INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, SEPTEMBER 19, 2022. 5:00 PM - 8150 BARBARA AVENUE

1. Call to Order: The City Council of Inver Grove Heights met in person for a Work Session on Monday, September 19, 2022. Mayor Bartholomew called the meeting to order at 5:00 p.m. The Pledge of Allegiance was recited.

2. Roll Call: Present In-Person: Mayor Bartholomew; Council Members; Piekarski Krech, Gliva, Dietrich, Murphy; City Administrator Kris Wilson, Deputy City Clerk Katie Malott, Community Development Director Heather Rand, Finance Director Amy Hove, Public Works Director Brian Connolly
Others Present: Eric Satre, Director, City of Inver Grove Heights Convention and Visitors Bureau (CVB); Kelly Kayser, Chair, Citizens Task Force for Pavement Management

3. Discussion Items:
3A. 2023 Convention & Visitors Bureau Budget and Proposed Lodging Tax Increase
Eric Satre, Director, City of Inver Grove Heights Convention and Visitor's Bureau (CVB), 5782 Blackshire Path, River Heights Chamber of Commerce Office. Shared that the CVB and Visit IGH are the same organization. A CVB is a local tourist organization responsible for marketing and promoting a community. It is funded by a local lodging tax (pass through tax from hotels to the organization). Minnesota State Statute requires up to 3% lodging tax from hotels to the CVB. Inver Grove Heights has a lodging tax of 2% with local hotels (This is not a resident tax).
Convention & Visitor's Bureau (Fund 201):

- Mission – To market and promote IGH to visitors; to maintain and stimulate the community's economic vitality.
- The CVB was commissioned by the city in 2001 with a 2% lodging tax.
- The CVB Budget is included in the overall city budget.
- There is a CVB Board of Directors consisting of: Hotels, Restaurants, Chamber Representative, City Representative, Tourism Representative.
- On August 25th, the CVB Board of Directors reviewed the CVB 2023 Draft Budget.

The Pandemic has affected the hospitality industry. Quarter 1 of 2021 resulted in cutting back and reassessing. A 3-year strategic plan was made for 2022-2024 with the following goals:

1. Strengthen relationships with stakeholders: hotels, businesses, chamber of commerce, city leadership, tourism industry, residents, and regional partners.
    - Did a SWOT (Strengths, Weaknesses, Opportunities, Threats) exercise.
        - Strengths and weaknesses are more internal
        - Have one staff person (Director). With growth, have identified a common theme being lack of resources, staff time, and funds
        - Need for additional staff or contract resources to support the director
        - Limited brand awareness, no go-to "draw" in the city to promote, one staff member cannot be an expert on all job functions
2. Grow revenue to invest in marketing, technology, and staffing.
3. Establish a brand and marketing plan.
4. Develop a signature annual event to attract visitors.

Hotel Rate Comparison: How Inver Grove Heights compares with similar hotels in the metro.

- Inver Grove Heights – Business class hotel - $112.00 (Holiday Inn Express)
    - AmericInn is in between business class and economy class
    - Microtel, Extended Stay Hotels, are more economy class

Inver Grove Heights was lower in comparison to other area hotels.

Lodging Tax Ordinance Request: Included in the CVB Strategic Plan is a request for the City Council to consider a change to the local lodging tax ordinance. (This is not a resident tax). Currently at 2%.

- In comparison to neighboring cities, others are at 3% with exception to Inver Grove Heights.
- In the State of Minnesota, 96% of communities have a 3% rate.

Goals/Proposal on Funds:

- Technology has changed. Internet, social media
- Proposing an enhanced visitor's guide
    - Currently have an envelope sized guide, neighbors have a full-size magazine
- Social Media requires more video, time creating content, time to raise the profile
    - Proposing to contract social media out with an outside vendor
    - Other metro city CVB's have at least 1 staff and 1 part time person
- Advertising Budget
    - No longer expect people to come to the city, stay at hotels, spend money. Need to go with technology and meet people where they are at
    - Marketing. Drawing awareness, consideration, conversion. Still trying to draw awareness to the city in terms of staying
    - Trying to make Inver Grove Heights as a great place to work, stay, and visit
- Creating a signature event for Inver Grove Heights
    - Shifting social media responsibilities to a contract vendor would allow the Director to focus on modeling a plan for an event

2023 Revenues – 2% Proposal:

- $135,000 Lodging Tax
- $10,000 Explore Minnesota Tourism (EMT) Grant
- $145,000 Total Revenues

2023 Revenues – 3% Proposal:

- $202,500 Lodging Tax
- $10,000 Explore Minnesota Tourism (EMT) Grant
- $212,500 Total Revenues

Expenses:

- Professional Services (Director contract):
    - 2022 Budget: $75,650
    - 2023 Budget 2%: $77,662
    - 2023 Budget 3%: $77,662
- Advertising:
    - 2022 Budget: $47,160
    - 2023 Budget 2%: $43,801
    - 2023 Budget 3%: $98,880

    Includes social media, creating a signature event, visitor guide.

