund Projected Cash Balances



In 2023, the City combined previous Water Connection Fund & NWA Water Capital Fund to create one Water Capital Fund

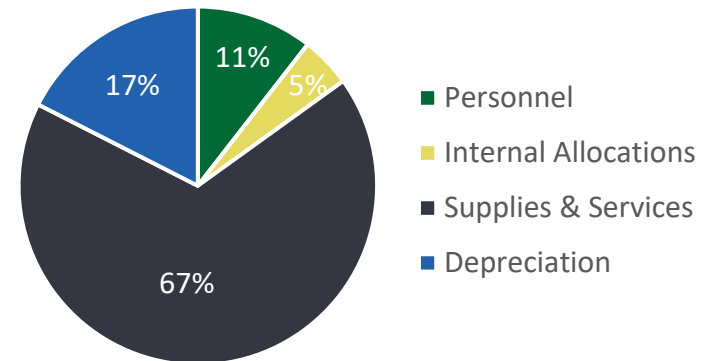
Sewer Funds

- Fund 520 – Sewer Operating
- Fund 521 – Sewer Capital Fund
 - In 2023, the City combined previous Sewer Connection Fund & NWA Sewer Capital Fund to create one Sewer Capital Fund
 - Similarly, the City closed the Sewer Bond Funds so those activities could also occur directly out of this centralized Sewer Capital Fund

Sewer Operating Fund (Fund 520)

Sewer Operating Expenditures by Category

2024 Operating Budget



	2021 Activity	2022 Activity	2023 Budget	2024 Requested
Personnel	\$ 366,373	\$ 553,000*	\$ 438,300	\$ 480,700
Internal Allocations	163,500	184,800	212,000	207,740
Supplies & Services	2,520,183	2,760,337	2,833,270	3,082,080
Transfers Out	73,512	393,725	-	-
Subtotal - Operating	\$3,123,568	\$3,891,862	\$3,483,570	\$3,770,520
Depreciation	795,288	787,496	800,000	800,000
Total Budget	\$3,918,856	\$4,679,358	\$4,283,570	\$4,570,520

* 2022 Activity impacted by year-end audit entry related to pension expense

Sewer Operating Fund - Overview

Noteworthy Expenditure Items

- Met Council Sewer Services (40015) – increase forecasted at 7.34% over 2023 costs
 - 2023 had a 6.29% increase over 2022

Sewer Operating Fund - Highlights

- Assumed increase of 7.5% to 2024 sewer rates
- Met Council increase proposed at 7.23%

Sewer Operating Fund Rate Study - Forecasted Rate Increases

Single Family Residential Parcel

	2023	2024	2025	2026	2027
Recommended %					
Estimated \$					

Sewer Operating Fund 2024 Budget Overview

Sewer Operating Fund (Fund 520)	2023 Budget	2024 Proposed Budget
Revenues	\$ 4,375,770	\$ 4,694,125
Expenditures	(3,483,570)	(3,770,520)
Expenditures - Depreciation	<u>(800,000)</u>	<u>(800,000)</u>
Surplus/(deficit)	\$ 92,200	\$ 123,605

Sewer Capital Fund (Fund 521)

Sewer Capital Fund - Revenues

Revenue	2023 Estimate*	2024 Proposed Budget
Development-Related Connection Fees	\$ 760,000	\$ 620,000
Interest	40,000	35,000
Transfers In-Sewer Operating Fund Annual Depreciation	<u>800,000</u>	<u>800,000</u>
	\$ 1,600,000	\$ 1,455,000

* Activity has been estimated for 2023 and used for comparison purposes

Sewer Capital Fund - Expenditures

Expenditures	2023 Budget	2024 Proposed Budget
Sanitary Sewer Cleaning & Televising	\$ 200,000	\$ 350,000
Sanitary Sewer Rehabilitation	200,000	240,000
Lift Station Rehabilitation	-	150,000
Debt Payments & Related Fees	1,041,250	1,045,550
TRANSFERS OUT – Street Projects	<u>616,545</u>	<u>715,169</u>
	\$ 2,057,795	\$ 2,500,719

Sewer Capital Fund – 2024 Transfers Out

\$ 707,419 Pavement Management – Local Streets

7,750 Pavement Management – Partnership Projects*

\$ 715,169 Total Transfers Out

* 2024 Partnership Projects: Dakota County Cost Share - Cahill Lane Reduction Study
Dakota County Cost Share - Bowman Lane Reduction Study

