**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION**
**MONDAY, AUGUST 5, 2024 - 6:00 P.M. - 8150 BARBARA AVENUE**

**1. CALL TO ORDER:**
The City Council of Inver Grove Heights met in regular session on Monday, August 5, 2024, in person. 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, Scales; and T'Kach; City Administrator Wilson, City Attorney McCauley Nason, Deputy City Clerk Malott, Finance Director Hove, Public Works Director Connolly, Police Chief Chiodo and Parks & Rec Director Lares.

Absent was Council Member Murphy.

**3. APPROVAL OF AGENDA:**

**Motion to Approve by Gliva, Second by Scales.**

**Ayes: 4**
**Nays: 0 Motion carried.**

**4. DISCUSSION ITEMS**

**A.** Informational Presentation on Proposed Police Department Drone Use

Chief Chiodo presented this item. They are proposing an Unmanned Ariel System (UAS) to be used by the Police Department. If they receive support for this program, Investigator Ryan Malcolm will be the drone coordinator for the program, and he will provide more information after the overview.

Steps to Develop a UAS Program:

- Determine if there is a benefit to having a UAS
- Select a Program Coordinator
- Research and Carry out implementation steps:
  - Written Policies & Procedures Required
  - Opportunity for Public Comment
- Order Drone(s) (proposed to be purchased with one-time Public Safety Aid from the state)
- Select a Team
- Train Team Members

Chief Chiodo introduced Investigator Malcolm to provide more information. Investigator Malcolm said they must provide an opportunity for public comment before purchasing or using a UAS. They are also required to have written policies and procedures. A common term for a UAS is a drone but they try not to use that terminology.

UASs will be used for:

- Search and Rescue
- Disaster relief
- Locating fleeing suspects
- Crime scene documentation
- Officer and public safety concerns

UASs will NOT be used for:

- Spying on citizens
- Conducting searches of private areas of property or residences without emergency circumstances, or a search warrant issued by a judge
- Equipped with weapons or munitions

Investigator Malcolm said if the proposal is approved, there are two UAS systems the police department is requesting.

DJI Matrice 30T:

- $10,000
- Flies in rain, wind, and extreme temps
- 41-minute flight time
- Zoom camera, wide camera, thermal camera

DJI Mini 4k:

- $240
- Will be used for training and indoor flights
- 30-minute flight time

Mayor Dietrich asked how big the DJI Matrice 30T was.

Investigator Malcolm said it is about the size of the podium when it is unfolded.

Proposed Policy:

Purpose and Scope – The purpose of this policy is to establish guidelines for the use of an unmanned aerial system (UAS) and for the storage, retrieval and dissemination of images and data captured by the UAS (Minn. Stat. § 626.19).

Overall, Policy – A UAS may be utilized to enhance the Department's mission of protecting lives and property when other means and resources are not available or are less effective. Any use of a UAS will be in accordance with constitutional and privacy rights and Federal Aviation Administration (FM) regulations.

Investigator Malcolm said an Unmanned Aerial System (UAS) is controlled by a remote and does not have the ability to have a pilot.

Privacy:

- Absent a warrant or exigent circumstances, operators and observers shall adhere to FM altitude regulations and shall not intentionally record or transmit images of any location where a person would have a reasonable expectation of privacy (e.g., residence, yard, enclosure).

- Operators and observers shall take reasonable precautions to avoid inadvertently recording or transmitting images of areas where there is a reasonable expectation of privacy.

- Reasonable precautions can include, for example, deactivating or turning imaging devices away from such areas or persons during UAS operations.

The Chief of Police will appoint a program coordinator who will be responsible for management of the UAS program. The program coordinator will ensure that policies and procedures conform to current laws, regulations, and best practices.

Use of UAS:

- Only authorized operators who have completed the required training shall be permitted to operate the UAS.