- Administrative: State Statute says the CVB can collect 95%; the remaining 5% goes to the city
- Office Rental
- Postage/Delivery: Dependent on a new Visitor's Guide
- Membership Dues: Groups the director is a part of
- Conferences
- Supplies-Office: Promotional items, envelopes
- Travel
- Meals and lodging
- Telephone/Email

Mayor Bartholomew stated a lot of things in the city can be highlighted such as bike trails, connections, restaurants, access to/on the river, Vikings Sports Center, Mall of America, the Golf Course. Putting an effort on those points may receive interest. He suggested reaching out to the Vikings to see if there is opportunity for collaboration.
Mr. Satre, agreed. He has recently promoted outdoor recreation; it's a safe and healthy lifestyle.

Councilmember Murphy questioned how the city was different than other towns that are close to the river, have bike trails, close to Minneapolis/St. Paul. He asked how value and success were measured.
Mr. Satre replied he looks at hotel occupancy. He tries to visit restaurants and shares stories. He measures Google analytics and website visits. A bike video was done about the Mississippi River Trail which has almost 50,000 views on YouTube.
Councilmember Murphy asked if the CVB would be involved in looking at new businesses to come in.
Mr. Satre replied that was something he would have the Community Development Director do.
Councilmember Murphy asked if his entire budget was the 2% lodging tax.
Mr. Satre replied yes.

Councilmember Piekarski Krech referenced the signature event and questioned if they could play up what's already in town such as Inver Grove Heights Days and if they could partner with events like the dances, BBQ's, events for children, fireworks, Bike the Bridges. She suggested a signature event be done in the winter to bring people in.
She asked about the expansion of the conference budget and if it was to present or for networking. She asked if the hotels were on board with the 3%.
Mr. Satre replied it was attending to do networking. He agrees with expanding on something the city already has. He has been in touch with Experience the Twin Cities which has Holiday Light Tours. He has spoken with Parks and Recreation Director Lares and has suggested working with local partners such as Gertens to do something more festive. Hotels have agreed with 3%.

Councilmember Dietrich asked what brainstorming with the Board and other CVB's looked like.
Mr. Satre replied other CVB's have done music series in the park, a bike race, art show. In his role, instead of just planning the event, he would prefer to support an event, existing or new.
Councilmember Dietrich appreciated the collaboration with Parks and Recreation and local larger businesses. She recommends businesses be asked how they would like to participate instead of asking for donations.

Councilmember Piekarski Krech asked if the Eagan magazine was done through their CVB. She questioned if the city needed our own, or if there could be a collaboration. She questioned how often Eagan publishes their guide. She did not want the city to be lost with partnering but wants a decent timely publication, which was more than could be done with the budget. She liked the idea of doing them each season.

Mr. Satre replied that it is through Eagan CVB. A past collaboration with Eagan on a previous visitor's guide highlighted more assets not in Inver Grove Heights.

Councilmember Gliva appreciated the time it takes to get data and information on social media. She didn't feel that would be a one-person job along with being a director. She likes the signature event idea; it would be a great idea for Inver Grove Heights Days but doesn't address winter.

Mr. Satre mentioned that a ribbon cutting was done for Vista Pines Park. Town Square Television did the video, the city posted on social media. He went back after the ribbon cutting and reposted everything using a small portion of the budget and had an amazing response.

Councilmember Murphy asked what was meant by an amazing response.

Mr. Satre replied it's algorithms. $20-$25 boosted the post reaching perhaps 1,000 people.

Mayor Bartholomew felt 1% was a reasonable ask. He suggested looking at ways to save space. He questioned if the city had space that Mr. Satre could come into at little to no cost.

City Administrator Kris Wilson mentioned if the Council was interested in approving a 3% lodging tax, Staff would bring forward an ordinance amending city code. The process takes three readings.

Councilmember Piekarski Krech was in favor of the increase as long as the hotels were.
Councilmember Murphy said the hotels would just pass the cost onto those staying in town. He doesn't mind seeing it but would appreciate conversation on what kind of value is added for the increase.
Mayor Bartholomew requested Mr. Satre show the return on the 1%.

3B. Continued Discussion of 2023 Preliminary Tax Levy & Budget

Finance Director Amy Hove presented the following information:
Citywide Structural Changes:

- New technology allocation (revised formula)
- New account for division software
- No central stores allocation

Community Development includes Community Development Department, Planning, and Inspections. EDA was presented at the September 12th meeting.
Community Development Departments within the General Fund:

- 16% increase between all divisions (Community Development, Planning, Inspections)
    - Includes technology allocation shift and division software

Inspections - Additional Requests:

- Staffing request for 1 additional Building Inspector
- 3 position reclassifications for:
    - Chief Building Official

  - Office Manager
  - Senior Combination Inspector

Recommendation: Provide resources in the budget for the three position reclassifications. Consider the staffing request for an additional building inspector in a future year.

