INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
TUESDAY, SEPTEMBER 5, 2023. 6:00 PM - 8150 BARBARA AVENUE

1. Call to Order:
The City Council of Inver Grove Heights met in person on Tuesday, September 5, 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, Deputy City Clerk Katie Malott, Finance Director Amy Hove, Public Works Director Brian Connolly, City Engineer Paul Merchlewicz

3. Discussion Items:
A. 2024 Preliminary Levy & Budget
City Administrator Kris Wilson stated discussion will revolve around the following:
- Review three (3) components of the city property tax levy and the suggested/recommended amounts for 2024.
- Receive the City Administrator's recommendations for the 2024 General Fund Budget priorities and suggestions for possible reductions.
- Review estimated impact of potential levy amounts on taxes for a median value home.
- Provide direction to staff for the preparation of resolutions that would adopt the preliminary levy and preliminary General Fund Budget at the next Council Meeting on September 11th.

What is set as the preliminary levy cannot be made higher, it can be reduced.
3 Components to the Property Tax Levy:
1. Debt Levy
2. Pavement Management Levy
3. General Fund Levy

Citywide Tax Levy by Fund:
- 2023 Approved Budget:
    - Debt Service: $2,545,484
    - Pavement Management: $2.9 million dollars
    - General Fund: $24,889,311

Proposing a Debt Service Levy of $2,542,411. This is sufficient to make debt service payments on the first five (5) bond issuances. Three (3) pay for former street projects and two (2) pay for the cost of constructing Fire Station #2. Staff recommends canceling the levy for the 2020A General Fund Bonds which were used for street projects because there is money in the Closed Bond Fund that can pay the debt service amount for next year and through satisfaction of the debt. If continuing to use the closed bond fund, it would never have to be put back on the levy. This strategy was first used with the 2022 levy and repeated with the 2023 levy.

Councilmember Murphy asked if closed bond fund monies were from old bond issuances.
City Administrator Wilson replied they are. They may have earned interest money that didn't need to be paid out or there was advanced special assessment payments. When a bond fund is closed out and the debt is paid in full, sometimes there is a little money left over. That money moves into the closed bond fund and accumulates over time. There will be more money left in there even after fully satisfying 2020A, however none of it is enough to fully repay other bonds.

Councilmember T'Kach asked what the interest rates are on the other bonds.

City Administrator Wilson replied she did not have that information but could provide it to the entire Council later. When bonds are issued, they have a potential refinance date. The financial advisors at Ehlers monitor this and reach out to the City Administrator and the Finance Director with advice on rates. There are fees associated with this. When choosing to refinance a bond, it goes before the City Council first.

City Administrator Wilson discussed the History of the Pavement Management Levy:
This is something the city has been building on for several years. Through this process, the city is trying not to take on more debt for street projects but have cash on hand to be able to pay cash for the city's share of projects and to fund additional street reconstruction and pavement management work.

- Since 2019 the levy has increased quite a bit. Staff recommends a 5% increase to this levy for 2024, putting it at $3,045,000.
  - This levy is not the only source of funds for pavement management work. It is deposited into an account that has other revenues.
  - The last few years' staff has been making a transfer in from the Host Community Fund. Staff will be recommending weaning the pavement management fund off of the Host Community transfer and go back down to $500,000 for next year.
- Franchise Fees: The city collects franchise fees on electric and gas utilities. 100% of the fee revenues go into the pavement management fund.
- State Aid: Cities receive this according to a formula.
  - The city is allowed to draw down the state aid in advance. Next year's money could be spent this year, money could also be left in to have more for a future project.
  - State Aid needs to be used for a qualified State Aid road project.
  - For the last few years, the city has drawn ahead on the State Aid money, using it to construct brand new streets.
  - There has not been a lot of Municipal State Aid (MSA) funds going into the pavement management. The city is caught up/balanced out with the state and expect to have more of that money available for current projects moving into 2024 and 2025.
- Special Assessments
- Transfers In from Utility Funds
  - The above two are dependent on a specific project.

Councilmember Murphy noted that the interest income amount doubled to $150,000. He asked if it was an estimate.

City Administrator Wilson replied all interest amounts shown in the budget documents are estimates based off of current markets.

Councilmember T'Kach liked the idea of weaning off of the Host Community Fund. She asked if it was possible to wean off faster.

City Administrator Wilson replied staff could look at it even with the $100,000 a year reduction staff has modeled out. There are sufficient funds in the pavement management program to afford the CIP put forward. She mentioned that staff would never recommend spending the pavement management fund down really low. It is in a separate fund for when there are big years/expensive projects. It does not impact the tax levy. Coming up on the tail end of the CIP is a large multi-year street reconstruction. It falls right outside the CIP window. She said if the Council was interested in reducing it faster, staff can compile a model of what it would look like.

Councilmember T'Kach suggested lowering it $50,000 or $100,000. She said it seemed like there were other needs in the city that Host Community Funds could be used for that may be more aligned with what is appropriate for Host Community.

City Administrator Wilson replied the Council adopts a Host Community Fund Budget, that would be the deciding point in which the Council designates how much to transfer.

City Administrator Wilson discussed the General Fund Budget:
The General Fund Budget funds operating costs for: Police, Fire, Parks, Recreation, Planning, Inspections, Finance, Administration, and Streets. This pays employee salaries and benefits, buys supplies, and pays for professional services.
Not in the General Fund Budget: Utilities (water, sewer, stormwater), Golf Course, VMCC.
In October/November, budgets will be discussed.

- A first draft of the General Fund Budget was reviewed at the July 31st workshop.
    - At that time, everything requested yielded an 8.9% levy increase (before adding/acting on new staff positions).
- Staff has identified reductions in the levy amount totaling $654,052.
- The City Administrator recommends prioritizing 4 of the new full-time staff positions requested.
    - If the Council is supportive, it would add back in $365,000.

Reductions identified by staff. Yielded by updated information/improved estimates.

- Agreements with Dakota County Elections cost less than budgeted.
- Will receive reimbursement from the state for medical insurance costs for disabled former Police Officers.

- Identified other funding sources for one-time costs.
- Avoid using other funding sources/fund balances for ongoing costs such as staff, benefits, or supplies.
- Recommend using some fund balance, specifically in the EDA Fund.
    - This would reduce the amount of the EDA Consultant.
- Built up a technology fund balance over the years. Some of the software requests that various departments had for 2024 would be funded out of the technology fund balance.
- Reducing requested amounts to better follow historical needs.
    - Look at what a department actually spent in 2021 and 2022, year to date in 2023, and what is being requested for 2024.

Councilmember Gliva asked if there was enough to right size salaries with the 4 additional staff.
City Administrator Wilson replied those are placed under the heading "Reclassifications." The money to do those remains in the draft budget. This is something that will continue to be fine-tuned between now and December.

City Administrator Wilson discussed New Staff Requests for 2024:

- Park Maintenance Worker
- Street Maintenance Worker
- Utility Billing Coordinator in the Finance Department
- 3 Full Time Firefighters
- Assistant Fire Chief
- Police Officer (would be added to the Strategic Response Group)
- ½ time Communication Specialist

Suggested Staffing Priorities:

- Tier 1:
    - Park Maintenance Worker
      Street Maintenance Worker:
        - Funded 20% from the General Fund, 80% out of the Stormwater Fund.

        - No current employees are identified as stormwater employees. Street maintenance employees are used to getting the work done for stormwater.
        - 80% funded by stormwater will put pressure on the stormwater fund.

This is a first step to showing that utility needs employees charged to it. Each of these departments has not had full-time staff added despite the fact that new parks, streets, trails, and natural areas need to be maintained. Both requested two new staff each; one each was in the 2023 Budget. Staff Recommends completing the request in 2024 with one more for each.

