



Inver Grove Heights City Council
Monday, October 7, 2024 at 6:00 PM
8150 Barbara Avenue, Inver Grove Heights, MN 55077

AGENDA

NOTICE TO RESIDENTS: Individuals may submit written public comments in advance of the meeting by emailing comments to Rebecca Kiernan (rkiernan@ighmn.gov). Comments received prior to 4:00 p.m. on Monday, October 7, 2024, will be provided to the Council at or before the October 7, 2024 meeting.

1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Discussion Items**
 - A. Proclamation for Fire Prevention Week
 - B. Update on Central Maintenance Facility Needs Analysis and Site Plan (City Project No. 2017-01)
 - C. Cannabis Business Regulations
 - D. 2025 Convention & Visitors Bureau Budget Request
 - E. 2025 Budget Discussion - Inver Wood Golf Course
 - F. 2025 Budget Discussion - Utility Funds
 - G. Nominations for Bridge Builder Commemorative Coin Award
5. **Adjourn**

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



PROCLAMATION

CITY of INVER GROVE HEIGHTS, MINNESOTA

WHEREAS, fire is a serious public safety risk both locally and nationally, and homes are the place where people are at greatest risk for deaths and injuries from fire; and

WHEREAS, according to the United State Fire Administration, home fires have caused more than 1,483 deaths in the first nine months of 2024, and

WHEREAS, the residents of Inver Grove Heights are fortunate to be served by a Fire Department dedicated to fire prevention and community education, and the highest level of emergency response; and

WHEREAS, the National Fire Prevention Association celebrates its 102nd Annual Fire Prevention Week in 2024, with the theme, "Smoke alarms: Make them work for you"; and

WHEREAS, the City Council applauds the dedication and service provided by the men and women of the Inver Grove Heights Fire Department, under the leadership of Chief Judy Thill;

NOW, THEREFORE, BE IT PROCLAIMED by the City Council of the City of Inver Grove Heights, Minnesota, that the week of October 6 to October 12, 2024 shall be recognized as Fire Prevention Week in the City of Inver Grove Heights and that the public be invited to learn more about fire prevention and fire safety by attending the Inver Grove Heights Fire Department's annual Community Open House on Sunday, October 13 from noon to 3 p.m. at Fire Station No. 2; and

BE IT FURTHER RESOLVED that the City Council extends its deepest appreciation to the hardworking members of the Inver Grove Heights Fire Department, for their ongoing service and commitment to our community, and invites all residents to do the same.

PROCLAIMED this 7th day of October 2024.

Brenda Dietrich, Mayor



Request for Council Action

SUBJECT: **Update on Central Maintenance Facility Needs Analysis and Site Plan (City Project No. 2017-01)**

MEETING DATE: October 7, 2024

ITEM TYPE: Discussion Items

CONTACT: Brian Connolly, Public Works Director, 651.450.2571

ACTION REQUESTED

The Council is asked to receive an update on the Central Maintenance Facility Needs Analysis and Site Plan effort (City Project No. 2017-01) from City and design consultant staff.

BACKGROUND

On March 18, the City Council awarded a contract to Wold Architects & Engineers for City Project No. 2017-01 - Central Maintenance Facility Needs Analysis and Site Plan Development (Resolution No. 2024-052). The primary scope of work was to review past facility needs analysis, and provide an updated needs analysis for the City's current (and future) space needs for the Central Maintenance Facility. Since the contract award, Wold has worked with sub-consultants and coordinated with City staff on a comprehensive condition analysis of the current Central Maintenance Facility site, and the buildings contained therein. They have also worked to identify various needs that are not currently being addressed within the existing Maintenance Facility site, including vehicle repair and maintenance, storage, operational needs (such as brine mixing, vehicle and equipment washing, and small tool repair needs), employee work space needs (such as meeting rooms, office space, and crew staging areas), and general space needs related to employee well-being (locker room space, bathroom space, break room space, etc.).

A key part of the project scope was to complete a needs analysis, and present that information to the City Council for feedback as part of a progress update, which is a key focus of this agenda item. City and consultant staff are seeking the Council's comments and feedback, which will allow for a common understanding and consensus on the most critical facility needs, and lend itself to a more comprehensive site layout and implementation plan for future facility expansion and other site improvements. The presentation will also include some comparison information for other city maintenance facilities that City staff (and some Council Members) have recently toured, and provide a high-level summary of recent comparable facility costs relative to the City of Inver Grove Heights' maintenance facility needs. The presentation and discussion will assist staff in the further development of more detailed recommended facility improvements, phasing, and anticipated costs, which will be presented to the Council at a future worksession or City Council meeting.

FISCAL IMPACT

N/A

RECOMMENDATION

N/A

ATTACHMENTS

None



Request for Council Action

SUBJECT: Cannabis Business Regulations

MEETING DATE: October 7, 2024
ITEM TYPE: Discussion Items
CONTACT: Bridget Nason, City Attorney

ACTION REQUESTED

The Council is asked to discuss and provide direction on city options related to cannabis business registration requirements and zoning ordinance amendments.

BACKGROUND

In 2023, the Minnesota legislature legalized adult use cannabis. At that time, the City adopted a moratorium on the operation of any business that is required to be licensed by the Office of Cannabis Management through the end of 2024. Since then, the legislature has adopted amendments to those initial regulations, and the Office of Cannabis Management has begun to provide guidance, including a model ordinance, for cities related to their regulatory options with respect to cannabis businesses.

At this time, cities across the state are working to determine what regulations to adopt related to cannabis businesses for their individual communities. While cities are limited by state statute in the scope of the permissible municipal regulations, all cities must make determinations related to 1) the registration of cannabis businesses; and 2) zoning ordinance regulations. These regulations reflect policy decisions to be made by the City Council. To that end, at the October 7 work session, the City Attorney will be facilitating a discussion with the Council to obtain direction regarding the regulations it would like staff to prepare for formal Council consideration at a future meeting.

The attached memo outlines the questions for discussion. Additional information regarding cannabis regulation at both the state and local levels is included in the attached OCM publication, should Councilmembers want additional information on this topic ahead of the meeting. Once direction is received from the Council, ordinances will be drafted addressing both registration and zoning of the various cannabis businesses.

FISCAL IMPACT

n/a

RECOMMENDATION

ATTACHMENTS

1. IGH_Memo_re_Canabis_Reg_Decisions
2. Guidance from the MN Office of Cannabis Management (OCM)



Joseph L. Sathe
Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402

(612) 337-9255 direct
email: jsathe@kennedy-graven.com

MEMORANDUM

TO: Inver Grove Heights Mayor and City Council
FROM: Joseph L. Sathe, Assistant City Attorney
DATE: October 2, 2024
RE: Initial Cannabis Regulatory Decisions

The purpose of this memo is to provide a high-level overview of the options cities will have regarding adult-use cannabis and to obtain preliminary input on some questions that will be used to draft the City's ordinance(s) related to cannabis and hemp. This memo is based on the information available at this time. The Office of Cannabis Management ("OCM") has released a draft of its administrative rules which are subject to change over the next few months.

Enclosed is the OCM's Guide for Local Government on Adult-Use Cannabis without any of the exhibits (which can still be found online, including the OCM's "model" ordinance). This is a document includes additional information on cannabis businesses. Our firm is drafting a significant number of these ordinances and has a number of examples and templates based on how cities have answered these questions that we can use to draft Inver Grove Heights' ordinances.

Answering these questions will guide staff in drafting language specifically for the city ordinances.

I. DECISIONS – GENERALLY

Under the Cannabis Act, cities generally maintain their ability to enact regulations with two primary limitations: (1) the City may not prohibit the establishment or operation of a cannabis or hemp business licensed by the OCM; and (2) the Legislature has established a maximum buffer from certain uses. Cities will retain the ability to enact certain ordinances even if it consents to have the county issue registrations, as discussed in Section IV.

II. ZONING DECISIONS – DESIGNATING ZONING DISTRICTS

The City can amend its zoning code to specifically allow each business type in a particular district or it can choose to simply allow cannabis businesses in zones with similar uses (e.g., retailers in

commercial zones with other retail). The following table includes each licensed business and very high-level information on the businesses operations.

Question: Does the City want to designate zoning districts where cannabis businesses can be located or rely on each businesses underlying use?

<u>License Type</u>	<u>Main Function</u>	<u>Use Type(s)</u>
<i>Cannabis Retailer</i>	Sales to the customers	Commercial
<i>Medical Cannabis Retailer</i>	Sales to registered patients	Commercial
<i>Cannabis Delivery Service</i>	Delivery of products directly to customers	Commercial
<i>Lower Potency Hemp Retailer</i>	Sale of lower-potency hemp edible products directly to customers	Commercial
<i>Cannabis Cultivator</i>	Growing and tending to cannabis and hemp plants	Indoor: Industrial, Commercial, Production Outdoor: Agricultural
<i>Medical Cannabis Cultivator</i>	Growing cannabis plants	Industrial/Agricultural/ Commercial
<i>Cannabis Event Organizer</i>	Coordinate cannabis events	Office/Commercial
<i>Cannabis Manufacturer</i>	Create cannabis products that are sold to retailers	Industrial
<i>Medical Cannabis Manufacturer</i>	Creating cannabis products that are sold to medical retailers	Industrial
<i>Lower-Potency Hemp Edible Manufacturer</i>	Creating lower-potency hemp products that are sold to retailers	Industrial
<i>Cannabis Testing</i>	Testing cannabis and hemp products	Industrial
<i>Cannabis Wholesaler</i>	Warehousing and Storage	Industrial
<i>Cannabis Transporter</i>	Transport products from one license type to another.	Industrial/Commercial
<i>Medical Cannabis Combination Business</i>	Cultivation, Manufacturing, and Retail to both the public and medical patients.	Cultivation, Manufacturing, & limited Retail
<i>Cannabis Mezzobusiness</i>	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing, and Retail
<i>Cannabis Microbusiness</i>	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing, and Retail

III. BUFFERS

A. Cannabis Business Buffers from Certain Uses

A local unit of government may prohibit the operation of a cannabis business within:

- 1) 1,000 feet of a school; or
- 2) 500 feet of a day care, residential treatment facility, or an attraction within a public park that is regularly used by minors, including a playground or athletic field.

The terms school, day care, residential treatment facility, and attraction within a public park that is regularly used by minors, including a playground or athletic field are not further defined in statute or administrative rule, so the city has some discretion in defining these terms. The enclosed OCM guide includes some definitions that were drafted for the OCM's model ordinance (which is different than the administrative rules).

Questions: Is the City interested in adopting buffers for all cannabis businesses, certain cannabis businesses (e.g., retail) or no buffers?

If so, is the City interested in buffers from all or some of the identified establishments?

B. Buffers from Other Cannabis Businesses

While not explicitly listed in statute, the OCM proposes that cities could adopt requirements that cannabis businesses must be located a certain distance from each other.