Sewer Capital Fund – 2024 Budget Overview

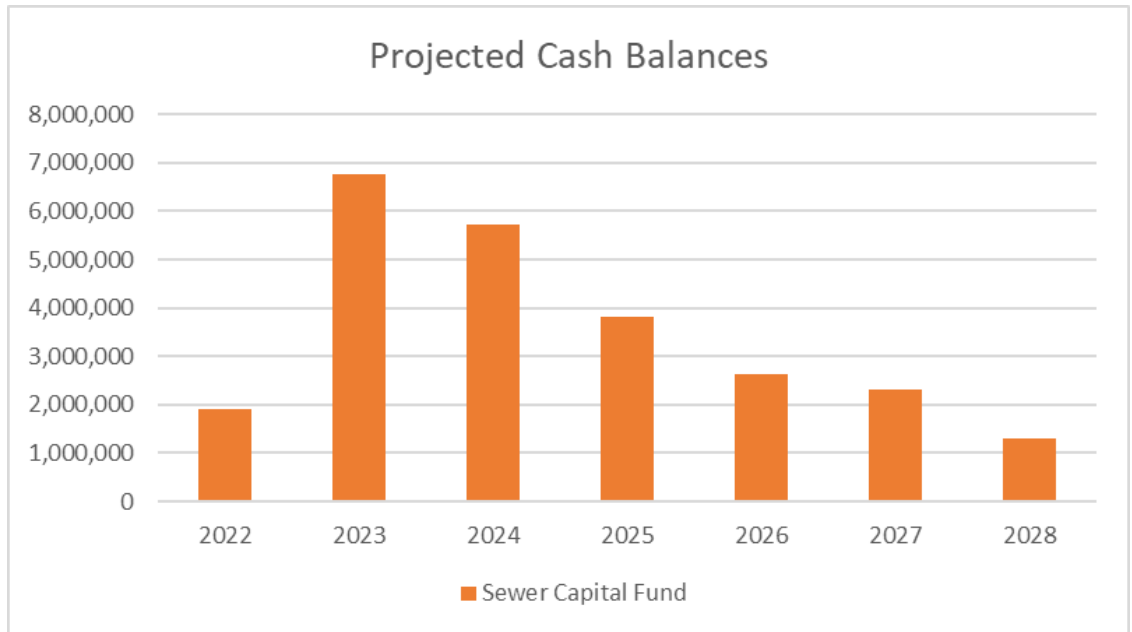
Sewer Capital Fund (Fund 521)	2023 Estimate	2024 Proposed Budget
Revenues	\$ 1,600,000	\$ 1,455,000
Expenditures	<u>(2,057,795)</u>	<u>(2,500,719)</u>
Net Activity	\$ (457,795)	\$(1,045,719)

Sewer Capital Fund Modeling

- Based on latest 5-year CIP (2024-2028)
- Operating Transfer In at annual depreciation estimate (AE2S)
- In 2027, transfer balance of Closed Bond Fund, estimated at \$900,000 to Sewer Capital Fund to help offset debt payments

Sewer Capital Fund

Sewer Capital Fund Projected Cash Balances



In 2023, the City combined previous Sewer Connection Fund & NWA Sewer Capital Fund to create one Sewer Capital Fund

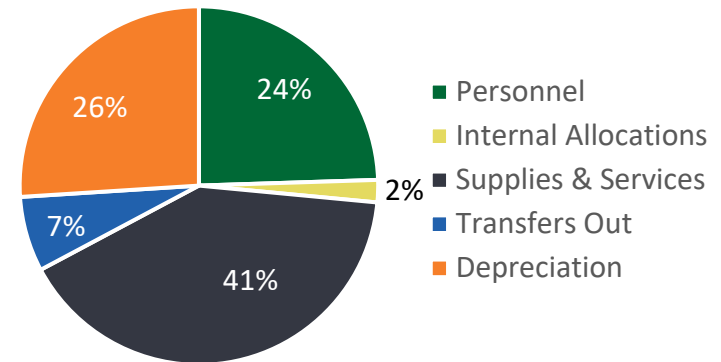
Storm Water Funds

- Fund 530 – Operating Fund
- Fund 531 – Storm Water Capital – NEW FUND
 - For 2023, Council adopted a new Storm Water Connection Fee for properties outside of the NWA
- Fund 533 – Storm Water Capital – NWA
 - NWA Connection Fee Revenues
 - NWA Capital Project Expenditures

Storm Water Operating Fund (Fund 530)