- Tier 2:
    - Utility Billing Coordinator:
        - More experienced position in the finance department with a heavy focus on utility billing and other financial aspects.
        - The finance department is very lean. They are one medical leave/resignation away from struggling to maintain these essential functions.
        - Rely heavily on consultants, the Finance Director, or Assistance Finance Director to find the time to supplement.
        - This is a real need to ensure there are stable operations.
    - One Full Time Firefighter:
        - The original request consisted of 4 full time firefighters. The recommendation came from the Citygate Study the city did in fall/winter 2021 and was presented to the Council in 2022.
        - Staffing determined the need for three more full-time firefighters and one more assistant fire chief to help carry the load.
        - The staffing model in the fire department is fragile. When people take time off, they are down in paid on call numbers. They are much lower than they would prefer to be in the total number of fully staffed and qualified firefighters.
        - While not a perfect solution, it will be awkward to work with one additional full-time firefighter. It will be a challenge to determine where to use them.
        - The Fire Department operates with an A Shift, B Shift, and C Shift consisting of 3 Captains, 3 Lieutenants, and 6 Firefighters. There is a need for 3 full-time firefighters to fill in and keep those shifts as staffed as they would like them to be.
        - The recommendation is to get one into the levy this year, one next year, and one the following year to reach where they want to be over the course of three years.
        - There is a chance Grant funds may come along that would allow the city to get all three. The Grant goes out in the first quarter of the year and would likely be presented to Council later this year.
    - Tier 3:
        - Police Officer (would be added to the Strategic Response Group).
        - The SRG group currently has three people.
        - Police Officers have been added over the last several years. Due to demand from other departments those requests were noted above this request.

Councilmember T'Kach asked if the Utility Billing Coordinator would give the capacity to potentially do assessments to those in rural road areas for broad area patching. She said it was mentioned it may not be cost effective because there isn't staff, it's cheaper to do it and call it maintenance versus assessing.

City Administrator Wilson replied the person would help with assessments, modeling utility costs, utility rates, and coordinate utility billing.

Councilmember Scales commented that it sounded like they were thinking of raising the levy to hire a person so they could help tax people more. He was uncomfortable with this idea.

City Administrator Wilson replied no. Staff's key priority is depth and sustainability. The Public Works Director and City Engineer would discuss this further in the second agenda item with recommendations from the Pavement Management Committee. One item was to assess for broad area patching.

Councilmember Gliva asked how many staff were currently in the finance area.

City Administrator Wilson replied there are 7.5 staff. The finance department does budgets, manages investments, manages risk, property and casualty insurance, payroll, all accounts payable, and utility billing.

Councilmember Murphy asked for more information on the Utility Billing Coordinator, what they do, who has been doing it thus far, and if it could be farmed out.

Finance Director Amy Hove replied of the 7.5 FTEs in the finance department, one is primarily dedicated to Parks and Recreation. That position helps manage grants and park projects. This last year they were pulled over for cross training in accounts payable because there is only one person devoted to some of the major functions. The Utility Billing Coordinator would focus on areas that staff is not giving a lot of attention to. One of those areas, as stated by AE2S who came in to do some of the utility modeling for rates, there are inputs and managements of the model. There is no one in finance who has the time and capacity to take over higher level analytical work. That is something staff is looking to assign to this person. She mentioned there is a stormwater rate study coming up, there is no finance person to help. There isn't a higher-level skillset in the department and there are several areas they are unable to spend enough time looking over.

She mentioned that she has a draft job description of some of the things they could do and more oversight in total over utilities. They currently have a Utility Account Technician who does billing at a base entry level. Staff is looking at how the position could best utilize the finance department, public works, and assessments.

Councilmember Murphy summarized that the city paid for studies that staff is short on time to get to. There is currently not the skillset for staff to analyze those studies.

Finance Director Hove replied that is correct.

Councilmember Murphy questioned if the person would have to have an accounting degree.

Finance Director Hove replied everyone in the finance department is required to have at least a two-year accounting degree.

Councilmember Murphy asked what this person would have that would make them different.

Finance Director Hove replied it would likely be a stronger skillset. Current staff are in roles they are most suited to. They are looking for someone who has stronger utility-based knowledge. Current staff has received all of their accounting experience at the city, meaning they have not seen utility billing elsewhere and do not have the breadth of experience. They were hopeful of getting someone from another city or another municipal/utility enterprise to have that breadth of knowledge in the department to lead the area.

Mayor Dietrich asked if there were any dollar amounts for the Assistant Fire Chief, Police Officer, and ½ time Communications Specialist.

Finance Director Hove replied the total wages and benefits for all three is $336,000. In terms of the levy, it would be 1%, slightly above what is being recommended. The Assistant Chief is estimated at $160,000, Communications Specialist ½ time is estimated at $46,000, and the Police Officer is estimated at $130,000.

Mayor Dietrich asked what the city would be deficient in if not receiving either of the three positions.

City Administrator Wilson replied staffing levels at the management level of the fire department are strained. They work a lot of hours. The leaders, captains, and lieutenants need additional training. They would like to do more leadership, advisory, and management training, have more review of standard operations and protocols, and more things in writing/ documentation. It is a 24/7 operation. She said it was a tough call between adding more out in the trucks and adding more in management. She would like to look deeper into what the management structure looks like in other city departments similar in size before saying an assistant chief is definitely the way to go.

Mayor Dietrich asked how they are aligning with the Citygate Study; the city paid a lot of money for it. She said she does not want some of those things shelved and not come to fruition. She asked if the area needs more looking into besides what Citygate did.

City Administrator Wilson replied as the City Administrator, she would like to understand it better.

Mayor Dietrich asked about the police officer position.

City Administrator Wilson replied the hire would be for a starting police officer, they would then move a more experienced police officer into the Strategic Response Group. The group is working with licensed businesses in town ensuring license compatibility, they check on registered sex offenders at a higher rate and supplement the investigations unit as needed. They are getting close to being fully staffed in the police department. In the last couple of months, they have reached the three-officer level in the Strategic Response Group. This was due to the patrol ranks being filled enough so there was the ability to move someone to the group. This request would help keep patrol levels sustained.

She addressed the Communications Specialist stating there are two people in the communications division: Communications Manager Amy Looze, and a full time Communication Specialist position. This year a ½ time communications person was added. After analysis it was determined to dedicate that person to the Parks and Recreation Department for marketing in an effort to remove the workload done by the Communications Manager. This would free up the managers' time to do higher level work across the city and help each department communicate their major projects. This is not a top priority this year to allow for more time to see how it plays out. She shared that Olivia, in the parks department, has been onboard for a few months. Shortly after her arrival the existing Communications Specialist resigned, now there is a vacancy. Staff has not experienced what it is like to be at 2.5 communications people. She was hesitant to prioritize another .5 as she would like to see what the operation could do when able to get to full strength.

Councilmember Scales liked the idea of prioritizing the street maintenance worker and parks maintenance worker. He said the Swing Bridge could use some weeding; it is a bit rough. He said that he is always slightly uncomfortable when seeing firefighters and police officers at the bottom of the list; he requested a better understanding. He asked to see police and fire staffing levels going back five years to understand the population, what staffing levels have been, and if they are higher or lower than they have been in the past. He said he would be more comfortable knowing this.

City Administrator Wilson replied she would get back to Councilmember Scales with the five-year history. She said the fire department is going through a major transition from being entirely paid on call to a hybrid department. They are going through a fundamental shift in addition to serving a growing city. She mentioned that other departments have been structured the way they are for years; growth is gradual as it keeps up with the growing city and infrastructure.

She mentioned that police and fire factor in their call loads.

Councilmember Scales suggested call load be added to the information requested.

City Administrator Wilson discussed General Fund Levy Scenarios:

- 2024 1st Draft Budget: Indicated an 8.9% increase (without staff adds)
- 2024 with cuts identified: 6.7%
- 2024 with cuts and +4 full time staff: 7.9% levy increase

Finance Director Amy Hove discussed the Impact of Various Levy Scenarios on a Median Value Homestead:
A Median Value Homestead in IGH is $336,900 for taxes payable this year (2023).

- Values for payable 2023 took a very big jump. A median valued home went up 15% (inflationary pressures). Increased 1.75% to $342,800 for taxes payable in 2024.

Commercial and industrial properties have larger increases in market values for 2024 than residential.