Question: Is the City interested in adopting buffers between cannabis businesses?

C. Lower Potency Hemp Edible Buffers?

Businesses selling lower-potency hemp edibles, such as beverages and gummies, need to register with the City. While not explicitly addressed in statute, the City should be able to adopt regulations related to these businesses. These might include buffers, zone designation, etc. Cities may be able to also differentiate between hemp businesses selling for on-site consumption and those selling products for off-site consumption.

One comparison is that, from a regulatory standpoint, lower-potency hemp edibles are addressed similar to 3.2 beer, while cannabis products are addressed similar to liquor sales. Lower-potency hemp edibles and 3.2 beer can be sold in many different retail locations, while liquor and cannabis must be sold from a designated store.

Question: Is the City interested in adopting buffers for hemp businesses?

D. Medical Cannabis Business Buffers?

Medical cannabis businesses (medical cannabis cultivator, medical cannabis processor, and medical cannabis retailer) are licensed differently than cannabis businesses. These businesses, together, create the pipeline for Minnesota's medical cannabis program. They are not subject to the same registration or compliance checks as cannabis businesses. While not explicitly addressed in statute, the City should be able to adopt regulations related to these businesses.

Question: Is the City interested in adopting buffers for medical cannabis businesses?

IV. REGISTRATION, COMPLIANCE CHECKS, & SOME OPERATIONS

The OCM reviews, approves, and issues cannabis business licenses. However, each retail business must also register with the city in which it will operate, unless the city has consented to the county issuing registrations on its behalf. A registration fee can be imposed in addition to the state fee.

A. Registrations

The registration process involves issuing a registration to a retail business that: (1) has a valid license issued by the OCM; (2) has paid the registration fee or renewal fee (if applicable); (3) is found to be in compliance with the requirements of the Cannabis Act at any preliminary compliance check; and (4) if applicable, is current on all property taxes and assessments.

Question: Does the City wish to issue registrations or ask the county to do it?

B. Registration Fee

<u>Registration Fees by Business Type</u>		
<i>The following shows the maximum amount the city could charge for an initial registration fee and renewal registration fee for retail businesses and includes the amount the state charges for a license, for reference.</i>		
<i>The city's initial registration cannot exceed \$500 or half of the license fee (whichever is less) and the renewal registration fee cannot exceed \$1,000 or half of the license fee (whichever is less)</i>		
<i>The initial registration fee shall include the fee for initial registration and the first annual renewal. Any renewal fee imposed by the local unit of government shall be charged at the time of the second renewal and each subsequent annual renewal thereafter.</i>		
<u>Business</u>	<u>Initial</u>	<u>Renewal</u>
<i>Cannabis Retailer</i>	City (Optional) - \$500; State - \$2,500	City (Optional) - \$1,000; State - \$5,000
<i>Lower Potency Hemp Retailer</i>	City (Optional) - \$125; State - \$250	City (Optional) - \$125; State - \$250
<i>Medical Cannabis Combination Business</i>	City (Optional) - \$500; State - \$20,000	City (Optional) - \$1,000; State - \$70,000

<i>Cannabis Mezzobusiness</i>	City (Optional) - \$500; State - \$5,000	City (Optional) - \$1,000; State - \$10,000
<i>Cannabis Microbusiness</i>	City (Optional) - \$0; State - \$0	City (Optional) - \$500; State - \$1000

Question: Does the City want to impose a registration fee?

C. Compliance Checks

Once the registration is issued, the entity issuing the registration is responsible for annual compliance checks that include assessing compliance with age verification requirements (using underage purchasers) and any city-imposed time, place, and manner regulations.

D. Limiting Number of Retailers

The specific language in the Cannabis Act allowing a limitation on the number of retailers in the City says that “[a] local unit of government that issues cannabis retailer registration...may, by ordinance, limit the number of licensed cannabis retailers, cannabis mezzo businesses with retail endorsements, and cannabis mezzo businesses with retail endorsements to no fewer than one registration for every 12,500 residents.” Inver Grove Heights’ estimated population is 36,219 (based on the most recent numbers from the State Demographer) so could limit the number of retailers to three.

Additionally, the City is not required to issue a municipal registration if other cities/the county have issued 1 registration per 12,5000 residents in the county.

Consenting to have the county issue registrations could mean that the county then has the ability to limit retailers, not cities.

Question: Does the City wish to limit the number of retailers to 1 per 12,500 city residents? Does the City wish to not register retailers if there is already 1 registration per 12,500 county residents?

Note: Cities will receive a portion of the taxes imposed by the state as part of “local government cannabis aid”. This aid will be distributed to cities based on the number of cannabis businesses (not just retailers) in the City.

E. Limiting Hours of Operation

Under statute, retail cannabis businesses may operate from 8:00 am-2:00 am Monday-Saturday and 10:00 am-2:00 am on Sunday. The City can limit the hours of operation to be between 10:00 am-9:00 pm. seven days a week. One option is to treat retailers the same as liquor stores.

Question: Does the City want to impose additional hours of operation limits?

F. Cannabis Events

A temporary cannabis event is a gathering organized by a licensed cannabis event organizer that may last for no more than four days.

The process for these events could generally follow the normal process for handling similar events, but the City could choose to require additional standards for temporary cannabis events, such as prohibiting on-site consumption, limiting the hours or the events, etc.

Question: Does the City want to consider additional standards for temporary cannabis events?

V. NEXT STEPS

Any input provided will be used to draft the ordinances related to cannabis and hemp businesses. Zoning changes must go through the zoning amendment process, while the registration and operational ordinances will follow the general ordinance amendment process. If the OCM updates its draft administrative rules, we will update the City with any additional decision points.

Please do not hesitate to reach out with any additional questions or specific concerns. If the Council has additional specific questions, please let us know. Otherwise, we will draft ordinances for the city council and/or planning commission to review.



A Guide for Local Governments on Adult-Use Cannabis



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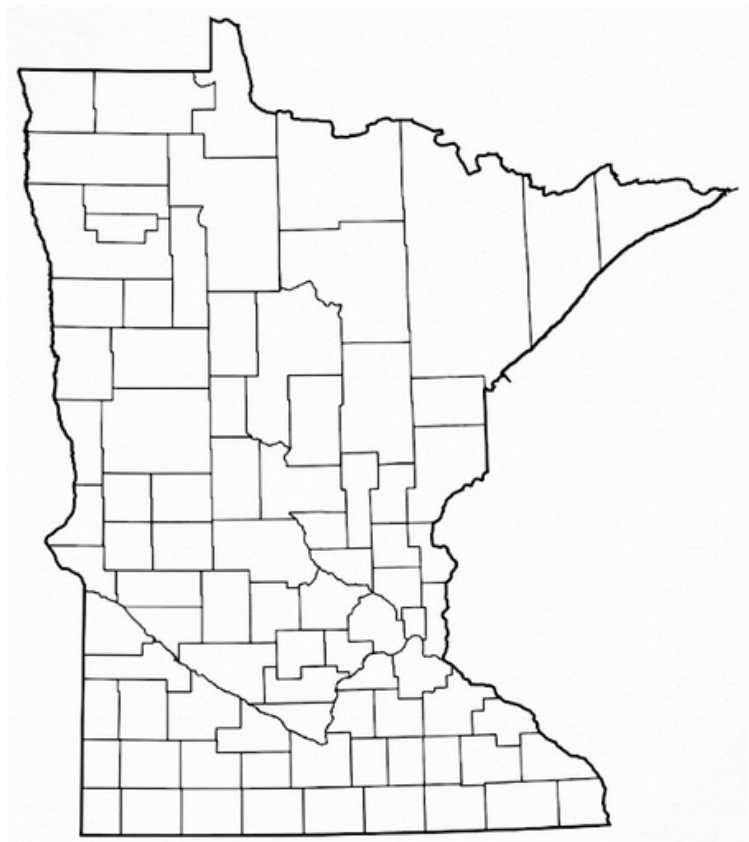
Introduction

This guide serves as a general overview of **Minnesota’s new adult-use cannabis law**, and how **local governments** can expect to be involved. The guide also provides important information about Minnesota’s new Office of Cannabis Management (OCM), and the office’s structure, roles, and responsibilities. While medical cannabis continues to play an important role in the state’s cannabis environment, this guide is primarily focused on the adult-use cannabis law and marketplace.

The following pages outline the variety of cannabis business licenses that will be issued, provide a broad summary of important aspects of the adult-use cannabis law, and cover a wide range of expectations and authorities that relate to local governments. This guide also provides best practices and important requirements for developing a local cannabis ordinance.

Chapter 342 of Minnesota law was established by the State Legislature in 2023 and was updated in 2024. Mentions of “adult-use cannabis law” or “the law” throughout this guide refer to Chapter 342 and the changes made to it.

As of this guide’s date of publication, state regulations governing the adult-use cannabis market have not yet been published — **this document will be updated** when such regulations become effective.



This guide is not a substitute for legal advice, nor does it seek to provide legal advice. Local governments and municipal officials seeking legal advice should consult an attorney.

About OCM

Minnesota's **Office of Cannabis Management** is the state regulatory office created to oversee the implementation and regulation of the adult-use cannabis market, the medical cannabis market, and the consumer hemp industry. Housed within OCM are the **Division of Medical Cannabis** (effective July 1, 2024), which operates the medical cannabis program, and the **Division of Social Equity**, which promotes development, stability, and safety in communities that have experienced a disproportionate, negative impact from cannabis prohibition and usage.



OCM, through Chapter 342, is tasked with establishing rules and policy and exercising its regulatory authority over the Minnesota cannabis industry. In its duties, OCM is mandated to:

- Promote public health and welfare.
- Protect public safety.
- Eliminate the illicit market for cannabis flower and cannabis products.
- Meet the market demand for cannabis flower and cannabis products.
- Promote a craft industry for cannabis flower and cannabis products.
- Prioritize growth and recovery in communities that have experienced a disproportionate, negative impact from cannabis prohibition.

OCM governs the application and licensing process for cannabis and hemp businesses, specific requirements for each type of license and their respective business activities, and conducts enforcement and inspection activities across the Minnesota cannabis and hemp industries.

License Types

Minnesota law allows for **13** different types of business licenses, each fulfilling a unique role in the cannabis and hemp supply chain. In addition to license types below, OCM will also issue endorsements to license holders to engage in specific activities, including producing, manufacturing, and sale of medical cannabis for patients.

Microbusiness

Microbusinesses may cultivate cannabis and manufacture cannabis products and hemp products, and package such products for sale to customers or another licensed cannabis business. Microbusiness may also operate a single retail location.

Mezzobusiness

Mezzobusinesses may cultivate cannabis and manufacture cannabis products and hemp products, and package such products for sale to customers or another licensed cannabis business. Mezzobusiness may also operate up to three retail locations.

Cultivator

Cultivators may cultivate cannabis and package such cannabis for sale to another licensed cannabis business.

