

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, OCTOBER 2, 2023. 6:00 pm - 8150 BARBARA AVENUE

1. Call to Order:

The City Council of Inver Grove Heights met on Monday, October 2, 2023. 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 Gliva, Murphy, Scales, T'Kach; City Administrator Kris Wilson, City Attorney Bridget McCauley Nason, Deputy City Clerk Katie Malott, Finance Director Amy Hove, Public Works Director Brian Connolly, Utilities Superintendent Eric Kramer

3. Discussion Items:

A. 2024 Budget Discussion - Utility Funds

Public Works Director Brian Connolly discussed the 2024 Budget: Utility Operating and Capital Funds:

Water Funds:

- Fund 510, Water Operating Fund
- Fund 511, Water Capital Fund
 - In 2023 the Water Connection Fund and the Northwest Area (NWA) Water Capital Fund were combined to create one Water Capital Fund (used for CIP projects).

Water Operating Fund 510 Summary, Operating Expenditures:

- Personnel, 20%
- Internal Allocations (facility costs, central equipment)
- Supplies and Services
- Debt Payment
- Depreciation

Water Operating Fund Overview:

- Rebalancing of Operating Capital Expenses
 - For 2023, costs were shifted from the Operating Fund into the Capital Fund
 - Watermain break repairs.
 - Shifted because they are operating costs, repairs to the system, emergency repairs.
 - Shifting pump replacements. Was considered capital improvements, historically paid through operating dollars. Placing into the Capital Fund.
 - \$165,000 shifted out of the Operating Fund into the Capital Fund for 2023.
 - Noteworthy Expenditure Items:
 - Projecting a 70% increase in costs due to chemical supplies at the water treatment plant.
 - Depreciation. 12% increase over 2023 per AE2S rate study recommendation.

Water Operating Fund Highlights:

- Proposing to include a 10% increase to the water rates for 2024. (Recommendation of the rate study).
- Noticing discrepancies for residents that pay utility fees, IGH reimburses the City of Eagan for. (Residents who live in the city but get their water from Eagan).
 - Those rate payers are billed IGH rates. The city pays Eagan whatever their equivalent rates are (Joint Powers Agreement).

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Historically this has had a net benefit to IGH
- Eagan's rates have been increasing. This approach may become a net drain for IGH.
- Staff is working to better understand the degree and timing of this issue.
 - Questioning if there should be separate tiered rates for Eagan versus IGH.
 - Determine at Council or staff level whether to continue on the same path where everyone in IGH pays the same rate regardless of where their water comes from.

Water Operating Fund Rate Study, Forecasted Rate Increases:

- Fixed charge, 10%
- Volumetric charge, 10%
 - Same percentage every year for the next 5-6 years before it starts to taper off.
 - Staff is looking to see if this is consistent and recommended or if there is an opportunity to make a recommendation that is slightly lower.

Water Operating Fund 2024 Budget Overview:

- In 2022 and 2023, trending in a way that would use more of the fund balance than what is taken in.
 - Alternative would be to reduce the amount transferred to the Water Capital Fund to an amount that is less than depreciation.
 - Changing the depreciation value to a lower number for a net zero impact.
 - Figures are estimates. Balances will be reviewed at year end to determine what amount is available to transfer.

Councilmember T'Kach asked if depreciation at 25% was common across the industry.

Public Works Director Connolly replied it is based on the overall infrastructure value.

He asked the City Administrator if 25% was close to the recommended number given by AE2S.

City Administrator Wilson replied it was close to the recommended number. She said it wasn't setting aside a certain percentage of the operating budget, it estimates a certain percentage of upcoming replacement costs.

Public Works Director Connolly discussed Water Capital Fund Revenues:

- Development related connection fees
- Interest on the account balance
- 2024 shows a drop off in development related connection fees
- External money not from individual development fees/operating fund:
 - ARPA Dollars, Water Treatment Plant, \$2,500,000
 - MPFA Loan Proceeds, Water Treatment Plant, \$2,706,000
 - Estimated total of \$5.2 million for water treatment plant improvements for 2024

Water Capital Fund Expenditures:

- No line item for watermain breaks and street patching for 2024
- Automated meter infrastructure. Indicated doing a study this year with implementation over the next 3 years. Recommending not to advance the project at this time (This will have an impact on long term models).
- Water Treatment Plant, \$5.2 million dollars
- Facility improvement at the water treatment plant (dehumidifier replacement)
- Transfers out to street projects (Water Capital Fund for street PMI projects)

Water Capital Fund 2024 Transfers Out:

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Pavement Management Local Streets
- Pavement Management Partnership Projects
 - 2024 Partnership Projects:
 - Cahill Lane Reduction Study and Bowman Lane Reduction Study

Water Capital Fund 2024 Budget Overview:

- End of 2024 net increase in the Capital Fund balance:
 - 2023 Estimate: \$221,500
 - 2024 Proposed: \$687,661 (could drop to \$400,000)

Water Capital Fund, Major Factors in the Capital Fund Modeling:

- Consider whether or not to plan for AMI (Automated Meter Infrastructure):
 - Converting old meters into digital based meters for remote meter reading
 - City currently pays a company to go door to door doing physical meter reading.
 - AMI allows for leak detection and real time monitoring allowing the ability to see peaks and valleys in water use, helps manage how to treat water, and determine how much water to put into the distribution system and reservoirs.
 - This is a major staff and consultant undertaking, not something the city is currently staffed to be able to handle near term.
 - Recommend removing it from the current CIP and consider the feasibility of putting it in at a later date.