- Starting at 7%:
    - Increase over the 2023 Levy: $2,123,436 (Includes additional resources presented in the budget version)
    - Tax Rate: 49.955
    - Increase to a median valued property: $69.79
- 7.7%:
    - Equivalent to a 5-year average (2019-2023)
    - $2,335,779
    - Tax rate would go to 50.314
    - Median increase: $81.86
- 8.4%:
    - This was the 2023 % increase
    - $2,548,123
    - Tax rate of 50.673
    - Median increase: $93.92
- 8.9%:
    - Preliminary Draft Version (Before the Council on 7/31/2023)
    - $2,695,651
    - Tax rate of 50.922
    - Median increase: $102.30

Tax Rate History: Comparing total value in the city to taxes to be collected from residents.

- In 2023 the tax rate dips to 48.814 (Due to inflationary pressure)
- The 2024 amount of 50.922 is based on 8.9%

Staff looks for discussion in terms of what percentage of increase the Council would be comfortable with starting the ceiling. Staff could still refine this in December. Huge cuts are not anticipated unless the Council wants to fund a different level of staffing or fund two instead of four.

Councilmember Murphy suggested starting the conversation around 7.9% and discussing staffing.

Councilmember Gliva agreed that 7.9% is the place to begin. She was hopeful it could be less for taxpayers. She agreed with some of the additions and was happy there were funds for right-sizing employees.

Councilmember T'Kach appreciated staff cuts from 8.9%. She would like to see them end up at 7.9%; but was unsure if it was the starting point. She said there is a lot of need in the community with the lack of staffing. She appreciates staff wanting to professionalize things more for residents. She thought 7.9% might be a landing point versus a starting point.

Councilmember Scales prefers 7.9% be toward the top end. He believes they could make that, or less, work. With the cost of inflation, he did not want the city to be the next increase. He wanted to make sure the four FTEs are needed and add value to the city. He was uncomfortable going over. He requested a better understanding of what the 4 FTEs would be doing, what their qualifications were, and what their positions were. He wanted to know if they were adding value to the city.

Councilmember T'Kach stated they understand people have been hit hard this past year with inflationary pressures, it seems to be riding downward. She did not believe anyone likes a discussion about raising taxes.

Mayor Dietrich appreciated the work staff has done. She said 7.9% is a good spot to start at. She would like to see it at this, or under.

B. Pavement Management Initiative – Program Update

Public Works Director Brian Connolly provided an update on the Pavement Management Initiative:
To be discussed:

- What has been done, what is in progress, what needs more work
- Focus on the Citizen Task Force Report Recommendations
    - Review what is working and what has not
- What is on the Horizon
    - New pavement management techniques
    - Updated pavement rating metrics
    - Inclusion of trails, sidewalks, and parking lots
    - Updated Assessment Policy

City Engineer Paul Merchlewicz discussed the Citizen Task Force Recommendations (CTF) – Summary:

- There are 24 recommendations:
    - Success & Solutions – 4
    - Utilities – 4
    - Financing – 6
    - Rural Roads – 3
    - Road Standards – 2
    - Communications – 5

Success and Solutions:

- Continue to use the Pavement Condition Index (PCI) across urban and rural roadways.
    - Rural roadways were added back into the rating program in 2022
    - Exploring options for enhancing PCI ratings in the future
- Focus on the overall program progress. Maximize miles of rehabilitation over building perfect projects.
    - Do 6-7 miles per year. This is up from 2-3 miles prior to 2022.
- Adopt a "minimalist" approach to perform lower-cost rehabilitation over a full street reconstruction.
- Focus project choice on life-cycle cost effectiveness as opposed to specific condition or neighborhood activism.
    - Look at the program as a whole and determine what makes the most sense for the best dollar value
    - As the CIP is planned out, try to group projects by location or type to get to 6-7 miles per year and the funding values

Utilities:

- Should be self-funded for their share of improvement.
    - In 2023, ceased the use of pavement management funds for storm improvements
- Long term planning to get the maximum life and value out of utility infrastructure.
- Review general utility rates and adjust so rates are fair and equitable across the full community.
    - Currently, the northwest area (NWA) has higher rates
    - Discussion needed about bringing those rates across the entire city or finding a balance
- Coordinate projects with private utilities to minimize resident impact.

Financing:

- Most important program goal: maximum miles per dollar spent.
- Maintain existing mix of funding (PMP, Franchise Fees, Host Community Fund, Assessments), and apply consistently.

    - Positioned to achieve fiscal goals for the next five years
    - Reviewing ways to "wean" off the Host Community Fund (finite)
    - For diligence on assessment rates: align with the assessment policy, focus on how to maximum the program for assessment collected
- PMP monies should stay in the PMP program for roadway rehabilitation (not for utilities or new road construction).
- Use Bonding to "jump start" the program.
    - Has not been necessary for 2022 and 20223 (good fiscal position)
    - Remains a viable tool
- To reduce truck traffic, neighborhood "self-organizing" for trash collection should be explored including city education on the effort.
- Ongoing communication of financing and how the money is obtained and spent.
    - Continue to connect CIP, annual budget, and project budgets
    - Limiting the use of the PMP money for non-PMP items helps streamline this effort

He mentioned that several people call in mentioning this is their tax dollars, what are they paying for. Staff is trying to make a connection with how these projects are budgeted.

Rural Roads:

- Restart Pavement Condition Index (PCI) on rural roadways. Placed back in the rating program in 2022
- Continue the use of Broad Area Patching (BAP) on rural roadways to address poor pavement conditions. BAP has continued in 2022 and 2023
- Consider assessing costs for BAP against benefitting properties.

Road Standards:

- Consider road narrowing to standard width (28′ or 32′) if traffic volume doesn't warrant a wider street.
    - There are places in the NWA that have narrower roads. There are challenges.
    - Goes with wherever traffic needs are.
    - Reducing road width and stripping could be another option.
- Apply Northwest Area road standards to the entire city (28′ wide with sidewalk) for new streets.

Communications:

- Implement Pavement Management Initiative Branding.
- Include more public communication/outreach regarding PMI funding sources.
- Create a long-term Capital Improvement Plan.
    - 5-year plan developed in 2022, ongoing for 2023
    - Annual updates
- Work toward more advance notice for property owners of upcoming projects.
    - Started 2024 a little late this year
    - Start 2025 projects in the fall
    - Start 2026 in the spring (two years of development, including outreach)
- Create newsletters, Insights articles, website and social media postings that provide notice of upcoming project work.
    - Ongoing effort with recent updates to the PMI Project website
    - This is an area that could use the ½ time Communications person

In-Progress CTF Recommendations:

- Review general utility rates and adjust so rates are fair and equitable across the full community (NWA versus greater IGH).
    - Completed sewer and water rate study in 2023
    - Storm sewer rate study coming up in 2024
- Include more public communication/outreach regarding PMI funding sources.

- Work toward more advanced notice for property owners of upcoming projects.

CTF Recommendations/Further Discussion:

- Apply NWA road standards to the entire city (28’ wide with sidewalk) for new streets.
    - Several issues with reduced width such as parking, emergency access, snow storage
    - Staff recommends possible review of NWA standards to revert to city wide 32’ wide streets
    - Added sidewalks = added maintenance responsibility
- To reduce truck traffic, neighborhood “self-organizing” for trash collection should be explored, including city education.
- Consider assessing costs for BAP against benefitting properties.
    - Currently lack staff resources to adequately track/implement via State Statute 429 requirements
    - BAP is being used as a bridge to a rehabilitation project
        - Shorter effectiveness: 10-15 years versus rehabilitation projects which are 20-25 years
    - Ability to prove benefit is lacking when improvement doesn’t correct underlying deterioration issues
    - BAP has been performed on roughly 85% of rural streets

Questions for Council:

1. Does Council agree with staff’s recommendation to continue exploring modifications to the NWA street width standard?

Councilmember Murphy asked for clarification on whether they would be going to 28 feet or back to 32 feet width.

City Engineer Merchlewicz replied it would be going back to a wider standard. Eliminate sidewalks and allow better maintenance and parking.