Manufacturer

Manufacturers may manufacture cannabis products and hemp products, and package such products for sale to a licensed cannabis retailer.

Retailer

Retailers may sell immature cannabis plants and seedlings, cannabis, cannabis products, hemp products, and other products authorized by law to customers and patients.

Wholesaler

Wholesalers may purchase and/or sell immature cannabis plants and seedlings, cannabis, cannabis products, and hemp products from another licensed cannabis business.

Wholesalers may also import hemp-derived consumer products and lower-potency hemp edibles.

License Types (continued)

Transporter

Transporters may transport immature cannabis plants and seedlings, cannabis, cannabis products, and hemp products to licensed cannabis businesses.

Testing Facility

Testing facilities may obtain and test immature cannabis plants and seedlings, cannabis, cannabis products, and hemp products from licensed cannabis businesses.

Event Organizer

Event organizers may organize a temporary cannabis event lasting no more than four days.

Delivery Service

Delivery services may purchase cannabis, cannabis products, and hemp products from retailers or cannabis business with retail endorsements for transport and delivery to customers.

Medical Cannabis Combination Business

Medical cannabis combination businesses may cultivate cannabis and manufacture cannabis and hemp products, and package such products for sale to customers, patients, or another licensed cannabis business. Medical cannabis combination businesses may operate up to one retail location in each congressional district.

Lower-Potency Hemp Edible Manufacturer

Lower-potency hemp edible manufacturers may manufacture and package lower-potency hemp edibles for consumer sale, and sell hemp concentrate and lower-potency hemp edibles to other cannabis and hemp businesses.

Lower-Potency Hemp Edible Retailer

Lower-potency hemp edible retailers may sell lower-potency hemp edibles to customers.

Each license is subject to further restrictions on allowable activities. Maximum cultivation area and manufacturing allowances vary by license type. Allowable product purchase, transfer, and sale between licensees are subject to restrictions in the law.

The Adult-Use Cannabis Law

Minnesota's new adult-use cannabis law permits the personal use, possession, and transportation of cannabis by those 21 years of age and older, and allows licensed businesses to conduct cultivation, manufacturing, transport, delivery, and sale of cannabis and cannabis products.

For Individuals

- **Possession limits:**
 - Flower – 2 oz. in public, 2 lbs. in private residence
 - Concentrate – 8 g
 - Edibles (including lower-potency hemp) – 800 mg THC
- **Consumption** only allowed on private property or at licensed businesses with on-site consumption endorsements. Consumption not allowed in public.
- **Gifting** cannabis to another individual over 21 years old is allowed, subject to possession limits.
- **Home cultivation** is limited to four mature and four immature plants (eight total) in a single residence. Plants must be in an enclosed and locked space.
- **Home extraction** using volatile substances (e.g., butane, ethanol) is not allowed.
- **Unlicensed sales** are not allowed.



For Businesses

- **Advertising:**
 - May not include or appeal to those under 21 years old.
 - Must include proper warning statements.
 - May not include misleading claims or false statements.
 - Billboards are not allowed.
- The flow of all products through the supply chain must be tracked by the state-authorized **tracking system**.
- All products sold to consumers and patients must be **tested for contaminants**.
- **Home delivery** is allowed by licensed businesses.



The Cannabis Licensing Process

An applicant will take the following steps to proceed from application to active licensure. As described, processes vary depending on social equity status and/or whether the type of license being sought is capped or uncapped in the general licensing process.

License Preapproval: Early Mover Process for Social Equity Applicants

The license preapproval process is a one-time application process available for verified social equity applicants. State law requires OCM to open the application window on July 24, 2024, and close the window on August 12, 2024. The preapproval process is available for the following license types, and all are capped in this process: microbusiness, mezzobusiness, cultivator, retailer, wholesaler, transporter, testing facility, and delivery service.

Preapproval steps:

1. Applicant's social equity applicant (SEA) status verified.
2. Complete application and submit application fees.
3. Application vetted for minimum requirements by OCM.
4. Application (if qualified) entered into lottery drawing.
5. If selected in lottery, OCM completes background check of selected applicant and issues license preapproval.
6. Applicant with license preapproval* submits business location and amends application accordingly.
7. OCM forwards completed application to local government.
8. Local government completes certification of zoning compliance.
9. OCM conducts site inspection.
10. When regulations are adopted, license becomes active, operations may commence.

*For social equity applicants with license preapproval for microbusiness, mezzobusiness, or a cultivator license, they may begin growing cannabis plants prior to the adoption of rules if OCM receives approval from local governments in a form and manner determined by the office. This is only applicable to cultivation and does not authorize retail sales or other endorsed activities of the licenses prior to the adoption of rules.

The Cannabis Licensing Process (cont.)

The general licensing process will align with the adoption of rules and OCM will share more information about the timing of general licensing process. The general licensing process includes social equity applicants and non-social equity applicants.

General Licensing: Cultivator, Manufacturer, Retailer, Mezzobusiness

1. Complete application and submit application fees.
2. Application vetted for minimum requirements by OCM.
3. Application (if qualified) entered into lottery drawing.
4. If selected in lottery, OCM completes background check of selected applicant and issues preliminary approval.
5. Applicant with preliminary approval submits business location and amends application accordingly.
6. OCM forwards completed application to local government.
7. Local government completes certification of zoning compliance.
8. OCM conducts site inspection.
9. License becomes active, operations may commence.*

General Licensing: Microbusiness, Wholesaler, Transporter, Testing Facility, Event Organizer

1. Complete application and submit application fees.
2. Application vetted for minimum requirements by OCM.
3. For qualified applicants, OCM completes background check of vetted applicant and issues preliminary approval.
4. Selected applicant submits business location and amends application accordingly.
5. OCM forwards completed application to local government.
6. Local government completes certification of zoning compliance.
7. OCM conducts site inspection.
8. License becomes active, operations may commence.*

*For businesses seeking a retail endorsement (microbusiness, mezzobusiness, and retailer), a valid local retail registration is required prior to the business commencing any retail sales. See Page 16 for information on the local retail registration process.

General Authorities

Local governments in Minnesota have various means of oversight over the cannabis market, as provided by the adult-use cannabis law. Local governments may not issue outright bans on cannabis business, or limit operations in a manner beyond what is provided by state law.

Cannabis Retail Restrictions (342.13)

Local governments may limit the number of retailers and microbusiness/mezzobusinesses with retail endorsements allowed within their locality, as long as there is **at least one retail location per 12,500 residents**. Local units of government are not obligated to seek out a business to register as cannabis business if they have not been approached by any potential applicants, but cannot prohibit the establishment of a business if this population requirement is not met. Local units of government may also issue more than the minimum number of registrations. Per statutory direction, a municipal cannabis store (Page 19) cannot be included in the minimum number of registrations required. For population counts, the state demographer estimates will likely be utilized.

Tribal Governments (342.13)

OCM is prohibited from and will not issue state licenses to businesses in Indian Country without consent from a tribal nation. Tribal nations hold the authority to license tribal cannabis businesses on tribal lands – this process is separate than OCM’s licensing process and authority. Subject to compacting, Tribal nations may operate cannabis businesses off tribal lands. There will be more information available once the compacting processes are complete.

Taxes (295.81; 295.82)

Retail sales of taxable cannabis products are subject to the state and local sales and use tax and a 10% gross receipts tax. Cannabis gross receipts tax proceeds are allocated as follows: 20% to the local government cannabis aid account and 80% to the state general fund. Local taxes imposed solely on sale of cannabis products are prohibited.

Cannabis retailers will be subject to the same real property tax classification as all other retail businesses. Real property used for raising, cultivating, processing, or storing cannabis plants, cannabis flower, or cannabis products for sale will be classified as commercial and industrial property.

General Authorities (cont.)

Retail Timing Restrictions (342.13)

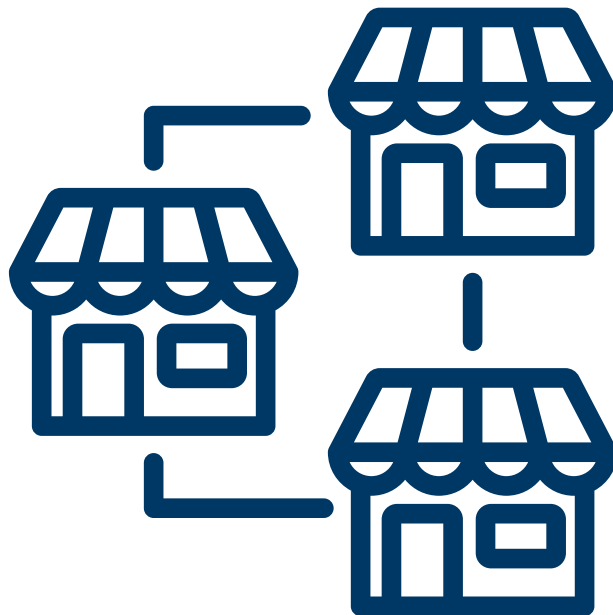
Local governments may prohibit retail sales of cannabis between the hours of 8 a.m. and 10 a.m. Monday-Saturday, and 9 p.m. and 2 a.m. the following day.

Operating Multiple Locations with One License

Certain cannabis licenses allow for multiple retail locations to be operated under a single license, with the following limitations:

- **Retailers:** up to five retail locations.
- **Mezzobusinesses:** up to three retail locations.
- **Microbusinesses:** up to one retail location.
- **Medical cannabis combination businesses:** one retail location per congressional district. Additionally, medical cannabis combination businesses may cultivate at more than one location within other limitations on cultivation.

For all other license types, one license permits the operation of one location. Each retail location requires local certification and/or registration.



Zoning and Land Use

Buffer Guidelines (342.13)

State law does not restrict how a local government conducts its zoning designations for cannabis businesses, except that they may prohibit the operation of a cannabis business within 1,000 feet of a school, or 500 feet of a day care, residential treatment facility, or an attraction within a public park that is regularly used by minors, including playgrounds and athletic fields.

Zoning Guidelines

While each locality conducts its zoning differently, a few themes have emerged across the country. For example, cannabis manufacturing facilities are often placed in industrial zones, while cannabis retailers are typically found in commercial/retail zones. Cannabis retail facilities align with general retail establishments and are prohibited from allowing consumption or use onsite, and are also required to have plans to prevent the visibility of cannabis and hemp-derived products to individuals outside the retail location. Industrial hemp is an agricultural product, and should be zoned as such.

Cannabis businesses should be zoned under existing zoning ordinances in accordance with the license type or endorsed activities held by the cannabis business. Note that certain types of licenses may be able to perform multiple activities which may have different zoning analogues. In the same way municipalities may zone a microbrewery that predominately sells directly to onsite consumers differently than a microbrewery that sells packaged beer to retailers and restaurants, so too might a municipality wish to zone two microbusinesses based on the actual activities that each business is undertaking. Table 1, included on Pages 13 and 14, explains the types of activities that cannabis businesses might undertake, as well as, some recommended existing zoning categories.