Councilmember Murphy asked if Community Development includes the potential for a new inspector.
Finance Director Hove replied those numbers are not included.

Public Works General Fund Budgets include Public Works, Engineering, Streets, and Street Lighting. Also oversees:

- Pavement Management Fund
- Water, Sewer, Storm Water Funds (discussion for this would take place later this fall in conjunction with the Utility Rate Study)
- Central Equipment Fund (this item would be discussed at the October 3rd Work Session)

Public Works Departments within the General Fund:

- 3% increase to the public works budget.
  To note: Looking to eliminate the public works department next year; just the Public Works Director, allocating costs out to other divisions.
- Equipment replacements make up some of the internal allocations.
- Small increases to road maintenance and supplies for road maintenance. $46,000 of this overall budget was increased due to those items.

Councilmember Murphy asked why street lighting was separate.
Finance Director Hove replied it's a complicated issue that would be addressed later.
Councilmember Dietrich questioned if it had anything to do with type of lighting.
Finance Director Hove replied there are city street lights, development related street lights, and county lights. She was unsure if it was related to lighting type.

Engineering – Additional Requests:

- New Capital Equipment
  - Vehicle for Storm Water Technician
    - Engineering Department cost: $14,700 (35%)
    - Storm Water Fund cost: $27,300 (65%)

  Recommendation: Internal discussions are ongoing regarding the use of the Central Equipment Fund balance for new equipment purchases in 2023. Staff recommendation will come at a later date.

Councilmember Piekarski Krech asked if there were excess vehicles. It seemed like there were always pickup trucks parked around that are not being used. She asked if the city got rid of some vehicles or if there were more employees.
City Administrator Wilson replied the city is very lean on vehicles. If there are trucks in the lot at City Hall it means that employee is working at their desk. Vehicles are assigned to staff to be able to go out at a moment's notice. She will inquire with Barry about the vehicle/employee question.

Street Maintenance – Additional Requests (Wages/Benefits) New staffing requests:

- 1 additional full time Street Maintenance Worker
- Natural Resources Technician – Full time position shared by the Parks Department and Streets Department (50/50 cost split)
- Additional Seasonal Street Maintenance Staff

Recommendation: Provide the resources for 1 additional full time street maintenance worker and additional seasonal staff wages. Consider natural resource technician in a future year.

Councilmember Murphy asked what a natural resource technician would do.

City Administrator Wilson replied in the last few years staff has had someone with strong natural resources knowledge and ability checking on native plantings and trees, as they work in the field. Last year this individual was moved into the office to do more planning, permitting, and management of the system. Now they are straining staff street and park maintenance to do the field work. The request is backfill for the field work. Her recommendation is to have one full time person for streets and one full time person for parks. These two positions would determine how to get the natural resources work done for another year. Staff would look for a natural resource's person in 2024.

Councilmember Murphy questioned if they identify plants.

City Administrator Wilson replied they look at invasive species and check to make sure stormwater ponds are functioning.

Councilmember Dietrich asked if the natural resources position was split for budgetary purposes.

City Administrator Wilson replied they would be used jointly in park areas of the city. Stormwater ponds fall under street maintenance.

Street Maintenance – Additional Requests (Capital):

- New capital equipment. 1 additional vehicle for fleet: $45,000
  Staff recommendation will come at a later date.

Street Lighting – Future Analysis Needed:

- Status quo for 2023
- Would be a significant undertaking to review all past development agreements, look at all street lights to identify if they are a city street light, who owns the light, whose replacement responsibility the light is, and type of bulbs. This project will begin after the rate study is complete.

Mayor Bartholomew asked if it was known which streets were county owned lights and city lights.

City Administrator Wilson replied it's known, it's a question of how well organized the information is.

3C. 2023 Pavement Management Fund Budget & Public Works 5-Year CIP

Public Works Director Brian Connolly discussed the Public Works Capital Improvement Plan (CIP) for years 2023 to 2027. This is currently in Draft format.

Citizens Task Force Committee (CTF):

- June 13th, 2022 Council accepted the final report from the CTF. Key recommendations:
  - Systems approach for street rehabilitation (doing more mill/overlay or reclamation projects on a larger group of streets)

- Develop a formal 5-year Capital Improvement Plan
- Consistently apply special assessment policy
- Fairly utilize funding from contributing sources
  - Stormwater utility pays for stormwater improvements. Will be challenged if significant changes are not made as to how stormwater rates are set up. This will be discussed further at the October 3rd Work Session.