- Use of vision enhancement technology (e.g., thermal, and other imaging equipment not generally available to the public) is permissible only:
  - Where there is no protectable privacy interest, or
  - When in compliance with a search warrant or court order. In all other instances, legal counsel should be consulted.
- UAS operations should only be conducted consistent with FM regulations.
- Shall not be used without a search warrant, except:
  - During or in the aftermath of an emergency situation or disaster that involves the risk of death or bodily harm to a person
  - Over a public event where there is a heightened risk to the safety of participants or bystanders
  - To counter the risk of a terrorist attack by a specific individual or organization if the agency determines that a credible intelligence indicates a risk
  - To prevent the loss of life or property in natural or man-made disasters and to facilitate the operation planning, rescue, and recovery operations
  - To conduct a threat assessment in anticipation of a specific event
  - To collect information for crash reconstruction purposes after a serious or deadly collision occurring on a public road
  - Over a public area for officer training or public relations purposes
  - For purposes unrelated to law enforcement at the request of a government entity, provided the request is in writing and specifies the reason for the request and a proposed period of use

Documentation Required:

Each use of a UAS should be properly documented by providing the following (Minn. Stat. § 626.19):

- A unique case number
- A factual basis for the use of UAS
- The applicable exception, unless a warrant was obtained

Prohibited Uses:

- To conduct random surveillance activities.
- To target a person based solely on actual or perceived characteristics such as race, ethnicity, national origin, religion, sex, sexual orientation, gender identity or expression, economic status, age, cultural group, or disability.
- To conduct personal business of any type.
- The UAS shall not be weaponized (Minn. Stat. § 626.19).

Additional Prohibitions:

- Unless authorized by a warrant, a UAS shall not be deployed with facial recognition or biometric matching technology (Minn. Stat. § 626.19).
- Unless authorized by a warrant or for purposes of permitted use outlined in the policy, a UAS shall not be used to collect data on public demonstrations (Minn. Stat. § 626.19).

Retention of UAS Data:

- The Police Department’s Support Services Supervisor shall ensure that data collected by the UAS is disclosed or deleted as required by Minn. Stat. § 626.19, including the deletion of data as soon as possible, and in no event later than seven days after collection, unless the data is part of an active criminal investigation (Minn. Stat. § 626.19).

Council Member Scales asked if the 40-minute flight time was standard.

Investigator Malcolm said the larger UAS operates on two batteries. After 40 minutes they are able to replace the battery and operate it for another 40 minutes.

Council Member Scales asked how long it takes to charge the battery.

Investigator Malcolm said he does not have the exact time, but 30 to 40 minutes would be standard. Their plan is to have four batteries deployed with the UAS. It would be rare that they would need more than an hour of flight time. There would be four additional batteries at the police station charging and after the incident the officer would return to the police station and swap the used batteries with the new ones.

Council Member Gliva asked to confirm that the data would not be available for public requests and is only kept for seven days.

Investigator Malcolm said if the footage is part of a case file it would be retained based on the statute. Training flights, surveillance determined not to be part of a crime or surveillance for Public Works are examples of what would be removed within seven days. If the video were part of a case file, the standard data retention is seven years.

Council Member Gliva asked where the UAS would be stored.

Chief Chiodo said they are hoping to have a UAS trained officer on every shift and it would be in their squad car or at the police department with a trained investigator ready to be used.

Mayor Dietrich asked if the video has to be destroyed within seven days because there are situations where it would be helpful to view it after a seven day period.

Investigator Malcolm said under the statute it has to be destroyed within seven days unless it is part of a case file.

Council Member T'Kach asked how much this would cost and what amount was given by the grant.

Chief Chiodo said this could be paid for with a one-time safety dollar or their forfeiture funds.

Council Member T'Kach asked if trained officers would receive additional compensation.

Chief Chiodo said there are training costs that are built into their training budgets. There would be no additional compensation for the UAS trained officers.

Council Member T'Kach asked how quickly a UAS would be able to respond in the case of a lost child or adult.

Investigator Malcolm said it takes approximately 90 seconds from the time it is removed from the squad car to it being in the air.

Council Member T'Kach asked if there was a high demand for this or if there was a reason they could not continue to partner with other communities that have UAS systems.

Investigator Malcolm said time is of the essence in certain situations such as a missing child. If a nearby community has a UAS available, it could take 15 to 20 minutes to be able to start utilizing the UAS. If they need to contact the local sheriff's department the response time could be over 30 minutes. Their investigators can also use this as a tool, and it would be more efficient to have a system of their own.

Chief Chiodo said when they are deploying the UAS it is their data and stored in the same place their body camera footage is stored. If it is part of a case, there is not a chain of custody issue, and they can manage the data and can ensure it is destroyed per statute guidelines if it is not part or a criminal case.

Council Member T'Kach asked if the city has a drone ordinance for the public.

Administrator Wilson said she was not aware of any city ordinance. The fire department has a drone that they use for search and rescue. State law does not impose the same laws on a drone utilized by the fire department as they do for drones used by police departments.