Mayor Dietrich asked what the staffing or consultant capacity would be to bring AMI on board.

Public Works Director Connolly replied it is a big challenge between finance staff and utility staff. It is difficult to manage this type of project. For finance, a recommendation would be to add a utility/billing lead to go through the existing backlog of issues. He shared that this occupies his own time in terms of working with a consultant or utility staff to determine logistics. There are also communication needs. He said he spends a lot of time currently occupied with the water treatment facility. There are also other Council priorities such as the public works facility extension. This would consist of several staff from different departments determining how to make it work and move forward. It is something he wants to keep doing, there is a value in it.

Mayor Dietrich addressed the value stating she was unsure how long the meters have been slowing down to the city's detriment. She asked if this should be made a priority in 1-2 years.

Public Works Director Connolly replied he has not been able to determine the return on the investment with AMI due to other prioritized items. He has looked into funding opportunities.

Mayor Dietrich requested the Council be updated with where things are at with AMI when prioritizing next year.

Public Works Director Connolly continued:

- Key modeling component is the extent of the water treatment plant rehabilitation project:
 - \$2.5 million dollars has been set aside for water treatment plant improvement.
 - A study was done to find out what the true costs would be.
 - Applied for low interest loans from the State, Department of Health, and the Public Facilities Administration.
 - The entire project would be eligible for a loan (not a Grant).
 - Modeling up until the last month the assumption they would receive the loan and pay back the full amount over a period of years.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- In June there was discussion about how to use ARPA Funds. Staff checked into this and determined there were different capabilities to use those funds.
- Currently looking at where to best appropriate those funds. The desire is to try to count on the fact that there is a very large project with the water treatment plant that needs to be built and ready to go next year.
- Assign ARPA funds to this project. This would help streamline distribution of the funds, making the audit process easier.
- Helps offset half of the loan costs.

Councilmember T'Kach stated it was discussed using ARPA funds on something benefitting everyone in the city. She asked if it was possible to use ARPA funds to pay to get the work done at the water treatment plant, have it be a loan to the Water Capital Fund, and have it paid off over 10-20 years, so the money becomes available for other citywide projects.

City Administrator Wilson replied they have done interfund loans. Layering it with the obligation to spend the funds by a certain date adds complexity. She said she could consult with Finance Director Hove and those who have been advising the city on ARPA funds for more information. Councilmember T'Kach requested the current ARPA balance.

City Administrator Wilson replied \$3.9 million dollars.

Councilmember Gliva was unsure there would be a project that 100% hits every resident in the city. Not everybody does everything, but everyone drinks water. It is a fabulous use of the ARPA funds.

Councilmember T'Kach agreed it was a potential use of ARPA funds. She mentioned that a lot of people are still on private wells. When the radium issue came up it was made clear that private wells are not city business and people should get their own wells tested. She said people with wells are being segregated from those who have city water. There are a lot of people and businesses in the city that are still on city wells who are not going to benefit from this.

Councilmember Scales shared that he does not like interfund transfers. It takes on debt they don't need to take on. He does not like the idea of taking on debt they don't have to. He said it eventually hurts everyone in the community. They have to raise taxes to pay for things somehow.

Councilmember T'Kach replied this was not debt, it is \$2.5 million dollars of federal grant funds. Councilmember Scales said moving things from one place to another is still debt. He believes this is a good place to spend it, it needs to be done, and he likes the idea.

Mayor Dietrich liked the idea of ARPA funds being used for this.

Finance Director Amy Hove presented the Water Capital Plan Fund Modeling: This shows incoming revenues or transfers anticipated to happen in the Water Capital Fund and 5-year CIP. Types of Revenues Coming into the Water Capital Fund:

- Development related connection fees:
 - Had a better year in 2023 than anticipating in 2024
 - 2025, 2026, 2027, and 2028 conservative revenues
 - Estimating revenues coming in at \$1 million dollars this year
 - \$800,000 next year
 - \$600,000 for the remaining 4 years
- Transfers In:

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Consolidated 2 older capital funds and created one central capital fund for water.
- Proposed a fund balance policy for minimum balances in operating.
- Transferred in \$10 million dollars that was sitting in the Northwest Area Capital Fund and the Operating Fund. It went into the combined Capital Fund.
- Ability to transfer in for depreciation. Anticipated. Cash becomes available to move into the Capital Fund for the replacement of equipment they are depreciating.
 - Transfer's In 2023: \$11 million dollars (with prior year residual balances)
 - Drop to \$1.1 million
 - \$1.2 million moving into later years modeling
- The depreciation figure being used ties back to the AE2S model.
- In 2024, the MPFA loan was modeled in and \$2.5 million dollars in ARPA funds.
 - High year in 2023 (due to transfer in of older balances) \$12 million dollars
 - 2024 budget proposes revenues and transfers in at \$7.1 million dollars
- Expenses and Transfers Out:
 - Non-capitalized expenses (pump expenses).
 - System plans and studies, proposed for 2027.
 - Watermain breaks and street patching. (Moved to operating).
 - 2024: Water treatment plant repair and rehabilitation at \$5.2 million, well pump and service rehabilitations, rehab of the north side booster pumps, various replacements, and capital projects for the facility.
 - Planning for the north side water tower painting in 2026. Painting in 2027.
 - Total expenses: \$5.4 million dollars in 2024 (water treatment facility rehabilitation and repair)
- Transfers Out:
 - Contributions to local street projects, partnership projects, and the park capital replacement project of \$100,000 in 2023.
 - Repayment of the MPFA Loan. Anticipating a 20-year, 3% repayment.
 - Assuming the loan is awarded payments would begin in 2025.