Public Works Director Connolly addressed the width stating the NWA has a standard street width to try to be more low impact development. Less street width = less pavement = less stormwater management. The NWA requires putting in sidewalks which take up the same street difference. He said this past winter had high snowfall amounts. This resulted in struggles in the NWA with being able to clear snow, have enough snow storage, and still maintain sidewalks. There is not enough space to put snow. He said they have received a lot of pushback from residents in the northwest area on the no parking requirements which prevents parking on at least one side of the road and in some cases both sides of the road. Parking on the street becomes a police enforcement issue. When public works receives parking complaints, they are passed along to the police department. The police department does not have a dedicated officer writing parking tickets. There are also challenges with emergency services and having enough space when roads are that narrow. He stated that he and the City Engineer are trying to better understand what the ramifications are if continuing down this path. If the Council does not feel it is worth the time to look into, they would not proceed further. Staff wants a better understanding and to be able to determine if there is a way to achieve the goals in the NWA relating to stormwater management or low impact development and not have the same concerns such as emergency access or snow storage. He said the Task Force recommendation was to apply this to the whole city so there is less pavement to maintain. With that, there are challenges unrelated to pavement costs. A no parking sign does not solve the problem if half the people are upset because they cannot park on their side of the street. He said he does not have a great solution. He cannot recommend a 32-foot street across the city because it may not apply in some areas. This is something staff would like to take a closer look at. This is the type of question that needs further discussion at the Council level. It would provide understanding from a policy standpoint on what direction staff should go.

Councilmember Murphy stated if it says no parking and someone is parking there, tickets should be handed out. He said he would not have an issue with it if it saves taxpayers money in the long run.

Mayor Dietrich mentioned that tickets are handed out.

Public Works Director Connolly agreed tickets are being handed out; it is not as regular. There isn't someone doing parking enforcement, it is more reactionary, not proactive. During snowfall events the police are notified if something needs to be ticketed/towed. He said they receive a lot of calls about parking. He said he cannot give a good answer other than telling residents the road is too narrow and was unsure why the side that is signed was chosen. Staff has been looking at the standards and are trying to be more consistent with how they are implemented. Staff is also working with incoming developers and giving them the opportunity to have more flexibility.

Mayor Dietrich referenced the modifications to the NWA and asked if that could be expanded to the area by College Trail where Walmart is and other streets in the same situation. Arbor Pointe has the same issues during the winter that the northwest area does.

Public Works Director Connolly referenced Arbor Pointe stating NWA standard are for new streets. The area in Arbor Pointe has been built. Making it wider is difficult to do once the infrastructure is there. Staff is looking to make sure it would not be continued with what is left to be developed in the city.

Councilmember Gliva asked if new developments would be looked at independently or if they are trying to have a policy that could divert from either 28′ to 32′.

Public Works Director Connolly replied it would be a common policy. Current policy in the NWA is that residential streets should be 28′ wide unless it's a collector street. For a street to be wider a variance would be needed, which could be cumbersome and creates inconsistencies between developments. There is a NWA standard and the remainder of the city standard; their goal is to merge the two and be consistent. That means some areas of the city would be brought up to NWA standards and some in the NWA would be brought closer to the way the remainder of the city works. Road width could be one of those things. This would bring consistency across the city.

Councilmember Gliva asked if there was anything in between 28′ and 32′.

Public Works Director Connolly replied the bulk of the city outside of the NWA, is standard 32′. Some older roads outside of the NWA are anywhere from 24′ to 44′. A standard was initiated in the NWA in 2005; it has remained that way. It is likely there will always be a need for variances in some cases. Rural areas often do not have parking on streets due to having larger driveways.

He mentioned they also receive complaints in the winter from those living in townhomes who need to move vehicles onto streets for the townhome association to be able to clear snow. People cannot park on public streets in the winter. These are things staff has to balance.

Councilmember T'Kach questioned if the modifications have a host of options. She referenced the northwest area where there are a lot of PUD's and developments where there could be a requirement like some townhomes have with extra spaces built in. She asked if staff would check into whether or not the city should declare snow emergencies when there is a lot of snow. She asked if there would be on street bike lanes. She mentioned there were all types of exploration staff could do and if there was the capacity to do this given all of the other work.

Public Works Director Connolly replied staff does not have extra time. With the way this is currently structured, is meant to be something staff has already been doing. They have been doing it for the last 1 ½ years. He said next year they would be looking into stormwater policies related to the northwest area/city to see if they could update the Resource Management Plan. Impervious area is one of the items within. He said the concept of bike lanes is a complete street design. Some urban areas have been doing this, over time he believes it may work its way into the suburbs. With the traffic study being done on Cahill in a couple of years, this is something they would be looking at. Building a city from scratch would be a lot easier than trying to modify and make things fit into an existing system. He said many of the things in the northwest area are built into zoning code. There is an ordinance in the northwest area that states you can have a narrower street, but it needs to be private. Private streets are fine unless there are public utilities underneath the street, then there would be an easement. If having to replace the utilities the city would have to pay for the street. He said these are conversations that staff has had. They have not determined specific details. He said they are talking about 4 feet of street in terms of width, the equivalent to 2/3 of a sidewalk.

Mayor Dietrich agreed it should not be a one size fits all. She agrees with staff's recommendation on point #1.

Councilmember Scales also liked staff's recommendation. He said he leans towards having wider streets, the last thing they need on streets are more signs. He said it sounds good to have a narrower road with an extra few feet in the yard, but when there's a sign in the front that says you cannot park in front of your home, most do not think about those extra feet.

Councilmember Gliva agrees with staff's recommendation.

City Engineer Merchlewicz discussed the next question for Council:

2. Does Council see benefit in the city providing guidance to neighborhoods to self-organize for single company trash collection?

This item is for guidance, it is not a directive.

Councilmember Scales said he has no issue with neighborhoods coming together. He would not want to see the city spending an effort on putting a city-wide program together.

Councilmember Murphy and Gliva both agreed with Councilmember Scales' suggestion.

Public Works Director Connolly asked whether or not the city should be investing time in communication to encourage this.

Councilmember Scales replied he has no issue with communicating to citizens to put together something like this. The city should not be looking at a citywide program.

City Administrator Wilson mentioned that taking care of city streets along with tips could be placed in the Insights newsletter.

City Engineer Merchlewicz asked the following question for Council consideration:

3. Does the Council agree with staff's recommendation to continue the use of Broad Area Patching (BAP) as a non-assessed maintenance technique?

Councilmember Scales replied yes. He asked who determines who gets a broad area patch. If assessing someone for broad area patching, he hopes there would be communication ahead of time, giving citizens a chance to be involved and not surprised.

City Engineer Merchlewicz replied the Streets Superintendent is in charge of the Broad Area Patch Program. He takes trips throughout the city to identify which areas are worse off. If assessed, this would go through the notification process.

Mayor Dietrich asked if the index was used for broad area patching.

City Engineering Merchlewicz replied he did not believe so.

Public Works Director Connolly replied the Streets Superintendent recommends streets that will have broad area patching. Since doing the capital improvement program, they have been integrating PCI ratings and superintendent field staff reports on damage and maintenance needs. That information is provided to public works to determine where it would fit into the CIP. Staff would determine if broad area patching would bridge until an assessed project can be done to address underlying issues on the street. He said they are shifting away from just doing it because they have the money to determine how many miles they can do and where in the system the streets are. He said he has a list of rural streets that have not received a broad area patch. They prioritize them, look at them, and determine when to broad area patch and when to do pavement reclamation.

This is not in the 5-year CIP, but on their list. Staff is not willing to broad area patch streets a second time, they do not believe it makes sense. Broad area patching is a bridge to get it into the pavement management program. If doing this on 85% of streets there would be 15% left, bringing them within 5 years of having hit all streets. Broad area patching could be phased out and transitioned fully into the pavement management program.

Councilmember Murphy liked phasing broad area patching out and not doing it a second time. He asked if any street in the city is eligible for a broad area patch.

Public Works Director Connolly replied as defined in the task force and historically, it is only done on rural roads, roads without curb and gutter. The task force did not feel this seemed fair. He said he agrees but they are not getting the same quality product by doing a broad area patch by city crews then they would with a mill and overlay or reclamation that has been designed and intended to last 20-25 years. A broad area patch is not intended to last that long. Streets that were broad area patched in 2013 are in the CIP to be addressed in the next 5-7 years.

Councilmember Murphy said it is important to treat all of Inver Grove Heights the same. He said if it was an ongoing project, it may be a little unfair, but since they were not doing it a second time and phasing it out, he supports staff's recommendation not to assess on broad area patching.