Council Member T'Kach asked if there was potential for a privately owned drone could chase a police drone.

Investigator Malcolm said it is possible but not probable.

Council Member T'Kach asked if there is insurance for any inappropriate use of the drone that could protect the city in case of a lawsuit.

Chief Chiodo said it would be the same as if they violated the current data practices with their body camera or dashboard camera footage. The officer would face internal investigation, and the city would face liability issues if they were misusing data.

Council Member T'Kach asked if they were committed to the DJI brand.

Chief Chiodo said they like the brand, and it is one of the most popular brands because it is able to synchronize with their Axon body camera storage systems. After researching options, the price, and functions of the UAS systems that DJI offers fit what they are looking for.

Council Member T'Kach asked if they were aware that the U.S. House of Representatives introduced legislation to ban DJI drones.

Chief Chiodo said different agencies within the federal government are utilizing them and she does not think they will ban something that their own agencies use.

Investigator Malcolm said he has been following the legislation and has not seen it gain traction. The next best product is $7,000 more expensive and in his opinion is inferior.

Council Member T'Kach said she is concerned the cost could be over $10,000 with training, additional batteries, storage, replacements, and cameras.

Chief Chiodo said the UAS includes the cameras, and they have a training budget that would cover the cost of additional training. They would not train all of their officers.

Council Member T'Kach asked how they determine what a threat to public safety is at a public event and whose decision it is.

Chief Chiodo said it depends. They may receive intelligence from the state, another agency in the county, the investigator on scene or it could be the chief's decision. They would do their due diligence before using a UAS.

Council Member Scales said he thinks it is great and it is another tool in the police department's tool belt. Having an additional tool to keep their officers and the public safe is great opportunity.

Mayor Dietrich said the fire department is in need of training with their drone and asked if there could be collaboration between the two departments for training.

Investigator Malcolm said the Fire Department's UAS has a DJI platform but a different model. For training, the Part 107 licensing can be done cooperatively. Both departments' UASs would be on the same software system. There is a difference in the models because the fire department would utilize their UAS for different situations.

Mayor Dietrich said she thinks it is a good idea. She asked if it may lead to overtime if a UAS trained officer was not working and there was a critical incident.

Chief Chiodo said they are still determining how best to form the drone team. They will have four patrol shifts that will have people trained on every shift. There will also be investigators that are trained so there will always be someone on duty that can operate the drone. There could be an instance where there are multiple people on vacation, but they could partner with a neighboring community if necessary.

Council Member T'Kach said she wants to go into this with eyes wide open and asked to confirm how many drones would be purchased.

Chief Chiodo said they would have one larger drone and one smaller drone and confirmed the large drone would be transferred from shift to shift.

Mayor Dietrich asked Administrator Wilson if Council Member Murphy had any comments.

Administrator Wilson said he generally felt comfortable with the direction and proceeding.

Chief Chiodo asked Council for direction regarding public comment.

Attorney Nason said the statute says at a minimum they have to take written and email comment. It is up to Council if they want to put it on the Regular Agenda. If it is on the Regular Agenda members of the public who are present are given an opportunity to be heard. The public being able to be heard at the meeting as well as submit comments would comply with the statute.

Mayor Dietrich asked Chief Chiodo if they have a preferred way of receiving public comment.

Chief Chiodo said she would like to follow what they normally do and have a notice of a public hearing and allow residents to both email, comment and speak. They can have it on their website ahead of time.

Council Member T'Kach said she agreed, and the presentation was very helpful and would be valuable to residents.

Mayor Dietrich said they would follow that format for public comment.

**B.** 2025 Budget – Non-General Fund Budgets

Director Hove presented this item. The city has six debt services. Four are related to streets and two are related to the fire station.

| Bond Issuance | 2022 Budget | 2023 Budget | 2024 Budget | 2025 Budget |
|---|---:|---:|---:|---:|
| Street-Related Debts | | | | |
| 2015A G.O. Bonds | 635,669 | 637,301 | 633,210 | 634,055 |
| 2016A G.O. Bonds | 695,874 | 718,134 | 718,292 | 723,227 |
| 2017B G.O. Bonds | 263,211 | 263,125 | 262,882 | 267,731 |
| 2020A G.O. Bonds | 177,250 | 177,215 | 177,250 | 177,250 |
| Use of Closed Bond Fund | -177,250 | -177,250 | -177,250 | -177,250 |
| Fire Station Debt | | | | |
| 2018A G.O. Bonds | 737,977 | 739,289 | 739,552 | 733,514 |
| 2019A G.O. Bonds | 186,585 | 187,635 | 188,475 | 189,105 |
| **Total** | **$2,519,316** | **$2,545,484** | **$2,542,411** | **$2,547,632** |

Council made the decision a few years ago to use the Closed bond Fund to pay for the 2020A G.O. Bond.