Ending Cash Balance 2028:

- Fund started at \$473,257
- Has changed from \$473,000 to \$1.6 million at the end of 2022
- Anticipate ending 2023 slightly over \$12.6 million dollars (forecasted cash balance for 2023)
 - Future years: Anticipated development revenues, transfers from the water operating fund, 5-year CIP. Balance goes from \$13,300,000 to \$12,300,000 in 2027.

Councilmember Murphy questioned if getting the MPFA loan if the rate has already been set.

Finance Director Hove replied she has not heard yet. She anticipates the city would be told when the award notice is received. She based it off of what the previous year's loan amounts and percentages were. It is an estimate. It can go 20 years, sometimes longer with 3% as the going rate. They are below market loans.

Councilmember T'Kach asked what other projects staff has considered for the ARPA funds.

City Administrator Wilson replied that staff looked into acquiring parkland in the northwest area which is what she would suggest doing with the remaining \$1.4 million. There is approximately \$3.9 million dollars total. She was considering a recommendation of \$2.5 here and a little over \$1 million for parkland acquisition. She mentioned it could legally be used to make payroll for police and fire

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

departments. Property taxes could dramatically be lowered for one year and then increased back up again, levy the same, or for another use. Staff has focused on project based work that would be under contract by the end of 2024. There is 14 months to enter into a contract to spend the money. Money was being spent to make sure the city could pay for its share of 117th Street. In May it was realized they would not need to use ARPA money for 117th. The focus for the funds has narrowed to park acquisition and the water treatment plant.

Public Works Director Connolly discussed Sewer Funds:

- Fund 520, Sewer Operating
- Fund 521, Sewer Capital Fund
 - In 2023 the city combined previous funds to create one Sewer Capital Fund
 - Closed the Sewer Bond Fund, so activities could occur in the Sewer Capital Fund

Sewer Operating Expenditures by Category:

- Personnel
- Internal Allocations (equipment, facility costs)
- Supplies and Services
- Met Council treatment charges. Roughly 50% of the sewer budget goes to the Met Council for the treatment of wastewater
 - Majority of wastewater goes to Pigs Eye in St. Paul
 - Another portion along the far western side flows to a plant in Eagan
 - It is a bulk cost for all sewer treatment for the 7-county metro area
- Transfers Out. Nothing for this year or next year
- Depreciation Value
 - Recommendation from AE2S was that it was kept the same for 2023 and 2024 due to the shift to pay sewer debt directly out of this fund.

Sewer Operating Fund Overview:

- Noteworthy Expenditure Item:
 - Met Council Sewer Services. Forecasted increase of 7.34%. Set by Met Council.
 - 2023 had a 6.29% increase over 2022.

Sewer Operating Fund Highlights:

- Proposing an increase of 7.5% to 2024 sewer rates
 - Slightly more than what was proposed in the rate study from AE2S (recommended 6.8%).
 - Historically, rates for sanitary sewer will be tied to what the Met Council charges.
 - Typically go slightly above what the Met Council charges.

Sewer Operating Fund 2024 Budget Overview:

- Revenues, Expenditures, and Depreciation
- \$4.5 million dollar fund. Will have a \$100,000 addition to the fund balance at the end of 2024, slightly more than there was in 2023.

Sewer Capital Fund Revenues:

- Tied to development related connection fees.
- Slight decrease for 2024 over the 2023 estimate, same for interest.
- Transfers In stays consistent, equal to annual depreciation.
- Revenues at the end of 2024 are slightly down from what they are in 2023.
- 2023 estimate numbers will be modified once the year is over. Any transfers with the Utility Fund will take place at the beginning of 2024.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

Sewer Capital Fund Expenditures:

- CIP projects
- 1 Lift Station to be rehabilitated
- In 2024, continuation of sanitary sewer cleaning and televising program (began in 2023).
 - Costs in 2023 were higher than anticipated
 - Adjusted budget in the CIP moving forward
- Sewer rehabilitation costs
- Ongoing debt payments and related fees
- Transfers Out for street projects
 - Total expenditures: \$2.5 million dollars

Mayor Dietrich referenced televising and asked if the scope of work changed or if it was cost escalation.

Public Works Director Connolly replied costs increased.

Public Works Director Connolly discussed Sewer Capital Fund 2024 Transfers Out:

- Related to pavement management, PMI projects, and partnership projects.
 - \$715,169 Total

Sewer Capital Fund 2024 Budget Overview:

- Revenues
- Expenditures
- Reduction in fund balance (double than last year)
 - Due to projects being done next year and ongoing debt payments.
 - Projecting along with AE2S, to continue taking large portions out of the fund balance due to the debt service payment.