Zoning and Land Use (cont.)

Table 1: Cannabis and Hemp Business Activities

Endorsed Activity	License Type Eligible to Do Endorsed Activity	Description of Activity	Comparable Districts	Municipal Considerations
Cultivation	Cultivator Mezzobusiness Microbusiness Medical Cannabis Combination	"Cultivation" means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis plants, cannabis flower, hemp plants, or hemp plant parts.	Indoor: Industrial, Commercial, Production Outdoor: Agricultural	Odor Potential need for transportation from facility Waste, water, and energy usage Security
Cannabis Manufacturing, Processing, Extraction	Manufacturer Mezzobusiness Microbusiness Medical Cannabis Combination	This group of endorsed activities turn raw, dried cannabis and cannabis parts into other types of cannabis products, e.g. edibles or topicals.	Industrial, Commercial, Production	Odor Potential need for transportation from facility Waste, water, and energy usage Security
Hemp Manufacturing	Lower-Potency Hemp Edible (LPHE) Manufacturing	These business convert hemp into LPHE edible products.	Industrial, Commercial, Production	Odor Waste, water, and energy
Wholesale	Wholesale Cultivator Manufacturer Mezzobusiness Microbusiness Medical Cannabis Combination	This activity and license type allows a business to purchase from a business growing or manufacturing cannabis or cannabis products and sell to a cannabis business engaged in retail.	Industrial, Commercial, Production	Need for transportation from facility Security

Zoning and Land Use (cont.)

Table 1: Cannabis and Hemp Business Activities (continued)

Endorsed Activity	License Type Eligible to Do Endorsed Activity	Description of Activity	Comparable Districts	Municipal Considerations
Cannabis Retail	Retail Mezzobusiness Microbusiness Medical Cannabis Combination	This endorsed activity and license types allow a business to sell cannabis and cannabis products directly to consumers.	Retail, Neighborhood Shopping Districts, Light Industrial, Existing districts where off-sale liquor or tobacco sales are allowed.	Micros may offer onsite consumption, similar to breweries. Micros and Mezzos may include multiple activities: cultivation, manufacture, and/or retail.
Transportation	Cannabis Transporter	This license type allows a company to transport products from one license type to another.		Fleet based business that will own multiple vehicles, but not necessarily hold a substantial amount of cannabis or cannabis products.
Delivery	Cannabis Delivery	This license type allows for transportation to the end consumer.		Fleet based business that will own multiple vehicles, but not necessarily hold a substantial amount of cannabis or cannabis products.
Events	Event Organizer	This license entitles license holder to organizer a temporary event lasting no more than four days.	Anywhere that the city permits events to occur, subject to other restrictions related to cannabis use.	On site consumption. Retail sales by a licensed or endorsed retail business possible.

Local Approval Process

Local governments play a critical role in the licensing process, serving as a near-final approval check on cannabis businesses nearing the awarding of a state license for operations. Once an applicant has been vetted by OCM and is selected for proceeding in the verification process, they are then required to receive the local government's certification of zoning compliance and/or local retail registration before operations may commence.



Local Certification of Zoning Compliance (342.13; 342.14)

Following OCM's vetting process, local governments must **certify** that the applicant with preliminary approval has achieved **compliance with local zoning ordinances** prior to the licensee receiving final approval from OCM to commence operations.

During the application and licensing process for cannabis businesses, OCM will notify a local government when an applicant intends to operate within their jurisdiction and request a certification as to whether a proposed cannabis business complies with local zoning ordinances, and if applicable, whether the proposed business complies with state fire code and building code.

According to Minnesota's cannabis law, a local unit of government has 30 days to respond to this request for certification of compliance. If a local government does not respond to OCM's request for certification of compliance within the 30 days, the cannabis law allows OCM to issue a license. OCM may not issue the final approval for a license if the local government has indicated they are not in compliance.

OCM will work with local governments to access the licensing software system to complete this zoning certification process.

Local Approval Process (cont.)

Local Retail Registration Process (342.22)

Once the licensing process begins, local government registration applies to cannabis retailers or other cannabis/hemp businesses seeking a retail endorsement. Local governments must issue a retail registration after verifying that:

- The business has a valid license or license preapproval issued by OCM.
- The business has paid a registration fee or renewal fee to the local government;
 - Initial registration fees collected by a local government may be \$500 or half the amount of the applicable initial license fee, whichever is less, and renewal registration fees may be \$1,000 or half the amount of the applicable renewal license fee, whichever is less.
- The business is found to be in compliance with Chapter 342 and local ordinances.
- If applicable, the business is current on all property taxes and assessments for the proposed retail location.

Local registrations may also be issued by counties if the respective local government transfers such authorities to the county.

Determining a Process for Limiting Retail Registrations

If a local government wishes to place a limitation on the number of retailers and microbusiness/mezzobusinesses with retail endorsements allowed within their locality (as long as there is at least one retail location per 12,500 residents, see Page 10), state law does not define the process for a local government's selection if there are more applicants than registrations available. A few options for this process include the use of a lottery, a first-come/first-serve model, a rolling basis, and others. Local governments should work with an attorney to determine their specific process for selection if they wish to limit the number of licensed cannabis retailers per 342.13. Local governments are not required to limit the number of licensed cannabis retailers.

Local Approval Process (cont.)

Local governments are permitted specific authorities for registration refusal and registration suspension, in addition to—and not in conflict with—OCM authorities.

Registration and Renewal Refusals

Local governments may refuse the registration and/or certification of a license renewal if the license is associated with an individual or business who no longer holds a valid license, has failed to pay the local registration or renewal fee, or has been found in noncompliance in connection with a preliminary or renewal compliance check.



Local Registration Suspension (342.22)

Local governments may suspend the local retail registration of a cannabis business or hemp business if the business is determined to not be operating in compliance with a local ordinance authorized by 342.13 or if the operation of the business poses an immediate threat to the health and safety of the public. The local government must immediately notify OCM of the suspension if it occurs. OCM will review the suspension and may reinstate the registration or take enforcement action.

Expedited Complaint Process (342.13)

Per state law, OCM will establish an expedited complaint process during the rulemaking process to receive, review, read, and respond to complaints made by a local unit of government about a cannabis business. Upon promulgation of rules, OCM will publish the complaint process.

At a minimum, the expedited complaint process shall require the office to provide an initial response to the complaint within seven days and perform any necessary inspections within 30 days. Within this process, if a local government notifies OCM that a cannabis business poses an immediate threat to the health or safety of the public, the office must respond within one business day.

Inspections & Compliance Checks

Local governments are permitted specific business inspection and compliance check authorities, in addition to—and not in conflict with—OCM authorities.

Inspections and Compliance Checks (342.22)

Local governments must conduct **compliance checks** for cannabis and hemp businesses holding retail registration **at least once per calendar year**. These compliance checks must verify compliance with age verification procedures and compliance with any applicable local ordinance established pursuant to 342.13. OCM maintains inspection authorities for all cannabis licenses to verify compliance with operation requirements, product limits, and other applicable requirements of Chapter 342.



Municipal Cannabis Stores

As authorized in Chapter 342.32, local governments are permitted to apply for a cannabis retail license to establish and operate a municipal cannabis store.

State law requires OCM issue a license to a city or county seeking to operate a single municipal cannabis store if the city or county:

- Submits required application information to OCM,
- Meets minimum requirements for licensure, and
- Pays applicable application and license fee.

A municipal cannabis store will not be included in the total count of retail licenses issued by the state under Chapter 342.

A municipal cannabis store cannot be counted as retail registration for purposes of determining whether a municipality's cap on retail registrations imposed by ordinance.



Creating Your Local Ordinance

As authorized in 342.13, a local government may adopt a local ordinance regarding cannabis businesses. Establishing local governments' ordinances on cannabis businesses in a timely manner is critical for the ability for local cities or towns to establish local control as described in the law, and is necessary for the success of the statewide industry and the ability of local governments to protect public health and safety. The cannabis market's potential to create jobs, generate revenue, and contribute to economic development at the local and state level is supported through local ordinance work. The issuance of local certifications and registrations to prospective cannabis businesses is also dependent on local ordinances.

- Local governments may not prohibit the possession, transportation, or use of cannabis, or the establishment or operation of a cannabis business licensed under state law.
- Local governments may adopt reasonable restrictions on the time, place, and manner of cannabis business operations (see Page 11).
- Local governments may adopt interim ordinances to protect public safety and welfare, as any studies and/or further considerations on local cannabis activities are being conducted, until January 1, 2025. A public hearing must be held prior to adoption of an interim ordinance.
- If your local government wishes to operate a municipal cannabis store, the establishment and operation of such a facility must be considered in a local ordinance.



Model Ordinance

For additional guidance regarding the creation of a cannabis related ordinance, please reference the addendum in this packet.

Additional Resources

OCM Toolkit for Local Partners

Please visit OCM webpage (mn.gov/ocm/local-governments/) for additional information, including a toolkit of resources developed specifically for local government partners. The webpage will be updated as additional information becomes available and as state regulations are adopted.

These resources are also included in the addendum of this packet.

Toolkit resources include:

- Appendix A: Model Ordinance
- Appendix B: Retail Registration Form and Checklist
- Appendix C: Hemp Flower and Hemp-Derived Cannabinoid Product Checklist
- Appendix D: Enforcement Notice from the Office of Cannabis Management
- Appendix E: Notice to Unlawful Cannabis Sellers

Local Organizations

There are several organizations who also have developed resources to support local governments regarding the cannabis industry. Please feel free to contact the following for additional resources:

- League of Minnesota Cities
- Association of Minnesota Counties
- Minnesota Public Health Law Center



Request for Council Action

SUBJECT: 2025 Convention & Visitors Bureau Budget Request

MEETING DATE: October 7, 2024
ITEM TYPE: Discussion Items
CONTACT: Kris Wilson, City Administrator, 651.450.2511
Amy Hove, Finance Director, 651.450.2521

ACTION REQUESTED

The Council is asked to consider and provide feedback regarding the proposed 2025 budget for the Convention and Visitors Bureau (CVB).

BACKGROUND

LillyAnna Miller, director of the Inver Grove Heights Convention and Visitors Bureau, known as "Visit IGH", will be in attendance at the October 7 work session to present the CVB's budget request for 2025.

FISCAL IMPACT

The annual CVB budget is funded entirely through receipts of the City's lodging tax, plus any grants applied for and awarded to the organization. This is the only legal use of lodging tax revenue, according to state statute. In 2023, the City increased the lodging tax rate from 2% to 3% which brought IGH's lodging tax up to the maximum allowed by state law.

The attached presentation provides an overview of the CVB's budget request for 2025.