2020A G.O. Bonds (Fund 394)

| | |
|---|---|
| Current Cash Balance – June 30, 2024 | $ 535,332 |
| 2024 Special Assessment Revenue * (last payment) | 16,400 |
| 2025 Transfer from Closed bond Fund (replace levy) | 177,250 |
| 2025 Add'l Transfer from Closed bond Fund | 25,000 |
| Add'l Interest Revenue 7/2024 – 2/2025 | 8,000 |
| Principal/Interest Due at Call Date (2/1/2025) | (761,670) |
| Estimated Cash on Hand – February 28, 2025 | $ 312 |

The Call Date is the first opportunity to pay off the debt early and not have to continue to pay interest for the next two years. 2024 is the last year they will collect assessments for this debt. The additional transfer of $25,000 will pay off the debt. The original plan had the Closed Bond Fund transferring an additional $177,250 in 2026. Staff recommends a transfer of $202,250 from the Closed Bond Fund to Fund 394 to replace the 2025 levy and provide sufficient funds for an early payoff of the bonds. If Council is in agreement to transfer the additional funds in order to pay the debt early staff will present it to Council this fall requesting authorization for staff to proceed.

Council Member Gliva said she likes paying off debt.

Council Member T'Kach asked what the interest rate was.

Director Hove said she does not remember the interest rate.

Closed Bond Fund (Fund 399)

| | |
|---|---|
| Current Cash Balance – June 30, 2024 | $ 1,285,706 |
| Replace 2025 Debt Levy for 2020A Bonds | (177,250) |
| Add'l transfer in 2025 to pay off 2020A Bonds | (25,000) |
| Add'l Interest Revenue 7/2024 – 2/2025 | 20,500 |
| Estimated Cash on Hand – February 28, 2025 | $ 1,103,956 |
| 2025 Sewer Debt Payments | (1,045,756) |
| Estimated Cash on Hand – After Transfer | $ 58,200 |

Staff have been reviewing options to potentially use the Closed Bond Fund to pay one year of the Sewer Debt Payments.

2025 Debt Budgets

| Bond Issuance | Debt Levy | Other | Total | Less: Principal + Interest, | |
|---|---|---|---|---|---|

| | | Revenues | Revenues | Other | Net |
|---|---|---|---|---|---|
| 2015A. G.O. Bonds | 634,055 | 30,000 | 664,055 | 648,350 | 15,705 |
| 2016A G.O. Bonds | 723,227 | 8,000 | 731,227 | 676,938 | 54,289 |
| 2017B G.O. Bonds | 267,731 | 42,000 | 309,731 | 319,363 | -9,632 |
| 2018A G.O. Bonds | 733,514 | 3,000 | 736,514 | 694,460 | 42,054 |
| 2019A G.O. Bonds | 189,105 | 750 | 189,855 | 177,800 | 12,055 |
| 2020A G.O. Bonds | | 212,250 | 212,250 | 759,030 | 546,780 |
| **Total** | **$2,547,632** | **$296,000** | **$2,843,632** | **$3,275,941** | **-$432,309** |

This is a snapshot of 2025. The negative is the net amount, and the Closed Bond Fund has the money to pay the balance.

Director Hove presented the Internal Service Funds and Allocations. There are four Internal Service Funds: Technology, City Facilities, Risk Management (Insurance) and Central Equipment. Staff will present information about the operating and capital components for some funds. The Central Equipment capital component will be presented at a later date. The General Fund is the largest contributor to these funds.

Summary of Allocations

| Allocation Type | 2024 Budget | 2025 Budget | Difference | % Change |
|---|---|---|---|---|
| Insurance (5450) | 479,600 | 549,600 | 70,000 | 14.6% |
| Workers Comp (5084) | 774,000 | 727,000 | (46,300) | -6.0% |
| Technology (5445) | 1,265,900 | 1,259,755 | (6,145) | -0.5% |
| City Facilities (5455) | 847,695 | 832,495 | (15,200) | -1.8% |
| Central Equipment (5460) | 3,208,400 | 3,790,900 | 582,500 | 18.2% |
| | 6,575,595 | 7,160,450 | 584,855 | 8.9% |

Director Hove said they have been able to fine tune the Workers Comp, Insurance, Technology and City Facilities budgets so there is not much of a change. The large increase to the Central Equipment Fund is primarily due to updated replacement costs for larger vehicles within the Fire Department. They want to decrease the allocation in future budget drafts to better phase in these increases. The 8.9% increase is already included in the General Fund budget.