Councilmember T'Kach agreed that phasing out broad area patching is a good idea. She asked if those would be done in 5 years.

Public Works Director Connolly replied that is their goal and what they are trending towards.

Councilmember T'Kach asked what the process would be for communicating with residents and the Council. She asked if a policy was needed for treating rural streets the same as urban streets.

Public Works Director Connolly replied that would be a Council question. Broad area patching is treated as a maintenance effort. In terms of lifespan extension, taking a street that is 13,14, or 15 years along in its life cycle and showing deterioration like it is a 25-year-old street, finding ways to bridge that with a maintenance technique that is more effective than what they have been using but different from doing a full overlay. It does not give another 20-25 years of pavement life extension; it holds it over as a maintenance item. This was how broad area patching was noticed in the city. Broad area patching was used as a maintenance item, not a capital improvement rehabilitation project. He said this was the only item in the 24 recommendations by the task force that he disagreed with.

He mentioned that the city purchased a new paver. It is the last paver he wants the city to buy. He does not see a need. After getting PCI ratings back up, they should not have to do that level of pavement management maintenance again.

Councilmember Scales asked if rural and urban streets were rated the same, comparing side by side.

Public Works Director Connolly replied the PCI rating does not differentiate between rural and urban. There isn't a rating scale for urban areas that is different from rural areas.

Councilmember Scales asked if rural streets would not have a longer lifespan when rating side by side, since road conditions are a little greater in urban areas. He did not feel they needed to be replaced at the same rate. He asked if this was taken into consideration.

Public Works Director Connolly replied regarding equity, a pothole on an urban street may get hit less but is no less of a nuisance. They do not say they want to do only rural streets every 30-35 years and all urban streets at a 20–25-year interval. It's not equitable. When staff looks at it statistically, a PCI rating is noted when hitting a certain level such as 30 or lower; 30-70 is programmed good for a mill and overlay, if over 70 it does not need any work.

Councilmember Scales said he sees it as someone getting assessed on an 80-foot lot and someone getting assessed on a 1,000-foot lot. The difference adds up.

Public Works Director Connolly replied that component of the assessment policy will be discussed. They assess rural lots at a different method than urban because of that differentiation. It might be based on area or front footage as opposed to a per lot basis.

Councilmember Scales requested a comparison; if there was a way to compare an assessment on a rural street versus urban street.

Public Works Director Connolly replied there are samples. The 2024 feasibility study involves highly developed urban areas and some rural areas. They are not rural sections; they still have curb and gutter but lack storm sewer or other utilities. It is the same width road but will notice that it's a rural property with twice the footage as an urban property, they would have twice the assessment. Rural property has more value than an urban property that has much less land. A part of this is the benefit analysis. In terms of proving benefit, more value is received in a rural area because they have more space/frontage than a property in an urban area.

Councilmember T'Kach agrees with staff's recommendation to continue until the broad area program is over as a non-assessed maintenance item.

Mayor Dietrich agreed.

Public Works Director Connolly discussed the Pavement Management Initiative (PMI):

- Project Selection Criteria:
  - Pavement Condition Index (PCI)
  - Age
  - Annual maintenance costs:
    - Pothole repairs, large patches (urban or rural). These are aa drain on resources and maintenance costs. They may have a road with a PCI around 35-40 that is put ahead of a road with a PCI of 20 because the road may be more traveled or has more pavement failures taking up maintenance needs.

Councilmember Scales mentioned that was his point. The last thing he wanted was a rural road that gets 30 cars a day to be treated equal to a road like 70th Street that gets thousands of cars a day.

Public Works Director Connolly replied traffic and value are figured in. Staff is trying to find a balance between a road that isn't traveled as much but has issues and one that is traveled more frequently. The less traveled road would never get done if it keeps getting pushed back for others. The pavement index does not take into account traffic volume. Degradation is noted on higher volume roads quicker.

Public Works Director Connolly continued with the Pavement Management Initiative (PMI):

  - Past prioritization such as the 2023-2027 CIP, carryover projects
    - If a project is put into the CIP, staff does not want to take it out.
    - The only reason to take something out of the CIP would be for a County or MnDOT project that made economic sense to move. (This has not been done yet).
    - Shifting projects around makes it difficult to stay on track and be able to do as many miles a year as they want to do.
  - Public utility condition
    - If there is an area where utilities are failing, a reconstruction would have to be done. Needs between utilities and repairs would have to be determined.
- Annual Project Goals
  - 6-7 miles of roads per year

    - 147 miles of paved city streets
    - Rehab project on every street once every 25 years
    - The city is in the middle of this target range, it is what they will continue to aim for
  - Combine neighborhood streets into a single project
  - Focus on the most effective rehabilitation technique
    - Do not want to do a total reconstruction when a mill and overlay is necessary
    - Do not want to do a mill and overlay when a reclamation or total recon is needed
- In 2026 the number of miles decreases to 5.7 due to having a couple of neighborhoods needing a total reconstruction. Costs are higher for this, therefore pulling the amount to spend down.

Fiscal Limitations:

- Pavement Management Fund (Fund 440)
  - Presently well-funded
    - Average a $12 million dollar balance for the next 5 years
  - Able to cover annual goals (6-7 miles per year)
  - Has contingency funding as needed
    - For example: a project that goes from a rehab to a recon
  - Will be further bolstered if MSA (Municipal State Aid) funding is used for existing State Aid streets (not just new/expansion)
    - State aid funding has specifically been spent on supplementing the city share of county projects (70th and Argenta)
    - Or the expansion of streets in the northwest area (65th Street)
    - Or other streets in the area wider than the standard 28' wide residential street
    - Trying to close out old projects
    - Finishing off borrowed debt
    - Allowed to borrow one year ahead
    - Receive $1.4 million dollars a year for construction. Only to be used on state aid roads (current or future), county roads, or state projects
    - Proposing to use state aid funds to fund projects on state aid streets moving forward
    - 20% of streets are dedicated state aid routes. There are a couple of state aid street projects that would be a challenge to assess due to fewer properties. These include Inver Grove Trail, Cahill Avenue, Upper 55th, Blaine, 70th, and 65th Streets. (Cahill and Upper 55th are in need of repair).
  - Could perform more maintenance and/or CIP projects
- Limiting Factor is Utility Funding
  - Recommendation from the task force is that utilities should pay for utility work, street money should be dedicated for streets
  - Challenge is when there is only so much utility money, it hamstrings on the amount that could be done with pavement on streets
  - Storm is the biggest challenge
  - Sanitary sewer & water have similar constraints

Fiscal Limitations: 2023 CIP Projects Funding Summary:

- Estimate approximately $12 million dollars in CIP projects for 2023.
- Following bid award, the bottom-line number is lower, $2.2 million dollars under what was estimated.
  - This savings is not equally distributed amongst all funds
  - For both the Sewer Capital Fund and Storm Sewer Capital Fund, costs for the work associated with these projects was a combination of doing more sewer televising and cleaning this year than done in the past. A project was initiated this year, the bids were a little above but there were funds

available. There have been more stormwater needs in recon and rehab areas with PMI. This continues to push the limits of the budget.
    - The challenge is being able to make the utility funds keep up.

Fiscal Limitations:

- Reasons for limitations:
    - Staff is still recalibrating from the Citizens Task Force recommendations
    - Have a better understanding what water and sanitary sewer deficiencies are
    - Past utility rate increases have not kept pace with needs
        - Have fallen behind year over year in what they have been able to collect and build into these funds.
        - A rate study recommendation was to find ways to make sure they are keeping pace with what the needs are in utilities and building up a reserve.
- Staff recommendations:
    - Continue to refine and improve project scoping and costs
    - The need to "stay the course" on the 2022 Rate Study recommendations
        - Next month staff will come back before the Council with where utility budgets are at. Discussion will take place on where rates need to be and how rate increases impact the bottom line years ahead.
    - Find more balance between rural and urban projects
        - There will be a lot more streets showing up in the rural areas
        - Due to areas that do not have a lot of utility needs, can do more pavement projects. No sanitary sewer or water in the area.