Councilmember Piekarski Krech mentioned if there was a street utility it would be a different story. She didn't see a big difference between streets and stormwater. Both come out of the entire city.
Public Works Director Connolly replied he agrees but was unsure that was sustainable.

Public Works Director Connolly stated this was the first time Council has seen the Capital Improvement Plan (CIP) he has worked on with staff:

- A 5-year outlook, sometimes further. There is not a 10 year at this time because there has not been a 5-year plan they have been using.
- Looks at prioritization of specific infrastructure improvements.
- City and partner agency projects (Dakota County/MnDOT) with city funding.
- Basis for short term and long-term funding decisions. Save for projects now to build up balances.
- Project data is presented in two ways: Project Type/Category and Funding Source.

Mayor Bartholomew asked if the data has been compared to Capital Improvement Plans in the past.
Public Works Director Connelly replied there was a point the CIP was put together on an annual basis. That stopped in 2013. Since then, there has been a Capital Improvement Financing Plan highlighting a line item from each fund. There is not a lot to compare to. He would be working on projects that have been discussed by Council/Residents in the past 2-3 years.

5 Year Capital Improvement Plan (CIP):

- 82% - Street Improvements
- 9% - Water System
- 1% - Stormwater Projects
- Partner Projects: Sidewalks, trails, parks, and sanitary sewer make up 2-3% of the total

2023 Only Capital Improvement Plan (CIP):

- Street Improvements go up to 87% with everything else dropping down a little

Total 2023 CIP as proposed: $20.5 million dollars

Capital Improvement Plan (CIP) Focus on Street Projects:

- Water, sanitary sewer, and storm sewer will be reviewed in conjunction with the future utility rate study and budget discussions.
- Partner Projects:
  - Dakota County: Design studies, county overlays (city doesn't pay for the pavement component, pay for casting adjustments, structures needing to be rebuilt), county highway and trail projects (70th and Argenta)

  - Minnesota Department of Transportation (MnDOT): Ramp improvements (Southbound 52 to 70th Street) and soundwalls (Grant for an area of 52 north of 494 on the west side)

Councilmember Dietrich asked how far in advance notice is given to partner project proposals.
Public Works Director Connolly replied MnDOT looks out 4-5 years. Staff just found out about the ramp project earlier this spring. This would be done in 2026/2027. It has been put in the city CIP for that same year.

City Street Projects:

- Annual Pavement Management Initiative (PMI) Projects: 64%
- Maintenance Projects: 8%
  - Includes broad area patching, crack sealing, sealcoating, micro surfacing. Traffic calming and safety improvements.
- Sidewalks, Parks, and Trail Projects: 4%
  - ADA intersection improvements, parking lots, and trail overlays. $250,000 from the PMP has been allotted to go toward parks pavement improvements.
- 117th Street: 24%
  - Preliminary design phase. Funded through Pavement Management Fund (PMF) in 2021
  - Staff continues to work through supplemental funding opportunities such as:
    - State bonding, county advancement and cost sharing, ARPA Funding
  - Desire to avoid using Pavement Management Funds. Shown in CIP as a placeholder

If 117th Street is taken out of City Street Projects:

- Annual Pavement Management Initiative Projects: 85%
- Maintenance Projects: 10%
- Sidewalk, Parks, and Trail Projects: 5%

Councilmember Dietrich referenced county trails which become the city's responsibility with snow removal. She questioned if that was shared with parks and recreation and how its divided-up budget wise.
Public Works Director Connolly replied there are maintenance costs and replacement. With a county road trail, they look to cities to do snow removal. An overlay is 100% paid for by the county. Plowing is done by a combination of parks and public works.
Councilmember Dietrich addressed the cost of snow removal machines and that the cost be divvied up between the two departments.

Pavement Management Initiative (PMI):

- Project Selection Criteria:
  - Pavement Condition Index (PCI). Rating system of 0-100. 100=brand new street, 0=cow path. Trying to pick streets that make the most sense.
  - Age. The last time the street was constructed, when was it constructed in the first place.
  - Maintenance costs. Places staff go out to the most, receives the most complaints.
  - Past prioritization. Dawn Way, planning to do in 2023.
  - Public utility condition.
- Annual Project Goals:

  - 6-7 miles of road per year. Hopeful to get every street in town on a cycle to attain the 20–25-year mark for bituminous/asphalt.
    - 150 miles of city streets in the city.
    - Staff does not want to do an assessed street project with a need to go back 15 years later and do it again.
  - Combine neighborhood streets into a single project. Do not want to do one off streets.
  - Focus and balance rehabilitation techniques.

A Pavement Management Initiative (PMI) map was shown indicating 5 years of projects (2023-2027), number of miles, and estimated cost (inflation adjusted) of the street only.

- Targeted goal of 6-7 streets per year
- Proposing to do over 32 miles of streets in five years at a proposed cost of $55,935,000
  For comparison: Between 2018-2022, the city reconstructed 12.3 miles of roadway for a total cost (street only) of $14,000,000.