Administrator Wilson presented the Technology Fund (Fund 606) budget information.

The Technology Fund allocation paid by each Department covers:

- Operating budget for IT Department – including IT staff wages and benefits, training, etc.
- Printers, copiers, desktop, and laptop computers
- “Core” software used City-wide (such as Microsoft Office Products)
- Servers, back-up system, etc.

A Department's allocation is based on the number of Full Time Employees (FTE) and device counts (computers, laptops, tablets).

Revenue in the Technology Fund comes from allocations paid by each City department or division and from interest on the fund balance. The total amount allocated to City departments and divisions has been declining slightly as staff refines the costs to be shared by all.

Technology Fund Revenue

| 2023 | 2024 | 2025 |
|---|---|---|
| 1,276,200 | $1,265,900 | $1,259,755 |

Proposed Capital Expenditures for 2025:

  - Camera System ($30,000)
  - Phone System ($60,000)
  - Audio/Visual ($9,000)
- Staff is evaluating an additional capital expenditure to upgrade the A/V equipment at Fire Station #2
  - Would utilize Technology Fund's fund balance
  - Would come back to Council for standalone approval

Technology Fund – Budget Summary

| | **2024 Budget** | **2025 Requested Budget** |
|---|---|---|
| **Revenues By Type** | | |
| Departmental Allocations | $ 1,265,900 | $ 1,259,755 |
| Other Revenues | 22,250 | 26,500 |
| **Total Revenues** | **$1,288,150** | **$1,286,255** |
| **Expenditures by Type** | | |
| Personnel | $ 793,600 | $ 832,200 |
| Supplies | 47,950 | 62,250 |
| Other Charges and Services | 468,206 | 390,665 |
| Capital Outlay – Machinery and Equipment | 102,400 | 99,000 |
| **Total Expenditures** | **$ 1,412,157** | **$ 1,384,115** |

Administrator Wilson said the Other Charges and Services includes the software and telephone costs annually.

2025 Budget Summary

| | |
|---|---|
| Revenues | $ 1,286,255 |
| Expenditures | $ 1,384,115 |

| | |
|---|---|
| Decrease to Fund Balance in 2025 | ($ 97,860) |

The Technology Fund had a balance of $1,034,013 as of December 31, 2023. The adopted 2024 budget included a $123,905 spend down in the fund balance which would leave $910,207. Staff is not proposing to spend down the entire balance in the fund but feel they can use some of the balance for one-time needs.

Parks and Recreation Lares presented the City Facilities Budget (Fund 605). The Parks and Recreation Department has a new Facilities Maintenance Superintendent.

Council did not have any questions

- Activities are funded by departmental allocations through expense code 5455:
  - Total City Facilities Allocation is $832,495 (1.8% decrease)
- Up until 2022, this fund covered facility costs solely related to the operation of City Hall, currently in a transition phase
- Current Allocation is based on historical FTE's and square footage by department; formula has not been updated for years
  - And the allocation does include a capital replacement component (like Central Equipment)
- Beginning in 2023, Solar Garden activities were added to this budget so $390,000 shows up as revenue (solar charges) – will need a few years of activity for comparison purposes

City Facilities – Budget Summary

| | 2024 Budget | 2025 Requested Budget |
|---|---|---|
| **Revenues By Type** | | |
| Departmental Allocations | $ 847,695 | $ 832,495 |
| Other Revenues | 403,500 | 444,080 |
| **Total Revenues** | **$1,251,195** | **$1,276,575** |
| **Expenditures by Type** | | |
| Personnel | $ 303,100 | $ 346,000 |
| Supplies | 66,200 | 42,200 |
| Other Charges and Services | 889,650 | 904,800 |
| **Operating Costs Subtotal** | **$ 1,258,950** | **$ 1,293,000** |
| Capital Outlay – Buildings | 266,041 | 293,500 |
| **Total Expenditures** | **$ 1,524,991** | **$ 1,586,500** |

Highlights and Additional Requests:

- Have a Central Equipment Allocation is new in this budget for 2025; starts a savings for future replacement of City Facilities vehicle (which was transferred from Parks Department) – this is reflected in current budget figures
- Requesting a position reclassification to create a Lead Worker position – not yet added to budgeted figures
- Consider utilization of fund balance for ongoing improvements in Police Department spaces (3-year plan beginning in 2024, currently in Police budget request)

| | |
|---|---|
| 2025 Budget Summary Revenues | $ 1,276,575 |
| Expenditures | $ 1,586,500 |
| Decrease to Fund Balance in 2025 | ($309,925) |

The 2024 budget assumed a $196,255 spend down in the fund balance for the capital expenditures category. This is unlikely to happen as the City Facilities Superintendent position was unfilled for the first half of 2024. The 2023 budget assumed spend down of $365,300 in the fund balance for the capital expenditures category and the actual spend down was $95,000.

City Facilities – 5 Year Capital Plan

| Division | 2025 Request | 2026 Estimate | 2027 Estimate | 2028 Estimate | 2029 Estimate | Total |
|---|---|---|---|---|---|---|
| Fire Stations 1 & 3 | 81,000 | 12,000 | 170,000 | 40,000 | 175,000 | 478,000 |
| Public Works | 8,500 | 189,000 | 38,000 | 52,000 | | 287,500 |
| City Hall/Police | 182,500 | | 20,000 | 30,000 | | 232,500 |
| Water Treatment Plant | 25,000 | 13,000 | | | | 38,000 |
| Golf Course | 5,000 | 5,000 | | | | 10,000 |
| Rich Valley | 15,000 | | | | | 15,000 |
| **Total** | **$317,000** | **$219,000** | **$228,000** | **$122,000** | **$175,000** | **$1,061,000** |

The 2025 – 2029 average capital is $212,200. Director Lares said there will be a new evaluation of the five-year plan with the addition of the City Facilities Superintendent. It is likely there will be a higher annual average of spend down.

City Facilities – 2025 Capital Projects

| Project | Amount |
|---|---|
| ADA Improvements | $ 25,000 |
| Lighting Improvements | 20,000 |
| City Hall – Replace Data Closet Heat Pumps | 14,000 |
| City Hall – Install Data Closet Duct Work | 8,500 |
| City Hall – Build Offices | 50,000 |
| City Hall – Elevator Code Updates | 105,000 |
| Fire Station #1 – Boiler/Pumps | 35,000 |
| Fire Station #1 & 3 – Update Fire Alarm Panels | 21,000 |
| Public Works – Water Heater | 3,500 |
| Rich Valley Maintenance Building – Boiler | 15,000 |
| Water Treatment Plant – Roof Top Unit | 20,000 |
| **Total Projects** | **$ 317,000** |

2025 Capital Funding

| | |
|---|---|
| Total 2025 Capital Expenses | $ 317,000 |
| From Central Equipment Fund* | 3,500 |
| From Water Capital Fund* | 20,000 |
| Capital Paid for out of City Facilities Fund | $ 293,500 |

*Exception will be for any ADA improvements – these will be paid for from the City Facilities ADA funds set aside in previous years were transferred into the City Facilities Fund

In 2021, $572,000 was transferred into the fund after completing the Fire Station Project. In 2022, staff recommended closing the Central Stores Fund and transfer those dollars estimated at $600,000 to the City Facilities Fund. The 5-Year Capital Plan anticipates $1,061,000 in capital spending of which $740,500 (70%) falls under general City Facility dollars.

Council Member T'Kach asked if he anticipates any big projects coming in year six or seven that they should be aware of.

Director Lares said there is a need for an evaluation of city facilities roofs. Some will need work, and this will be spread out over the next five years. He does not have anything specific outside of the current plans but once the new superintendent reviews the plans, he may have some updates.

Director Hove presented the budget review for the Risk Management Fund (Fund 602).