Questions for Council:

- Does the Council wish to take on more PMI projects annually, beyond 6-7 miles per year?
    - If so, what Councils thoughts were on providing more utility funding to make it possible, or other thoughts regarding supplementing utility costs via other funding sources.

Councilmember Gliva said since they are trying to wean off of Host Community Funds for pavement management if it was feasible to move funds to utility. It would be an easier fix but not long-term.

Public Works Director Connolly replied staff has discussed that as an option as long as it is known to be a limited option. It is a way to help out the stormwater fund. There are several stormwater projects they have proposed to use host community funds for. If they had not used those funds, they would not have been able to do some of the projects they have in the CIP. He said it is an option. He said he would advocate for it but recognizing that more financial analysis likely has to be done to see how reasonable it is.

Councilmember T'Kach referenced stormwater stating that everyone is served by stormwater due to water quality and environmental reasons. She could see using host community funds or finding other funds for the program. She is less supportive of water use and sewer use, because not everyone is connected to city water and sewer. It seemed like it was favoring those in certain parts of the city and not others. It did not seem equitable.

Public Works Director Connolly agreed it is not equitable.

Councilmember Murphy believes all of Inver Grove Heights needs to be treated the same. He said this Council and Council's going forward are still going to have things that need to be fixed. He said after further analysis, monies from the host community fund to seed those funds may be a one-time fix going forward so staff is better able to plan. He addressed the questions asked saying he does not see a need to take on more projects. There is a nice plan, he would like to see how it plays out.

Councilmember Scales asked if there was value in taking on more projects to get the city caught up quicker. There are a lot of bad roads. He asked if they would end up with a mess 20 years from now because they were only able to go so far. He questioned if 25 years was a realistic approach to the streets they have.

Public Works Director Connolly believes there is value. 25 years is realistic as long as they can stay the course. There have been advancements in pavement. There will likely be challenges with other things. He believes 25 years is achievable and can be done with the staff they have. Staff is proving they are able as they have doubled what the year-to-year pavement management project needs are in the last two years and continue to move that forward.

Councilmember Scales agreed that they should not take on any more projects.

Councilmember Gliva asked if taking on more road miles means taking on more city time capacity wise.

Public Works Director Connolly replied if that was something the Council was adamant about looking at, staff would look at it to fully understand. He did not believe it was on the design side of things, it could be during inspection. Time could be supplemented with consultant inspection. Currently staff is able to do things at a low cost as they are able. Certain projects will need consultant help. The consultant side is where he believes this could happen with an extra cost.

Mayor Dietrich said she would like to see more miles of road done but only in tandem with utilities in the ground. She knows a huge amount of money goes from the host community fund to the VMCC. A lot of residents do not get to utilize those services because they cannot afford the memberships. She would like to see how much money from the host community fund could go towards jump starting this.

Councilmember T'Kach asked if there was a possibility for grant funds with infrastructure dollars coming from the federal government.

Public Works Director Connolly replied staff works with the League of Minnesota Cities and all consultants to find out where there is grant money available. There is not a grant fund that exists for this. A project could be paired with a regional project such as stormwater improvements. Staff could look to see if they could package something to receive a grant. Grant funds tend to have a lot of strings attached to them, sometimes the amount of funding received is not worth the money put in to receive, and some have a match required. He stated that grant and bonding money have been received for 117th Street. There is nothing that would apply to this. In the past they have had to turn down grants for stormwater needs because the city has been unable to fund their share. This ends up hurting the city because if applying for a grant, receive funding, and choose not to take the money, they start to wonder if the city is really serious. Some make requirements that you have to show that you have the money available and have set it aside to do the work. This is something that staff has to balance.

Councilmember T'Kach asked if there was opportunity to bond within the utility funds and then spread it out over 10 or 20 years to jumpstart.

Public Works Director Connolly replied bonding is always an option. From a fiscal standpoint they do not like bonding for these types of maintenance projects because it shows the city is living beyond their means. Bonding may be able to jumpstart this but would have to be paid back. The question would be what would happen if they do not continue to raise rates and build up the fund. They want to make sure they are living fully within their means. Once bonding, they have to look at how long the payback period would be and how many years they are trying to cover.

City Engineer Paul Merchlewicz discussed Staff Initiatives:

- PCI Rating Index Improvement Options. Identifying ways to get to better PCI ratings. Staff has been investigating different ways of doing this and are in the process of interviewing different companies about how they do things. One possibility could be using artificial intelligence.

- Holistic approach to maintenance
    - Leverage maintenance to complement PMI goals, raise city wide PCI rating
        - Broad area patching
        - Maintenance overlays (urban roads)
    - Focus on preservation
        - More crack sealing, less/no sealcoating
        - Re-examine application of fog sealing (preservation technique to keep the pavement from oxidizing and breaking up early)
            - Limitation of not applying on a steep hill, can cause traction issues
        - Thin bituminous overlays
    - Develop maintenance schedule
        - Crack seal overlays on year 1, 2, and 3
        - Bituminous overlay at year 25. Reclamation at 50.
- Pavement rehabilitation for existing trails/sidewalks
    - 31 miles of bituminous trails
        - 17 miles in parks, natural areas, non-boulevard areas
        - 14 miles along roadways
    - 26 miles of concrete sidewalks
- Parks and facility parking lots/site improvements
    - PCI ratings are being done on parking lots
        - 3 Fire Station parking lots
        - VMCC/City Hall/Police/Maintenance Facility
        - City Parks
        - Water Treatment Facility
        - Wells & Lift Stations
- Re-integrating into the PCI Ratings
- Prioritize and Budget in the 5-year CIP to address deficiencies
- Account for needs in the budget

Question for Council:

- How should city parking lots, trails, and sidewalk maintenance/replacement be funded
    - From existing department budgets such as:
        - Water, Sewer, Storm for Utility Facilities
        - Central Equipment, Streets, Parks for Maintenance Center
        - Parks for VMCC
        - Police for Police Parking Lot
        - Fire for Fire Station Parking Lots
        - Most of these are funded via the General Fund Tax Levy
    - From the Pavement Management Fund
        - Utilize the General Fund Tax Levy
        - Includes supplemental funding sources (host community fund, franchise fees)
    - From another source of funding

Mayor Dietrich inquired if there was a staff recommendation.

City Engineer Merchlewicz replied from his perspective it would be the Pavement Management Fund. This does not cover parks not adjacent to vehicular traffic.

Public Works Director Connolly agreed with using the Pavement Management Fund. Trails and sidewalks are done where they can and need to be addressed as a part of route CIP projects done through the pavement management initiative. This fund is best situated to cover trailwork because of where trails exist in the community. Regarding parking lots for facilities, he believes there is value in looking at whether it comes from the facility budget. From the fiscal standpoint they are in, the pavement management fund has some capability incrementally. Staff needs to start planning for this and do a better job of understanding entire city's needs. When replacing sidewalks, a spot panel replacement is done because sidewalks last a lot longer and do not take the same beating.

Councilmember T'Kach asked what type of dollars they were talking about on an annual basis.

Public Works Director Connolly replied staff is still looking into this. There are 15 miles of trails. If assuming a 15-mile trail replacement (trails do not last as long as pavement, they are thinner sections), it could be about $700,000 a year if hitting them on a 15 -17-year cycle. He said staff is looking for feedback on whether to integrate it with the rest of the pavement or have a different program and if so, how it would be funded.

City Administrator Wilson stated they are spending/dedicating approximately $250,000 a year to trails and city owned parking lots combined.

Public Works Director Connolly replied this was for parks, park pavement, not for roadside trails.

City Administrator Wilson said this would triple the investment to cover all city parking lots and trails.

Public Works Director Connolly said they are setting that money aside. They are not doing $200,000 worth of pavement in parks every year. Rich Valley parking lot for example, would cost approximately $750,000 to $800,000 to rehab. That would take 4 years of saving in order to do. The city is looking at leveraging that and building up funds to be able to do it. This means nothing else could be done for four years, which may not be the best way to look at this. He mentioned the current dollar value has been in place for several years. It has never been analyzed to determine if adequate. Staff has determined it's not adequate and question what an adequate number would be.

City Engineer Merchlewicz mentioned that his point of view on this is from his history with transportation which covered everything from bikes to big highways.