Sewer Capital Fund Modeling:

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

Finance Director Amy Hove discussed the Capital Improvement Financing Plan, Sewer Capital Fund:

- Estimating \$800,000 in development related connection fees and interest in 2023.
- Transfers In. Combining the Sewer Connection Fund with the Northwest Area Sewer Fund.
 - Transferred \$5.5 million dollars into this fund at the beginning of 2023.
- Anticipate transferring over annual depreciation, modeled out at \$800,000 annually.
- In 2027, Transfer In from the Closed Bond Fund.
 - Used to offset one of the current levied bonds
 - At the end of the bond period, estimate having about \$900,000 left in the fund
 - Annual debt payments, \$1 million dollars for the outstanding sewer debt
 - Total revenues and transfers in are estimated at \$7.1 million dollars for 2023
 - 2024 residual balance transfer in is no longer there, \$1.45 million
 - Annually, \$1.3 million (except for 2027, anticipate transfer in of \$900,000)
- Sewer cleaning and televising project annually
- Sanitary sewer rehabilitations

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Debt service, administrative costs
- 2015B, 2017A, and 2021A Sewer Bonds
 - Balances include principle and interest annually
 - Paid off in 2031

Transfers Out:

- Local street projects, partnership projects
- 2023 and 2024 have similar costs for PMI project
- 2025 has a large project requiring sanitary sewer financing from this fund
 - At the end of 2023, estimate an ending cash balance of \$6,762,000
 - In 2024, anticipate it dropping to \$5.7 million
 - Sharp decline in the fund for the next four years
 - End of 2028, anticipate an ending cash balance of \$1.3 million
 - Staff will continue to review and determine what can be handled for ongoing projects
 - Watch revenues coming in
 - Hopeful the Sewer Operating Fund would have additional dollars that could be transferred in annually based on the Fund Balance Policy, if having opportunities to refinance debt.

Councilmember T'Kach asked what the \$900,000 levied bond was and if it was a sewer bond.

Finance Director Hove replied when old debt is retired it would be transferred into the Closed Bond Fund. It is currently being used to buy down the debt levy from one of the general obligation debts. The amount being drawn down is \$177,250. It is anticipated that the 2026 Budget would be the last year.

Councilmember Gliva referenced the transfer in of \$5 million dollars. She questioned if they would see this come out, if looking at the 520 Fund balance. It was an offset to the Operating Fund.

Finance Director Hove replied that was correct. It is like what was done with the Water Operating Fund. Staff asked Council to set a minimum fund balance policy. It is a policy staff can follow to do annual transfers. It is not new money.

Public Works Director Connolly discussed Storm Water Funds:

- Fund 530, Operating Fund
- Fund 531, Storm Water Capital. This is a new fund for 2023 that the Council adopted for properties outside of the NWA.
- Fund 533, Storm Water Capital, NWA. For NWA connection fee revenues and capital project expenditures.

These funds are still separated as staff works through legal definitions to determine what can be done to combine them.

Storm Water Operating Expenditures by Category:

- Personnel, Internal Allocations, Supplies and Services

These are dramatically lower. There was no Storm Water Utility prior to 2012. This fund is intended to help cover some of the costs of storm water needs. A lot of the costs for storm water needs were supplemented through grant programs or other funds in the city.

- Depreciation: Stays consistent.
- Total Budget: 2024 is slightly less than 2023. Does not include staff changes. If adding another staff person for a maintenance role, 80% would fall under this budget.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

Storm Water Operating Fund Overview:

- Rebalancing Operating versus Capital Expenses:
 - Shifting maintenance and engineering costs for capital improvements from the Operating Fund to the Capital Fund.
 - This is why there has been a net reduction in supplies and services.
- Noteworthy Expenditure Items:
 - Professional Services: 31% over 2023 (paying for a Storm Water Rate Study)
 - Repair and Maintenance have gone up, related to material cost and need
 - Storm water pays 50% of the annual street sweeping costs
 - This is historical, proposed to continue
 - Street sweeping is intended to keep dirt/debris out of the storm sewer system
 - ½ through the street budget, ½ through the storm water budget

Storm Water Operating Fund Highlights:

- Proposing a 25% increase to the 2024 storm water rates for non-NWA residents
- Proposing a 5% increase to NWA residents for 2024
- Rate Study is proposed for 2024
- Not included: The staffing request.
 - 80% of the full-time maintenance position would be paid out of the storm water operating budget. The remaining 20% would be paid out of the street fund.
- This would add \$80,000 in additional personnel costs to the storm water operating budget.

Sewer Operating Fund Rate Study, Forecasted Rate Increases:

Rates are lower outside of the NWA than rates inside the NWA. The previous Council desired bringing those numbers together, therefore rates would be increased outside of the NWA. NWA rates that are paid on a per acre/area basis are comparable to peer communities. The remainder of the community is quite low. Proposing a 25% increase on those. The two numbers would match in 2027 if continuing with the same increase.

Councilmember Scales asked for history as to why there is a difference in the two areas.

Public Works Director Connolly replied he would do additional research and provide that information.

Public Works Director Connolly discussed the Storm Water Operating Fund for the 2024 Budget.