Overview:

- League of MN Cities (LMCIT) insurance premiums
    - Property/Equipment/Liability/Auto/Bond
    - Workers Compensation
- Corporate charges for attorney representation in lawsuits
- Portion of finance personnel costs charged to fund
- Activities are funded by departmental allocations through expense codes:
    - Insurance Allocation (5450) - $549,600 (14.6% increase)
    - Workers Compensation Allocation (5084) - $727,700 (6% decrease)
- Covers deductible payments
    - Property/Casualty deductible has been $50,000 – with $1,000/claim after deductible has been met
    - New in 2023 – added a $5,000 Workers Compensation deductible which resulted in premium savings; Workers' compensation premium went up considerably in 2023
- New in 2023 – City pays insurance agent fees directly to North Risk Partners (agent of record) rather than having those fees embedded within the property/casualty premium

Risk Management Allocations

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Workers Compensation | $ 688,800 | $ 723,200 | $ 774,000 | $ 727,700 |
| Insurance | 473,100 | 501,400 | 479,600 | 549,600 |
| Total Allocations to Fund | $ 1,161,900 | $ 1,224,600 | $ 1,253,600 | $ 1,277,300 |
| % Change | 4.0% | 5.4% | 2.4% | 1.9% |

The average cash balance in the Risk Management Fund is $1,032,852. The 2021 and 2022 Property/Casualty Dividends totaled $167,611.

Council Member Gliva asked if the increase to the Property/Casualty insurance was because of a high number of claims.

Director Hove said every seven years the League of MN Cities does a new property appraisal. The city had a lot of Workers Compensation claims in 2020 from Covid-19 and it is reviewed every three years. The reduction in claims in the last three years is why Workers Compensation costs have decreased. Council will hear more about this in the next meeting.

Risk Management – Summary

| | **2024 Budget** | **2025 Requested Budget** |
|---|---|---|
| **Revenues By Type** | | |
| Departmental Allocations | $ 1,253,600 | $ 1,277,300 |
| Other Revenues | 25,000 | 40,000 |
| **Total Revenues** | **$ 1,278,600** | **$ 1,317,300** |
| **Expenditures by Type** | | |
| Personnel | $ 32,000 | $ 33,900 |
| Legal and Contracted Services | 21,000 | 23,326 |
| Repair/Maintenance/Deductibles | 80,000 | 80,200 |
| Insurance Premiums | 1,260,900 | 1,165,100 |
| **Total Expenditures** | **$ 1,393,900** | **$ 1,302,526** |

Council Member T'Kach asked if this was all of the insurance for the city.

Director Hove said this is the Property/Casualty Insurance and Workers Compensation. It does not include Health Insurance.

Council Member T'Kach asked if it was for all of the properties including the golf course and VMCC.

Director Hove said the golf course only has a liquor license insurance that is done through their own budget. She is not aware of other insurances.

Council Member T'Kach asked if they have insurance to cover the golf course if there were a storm that caused some holes to be unplayable.

Director Hove said all of the City's properties are covered for property, buildings, casualties, and contents. They are also covered for employees making unintentional mistakes during their daily work. They will go further into the insurance topic in the next meeting.

2025 Budget Summary

| | |
|---|---|
| Revenues | $ 1,317,300 |
| Expenditures | $ 1,302,526 |
| Decrease to Fund Balance in 2025 | ($ 14,774) |

The 2025 budget does not take into consideration any potential property/casualty dividends (additional revenue) returned by LMCIT and budgets for the full $50,000 property/casualty deductible and $30,000 towards workers compensation deductibles (expense).

Council did not have any additional questions.

Public Works Director Connolly presented the Central Equipment Fund (Fund 603).

Overview:

- Vehicle maintenance and replacement
- Activities are funded by departmental allocations through expense code 5460:
    - Total Central Equipment Allocation proposed for 2025 is $3,790,900 – an 18.2% increase from 2024
- The allocation is two-fold:
    - Operating Costs – based on a three-year average of fuel usage and repair parts/hours
    - Capital – based on a vehicle replacement schedule, specific to each department

Departmental Allocations

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Operations | 1,628,600 | 1,611,700 | 1,560,600 | 1,499,050 |
| Capital Replacements | 1,540,600 | 1,552,000 | 1,647,800 | 2,211,842* |
| **Total** | **$ 3,169,200** | **$ 3,163,700** | **$ 3,208,400** | **$ 3,790,900** |

The higher operational costs in 2022 and 2023 are reflective of larger building repairs scheduled in those years. The Large increase to 2025 capital replacements allocation is due to updated replacement costs for some of the Fire Department's larger vehicles. Staff intends to reduce this capital allocation in future budget drafts to better phase in these costs.