2023 PMI Project Areas: These projects would be brought before the Council in the next 1.5 months for consideration/acceptance of the feasibility report and ordering the project through the public hearing process.

- Carmen Avenue/Claude Way: 1.26 miles Industrial area. Combination reclamation/mill/overlay
- Cheney Trail/Coffman Path: .89 miles. Residential. Mill/overlay
- 62nd Street/Bolland Trail: .78 miles. Residential. Mill/overlay
- Argenta Trail: .62 miles
  - Rural section. Eagan has had this border road in their CIP for 5 years. City pays 1/2. Looking at cost sharing and potential utility improvements with Eagan and to team up on a watermain loop extending the watermain north of Argenta Trail.
- Dawn Way Area: 3.40 miles. Next public hearing. Full depth reclamation. Cross/border streets with South St. Paul. Working on coordination and cost sharing.

PMI Challenges to Address:

- Project prioritization and selection:
  - 50+ miles of streets with "poor" pavement condition
  - Balance of improvement types
  - Accept "outliers" (other streets in the area)
- Maintaining and following a plan:
  - CIP is a roadmap. It's important to follow
  - Long term planning means better public notice. Goal from the Task Force is to try to get to a 2-year notice
  - Build consistency and trust in the system
- Funding – PMP Fund:
  - Revenue vs. Cashflow
  - Funding source allocations to the PMP: Tax Levy, Host Community Fund, Special Assessments, MN State Aid System funding, Franchise Fees
  - Potential bonding needs
- Funding – Utility Funds: Stormwater costs exceed stormwater fund revenue

Preview: Stormwater Utility Fund: October 3rd City Council Work Session.

  - 63% of stormwater expenditures are going toward pavement projects

For Council discussion: If it's the Council's desire to fund stormwater improvements that are a part of PMI projects through stormwater utility funds. If "yes," staff will continue to refine options to bolster stormwater funding. If "no," determine how.

Councilmember Murphy referenced the 50+ miles and what the estimate would be to drop from 50.

Public Works Director Connolly replied he has not had the chance to get into the PCI system, it would be difficult to tell as there isn't enough data in this city. Streets were rated once every three years. It could take three years to get another set of data points and possibly another three years to see if the trend line is adjusting over historical data.

Councilmember Murphy asked if a utility company works on a street that has already been worked on by the city if it would be the utility company's responsibility to fix the street.

Public Works Director Connolly replied yes, the utility companies would repair.

Councilmember Murphy asked if another Council could change things if a plan is put in place and if there was a mechanism to keep it in place.

Public Works Director Connolly replied it depends on Council transitions. Staff has long term planning initiatives they want to keep in place and implement.

Mayor Bartholomew said he was a firm yes on using the stormwater fee as recommended for stormwater improvement.

Councilmember Murphy asked if they want the stormwater fund to support itself.

Public Works Director Connolly replied he is of that opinion, the CTF agrees.

He referenced the back page of the CIP where unprogrammed projects were listed. Those are projects that have previously been noted, tabled, or turned down in the past. but are not going away.

Councilmember Murphy said the rate study should help. His opinion is that they all should support themselves.

Public Works Director Connolly replied the rate study takes the needs and looks at the future, age of infrastructure, and maintenance that has/has not been done in the past. It projects it out to 10-20+ years. He mentioned there were not a lot of current water needs.

Councilmember Piekarski Krech felt sewer and water were easier as they use the service. Stormwater was different. She questioned why she should pay a huge amount when she doesn't create nor use the stormwater.

City Administrator Wilson stated she would be working to shift the dialog about this. People may think there isn't much runoff from their property and why they would have to pay for stormwater. The conversation needs to shift from what is created to a conversation about benefit. Stormwater management keeps the urban city functioning. For emergency response or a school bus in a neighborhood, the ability to move about the community is based on managing impervious surface water runoff. It's flood mitigation/prevention and water quality.

Councilmember Piekarski Krech questioned why it is a fee that has to be paid and why it isn't coming out of taxes paid to the city. She supports utility because everyone who generates it pays.

The Council took a short break at 7:02 p.m. Council was back in session at 7:08 p.m.