Overview:

- Revenues
- Expenditures
- In 2023 there was a reduction in fund balance of approximately \$150,000
- In 2024, before adding a position, would have an added value of about \$123,000
 - If adding the position, a reduction of \$80,000

Storm Water Capital Fund (Fund 531) Revenues:

General Non-NWA Area Capital Fund:

- Estimated in 2023, there would not be any development related connection fees, even though there were a few developments in the city.
 - These fees have not been collected yet.
 - They are located in the section of town where a majority of fees are directed to Eagan (within Eagan's watershed).
- Low estimated number for 2024

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Proposing a \$1 million dollar transfer from the Host Community Fund.
 - This was initiated in 2023.
 - Proposing to do this for 3 years to add more balance to storm water capital.
- Proposal for 2024: Taking the \$100,000 savings from pavement management and putting it into this budget.
- Transfers In, from the Storm Water Operating Fund (annual depreciation values and net income).

Storm Water Capital Fund Expenditures:

- Sewer televising
- Minor drainage improvements
- PMI Projects

Storm Water Capital Fund 2024 Transfers Out:

- For pavement management
- Dakota County Projects: Studies
 - 80th Street between Cahill and Babcock
 - Bowman Lane reduction study
- Storm water is higher because some of the utility components are not just for roads, it's due to the way the city is laid out.

Storm Water Capital Fund Modeling:

- Based on the latest 5-year CIP
- Includes recommendations from AE2S to maintain a level annual depreciation estimate.
- Notes transfers from the Host Community Fund of \$1 million dollars for 2023, 2024, 2025.
- Recommendation by staff to transfer some of the savings from the PMI Host Community Fund and move it over to Storm Water to help supplement the short comings in this fund.

Mayor Dietrich appreciated the storm water transfer in. She said it is an area that has been in need for quite some time, it is a great use of funds.

Finance Director Amy Hove provided clarification on Pavement Management Partnership Projects. It should read \$36,500 as the total.

She presented on Storm Water Capital Fund Modeling:

- New connection fee approve by the Council at the beginning of this year.
- Unknown revenues (there is not a great history).
 - Will have a better idea of the type of development coming to non-NWA storm water.
- Interest
- Other fees related to a settlement
- Mostly funded by transfers in
- Plan to transfer in \$1 million dollars in 3 years, 2023, 2024, 2025
- Proposing \$100,000 in 2024, \$200,000 in 2025, and \$300,000 for 2026, 2027, and 2028.
- Annual depreciation is anticipated to be \$240,000 (available to transfer out of the Operating Fund and into this fund for capital needs).
- Anticipate additional net income revenues over expenses in the Operating Fund.
- Includes the addition of the additional staffing request.
- In 2023, \$1.26 million dollars is coming into this fund.
- Under \$1.4 million for the 2024 budget.
- Drops off in 2026, levels out to the \$600,000 range.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Capital costs and projects, transfers:
 - Smaller ongoing costs
 - On-going drainage improvements, televising
 - Larger projects in 2025/2026
 - Large project on Dickman Trail (culvert replacement)
 - Proposed 2024-2028 projects
- Transfers Out:
 - Local PMI projects.
 - 2023, \$509,000
 - 2024 estimated \$436,000
 - 2025 and 2026 have higher costs tied to the pavement management plan
 - 2027, \$600,000
 - Partnership Projects
 - Seidls Lake (earmarked and approved from the 2023 budget)
- All in total expenses and transfers out: \$650,000 for 2023. \$613,000 for 2024
- Ending cash balance: \$600,000 (end of 2023)
- With the \$1 million dollars and the transfer in from the Host Community Fund, \$1.4 million in 2024. \$1.8 million in 2025. By 2028, \$140,000 to \$150,000.

She stated this could become more positive once knowing what development-related fees might bring in. If able to combine the Northwest Area Capital Fund with this Capital Fund, those resources would be available to help finance these projects. Approximate fund balance is \$2 million dollars.

Public Works Director Connolly discussed the Storm Water Capital Fund NWA, Fund 533.

This is the fund that development fees relating to storm water in the northwest area go. They are intended to be used for storm water projects within the northwest area. There are more restrictions here compared to the rest of the city.

- Plat connection fees
- Interest
- Proposing the same amount of revenues in 2024 as there were in 2023
- Expenditures are limited. If updating, 50% of the costs would come out of the Northwest Area Storm Water Fund. The plan would be for the entire community.
- The overall plan is to have one single Storm Water Plan for the entire community, not two.
- Net activity, expenditures and revenues: Increase of \$180,000 in 2024

City Administrator Kris Wilson discussed 2024 Utility Rates:

Funding Challenges for the City's Utilities:

- Have not kept up with the maintenance needs of an aging infrastructure
- Pavement management funding has been a primary focus
- "Unseen infrastructure" of underground utilities need maintenance and reinvestment
- Debt taken on to extend service to the NWA continues to place demands on sewer funds. Payments of \$1 million dollars per year are needed every year through 2031. They start to phase down until the last payment in 2036.

Water Operating Fund, Rate Study: Forecasted Rate Increases:

- 10% increase to the Fixed Charge
- 10% increase to the Volumetric Charge
- Single Family:

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Base Fee: \$18.00 per quarter
- Tiered structure: 0-6,000 gallons in a quarter; 6,001 to 21,000 gallons in a quarter
- Increasing cost to 1,000 gallons of water as the tiers move up (incentivizes conservation)
- Commercial/Industrial/Institutional:
 - Billed monthly
 - Base Fee: \$6.00 per month
 - Tiered structure: 0-7,000 gallons in a month; 7,001 to 20,000 gallons in a month
 - New structure set up with the rate study, proposed to continue.