RECOMMENDATION

ATTACHMENTS

1. 2025 CVB Budget-Council Presentation (Oct 7, 2024)

Convention & Visitors Bureau 2025 Budget & Lodging Tax

City Council Work Session
October 7, 2024

LillyAnna Miller, Visit Inver Grove Heights CVB Director



Convention & Visitors Bureau (Fund 201)

- Mission: To market and promote Inver Grove Heights to visitors; to maintain and stimulate the community's economic vitality.
- Our Purpose: The CVB markets and promote Inver Grove Heights to visitors to stimulate the community's economic vitality by building upon our connection to the river and parks, fun experiences, local businesses, and regional attractions. We're rooted in our community's story.



Convention & Visitors Bureau (Fund 201)

Our Core Values:

- Collaboration: *We take a collaborative approach with our partners*
- Service: *We exist in service to the community*
- Integrity: *We act with integrity*
- Change: *We embrace change and focus on the future*
- Fun: *Fun happens here!*

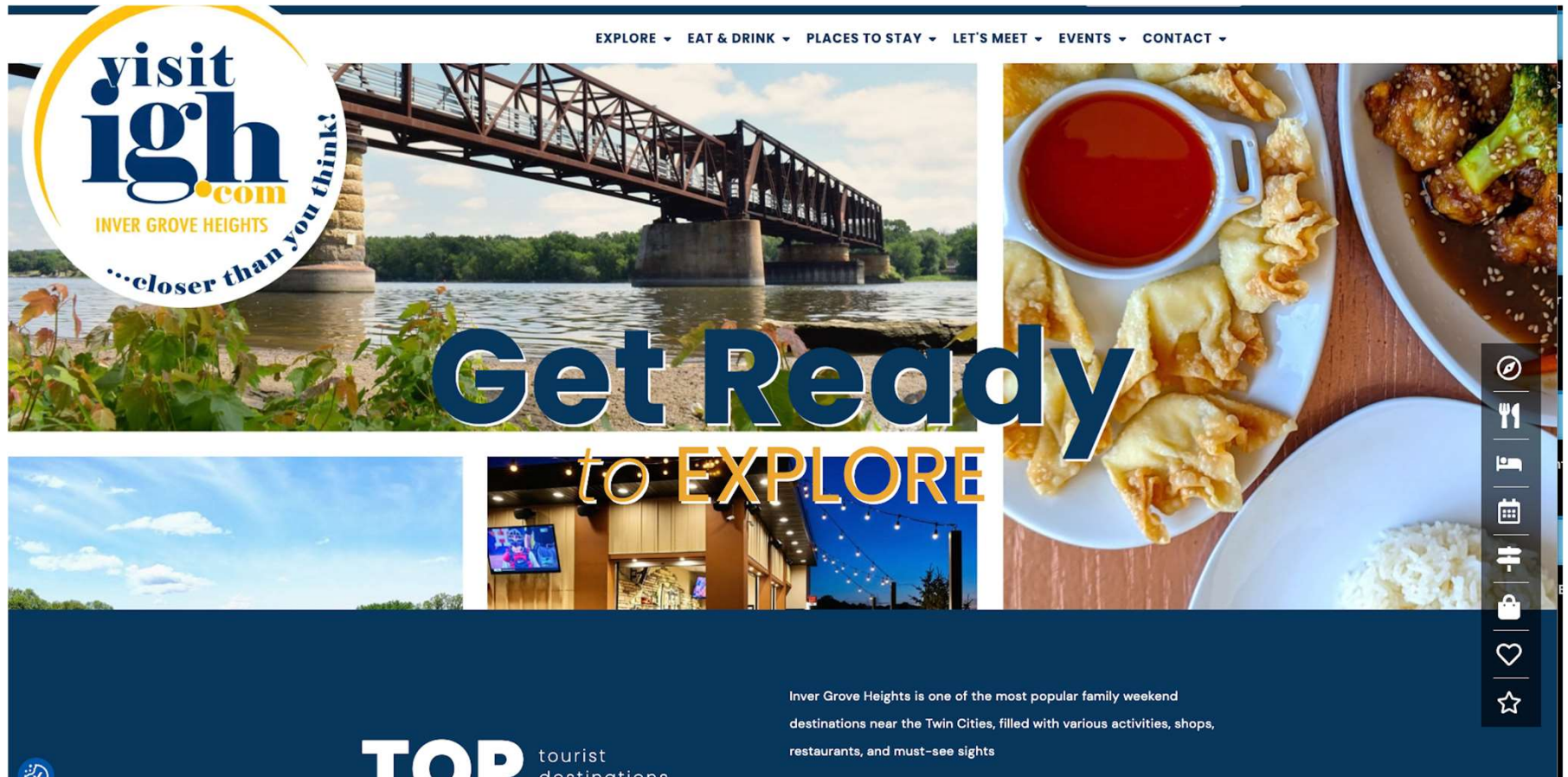


Convention & Visitors Bureau (Fund 201)

CVB Board of Directors:

- Kim Koenig (Chair), Microtel Hotel
 - Amy Buskerud (Vice Chair), Holiday Inn Express
 - Joe Harms (Treasurer), Mississippi Pub/River Heights Marina
 - Evelyn Sanchez (Secretary), AmericInn
 - Amy Looze, City of Inver Grove Heights
-
- On September 26, 2024 the CVB Board of Directors reviewed and approved the CVB 2025 Draft Budget





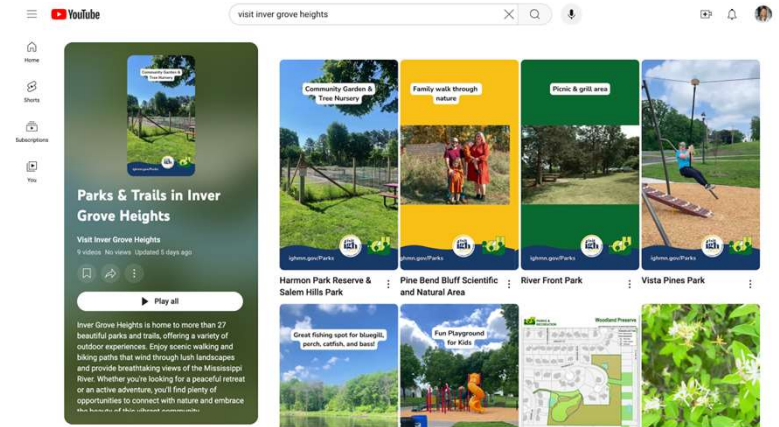
Convention & Visitors Bureau Highlights

- New Website as of February 2024!

Convention & Visitors Bureau Highlights

#TrailsTuesday

Every Tuesday throughout the summer, a new video was posted highlighting a different park or trail. This collaboration was in partnership with Inver Grove Heights Parks & Rec. All of the videos are available on our social media channels and YouTube!



Convention & Visitors Bureau Coming Soon!

- Inver Grove Heights Restaurant Week! October 20-26
- Visit IGH is taking over Holiday in the Heights! October 16 launch registration & voting will take place until December 18.
- NEW Inver Grove Heights Visitor Guide! December 2024



Convention & Visitors Bureau Focuses for 2025!



Strengthen partnerships with community and regional stakeholders through collaborative initiatives.



Enhance destination visibility and recognition through strategic marketing efforts.



Expand overnight group business by attracting tournaments, conferences, and meetings.



Develop a signature annual event to attract visitors.



*These goals are based off of the 2022-2024 strategic plan. With the addition of the expanding overnight group travel. A new strategic plan is in the works for 2025- 2027.

Convention & Visitors Bureau Highlights

Hotel Rate Comparison

How do IGH hotel rates compare with other similar hotels in the metro region?

HOTELS & RATES

Location	Lowest Nightly Rate	Highest Nightly Rate
Inver Grove Heights	\$70	\$125
Apple Valley	\$75	\$133
Burnsville	\$59	\$136
Eagan	\$65	\$302
Woodbury	\$79	\$227

**Hotel rates were measured with Google Maps on September 25, 2024 as of 9:00 AM. Dates measured include Friday-Sunday of MEA weekend, a popular family travel weekend in October.*

Convention & Visitors Bureau

2025 Revenues – 3% Lodging Tax

Income	2025 Budget
Lodging Tax (3%)	\$215,000
Interest	\$4,000
EMT Grant	\$8,000
Total Income	\$227,000

This is not a resident tax.

All CVBs in the metro area collect at least a 3% lodging tax, and 96% of all communities in Minnesota have a lodging tax ordinance collection of 3%.

Expenditures	2024 Budget (3%)
Professional Services	\$ 77,662
Advertising	\$107,688
Administrative	\$10,125
Office Rental	\$7,200
Postage/Delivery	\$3,000
Membership Dues	\$775
Conferences	\$2,000
Supplies-Office	\$2,000
Travel	\$500
Meals and Lodging	\$900
Telephone/Email	\$650
Total Expenditures	\$ 212,500

Expenditures	2025 Budget (3%)
Professional Services & Contracts	\$86,600
Rentals & Leases	\$7,200
Telephone	\$900
Ads, Notices & Publications	\$108,355
Printed Material	\$500
Postage	\$3,000
Dues, Licenses & Subscriptions	\$2,220
Training/Travel	\$3,975
Office Supplies	\$1,500
Small Tools & Minor Equipment	\$0
Other Supplies	\$1,000
Other Miscellaneous	\$1,000
Administrative Charges (5%)	\$10,750
Transfers Out to Other Funds	\$0
Total Expenditures	\$227,000

Questions?



Request for Council Action

SUBJECT: **2025 Budget Discussion - Inver Wood Golf Course**

MEETING DATE: October 7, 2024

ITEM TYPE: Discussion Items

CONTACT: Matt Moynihan, Clubhouse Superintendent, 651.450.4324
Joel Metz, Golf Course Superintendent, 651.554.0132
Adam Lares, Parks & Recreation Director, 651.450.2587
Amy Hove, Finance Director, 651.450.2521

ACTION REQUESTED

The Council is asked to review and provide feedback regarding the requested 2025 operating and capital budgets for Inverwood Golf Course.