Finance Director Amy Hove discussed the following relating to Capital Improvement:
Capital Improvement Plan – Financing Model Assumptions:

- Assumes all projects included in the Public Works CIP are being done in the years proposed.
- Separates projects into local projects and partnership projects.
    - Staff will bring forward a recommendation to create a separate fund to house partnership projects
- Special Assessments will be assessed per city policy.
- City will bond to cover the annual assessments for each year's projects.
- Annual special assessment collections will be used to repay bonds.
- Try keeping cash balances in the PMP Fund equivalent to that of one year of assessments.
    - 2023-2027 average amount assessed: $5,960,400
    - 2023-2027 average cash balance: $5,577,200
- To stabilize PMP Fund cash balances, Ehlers recommends the city increase dedicated funding by $200,000.
    - Increase the lax levy by $350,000 for next years levy (2023). Can go back down to $250,000 in future years
    - Increase Host Community Fund (HCF) transfer by $100,000. From $500,000 to $600,000
    - Could increase the tax levy in 2024 by $350,000, then drop back down to $500,000
- No assumed PMP contribution for 117th Street

Capital Improvement Financing Model looks at the anticipated annual revenues per year. Builds in the CIP. Highlights:

- Tax levy recommendation: $2.9 million dollars
- Yearly annual franchise fees
- MSA dollars (maintenance dollars are received from State Aid)
- Construction is project specific as to whether it is a qualifying street
- Special assessments: 10% prepay is assumed. Receive the remaining 90% over 10 years
- Other transfers being brought into the fund:
    - Host Community Fund transfer in $600,000
    - Utilities. Due to the 5-year plan, can identify what utilities are going to be responsible for which costs and how much on each project
    - Bond proceeds. Anticipated amount to bond for to cover special assessment cost on that year's project Bond in 2023, start the debt payment schedule in 2024
- Revenues: Coming in at $12,847,786 (proposed revenue budget for 2023)
- Expense: Planned projects for 2023:
    - Studies
    - Broad area patching, crack sealing, traffic calming, ADA intersection improvements, trails, parking lots (matches the CIP)
    - Total expenses coming in at $12.7 million dollars

  - 2023 projects anticipate using pavement management for partnership projects
  - Total expenses and transfers: Approximately $13 million dollars
  - End of 2023: (with revenues in, expenses/transfers going out) estimating a cash balance of just over $5 million dollars. Forecasted out based on the 5-year CIP

2023 Budget – Expenses and Transfer. City Street & Partnership Projects:

- Annual Pavement Management Initiatives. Planning for public hearings on October 24, 2022.
- Planning for bonding in 2023. Start sustaining the plan of bonding for assessments, assessment collection, keep a sufficient balance, cash flow the city portion of those projects. This does not affect the debt levy.

Pavement Management Fund: Proposed City Dedicated Funding for 2023: Includes tax levy, franchise fees, transfers in – Host Community Fund.

- For 2023: Estimated at $4,565,000
- 64% of the city funding comes from the tax levy
- 23% from franchise fees
- 13% from the Host Community Fund

Councilmember Piekarski Krech asked when franchise fees were determined. She felt they should rise. Finance Director Hove replied franchise fees do not rise much. It's a flat fee.

- Assumes there will be annual increases to the levy of $250,000 after 2023. The 2023 increase is recommended at $350,000

2023 Budget Summary – City Street and Partnership Projects:

- Looking at a change to the fund balance, a reduction of $224,214

Pavement Management Fund - Available Cash Balances:

- Shows how the city built up fund balances
- Layers in the franchise fee fund
- For 2023 through 2027 gives a look at cash balances based on modeling

D. Host Community Fund

City Administrator Kris Wilson discussed the Host Community Fund:
This fund is a unique asset as the city is the host community to a couple of different operating landfills. Revenue comes from:

- Tonnage fee from Pine Bend Landfill
  - Currently scheduled to cease receiving material no later than December 31, 2030. There may be a request asking to extend that date.
- Fixed fees from Pine Bend ($225,000 per year)
- Frattalone Demolition Landfill borders along with South St. Paul. $25,000 through 2027

2021 Year End Balance: $8,390,081
2022 Estimated Revenue: +$3,175,000
2022 Budgeted Expenditures: -$4,195,100
2022 Estimated Year End Balance: $7,369,981
Council has broad discretion on how the Host Community Fund is used. Uses:

- Staff and consultants for landfill monitoring

- Legal costs associated with enforcing current Host Community Agreement
- Pavement Management Fund
- VMCC Operations. Used to close the gap between memberships/lessons/participation in programs and what the cost is to run the VMCC, without impacting property taxes
- VMCC Capital
- Railroad Quiet Zone
- Broadband/Fiber Investments
- Transfer of funds to the EDA
- Interfund loan to the EDA
- Transfer to recycling program
- Volunteer Coordinator position
- City's Lobbyist
- Contribution to IGH Days fireworks
- Concert Band contribution
- Transfer to fund for new/remodeled public works building
- Fire Service Study with Citygate

Due to Pine Bend's scheduled cease of operation in 2030, there is a need to discuss:

- A more concrete/transparent plan for use of the fund
- Put the money to use for residents by funding key priorities now, plan for a "soft landing"
- Identify core and temporary uses

Proposed Core Uses:

- Pavement Management Program
- VMCC – Operations and Capital

For the next 3 years, suggest the Council look at a plan for:
Proposed Short Term Priority Uses:

- Saving for new/remodeled Public Works facility
- Jump start for stormwater funds

Discontinue or phase out other uses – Starting in 2023:

- Lobbyist costs budgeted for in Mayor and Council Budget
- Volunteer Coordinator in Human Resources
- Fireworks and concerts in the park, in Park and Recreation

Host Community Fund – 2023 Budget:

- Core Uses:
  - Pavement Management: 2022-$500,000. 2023 - $600,000
  - VMCC Operations: Up for 2023 VMCC Capital: Down for 2023
- Short Term Priority Uses:
  - Transfer Out – Public Works Building (proposing this continue through 2025) 2022-$1,000,000. 2023-$1,800,000
  - Transfer out – Stormwater (proposing this continue through 2025) 2022-$0. 2023-$1,000,000
- Other Uses: Expenses and Misc. (both going down)

Total expenditure plus transfers for 2023: $5,447,753
Spending down the fund balance for the Host Community Fund. At the end of 2023: $5,067,228

Estimated balance as of December 31, 2030: $5,110,676. Will have a better idea by 2028/2029.

Mayor Bartholomew referenced projections for 2024-2030 and asked what the risk was and if it was all contractual.

City Administrator Wilson replied the rates are contractual but dependent upon volume.

Councilmember Piekarski Krech referenced a possible expansion and stated the city may be able to re-negotiate as more tonnage would be brought in.

City Administrator Wilson agreed. Based on conversations with Republic Services, the Council will be talking with them about what their future looks like. It may come before the Council in 2023.

Councilmember Murphy referenced the potential new/remodeled public works facility stating there was Council discussion about the potential to include remodeling the police department because it was nearby. He asked if that needed to be discussed during this budget session, or at a later time.

City Administrator Wilson replied it would come at a later time. She has not heard conversations about expanding the police station, there are parking issues. She does not anticipate that project to extend into the building.

City Administrator Wilson discussed the Levy Summary 2023 requests versus the 2022 adopted. (These figures are before the City Administrator's recommendations):

- 4.3% increase in General Fund expenditures
- 5.4% increase to the General Fund Levy
- Pavement Management Levy is requested for $2,800,000 for 2023 when discussions have been around doing $2,900,000
- Debt Levy (Past obligations of the city)

Recap of City Administrator Priorities for the 2023 Budget: Greatest needs:

- 2 additional police officers
- 1 full time street maintenance worker
- 1 full time parks maintenance worker
- 6 position reclassifications
- Wage increases for POC firefighters
- Extending the education incentive for police command staff
- Additional resources for seasonal staff for parks maintenance
- Additional resources for seasonal staff for streets maintenance
- 0.5 Communications Specialist
- ½ of full time EDA position
- Larger increase for PMF (Pavement Management Fund)

If funding the entire recommendations: 8.4% increase in the tax levy.

All requested positions funded with the exception of the following 7 not included in the City Administrators recommendation: Sergeant, 2nd parks maintenance worker, natural resources worker, building inspector, full time firefighter, full time assistant fire chief, and recreation specialist for rentals.

- Funding the City Administrator's recommendations: $1,629,290
- Funding for the 7 omitted positions adds +$794,700 to the total
  - Equals an 11.2% levy increase

Scenarios for preliminary 2023 Levy:

- 5.4% = tax rate of 47.071. City tax increase on median value homestead: $95.55
- 11.2% = 49.979. City tax increase on a median value homestead: $191.55

City Administrator's recommendation:

- 8.4% = 48.566. City tax increase on a median value homestead: $144.91

Next Steps: September 26th City Council Meeting:

- General Fund. Tax abatement portion will be separated out
- Pavement Management
- Debt

Once adopting, can be reduced between now and December, it cannot be increased.

- Taxing District Levies: Babcock Trail, South Grove, and 70th Street

This year the state has increased requirements about what is going out in the Truth in Taxation notice: It is being called Governmental Funds. Those include:

- General Fund, Community Center, Debt, EDA, Pavement Management, Host Community Fund, Convention and Visitor's Bureau. (Preliminary budgets are needed for these and for the General Fund).

Basic information needs to be given on each of those budgets. (This is new this year). The Golf Course Budget and Water and Sewer Fund Budgets are not subject to the September 30th deadline because they are not governmental funds.
Councilmember Piekarski Krech questioned why the Golf Course wasn't, but the Community Center was.
City Administrator Wilson replied the Golf Course is an enterprise fund that covers its cost.
The Community Center is not set up as an enterprise fund.

Mayor Bartholomew asked if locking these numbers in prevents transfers in from the General Fund.
City Administrator Wilson replied it does not lock in; transfers are allowed.

Councilmember Murphy questioned if setting a higher number for discussion prevents the Council from rearranging the list of non-capital requests.
City Administrator Wilson replied Council can rearrange the list within the dollar amount chosen or set a higher level to give the ability to rearrange and reduce the level prior to December.
Constituents would be given an estimated tax bill based off the set preliminary levy.