Water Operating Fund, 2024 Rates with a 10% increase:

- Single Family Residence
 - 10,000 gallons, \$3.68 more per quarter in 2024
 - 18,000 gallons (more common), \$6.00 per quarter
 - 25,000 gallons, \$8.27. 75% of the city's single family water accounts use this amount or less, per quarter.

Sewer Operating Fund, Rate Study Forecasted Rate Increases:

- Staff recommends a 7.5% increase
- Sewer debt obligations are creating a need for revenue. Development related connection fees have/are not coming in fast enough or in large enough dollar amounts to keep up with annual payments.

Sewer Operating Fund, 2024 Rates with a 7.5% increase:

- Assumptions are made based off how much water is used.
- 1st Quarter water use:
 - Resident sewer bills are identical for 12 months of the year.
 - Based on how much water was used in the winter quarter.
 - Determined during the winter so water use does not include possible irrigation use in the summer.
- Based off 10,000, 18,000, and 25,000 gallons

Storm Water Rates:

- Paid by all properties in the city as a part of the monthly or quarterly utility bills for those on city water and sewer or in standalone annual billing for those not on city water and sewer.
- Dual rate structure:
 - Properties in the NWA are charged a different/higher rate than those in non-NWA
- NWA rates are in the ballpark of those charged by other metro area cities
- Non-NWA rates are notably lower
- Working to bring those rates together over the next several years:
 - 5% increases for NWA
 - 25% increase for non-NWA

Storm Water Operating Fund Converging Rates with 5% and the 25% increases:

- In 2022: Single family home outside of the NWA, \$5.61 per month
- Inside of the NWA, \$14.14 per month
- Estimate having a single rate structure in 2027

Staff feels the storm water and sewer rates noted have been analyzed. Council can expect staff to bring that back at a regular meeting. Staff is still working on the water rate at 10%. It is possible there may be a lower recommendation brought forward. Council will need to determine their comfortability with storm water and sewer rates.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

Councilmember Scales referenced 25% stating the need to explain the history and reason for this.

City Administrator Wilson replied she has spoken to residents with which storm water bills are a sore spot. It is a complex system based on property type and assumptions about absorption and runoff. Staff will do additional research on why there are different rates.

B. 2023 Legislative Update - Part 2

City Attorney Bridget McCauley Nason discussed Part 2 of the 2023 Legislative Update:

Background:

- In 2023 the Minnesota Legislature adopted legislation that has broad reaching implications for cities.
- The purpose of the legislative update is to share information about a number of these significant legislative changes.
- A record number of bills were introduced.
- 75 new chapters of law were adopted.

New Comprehensive Plan Requirements:

- Language was added to State Statutes (Planning Act Statutes) dealing with Comprehensive Plans that require cities to include inventory and projections pertaining to greenhouse gas emissions and vehicle miles traveled that are generated from activity occurring within the local government's jurisdiction.
 - Additional language about what those inventory and projections have to include. There are different types of components/pieces to this legislation including:
 - Inventory and projections on emission sources from transportation, land use, energy use, solid waste, and where applicable, livestock and agriculture.
 - Language directs the Met Council to specify how the required climate mitigation and adaptation information must be incorporated into the Comprehensive Plan.
 - City will be required to include this additional information moving forward.

Electric Vehicle Charging Requirements for New Commercial and Multi-Family Construction:

- State statutes were amended to amend the building code section to indicate that the building code must require a minimum number of electric vehicle ready spaces, electric vehicle capable spaces, and electrical vehicle charging stations within or adjacent to new commercial and multifamily structures that provide onsite parking facilities.
 - Required if providing onsite parking and has more than four (4) dwelling units.
 - Parking facilities include parking lots, garages, ramps, and decks.

Councilmember T'Kach asked what date that would take effect.

City Attorney McCauley Nason was unsure but would check.

City Attorney McCauley Nason discussed Open Meeting Law Remote Attendance-Medical Exemption:

- If attending a meeting remotely, it must be done from a public space.
- There are notification requirements.
- There is currently an exemption for individuals (members of the Council) who have been advised by a health care professional against being in a public place for personal or family medical reasons.
 - This has only applied when there has been a State of Emergency declared and the exception expired 60 days after the end of the declaration of emergency.
- This was modified to remove that requirement.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- A Councilmember may participate up to 3 times in a calendar year, in a meeting remotely if that member has been advised by a health care professional against being in a public place for personal or family medical reasons.

Elections:

- The legislature adopted new legislation regarding election administration including changes to pre-election, Election Day, and post-election requirements.
 - Change to the requirement for the annual ordinance/resolution designating polling places.
 - No longer required by December 31st if there have been no changes to dedicated polling places.

She stated she spoke with the City Clerk regarding this who stated there will be, on the Council agenda, a polling place resolution that would be to move Precinct #2 from its current location of Woodcrest Church to St. Thomas Becket Catholic Church.

Elections, Candidate Filings:

- Candidates are now required to provide a nongovernment issued email address or to attest that they do not have an email address with their affidavit of candidacy moving forward.
- Change to a statute stating candidates can request that their residence be classified as private data if they have a reasonable fear in regard to their safety or the safety of their family.
- Requires the residential address be provided to the filing officer and the filing officer has one day to determine and verify if that address falls within the geographic area where the office is housed.