City Engineer Merchlewicz discussed Staff Initiatives:

- Long Term Capital Improvement Plan
  - Capture scheduled maintenance needs
  - Account for full system life cycle needs
    - 10-, 15-, 20-, and 25-year CIP for roadways
  - Integrate utility costs/needs
  - Develop/balance maintenance schedule

South Grove Pavement Deterioration:

- Chip seal is stripping off in some areas and taking the top part of the pavement with it.
- In 2006 MnDOT changed the way pavement design was done.
  - During that timeframe changes to pavement were noticed.
  - Reconstruction started in 2006 (17-year-old pavement).
  - Seal coat was done in 2017 (6 years old). This is the chip seal noted in the area today.
  - Currently starting to strip. Moisture got into the aggregate and began stripping off.
- Repair options were explored:
  - Mill & Overlay. Take off the chipseal and a good chunk of pavement and replace with 1 ½ to 2 inches of pavement.
  - Microsurfacing. Has been tried in other areas of the city, did not have the best results. Has smaller aggregate, does not hold up to traffic, and is hard to place.
  - Sand seal, slurry seal, Ultra-thin bonded wear course (UTBWC). Takes off chipseal and replaces with something better.

- Funding Options (assessments, pavement management-local streets)
    - Options should consider a proposed fix along with current pavement age
    - Can incorporate strategies over time

Pavement Deterioration Solutions:

- 1.5" mill and overlay vs UTBWC
    - Costs are nearly the same
    - Performance
        - Mill and overlay may have a longer life, need to factor in future maintenance (sealing)
        - UTBWC uses pavement structure in place and seals it to extend performance/life
    - Demo Project:
        - Staff proposes to do this in the fall (between September 15th and October 15th)
        - Project will provide a solution to early pavement deterioration
        - Provides a view into how applicable this is in terms of using it in other areas and if it can help pavement be effective longer
    - Project Details:
        - 72nd Street from Clayton to Dawn Avenue East
        - Includes micro milling and UTBWC
            - Micro milling means taking off ¾ of an inch of pavement and placing it back with UTBWC
        - Estimated construction time – 2 days (1 day to mill, 1 day to apply UTBWC)
    - Project Goal:
        - Remove failing chip seal and provide a smooth surface while protecting in-place good pavement structure.

Ultra-Thin Bituminous Wear Course (UTBWC) is a coarse graded asphalt mix placed on top of a polymer membrane that gets "wicked" in.

- Uses:
    - Surface sealant for hot mixed pavement to slow down deterioration caused by traffic, weathering, raveling, and oxidation
    - Seals small cracks and provides a wearing surface with excellent frictional resistance
        - Can be paved as little as 3/8 of an inch and as much as ¾ of an inch
- Options to pay for project costs:
    - Consider a "pro-rated" assessment, based on the reduced life of the original project
        - May result in varying assessment rates for a single project
        - Will need to alter the assessment policy
    - Full assessment
        - Not as flexible with maintenance type work where there may be more immediate issues to remedy
        - Potential increased staff time and need
        - Used to treat things that pop up over a bad winter
        - Can be applied without having to go through an assessment process
    - No assessment and treat equivalent to current chips seal and crack seal (incorporate into maintenance)
    - Other options
- Staff recommends a "maintenance" effort, non-assessed
    - Existing streets did not reach their anticipated design life
    - Street should have gone 25 years, went 17 and did not reach what it needed to
    - Anticipated to extend expected life of the streets from 20-25 years to 30-35 years

        - UTBWC provides 10-15 years of additional service life
        - Allows the PMI program to focus on other streets that have not received capital improvement but are in need of a pavement upgrade
    - Allows for a "shovel ready" project to take advantage of a good bid environment and potential savings
        - Can respond to the market more readily if not bound by special assessment requirements
        - Proposal was sent out with a flexible start time. A bid has been received.

The standard contract warranty for any project is typically one year. Staff will verify that is in fact the case.

Mayor Dietrich asked if it started to fail within 12 months if they would come back.

Public Works Director Connolly replied yes. That is what the standard is for most capital improvement projects. Because they have a quote in hand, the plan is to come back at the next meeting with a Consent Agenda item for approval. The money they are spending on this demo project is from pavement management savings.

Public Works Director Connolly discussed the Special Assessment Policy:

    - The current assessment policy has existed since 2016.
    - It is formatted in a way that has several levels of ambiguity to it. His goal is to make something clearer, more public facing, easier for staff to explain how projects are financed, and for residents to understand how assessments are calculated.
- Goals:
    - Provide clarity and transparency in the application of special assessments for PMI and other CIP projects.
    - Simplify calculations for special assessments so they can be applied equitably and can be understood by the general public.
    - Modify assessment payback requirements based on assessment value, not project type.
- What has changed from the 2016 Policy:
    - Format and the use of "plain language."
    - Adding a glossary of common terms.
    - Section 4: Providing clarity to the public improvement process.
        - Identifies key steps in the Statute, clarify how staff responds to petition requests
    - Section 5: Adds figures and examples for calculating assessments for different types of assessment methods.
        - Show how it is based per lot, adjusted front foot, and by area.
    - Section 5: Clarified the assessment calculation based on current zoning classifications.
        - Lacking in the current policy with single family residential.
        - Statute specifically states like property types have to be calculated the same way.
    - Section 6: Adds assessment rates for upgrading and paving gravel roads.
        - This is a change implemented by the Public Works Director.
        - There are 3.5 miles of public roads/city streets that are gravel.
        - Petitions have been received from residents living on these roads to have them paved. Staff agrees with paving.
        - Proposing two separate rates for gravel upgrades that are more inline with the current policy for reconstruction/rehab.
        - One rate would be for roads without public utilities (sewer and water).
        - One rate for roads with public utilities. Proposing a slightly lower assessment rate.

        - Current policy does not specifically address gravel roads. Interpreted as a new improvement and assessed at a rate of 100%. Looking into this being sustained from a cost perspective for both residents and the city.
    - Section 6: Provide clarity regarding oversizing or over depth thresholds.
        - Previous policy states over depth at the discretion of the City Engineer. (Staff wants to put a solid number to this).
    - Section 7: Propose assessment terms based on assessment value, not project type.
        - Current policy states if having a mill and overlay or a pavement rehab job, the assessment would be paid off over a 5-year term. Recon or brand-new improvement would be a 10-year term.
        - Staff is trying to determine if there is a dollar value that makes sense.
        - Have looked at other policies in Dakota County and beyond.
        - Trying to limit the annual assessment value residents would have to pay off over time to $1,000 or less.
        - Propose changing it to dollar based not project type based. (More inline with what other communities do).
        - If having a single-family assessment under $10,000, set up a structure to allow that payback to not be more $1,000 per year.

Special Assessment Policy Update/Key Policy Changes:

- Section 6: Adds assessment rates for upgrade/paving of gravel roads.
    - Gravel Road Paving (no public utilities) 80%.
    - Gravel Road Paving (with public utilities) 55%.

Councilmember Gliva referenced gravel road paving with no public utilities and asked if that meant adding utilities. Public Works Director Connolly replied not necessarily. For example, there is an area on Bacardi Avenue in the MUSA boundary. It is a gravel road with water and sewer in the roadway. Upgrading the road is something staff would like to do. Staff would like to disconnect them from the sewer that runs through the mobile home community (private sewer) and give them public sewer. This project is in the 2025 proposed CIP, the feasibility process has not started yet. This is an area that has had petitions come in at least 4 times over the last 25 years. Two of those times designs were done and the projects were cancelled due to costs and concerns in the area. There is another area north of the new alignment of Argenta and 70th Street where properties fall within the MUSA boundary. There are two gravel roads and two paved roads. None of those properties have public utilities, no petitions have been received. If there was an interest in upgrading the road, or staff interest in putting public utilities in, it would be looked at as a neighborhood project. For that area, road costs would fall under gravel road paving, utilities would fall under new construction.