Councilmember Murphy referenced the Economic Development Coordinator and Communication Specialist and questioned if there was someone to help Community Development and bring businesses to town. He was unsure if that problem has been addressed.
City Administrator Wilson replied in order to meet a higher level of service/time invested from the city she suggests funding that position ½ on this year's tax levy and full-on next year's tax levy.
Councilmember Gliva questioned if that still meant a full-time person.
City Administrator Wilson replied the plan would be to budget for the full person
Councilmember Murphy questioned if production could be measured if this person was brought on.
City Administrator Wilson responded yes. Employees serve a probationary/orientation period.
Council has the option to determine if the position is/is not needed.

Councilmember Murphy questioned if a task force could take place for retail. He asked if this could be accommodated for in the budget.

City Administrator Wilson replied the EDA Budget has funds for hiring consultants to advise/guide. Community Development Director Heather Rand was unsure of the amount. Funds are designed to cover, for example, the Golf Course property for appraisers, environmental cleanup, and legal. City Administrator Wilson replied there is also the fund balance in excess of $200,000. If going with this position, $60,000 would be spent out of that. If not going with the position, the $60,000 could be spent on professional services.

Councilmember Murphy asked if the 8.4% proposal was a big step towards solving the problem of bringing more retail to the city. He questioned if this puts them on the same playing field when competing with surrounding cities such as South St. Paul, Eagan, or Woodbury.

City Administrator Wilson replied it is a big step towards doing what the city can do to influence. The surrounding cities mentioned have a different population/population density than Inver Grove Heights.

Councilmember Murphy disagreed. His research said it happens in tandem and depends on the business that wants to come to the city. He did not see a lot of difference other than population. He questioned if the ½ position gets them on the same playing field in the 8.4% projection. He doesn't want to create a position that doesn't work, he wants to make sure the problem is being addressed.

City Administrator Wilson did not believe keeping/not keeping a person in the position for the first year/18 months to be a realistic benchmark of their performance. Adding the position provides better service, faster answers, an ombudsman for single point of contact. There could be more time keeping the website up to date, networking, working with a task force, and grant writing. She could not promise that the addition of the position would add more retail/commercial in the community.

Councilmember Dietrich mentioned with the economic development coordinator, regardless of being ½ funded now or fully in the future, she felt they were running before they are walking. Recently the Council requested a call record of businesses that have been calling. She felt there could be practical ways to implement things. She hated spending residents' money on this position without knowing what they are capable of internally.

City Administrator Wilson replied the position can be added in the preliminary levy while staff continues to track/discuss with a final decision in December. It can be postponed a year.

Councilmember Dietrich asked if the reclassifications were itemized out. She requested dollar amounts.

City Administrator Wilson replied 6 were in her priority recommendations, there were 7 overall.

1. Higher pay grade for the Chief Building Official.
2. Reclassifying the Assistant to the Building Official, making them a supervisor.
3. Creating a Senior Combination Inspector.
4. Reclassifying a Recreation Specialist to a Recreation Coordinator.
5. Fire Marshal to an Assistant Fire Chief.
6. Recreation Superintendent has taken on some additional job duties since it was last classified and is currently in a pay grade lower than the Parks Superintendent. This brings it up to a Parks Superintendent.

- Reclassifies the current Assistant Fire Chief to Deputy Fire Chief.

If not funding the position of specialist, the Recreation Superintendent would keep doing what they are doing with a more moderate reclassification.

Councilmember Murphy asked about the vehicle needed in Public Works.
City Administrator Wilson replied several departments have requested new vehicles to go along with the request for new staff. The Capital Equipment Fund can meet the needs.

Councilmember Murphy asked what the preliminary was for last year and where they ended up.
Finance Director Hove replied she would get that information to Council.

Councilmember Murphy questioned if the percentages need to be what was listed.
City Administrator Wilson replied they do not. The difference between 5.4% and 6.4% is $280,000.

Mayor Bartholomew felt 8.4% was a good start.
Councilmember Murphy can support 8.4% but was concerned they may lose an FTE.
City Administrator Wilson mentioned that a 9% increase on the preliminary levy likely gives room for an FTE.
Councilmember Murphy stated he doesn't mind 9%.
Councilmember Piekarski Krech commented she was not comfortable with 8.4% but would go along with it.
Councilmember Dietrich would like to come in at 8.9% or 9% and then go down from there.
Councilmember Gliva agreed with 9%. She did not want to go past that.
City Administrator Wilson stated Staff will prepare documents referencing 9%.

4. Adjourn:
Motion by Murphy to adjourn the meeting at 8:39 p.m.

Ayes: 5
Nays: 0 **Motion carried.** Minutes prepared by Recording Secretary Sheri Yourczek