Elections, Balloting Processes:

- Secretary of State is required to translate example ballots into the three most commonly spoken languages and provide that to county auditors.
- Candidates in partisan contest are now rotated according to the current Minnesota rotational formula which is used for nonpartisan contest with the exemption of the offices of president and vice president.
- All nonpartisan offices must appear on the back side of the ballot for state primary elections.

Elections, Sample Ballot Changes:

- Cities are no longer going to be required to publish a sample ballot.
- Required to create a notice to voters with required information including:
 - Reference to a website where a voter can view a sample ballot.
 - County website where a list of sample ballots can be viewed.
 - How a voter can obtain a free copy of a sample ballot.
 - Contact information for the appropriate election official.
- Must be published at least once in a newspaper of general circulation in the county.

Elections, Change to Voting Equipment Testing:

- All equipment must be tested at least three days prior to when the equipment is used.

Elections, Changes to the Process for Challenges Prior to Election Day:

- Creation of a notice, hearing, and appeals process for registered voters to challenge another voter's eligibility prior to Election Day.
- May only challenge one person.
- Must be filed at least 45 days before Election Day with limited exemptions.

Elections, Voter Registration:

- Persons over 16, but under 18 can preregister to vote.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Voters may join a permanent absentee voting list.
- All eligible applicants for a new or renewed driver's license or identification card are to be registered to vote unless the applicant opts out. Implemented by December 31, 2025.
- Requirements for student information for students residing in a post-secondary institutions housing or the city/cities where the campus is located to be provided to the county auditor.

Elections, Election Judges and Challenges:

- 16- and 17-year-old election judges who have graduated from high school before they turn 18 remain eligible to serve as trainee election judges.
- New section where election judges can be removed at any time by the county auditor or municipal clerk for malfeasance, neglect, or misconduct.
- Change to the process of how challengers may submit a challenge.
 - If challenged at a poll, may only submit a written challenge to the election judge.
 - The election judge must be the one to submit the challenge questions to the voter and the challenger may not talk to the voter.

Elections, Regarding Polling:

- Prohibits wearing, exhibiting, or distributing any item that displays different types of information, name, likeness, logo, etc., of a candidate within or nearby a polling place.

Elections, Other Changes:

- When someone is eligible to have their rights restored after being convicted of a felony.
- If someone is not incarcerated after being convicted of a felony, their right to vote is immediately restored.
- If someone is incarcerated as a result of a felony conviction, their right to vote is restored as soon as they complete their imprisonment even if on an extended period of release.
- Change to allow voters to sign electronically when election rosters are used.
- Three (3) person limit on the number of voters that any one person can assist with has been removed.
- Summary statements must not include the number of election judges and number of voting booths used in that precinct on Election Day.
- Additional criminal and civil penalties were added for those who interfere with voters and those who assist them.
- Ongoing source of funding provided to help cities and counties defray election cost.
- Absentee ballots can now be dropped off until 8:00 p.m. on Election Day.
- Changes to data practices classification for data from election tabulators, classifying certain data as nonpublic and public data.
- Expanded right to be absent from work to apply for absentee voting in the 46 days before election.

Elections, Post-Election Changes:

- Canvassing boards are authorized to require a recount and are required to officially publish images of ballots that are challenged during a recount.
- Cities are now authorized to adopt a resolution requiring that write in candidates submit a request in order to have their individualized votes tallied:
 1. Adopt a resolution that requires candidates to request at least seven (7) days before the election that write in ballots be counted.
 2. Require that such a recount would only occur if the number of write in votes are equal to or greater than the fewest number of non-write in votes for a ballot candidate.

Elections, Summary:

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- The Council is asked to provide direction to staff regarding adoption of a resolution regarding the tallying of write-in candidate votes.

City Administrator Wilson stated there is a fair share of people that write in Mickey Mouse and Donald Duck, Mike Smith, and Michael Smith. Because it is required those be tallied, election staff spends time trying to interpret handwriting. It can be seen that there is no way those write in votes are going to surpass someone who is on the ballot. Due to the requirement to count all cast ballots and votes, staff time is spent on the procedural aspect to no real outcome. This effort tries to get away from this. It states if planning to have a write in campaign, there is a need to come in 7 days in advance.

Councilmember T’Kach asked if the city would still be required to count the total number of write in votes and the ones that are actually registered.

City Administrator Wilson replied that was her understanding. Charter cities had this option previously. Staff will double check to make sure this is correct.

Councilmember Gliva requested this presentation be emailed to the Council.

Councilmember Scales said he has no issue with the recommendation by staff. He agreed with Option #1.

Councilmember T’Kach asked if a candidate on the ballot passes away or pulls out of the election three days prior, if it was possible the city ordinance could allow for less than a 7-day request of the city to count someone’s vote.

City Attorney McCauley Nason replied she would have to check the statute. If the city adopts the resolution, it would not require the individualized count. She was unsure how the situation would play out.

The general consensus was to have the resolution drafted based on recommendation #1.

City Attorney McCauley Nason discussed earned sick and safe time. This requires changes to the city policy because it will have a budgetary impact based on the requirement that the city now provide additional benefits.