Public Works Director Connolly discussed Special Assessment Policy Update/Key Policy Changes:

- Assessment amounts:
    - Shown in the draft policy amendment
    - Changes the payoff term
        - Under $1,000 would be a 1-year payoff
        - Between $1,000 and $5,000 would be 5 years
        - Between $5,000 and $10,000 would be 10 years
        - $10,000 and over would be 15 years
    - If all assessments were paid back over a 15-year term (versus a 10-year term) the impact on the pavement management local fund balance would be a reduction of approximately $300,000 per

year, a 2.5% impact to the fund. This assumes every project is 15 years. Not every project would hit this threshold. He suggested this be looked at over time.
- When doing research, he noted that a couple of communities had a 1-year assessment capped at $100.00. That would have a $1,000 assessment paid off over 15 years.

Councilmember T'Kach asked how this compares with the $1,000 per year limit.
Public Works Director Connolly replied up to $999.99 has a 1-year payoff. If between $1,000 and $4,999.99 it is 5 years. The most they could pay would be $1,000 per year, the maximum paid each year would be $1,000.
Councilmember T'Kach questioned if having a $20,000 assessment.
Public Works Director Connolly replied $20,000 assessments are typically commercial or higher value properties. Staff could continue to add in levels. He said he would have to verify with the Finance Director regarding possible limits with what could be bonded. The payback would have to be within the period that the bonding is for. He said he thought there were statutory limits as far as length of assessment time. He did not believe it could be more than 20 years.
Councilmember T'Kach asked if having $20,000 and the limit is 15 years, it would be $1,500 per year. She said it wasn't consistent.
Public Works Director Connolly replied this was built to keep a majority of assessments under $1,000 a year. Currently, if having a $20,000 assessment, the assessment would be $2,000 a year on a recon job. $4,000 a year if it was a mill and overlay. Staff is trying to have ranges that would be fiscally tolerated. $1,000 is a goal, not policy. He said these numbers can be changed and adjustments can be made. He wanted the Council's feedback.

Public Works Director Connolly discussed the Special Assessment Policy Update, Potential Additional Policy Changes:

- Whether or not the Council would like to consider allowing partial pre-payment of assessments
    - It is required by statute that if someone wants to pay for their assessment in full, they have 30 days after the assessment hearing to do so.
    - After 30 days the assessments are certified by the County for taxes. It can be paid off at any time with the county but has to be paid off, people cannot make partial payments.
    - This community could allow residents to partially pay off assessments during the first 30 days. This is allowed under state statute but requires the city to have an ordinance.
    - A new ordinance would need to be introduced to allow.
    - Vetting would be needed with the finance department regarding the ability to track this.
    - There are no systems to do this at this time, it is something that could be explored if the Council wishes.
    - May wish to consider minimum prepayment requirements. A percentage of the assessment could be paid. This would need to be included in the ordinance.

    He mentioned he has several ordinances written by other cities. They are simple and straightforward. They have not been vetted by the City Attorney. Staff would like feedback and direction from the Council.

Questions for Council:

- Does the Council agree with the proposed addition of the assessment rate for upgrading gravel roads?

Councilmember Murphy said he agrees with it.
Councilmember Scales is in agreement with it.
Councilmember Gliva commented that if there was city value and future cost savings, it makes sense that the city pay a portion of it.

Councilmember T'Kach requested to know costs before saying yes.

Public Works Director Connolly replied they could pull numbers together. He mentioned that 105th Street is a gravel road that the county is looking at possibly putting a trail on. It may offset those costs. It is a road that doesn't have as many direct driveway accesses.

Councilmember Gliva asked if that wasn't the area where the county wanted to put the Veterans Memorial Greenway. She asked if they would fund it.

Public Works Director Connolly replied it is. They are waiting for the county to provide further input.

Mayor Dietrich agreed. She said if this is a need of residents and it suits what they need, she was for it.

Councilmember T'Kach asked if they would be assessing based on lot size on rural roads even if it's within MUSA.

Public Works Director Connolly replied it depends on the type of neighborhood it's in, lot size, zoning, and if there were larger lots that could be subdivided. Alta Avenue is a road where the last 600 feet is unpaved, the first 1,500 was paved. Those at the end of the road at that time did not want it paved. Now there are new people there that want it paved. This is a road that has several parcels that back up to it, but nobody has access. Whatever assessment is done would still have to show there is a true benefit.

Mayor Dietrich asked if there was a discount for full prepayment.

Public Works Director Connolly replied there isn't one set up.

Mayor Dietrich asked if there is interest in the second one, she would like this added.

Public Works Director Connolly replied they would have to look to see if it was legal or not. He said he would talk with the City Attorney and finance staff regarding this.

Public Works Director Connolly posed the second question for Council consideration:

- What Councils thoughts were on a value-based assessment as opposed to project type based. If there are concerns about the ranges, if there was information, he can take it back and reanalyze.

Councilmember Gliva asked if 15 years was the maximum.

Public Works Director Connolly replied yes, proposed. The current max is 10 years.

Councilmember Gliva said normally some would want to pay something over the life/value. She said she did not believe 10 years was that bad. She liked partial payment with a percentage, such as 25%.

Public Works Director Connolly said it would be prepayment with a minimum requirement.

Councilmember Gliva suggested making it worthwhile and cost effective for those processing/keeping track.

Councilmember T'Kach liked the idea of prepayment. She would not want it to be too substantial that everyone has a chance at it.

Public Works Director Connolly stated his recommendation from other policies is to consider it as a percentage.

Councilmember Scales liked the prepayment idea and 15 years. He said it was nice to have more time.

Councilmember Murphy agreed on all points. He liked the value-based scale and prepayment option. He believes there needs to be a minimum but was unsure what the amount would be.

Public Works Director Connolly asked the Council if 25% was a good starting point. He said it seemed to be the average in other communities.

Councilmember T'Kach asked what a typical assessment would be on a residential property.

Public Works Director Connolly replied $5,000.

Councilmember T'Kach replied that $500 was larger. She suggested something like this, although she was unsure what that costs against staff time.

Public Works Director Connolly replied he doesn't have an opinion one way or another. They want to try to be accommodating. No matter what the prepayment is, there is a 30-day cap. Once it's certified by the Assessor's office it is out of staff's hands to be able to adjust.

Councilmember T'Kach asked if it was possible to have a percentage with a minimum dollar amount, a hybrid.

Public Works Director Connolly replied it was hard to determine because they were still talking in hypotheticals. The first thing he recommends doing is talking with the Finance Director and City Attorney for understanding of what needs to be done in order to make this a reality, such as if needing assistance from an external financing firm or if this was something they could do internally. Once that is done, staff would have a better idea and could provide additional feedback. He said different options could be looked into; they could compare to last year's projects.

Mayor Dietrich said she could support 25%.

Councilmember Murphy said he could support 25%. He felt 20% was a substantial amount. He asked for information on that range.

Mayor Dietrich agreed with wanting information.

Councilmember Scales agreed with 20% or 25%. He was concerned going to much lower could create problems with trying to manage it.

Public Works Director Connolly stated with the increase in projects being done from year to year, they are impacting that many more people. He does not have an understanding of how many people prepaid last year, costs are placed when modeling. He said he thought the Finance Director uses 10% as prepayment. He was unsure how that compares in 2022. When 2023 is done by the end of this year they will have a better idea of how many people prepaid.

Public Works Director Connolly discussed Next Steps in the Special Assessment Policy Update:

- Staff will take comments from this evening's meeting
- Staff will refine/update the draft policy
- Staff will look at the revisions and bring something back before the Council in October/November

He said the challenge with this would be to see how this would fit in with other projects. 2023 projects have already been built and would follow the current policy. For the 2024 projects, staff is working on the feasibility studies and will bring those before the Council. Those can be modified at the end of 2024. Staff will begin working on feasibility for the 2025 projects this fall. He would like this policy to be put in place when they start engaging with 2025 project residents through the open house process in the winter/spring. They would have to message accordingly the transition of the policy with an adoption/hard date on every project. His recommendation is to try to adopt this before the end of 2023. Due to exploration of the prepayment option which requires a new ordinance, that process would push this into early 2024. He shared that he wants this Council to vote on it. He does not want to wait until the end of 2024 or early 2025. There is good momentum to keep this moving forward.

4. <u>Adjourn</u>:
Motion by Scales, second by Gliva, to adjourn the meeting at 9:49 p.m.

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