Storm Water Operating Expenditures by Category

2024 Operating Budget



	2021 Activity	2022 Activity	2023 Budget	2024 Requested
Personnel	\$ 169,776	\$ 281,002	\$ 216,200	\$ 226,000
Internal Allocations	3,100	7,800	18,200	18,555
Supplies & Services	314,915	319,940	393,200	375,725
Transfers Out - 2021 activity includes capital transfers	341,819	164,568	62,500	62,500
Subtotal - Operating	\$ 829,610	\$ 773,310	\$ 690,100	\$ 682,780
Depreciation	235,374	-	240,000	240,000
Reporting Adjustment- Changed fund type in 2021	(524,514)	-	-	
Total Budget	\$ 540,470	\$ 773,310	\$ 930,100	\$ 922,780

Storm Water Operating Fund - Overview

Rebalancing of Operating vs. Capital Expenses

- Shifting some maintenance and engineering costs for capital improvements from the Operating Fund to the Capital Fund (Fund 531)
 - Net reduction in Supplies & Services (materials, etc.)

Noteworthy Expenditure Items

- Professional Services (30700) – 31% increase (+\$25,000) over 2023)– Stormwater Rate Study
- Repair & Maintenance (40066) – 17% increase (+\$25,000) over 2023
- Stormwater pays 50% of annual street sweeping costs (50% paid by streets)

Storm Water Operating Fund - Highlights

- Assumed increase of 25% to 2024 storm water rates for non-NWA residents
- Assumed increase of 5% to 2024 storm water rates for NWA residents
- Rate Study planned for 2024

Sewer Operating Fund Rate Study - Forecasted Rate Increases

Single Family Residential Parcel

		2023	2024	2025	2026	2027
Outside NWA	Recommended %	25%	25%	25%	25%	25%
	Estimated \$					
NWA	Recommended %	5%	5%	5%	5%	5%
	Estimated \$					

Storm Water Operating Fund 2024 Budget Overview

Storm Water Operating Fund (Fund 530)	2023 Budget	2024 Proposed Budget
Revenues	\$ 782,850	\$ 1,046,015
Expenditures	(690,100)	(682,780)
Expenditures - Depreciation	<u>(240,000)</u>	<u>(240,000)</u>
Surplus/(deficit)	\$ (147,250)	\$ 123,605

Storm Water Capital Fund (Fund 531)

Storm Water Capital Fund - Revenues

Revenue	2023 Estimate*	2024 Proposed Budget
Development-Related Connection Fees	\$ -	\$ 10,000
Interest & Other	24,414	6,000
Transfers In-Host Community Fund	1,000,000	1,100,000
Transfers In-Storm Water Operating Fund Annual Depreciation & Net Income	<u>240,000</u>	<u>283,235</u>
	\$ 1,264,414	\$ 1,399,235

* Activity has been estimated for 2023 and used for comparison purposes

Storm Water Capital Fund - Expenditures

Expenditures	2023 Budget	2024 Proposed Budget
Groundwater Monitoring	\$ 20,000	\$ -
Minor Drainage Improvements	15,000	15,000
Storm Sewer Televising	30,000	55,000
Raingarden Inlet Rehabilitation	-	20,000
Water Resource Management Plan Updates	-	50,000
TRANSFERS OUT – Seidl’s Lake Project (Fund 402)	50,000	-
TRANSFERS OUT – Street Projects	<u>542,143</u>	<u>473,225</u>
	\$ 657,143	\$ 613,225

Storm Water Capital Fund – 2024 Transfers Out

\$ 436,725 Pavement Management – Local Streets

32,929 Pavement Management – Partnership Projects*

\$ 473,225 Total Transfers Out

* 2024 Partnership Projects: Dakota County Cost Share - Cahill Lane Reduction Study
Dakota County Cost Share - Bowman Lane Reduction Study