BACKGROUND

Golf Clubhouse Superintendent Matt Moynihan and Course Superintendent Joel Metz will be present at the work session to present the requested 2025 budget for Inver Wood Golf Course. The attached draft presentation slides provide an overview of the proposed budget. Additional details on the proposed fee increases to support this budget will be presented at the meeting.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. 2025 Budget-Golf Course

2025 Budget Inver Wood Golf Course

Parks & Recreation Department

*Matt Moynihan, Golf Clubhouse
Superintendent
Joel Metz, Golf Course Superintendent
October 7, 2024*



Golf Course – New for 2025

- Chart of Accounts Project
 - Streamlined and simplified revenue accounts
 - Reduced the number of departments to reflect business operations (2 main departments):
 - Clubhouse Operations
 - Grounds and Maintenance
 - Improved budget forecasts
 - Allows for more summarized financial reporting of activities

Golf Course – Department Changes

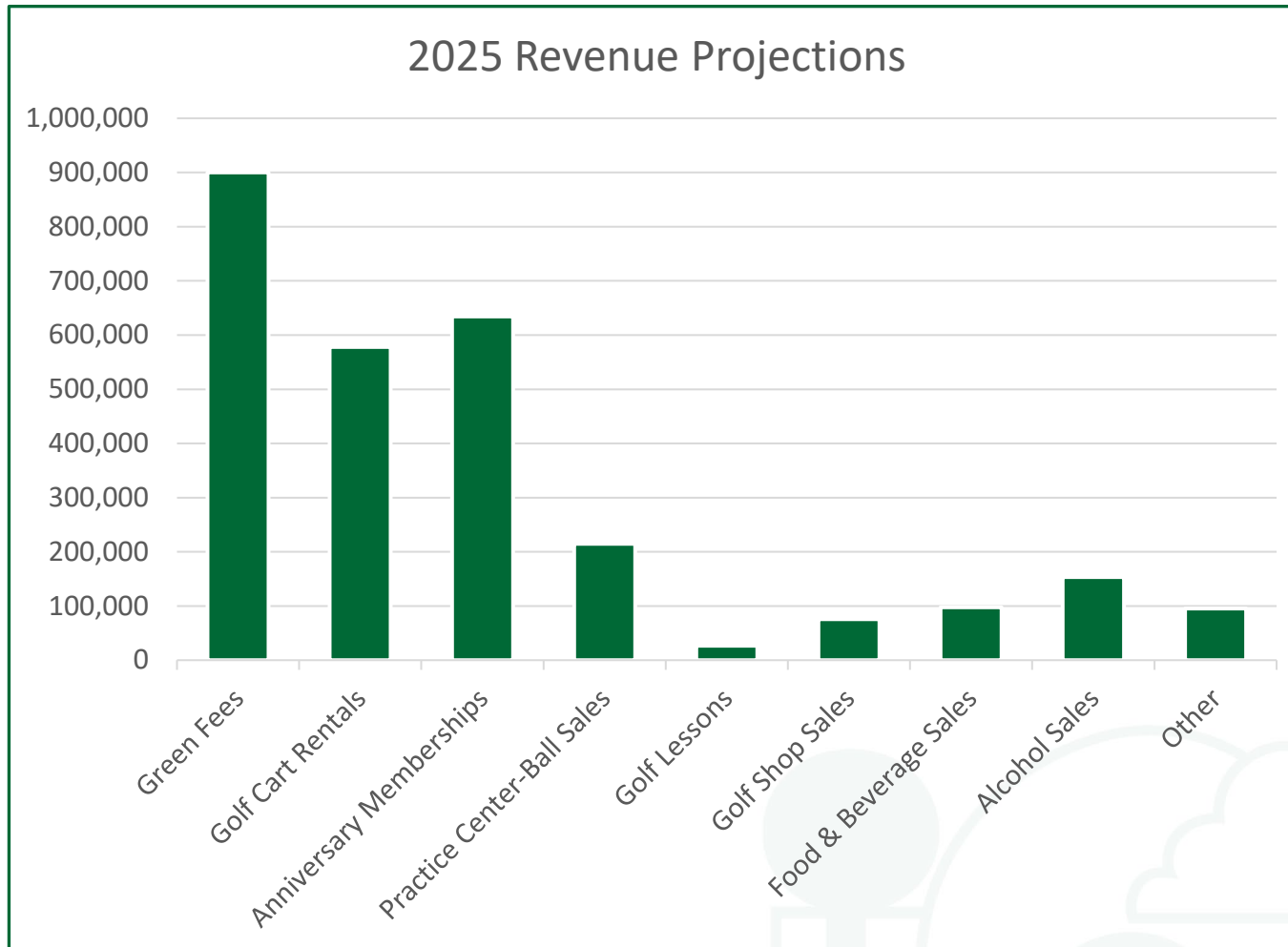
New Department Structure	Old Department Structure
0000-Undesignated	8000-Operations
7600-Clubhouse Operations	8100-Practice Center
7700-Grounds & Maintenance	8200-Golf Shop
	8300-Food & Beverage
	8400-Outside Services
	8500-Common
	8600-Grounds

Golf Course Revenues

	2022 Activity	2023 Activity	2024 Budget	2025 Projected
Green Fees	\$ 801,558	\$ 941,126	\$ 844,000	\$ 900,000
Golf Cart Rentals	517,825	608,578	552,500	578,000
Anniversary Memberships	482,119	487,976	603,000	634,300
Practice Center-Ball Sales	182,712	244,566	246,000	215,000
Golf Lessons	26,600	25,790	28,000	26,800
Golf Shop Sales	85,790	85,495	90,700	75,915
Food & Beverage Sales	90,007	94,147	98,000	97,400
Alcohol Sales	148,637	153,907	165,000	153,500
Other Charges & Revenues*	19,943	163,502	88,500	95,550
Total	\$2,355,191	\$2,805,087	\$2,715,700	\$2,776,465

** Other Charges & Revenues contain year-end audit adjustments related to gain/loss on investment valuations so will fluctuate from year to year.*

Golf Course Revenues



Noteworthy Revenue Items

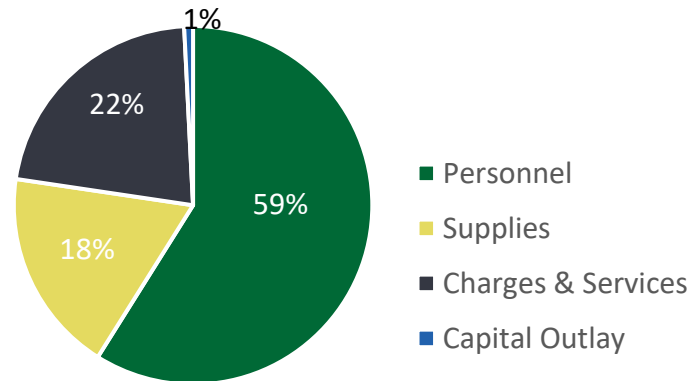
- Projecting a 7% overall increase to revenues
 - Anniversary Membership revenue up 23% (2-year membership drive - revenues recognized in 2024 & 2025 budgets)
- Proposing a 4% across-the-board rate increase for Greens Fees & Cart Fees to keep up with operational expenses.

Proposed Green Fee Increases

	Current (2024)	Proposed (2025)
18-holes Regular Weekday	\$47	\$49
18-holes Weekday - Seniors	\$33.50	\$35
9-holes Weekday - Regular	\$26	\$27
9-holes Weekday - Seniors	\$19	\$20
18-holes Regular Weekend	\$55.50	\$58
9-holes Weekend - Regular	\$37	\$38
Evenings-Twilight Regular	\$36	\$37

Expenditures Clubhouse Operations

2025 Operating Budget

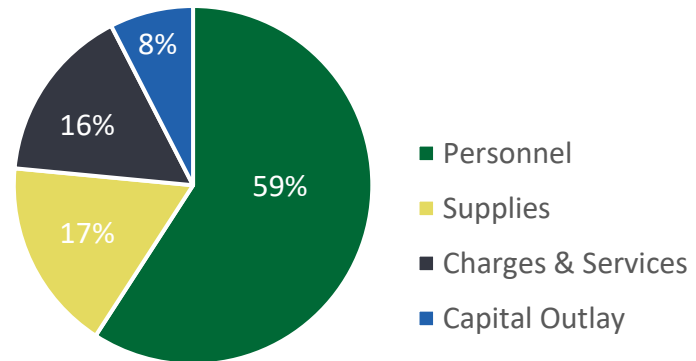


	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 706,459	\$ 406,923*	\$ 720,600	\$ 741,200
Supplies	246,664	243,326	258,850	231,800
Other Charges & Services	194,584	421,841	252,850	274,950
Capital Outlay	0	0	113,000	10,000
Total	\$1,147,707	\$1,072,090	\$1,345,300	\$1,257,950

* 2023 activity contained an audit entry related to pension expense (book entry only – not a cash transaction).

Expenditures Grounds & Maintenance

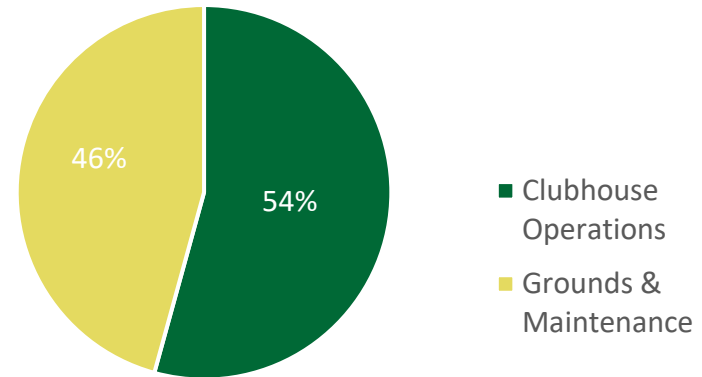
2025 Operating Budget



	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 547,897	\$ 562,254	\$ 587,200	\$ 626,700
Supplies	145,205	171,558	180,000	184,000
Other Charges & Services	79,454	96,487	125,000	168,900
Capital Outlay	21,455	0	339,977	80,000
Total	\$ 794,011	\$ 830,299	\$1,232,177	\$1,059,600

Expenditures Combined

2025 Operating Budget



	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Clubhouse Operations	\$ 1,147,707	\$ 1,072,090	\$ 1,345,300	\$ 1,257,950
Grounds & Maintenance	<u>794,011</u>	<u>830,299</u>	<u>1,232,177</u>	<u>1,059,600</u>
Subtotal - Operating	\$ 1,941,718	\$ 1,902,389	\$ 2,577,477	\$ 2,317,550
<u>Undesignated</u>				
OPEB-Annual Audit Entry	(2,447)	5,555	0	0
Depreciation	219,732	120,496	225,000	120,000
Interfund Loan Payment	<u>0</u>	<u>0</u>	<u>546,053</u>	<u>546,053</u>
Total	\$ 2,159,003	\$ 2,028,440	\$ 3,348,530	\$ 2,983,603

Noteworthy Expenditure Items

- \$546,053 loan repayment (*for 2016 Improvements which were funded by a zero-interest inter-fund loan from the Capital Equipment Fund*)
 - *3-year accelerated repayment plan (2023, 2024, 2025) will have \$1.6 million outstanding balance paid off*
- \$120,000 annual depreciation – reduction from previous year's budgets as a number of prior year improvements have now been fully depreciated

Capital- Proposed 2025 Projects

Department	Project	Amount
Clubhouse Operations	Ball Machine Replacement	\$ 10,000
Grounds & Maintenance	Storm Shelter Replacements (#5 & #15)	40,000
	Step Replacements	15,000
	Seeder Machine	25,000
	Total Projects	\$ 90,000

*** As the council may recall we are still awaiting the delivery of 2 pieces of Maintenance equipment from 2022 and 1 piece from 2023.