- Beginning January 1, 2024, all employers with one or more employees must provide all employees, including part time and temporary employees, earned sick and safe time (ESST).
- This may be used for:
 - Employee’s own mental or physical illness, treatment, or preventative care.
 - Care of a family member with a similar illness or health condition.
 - Absence due to domestic abuse, sexual assault, or stalking.
 - Closure of a workplace due to weather, public emergency, or closure of a family member’s school or care facility.
 - Family member is defined expansively and includes grandchildren, grandparents, siblings, and the same family members of a spouse or registered domestic partner.
- All employees will earn, at a minimum, up to one hour of ESST for every 30 hours worked, up to a maximum of 48 hours a year (12-month period).
 - Applies to all employees who work at least 80 hours a year.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Employers are required to inform employees of their earned sick and safe time rights starting January 1, 2024.
- Employee earning statements must be updated to reflect sick and safe time hours accrued and used per paycheck.
- Cities not required to provide additional ESST, provided existing PTO policy meets or exceeds the minimums required by the law.
- Employer may require advance notice when possible and appropriate supporting documentation for longer leave periods.
- Earned leave not required to be paid out, must be carried over year to year, and can be limited to 80 hours. Other options exist to limit carryover of hours.

In Summary: The city must provide sick and safe time to all employees who work 80 or more hours per year for the city starting January 1, 2024.

City Administrator Wilson stated that this needs to be adopted and placed this fall.
City Attorney McCauley Nason stated changes will come back before the Council.

City Attorney McCauley Nason discussed Paid Family and Medical Leave:

- This is a state administered mandatory paid family and medical leave insurance program beginning January, 2026.
- 2024: Employers are required to submit a detailed wage report with quarterly wages and hours worked for each employee.
- 2025: Employers must notify their employees about the program.
- 2026: Employers are required to submit any premium payments due.

The purpose of the Paid Family and Medical Leave:

- Provides time off for employees:
 - To care for a family member with a serious health condition, or if bonding with a new baby or child; and
 - When your own health condition prevents you from working.
 - To support a family member in the military deploying overseas or if you or a family member are facing a significant personal safety issue.

The Paid Family and Medical Leave Act:

- Provides partial wage replacement for family and medical leave funded through a payroll tax applied to all employers.
- Administered by DEED.
- All city employees are covered.
- No specific exemption for paid on call firefighters or elected officials (determination pending).
- Formula for determination of benefits is similar to unemployment compensation. Maximum weekly benefit is the state's average weekly wage (\$1,287 in 2023).
- Maximum of 12 weeks for a serious health condition and a maximum of 20 weeks for combined paid family and medical leave.
- Includes safety leave.
- Details are provided regarding when and how one can qualify for this leave.
 - Certification is required through the state.
 - Intermittent leave is allowed.

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

- Employers may require employees to provide copies of certifications that are required by DEED in order to apply for and obtain benefits.
- City may require the leave to run concurrently with any FMLA or pregnancy and parenting leave.
- Employee may use vacation, sick leave, paid time off, or disability insurance payments instead of these family and medical leave benefits.
- If the city does not want to participate in this program, it may apply for approval to be exempted from the state plan by providing a private plan.
- Can apply for an exemption from medical benefit, family benefit, or both.
- Employers approved for private plans are subject to small medical and family premiums.
- Eligibility cannot be more restrictive than the state plan. Weekly benefits must be as high as the state plan.

Summary of Legislative Changes: The city must prepare for 2026 implementation of the new paid family and medical leave program. The city must determine if it wants to seek an exemption from the state plan by providing a private plan.

Councilmember Gliva questioned if additional could still be done with the FMLA 12 weeks.

City Administrator Wilson replied no.

City Attorney McCauley Nason replied it may require FMLA to run at the same time or concurrently.

Councilmember Gliva asked what safety leave was.

City Attorney McCauley Nason responded that safety leave is if someone is a victim of domestic, sexual assault, or stalking. Earned sick and safe time and paid family and medical leave time would apply to deal with those situations.

Mayor Dietrich asked if a serious medical condition was defined.

City Attorney McCauley Nason replied there is a definition. She was unsure of it at this time.

Mayor Dietrich requested that information be included along with this presentation.

Councilmember T'Kach asked if this was for all employers or just government.

City Attorney McCauley Nason replied it is for all employers. Those with one employee would be subject to this.

City Administrator Wilson stated the earned sick and safe leave will impact the Parks and Recreation and VMCC Budgets the most. That is where there are employees who work 10 or 12 hours per week and are not eligible for paid time off. There is a 20 hour per week threshold for earning paid time off. A program will have to be developed that complies with the law and start making this available to those employees. Staff will be working on this for the next 30-60 days and will be bringing something before the Council.

Councilmember Gliva said if those employees are seasonal and have a balance, it doesn't need to be paid out.

City Administrator Wilson replied they do not have to pay it out when the employee departs. Staff will have to weigh as an employer whether to create a use it or lose it incentive; create a reason for someone who may think of it as losing it anyway, which may cause disruption to the ability to manage programs and have sufficient lifeguard staff. There are reasons why an

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION – October 2, 2023

employer would offer to pay it out so there is not an incentive to use it or lose it. It is used if truly sick and if not, there is something extra on the last paycheck. The pros and cons will have to be weighed and how this could impact operations.

4. Adjourn:

Motion by Gliva, second by Scales, to adjourn the meeting at 8:12 p.m.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sheri Yourczek