Storm Water Capital Fund 2024 Budget Overview

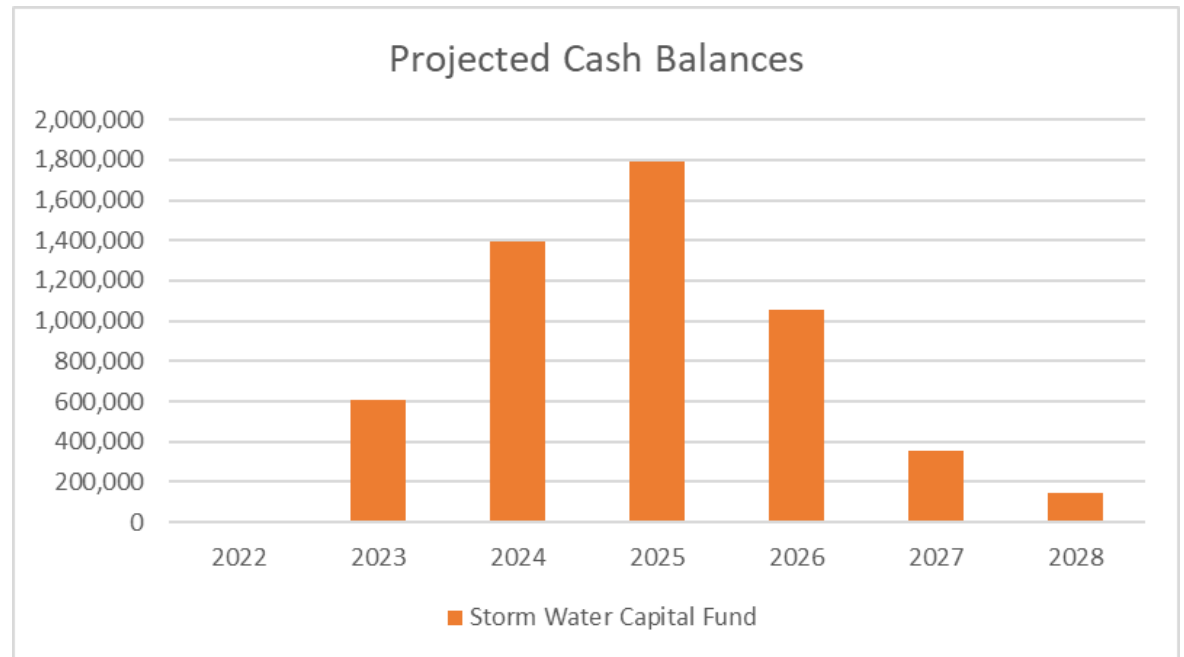
Storm Water Capital Fund (Fund 531)	2023 Estimate	2024 Proposed Budget
Revenues	\$ 1,264,414	\$ 1,399,235
Expenditures	<u>(657,143)</u>	<u>(613,225)</u>
Net Activity	\$ 607,271	\$ 786,010

Storm Water Capital Fund Modeling

- Based on latest 5-year CIP (2024-2028)
- Operating Transfer In at annual depreciation estimate (AE2S)
- As discussed during 2023 budget preparations, \$1 million transferred in from Host Community Fund for years 2023, 2024, 2025
- Staff recommendation for additional transfers from Host Community Fund for years
 - 2024 additional transfer of \$100,000
 - 2025 additional transfer of \$200,000
 - Years 2026-2028 additional transfers of \$300,000/year

Storm Water Capital Fund

Storm Water Capital Fund Projected Cash Balances



In 2023, the City created a new Storm Water Capital Fund, along with a new Connection Fee for non-NWA developments. For years 2023-2028, the fund is forecasted to receive transfers in from the Host Community Fund.

Storm Water Capital Fund - NWA

Storm Water Capital Fund - NWA

Revenues	2023 Estimate*	2024 Proposed Budget
Plat Connection Fee - NWA	\$ 205,000	\$ 200,000
Interest & Other	<u>26,600</u>	<u>30,000</u>
Total Revenues	\$ 231,600	\$ 230,000

Expenditures	2023 Estimate*	2024 Proposed Budget
Water Resource Management Plan (50%)	\$ -	\$ 50,000
TRANSFER OUT – Close Project 2023-10	<u>109,861</u>	<u>-</u>
Total Expenditures	\$ 109,861	\$ 50,000

Net Activity	\$ 121,739	\$ 180,000
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* Activity has been estimated for 2023 and used for comparison purposes

Questions?



Request for Council Action

SUBJECT: **2023 Legislative Update - Part 2**

MEETING DATE: October 2, 2023
ITEM TYPE: Discussion Items
CONTACT: Bridget Nason, City Attorney

ACTION REQUESTED

The Council is asked to receive a presentation regarding legislative changes and provide direction to staff regarding potential City responses.

BACKGROUND

During the 2023 legislative session, the Minnesota Legislature adopted a number of changes to state statutes that impact cities. This second half of our legislative update will provide background information regarding the following areas of significant legislative changes:

1. Comprehensive Plan Requirements
2. Electric Vehicle Charging Requirements-New Multiple Family Construction
3. Open Meeting Law Remote Attendance-Medical Exception
4. Elections
5. Earned Sick and Safe Time
6. Paid Family and Medical Leave

FISCAL IMPACT

n/a

RECOMMENDATION

ATTACHMENTS

None