2025 Budget Summary

\$ 2,776,465 Revenues

- 2,317,550 Operating Expenditures

\$458,915 Net Operating Income* - *before Debt Payment
& Depreciation*

- \$546,053 Debt Internal Loan Payment (2016 Improvements)
\$120,000 annual depreciation (non-cash entry)

Golf Course – What's Still Ahead

- Create a Golf Course Capital Fund and corresponding Minimum Cash Reserve Policy for the Operating Fund.
- Evaluate the current maintenance building for major maintenance needs and explore options for increasing storage and improving working conditions.
- Changes to current junior summer league.
- Conversation with Mulligan Marketing Concepts (MMC) about a future Anniversary Membership Campaign.

Golf Course Cash Balances



- In 2019, the Golf Course paid off all interfund equipment loans – only outstanding loan is from 2016 golf course improvements.
- 2024 decrease to cash reflects accelerated/revised loan repayment schedule – last payment on 2016 improvement loan for \$546,053 will be made in 2025.
- 2025 reflects an increase to cash from a new membership drive (for a 3-year membership); the last membership drive in 2023, covered a 2-year membership period.

Questions?

Request for Council Action

SUBJECT: 2025 Budget Discussion - Utility Funds

MEETING DATE: October 7, 2024

ITEM TYPE: Discussion Items

CONTACT: Brian Connolly, Public Works Director, 651.450.2571
Eric Kramer, Utility Superintendent, 651.450.2565
Amy Hove, Finance Director, 651.450.2521

ACTION REQUESTED

The Council is asked to receive a presentation regarding 2025 utility fund budgets, utility rates and overall fund forecasts and then provide input and direction to staff.

BACKGROUND

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

The City's utility activities are reported within the following utility funds:

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

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

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

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

1. **Proposed 2025 Budgets for funds #1- 6 above.** The operating budget reviews will cover similar topics to other departmental budgets, including budgeted increases for employee wages and benefits, rising costs for supplies, etc. The capital budget reviews will focus on planned expenditures for replacement and maintenance projects in 2025, closely following the draft Capital Improvement Plan (CIP) that Council has already seen.
2. **Proposed 2025 Utility Rates.** The operating budgets for each utility are entirely funded by rate revenues. Staff will present proposed rate increases for 2025, based on the utility rate study conducted in 2022 and received by the Council in early 2023. The capital budgets for

each utility are funded by connection fees, paid largely by developers, as well as transfers from the operating budgets. The connection fees proposed for 2025 will be presented at a future Council meeting.

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

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

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. DRAFT Presentation - 2025 Budget-Utilities

2025 Budget: Utility Operating & Capital Funds

Public Works Department

Brian Connolly, Public Works Director

Eric Kramer, Utilities Superintendent

October 7, 2024



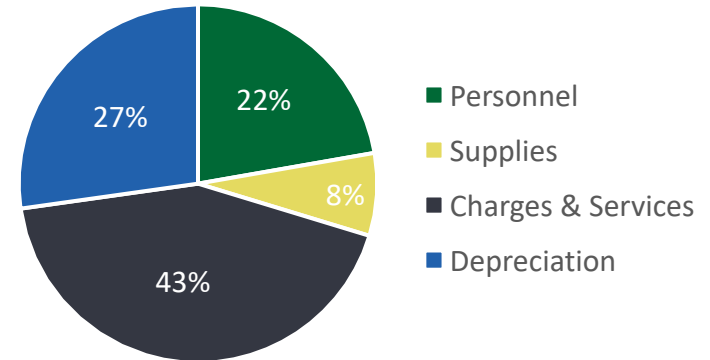
Water Funds

- Fund 510 – Water Operating Fund
- Fund 511 – Water Capital Fund

Water Operating Fund (Fund 510)

Water Operating Expenditures by Category

2025 Operating Budget



	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 688,355	\$ 824,050	\$ 832,800	\$ 945,400
Supplies	204,374	323,914	315,500	316,675
Other Charges & Services	1,719,359	1,715,977	1,911,570	1,829,635
Subtotal - Operating	\$2,612,088	\$2,863,941	\$3,059,870	\$3,091,710
Depreciation	998,866	994,252	1,123,500	1,157,205
Transfers Out	698,274	6,690,331		
Total	\$4,309,228	\$10,548,524	\$4,183,370	\$4,248,915

Water Operating Fund - Overview

Noteworthy Expenditure Items

- Personnel (50XX Series) – 13% Increase over 2024
 - Reallocated one staff position from 100% sewer to 70% Water/30% Sewer – results in a corresponding decrease in personnel costs for the Sewer Operating Fund
- Depreciation (5495) – 3% increase over 2024

Water Operating Fund - Highlights

- Proposed budget includes 10% increase to water rates for 2025 (fixed & volumetric rates)

Water Operating Fund

Rate Study – Forecasted Rate Increases

	2025	2026	2027	2028
Fixed Charge	10%	10%	10%	10%
Volumetric Charge	10%	10%	10%	10%

Water Operating Fund 2025 Budget Overview

Water Operating Fund (Fund 510)	2024 Budget	2025 Proposed Budget
Revenues	\$ 3,950,475	\$ 4,179,500
Expenditures	(3,059,870)	(3,091,710)
Expenditures - Depreciation	<u>(1,123,500)</u>	<u>(1,157,205)</u>
Reduction to Fund Balance	\$ (232,895)	\$ (69,415)

- *Depreciation is assumed to be equivalent to the transfer needed to fund future Water Capital improvements.*
- *In 2023, the Cash Reserve Transfer from Water Operating to Water Capital was \$1,025,712.*

Water Capital Fund (Fund 511)

Water Capital Fund - Revenues

Revenue	2024 Estimate*	2025 Proposed Budget
Development-Related Connection Fees	\$ 425,000	\$ 370,000
Interest	250,000	250,000
Transfers In-Water Operating Fund Annual Depreciation	1,123,500	1,157,205
ARPA Dollars-Water Treatment Plant	2,500,000	-
MPFA Loan Proceeds-Water Treatment Plant	<u>2,165,171</u>	<u>-</u>
	\$ 6,463,671	\$ 1,777,205

* Activity has been estimated for 2024 and used for comparison purposes

Water Capital Fund – Capital Expenditures

Expenditures	2024 Budget	2025 Proposed Budget
Pump Inspections	\$ 60,000	\$ 0
Well Pump & Service Rehabilitations	130,000	30,000
WTP-Roof Top Unit	-	20,000
WTP-Sludge Pump Replacement		35,000
WTP-High Service Pump Rehab		50,000
Automated Metering Infrastructure		200,000
Water Treatment Plant Repair/Rehab	5,206,000	0
Dehumidifier-Water Treatment Plant	125,000	0
Programmable Logic Controller		20,000
TRANSFERS OUT – Street Projects	<u>920,839</u>	<u>2,381,737</u>
	\$ 6,441,839	\$ 2,736,737

Water Capital Fund – 2025 Transfers Out

\$2,381,737 Pavement Management – Local Streets

Water Capital Fund – 2025 Budget Overview

Water Capital Fund (Fund 511)	2024 Estimate	2025 Proposed Budget
Revenues-Development Fees, Transfers In, & Interest	\$ 1,798,500	\$ 1,777,205
Revenues-APRA/DWRF Loan	4,665,171	0
Expenditures	(6,441,839)	(2,736,737)
Expenditures-Interest on Loan	<u>0</u>	<u>(36,171)</u>
Increase (decrease) in Capital Fund Balance	\$ 21,832	(\$ 995,703)

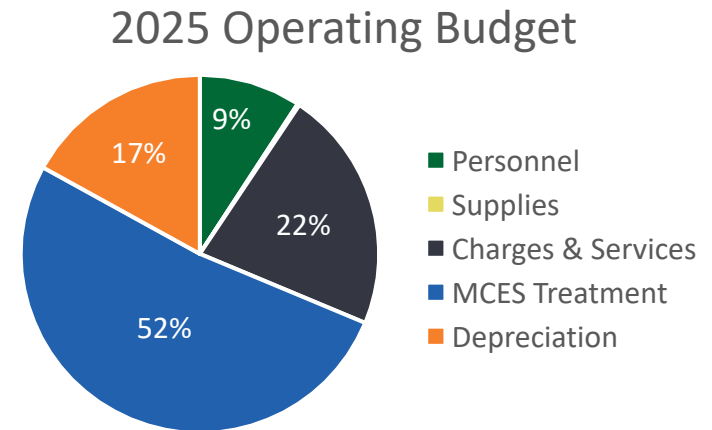
Water Capital Fund Model

Sewer Funds

- Fund 520 – Sewer Operating
- Fund 521 – Sewer Capital Fund

Sewer Operating Fund (Fund 520)

Sewer Operating Expenditures by Category



	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 553,001*	\$ 706,823*	\$ 484,500	\$ 433,000
Supplies	5,711	5,876	12,500	8,775
Other Charges & Services	784,905	962,103	937,320	1,032,120
Met Council Treatment Charges	2,154,520	2,218,092	2,340,000	2,435,000
Subtotal - Operating	\$3,498,137	\$3,892,894	\$3,774,320	\$3,908,895
Depreciation	787,496	782,238	800,000	800,000
Transfers Out	393,725	6,269,330		
Total Budget	\$4,679,358	\$10,944,462	\$4,574,320	\$4,708,895

* Personnel activities impacted by year-end audit entries related to pension expense

Sewer Operating Fund - Overview

Noteworthy Expenditure Items

- Met Council Sewer Services (5373) – increase forecasted at 4.05% over 2024 costs

	2023	2024	2025
Region	5.50%	6.80%	5.60%
IGH	6.29%	7.40%	4.05%

Sewer Operating Fund - Highlights

- Proposed increase of 7.0% to 2025 fixed sewer rate and 6.0% to volumetric sewer rate

Sewer Operating Fund

Rate Study – Forecasted Rate Increases

	2025	2026	2027	2028
Fixed Rate	7%	6%	5%	4%
Volumetric Rate	6%	4%	2%	2%

* These rate projections are heavily dependent on Met Council Treatment Charges – Rate Study projected they would peak and then decline, but if they do not, larger increases to the City’s rates will be required.

** Staff propose rate increase for 2025 of 7.0% to fixed rate and 6% to volumetric rate - Keep pace with Met Council rate increase of 4.05% for IGH service + help cover debt payments

Sewer Operating Fund

2025 Budget Overview

Sewer Operating Fund (Fund 520)	2024 Budget	2025 Proposed Budget
Revenues	\$ 4,694,125	\$ 5,141,000
Expenditures	(3,774,320)	(3,908,895)
Expenditures - Depreciation	<u>(800,000)</u>	<u>(800,000)</u>
Addition to Fund Balance	\$ 119,805	\$ 432,105

Depreciation is assumed to be equivalent to the transfer needed to fund future Sewer Capital improvements.

In 2023, the Cash Reserve Transfer from Sewer Operating to Sewer Capital was \$921,845.

Sewer Capital Fund (Fund 521)

Sewer Capital Fund - Revenues

Revenue	2024 Estimate*	2025 Proposed Budget
Development-Related Connection Fees	\$ 350,000	\$ 304,500
Interest	90,000	75,000
Transfers In-Sewer Operating Fund Annual Depreciation	800,000	800,000
Transfers In-Add'l Future Capital	0	432,000
Transfers In-Storm Water (share of televising contract)	43,562	60,000
Transfers In-Closed Bond Fund <i>to cover 2025 debt payment</i>	<u>0</u>	<u>1,045,756</u>
	\$ 1,240,000	\$ 2,717,256

* Activity has been estimated for 2024 and used for comparison purposes

Sewer Capital Fund - Expenditures

Expenditures	2024 Budget	2025 Proposed Budget
Sanitary Sewer Cleaning & Televising	\$ 350,000	\$ 370,000
Sanitary Sewer Rehabilitation	240,000	270,000
Lift Station Rehabilitation	150,000	0
Programmable Logic Controller-PB	0	10,000
Debt Payments & Related Fees	1,045,550	1,045,756
TRANSFERS OUT – Street Projects	<u>715,169</u>	<u>1,874,577</u>
	\$ 2,500,719	\$ 3,570,333

Sewer Capital Fund – 2025 Transfers Out

\$ 1,874,577 Pavement Management – Local Streets

Sewer Capital Fund – 2025 Budget Overview

Sewer Capital Fund (Fund 521)	2024 Estimate	2025 Proposed Budget
Revenues & Transfers In	\$ 1,240,000	\$ 2,717,256
Expenditures & Transfers Out	<u>(2,500,719)</u>	<u>(3,570,333)</u>
Reduction in Fund Balance	\$(1,260,719)	\$(853,077)

Sewer Capital Fund Modeling

- Based on latest 5-year CIP (2025-2029)
- Operating Transfer In at annual depreciation estimate (AE2S)
- Proposes transferring balance of Closed Bond Fund in 2025, estimated at \$1,045,756, to Sewer Capital Fund to help offset debt payments
- In years 2026-2038, proposes an annual transfer of \$1 million from the Host Community Fund to cover debt payments
 - In 2032, annual debt payments drop from \$1,045,000 to \$685,000 annually
 - In 2035, annual debt payments drop from \$685,000 to \$420,000 annually
 - The last debt payment is made in 2036
 - The City's financial advisor monitors current debt to determine if/when there may be opportunities to refinance

Sewer Capital Fund Modeling

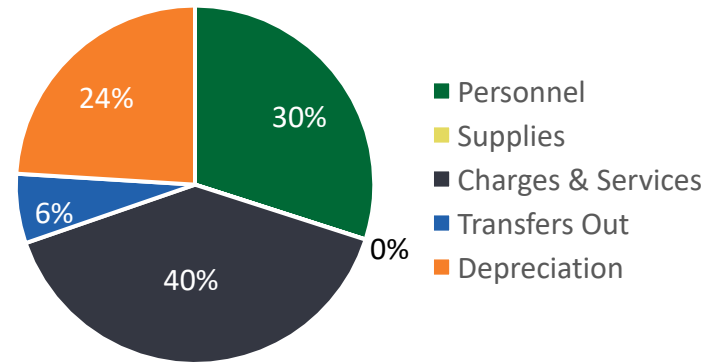
Storm Water Funds

- Fund 530 – Operating Fund
- Fund 531 – Storm Water Capital
- Fund 533 – Storm Water Capital – NWA
 - NWA Connection Fee Revenues
 - NWA Capital Project Expenditures

Storm Water Operating Fund (Fund 530)

Storm Water Operating Expenditures by Category

2025 Operating Budget



	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 281,002*	\$ 188,352	\$ 303,500	\$ 305,400
Supplies	275	370	300	150
Other Charges & Services	327,465	374,160	393,980	405,470
Subtotal - Operating	\$ 608,742	\$ 562,882	\$ 697,780	\$ 711,020
Depreciation	235,374	237,400	240,000	245,000
Transfers Out	164,568	101,192	62,500	64,000
Total	\$ 1,008,684	\$ 901,474	\$ 1,000,280	\$ 1,020,020

* Personnel activities impacted by year-end audit entries related to pension expense

Storm Water Operating Fund - Overview

Noteworthy Expenditure Items

- Dues & Subscriptions (5335) – 11% increase over 2024 (LMRWMO & EIGHWMO)
- Stormwater pays 50% of annual street sweeping costs (remaining 50% paid from streets budget)

Storm Water Operating Fund - Highlights

- Proposed increase of 25% to 2025 storm water rates for non-NWA residents
- Proposed increase of 5% to 2025 storm water rates for NWA residents
- Goal is to bring NWA and non-NWA residential rates together
 - Similar future increases would have these rates be equivalent in 2028
- Rate Study proposed for 2025

Storm Water Operating Fund Rate Study – Forecasted Rate Increases

					Recommended			
	2021	2022	2023	2024	2025	2026	2027	2028
Outside NWA	5%	25%	25%	25%	25%	25%	25%	10.7%
NWA	5%	5%	5%	5%	5%	5%	5%	5%

Storm Water Operating Fund

2025 Budget Overview

Storm Water Operating Fund (Fund 530)	2024 Budget	2025 Proposed Budget
Revenues	\$ 1,046,015	\$ 1,155,515
Expenditures	(760,280)	(775,020)
Expenditures - Depreciation	<u>(240,000)</u>	<u>(245,000)</u>
Addition to Fund Balance	\$ 45,735	\$ 135,495

Depreciation, as a non-cash transaction, is assumed to be the amount available to fund future Storm Water Capital improvements.

At present, the City does not have a Minimum Cash Reserve Policy for the Storm Water Operating Fund so there is not an annual transfer that occurs. In 2025, staff hope to bring forward a minimum cash reserve policy for the Storm Water Operating Fund which is similar to the policies for Water and Sewer operating funds.

Storm Water Capital Fund (Fund 531)

Storm Water Capital Fund - Revenues

Revenue	2024 Estimate*	2025 Proposed Budget
Development-Related Connection Fees	\$ 65,000	\$ 7,182
Interest & Other	25,000	45,000
Planned Transfer from Host Community Fund	1,000,000	1,000,000
Additional Transfer from Host Com. Fund **	100,000	500,000
Transfers In-Storm Water Operating Fund Annual Depreciation & Net Income	<u>283,235</u>	<u>289,500</u>
	\$ 1,473,235	\$ 1,841,682

* Activity has been estimated for 2024 and used for comparison purposes

** Transitioning the transfer from the Host Community Fund to deposit to Storm Water Capital instead of the Pavement Management Fund

Storm Water Capital Fund - Expenditures

Expenditures	2024 Budget	2025 Proposed Budget
Minor Drainage Improvements	\$ 15,000	\$ 85,000
Raingarden Inlet Rehabilitation	20,000	0
Water Resource Management Plan Updates	50,000	0
Dickman Trail – Outfall Culvert Replacement	0	75,000
Pond JP-1 Outlet Skimmer	0	50,000
TRANSFERS OUT – Sewer/Storm Televising	55,000	60,000
TRANSFERS OUT – Street Projects	<u>473,225</u>	<u>1,367,025</u>
	\$ 613,225	\$ 1,637,025*

*** 64th Street Outfall – currently unfunded within CIP**

Storm Water Capital Fund – 2025 Transfers Out

\$1,367,025 Pavement Management – Local Streets

60,000 Sewer – Storm Water Televising

\$1,427,025 Total Transfers Out

Storm Water Capital Fund

2025 Budget Overview

Storm Water Capital Fund (Fund 531)	2024 Estimate	2025 Proposed Budget
Revenues	\$ 1,473,235	\$ 1,841,682
Expenditures	<u>(613,225)</u>	<u>(1,637,025)</u>
Growth in Fund Balance	\$ 860,010	\$ 204,657

Storm Water Capital Fund Modeling

- Based on latest 5-year CIP (2025-2029)
- Transfer In from Storm Water Operating at annual depreciation estimate
- Additional Transfer In from Storm Water Operating (based on establishment of a minimum cash reserve policy)
- Continuation of plan to transfer \$1 million annually from the Host Community Fund (years 2023, 2024, 2025)
- Redistribute Host Community Fund transfer from Pavement Management Fund to Storm Water Capital
 - 2024 additional transfer of \$100,000
 - 2025 additional transfer of \$500,000 – *fully transitioned*
 - Assumed at \$500,000 for future years

Storm Water Capital Fund Modeling

Storm Water Capital Fund - NWA

Storm Water Capital Fund - NWA

Revenues	2024 Estimate*	2025 Proposed Budget
Plat Connection Fee - NWA	\$ 0	\$ 0
Interest & Other	<u>50,000</u>	<u>40,000</u>
Total Revenues	\$ 50,000	\$ 40,000

Expenditures	2024 Estimate*	2025 Proposed Budget
Water Resource Management Plan (50%)	\$ 50,000	\$ 0
TRANSFER OUT – Partnership Projects <i>80th Street (CSAH 28)-TH3 to CSAH 73</i>	<u>-</u>	<u>56,000</u>
Total Expenditures	\$ 50,000	\$ 56,000
Net Activity	\$ 0	\$ (16,000)

* Activity has been estimated for 2024 and used for comparison purposes

Questions?



Request for Council Action

SUBJECT: **Nominations for Bridge Builder Commemorative Coin Award**

MEETING DATE: October 7, 2024

ITEM TYPE: Discussion Items

CONTACT: Kris Wilson, City Administrator, 651.450.2511

ACTION REQUESTED

The Council is asked to review and discuss three finalists from the eight nominations for the City's new Bridge Builder Commemorative Coin Award and select an individual or individuals to receive the award.

BACKGROUND

In 2023, the City Council established the Bridge Builder Commemorative Coin Award to recognize residents or staff for:

1. Acts of bravery, quick-thinking and/or selflessness in the aid of others.
2. Long-term service to the community through formal position or role, or through informal or "under-the-radar" contributions.
3. A remarkable accomplishment or representation of IGH on the local, state, national or international stage.
4. Leading by example or being a positive role model for young people within the community.

Nominations have been solicited over the course of the year, via the City's newsletter, website, social media accounts and word-of-mouth. As of October 1, a total of 8 nominations have been received.

As directed by the Council when it adopted the process for awarding the Bridge Builder coins, the Department Heads and City Administrator have met to review the nominees and identify three finalists. Information on the three finalists has been forwarded to all Councilmembers for their review.

Assuming the Council finds one or more of the three finalists to be a strong candidate(s) for this new award, City staff will proceed to notify the winner(s) and make plans to publicly recognize the award recipients prior to the end of the year. This could be done as part of the upcoming State of the City event, or at another time, depending on scheduling and availability.

FISCAL IMPACT

RECOMMENDATION

Staff recommends that the Council select one or more individuals to receive the Bridge Builder Commemorative Coin Award, from among the three finalists forwarded by staff.

ATTACHMENTS

None