Central Equipment – Budget Summary

| **Revenues By Type** | **2024 Budget** | **2025 Requested Budget** |
|---|---|---|
| Departmental Allocations | $ 3,208,400 | $ 3,790,900 |
| Interest and Other Reimbursements | 150,000 | 225,000 |
| **Total Revenues** | **$ 3,358,400** | **$ 4,015,900** |
| **Expenditures by Type** | | |
| Personnel | $ 606,700 | $ 623,800 |
| Supplies | 517,150 | 485,150 |

| | | |
|---|---|---|
| Other Charges and Services | 606,000 | 611,600 |
| **Total Expenditures – Before Capital** | $ 1,729,850 | $ 1,196,170 |
| Capital Outlay – Vehicles and Equipment | 1,481,996 | 1,196,170 |
| **Total Expenditures – After Capital** | **$ 3,211,846** | **$ 2,916,720** |

The other charges and services are repair maintenance costs including parts and repair.

Director Connolly said the Central Equipment Fund is in a good cash position because they have a lot of assets that they are saving for future replacements. The end of year cash position is approximately $15.5 million. This includes loans for internal service funds. There are two loans receivable as of December 31, 2023:

- $1,092,107 – Golf Course for 2016 Improvements
- $372,140 – VMCC for 2018 Rink Improvements

Council did not have any questions.

Administrator Wilson presented the Economic Development Authority Fund.

Economic Development Authority (EDA) Budget

| | 2022 Activity | 2023 Activity | 2024 Budget | 2025 Requested |
|---|---|---|---|---|
| Personnel | $ 20,136 | $ 14,662 | $ 148,000 | $ 158,000 |
| Supplies | 0 | 330 | 0 | 500 |
| Other Charges and Services | 16,866 | 104,194 | 65,515 | 51,215 |
| **Total** | **$ 37,003** | **$ 119,186** | **$ 213,515** | **$ 209,815** |

EDA – Additional Consideration:

- 2024 Budget contained funds for a staff person focused on economic development
  - Position funding planned to use some EDA Fund Balance
  - Council Decided to extend consultant contract instead
  - Current contract comes up in September 2024
- Proposed 2025 Budget contains similar funds that may be used for a staff person or consultant

EDA – Funding Recommendation:

- EDA Fund Balance December 31, 2023 - $304,867
  - 2024 assumed spending down $41,000 of fund balance which would leave $263,867 in the fund
  - Latest 2024 figures assume the balance will grow by $61,000 in 2024 rather than spending down $41,000
  - This would leave $366,000 in the fund at the end of 2024
- Recommendation is to budget for the use of $50,000 in fund balance in 2025
  - Allows for staggering of levy increases related to the staff person / consultant; and
  - Recognizes that the funds set aside in 2024 will most likely not be fully utilized in 2024

Council Member T'Kach asked if the budget included any acquisition of property or revenue from property sold.

Administrator Wilson said it does not include any budget for acquiring property or revenue from property sold.

Council Member T'Kach asked where they would see those funds.

Administrator Wilson said the EDA has a small acquisition fund with a balance of $34,000. Staff have considered combining the EDA Acquisition Fund and the EDA Operating Fund. The EDA's acquisition of land usually comes from the Host Community Fund or grant money. The EDA owes the Host Community Fund about $1 million for a few parcels that were acquired from the golf course a few years ago. They do not levy to purchase land.

Council did not have any additional questions.

Director Connolly presented the proposed 2025 Budget for Pavement Management.

Proposed City-Dedicated Funding for 2025

| City Funding Source | 2025 Requested |
|---|---|
| Tax Levy | $ 2,934,750 |
| Franchise Fees | 1,111,000 |
| State Aid – Maintenance | 500,000 |
| *NEW:* Transportation Advancement Aid (TAA) | 100,000 |
| Transfers In – Host Community | 0 |
| **Total City PM Funding** | **$ 4,645,750** |

City-dedicated funding they receive regardless of the projects that are scheduled because it is collected through things that are not project specific. Franchise fees are from utility companies with franchise agreements with the city. These fees are collected from the utility companies for using the

City's right of ways. State Aid is given annually for maintenance on any roads. The Transportation Advancement Aid (TAA) is new for 2025 and is part of State Aid. These funds are collected from surcharges for deliveries from companies like Amazon, UPS, and FedEx for maintenance on city roads.

Additional Project – Specific Funding for 2025.

| City Funding Source | 2025 Projected |
|---|---|
| Special Assessment Collections | $ 2,141,293 |
| Bond Proceeds | 3,707,099 |
| State Aid – Construction | 373,450 |
| Investment Interest | 275,000 |
| Transfer in from Utility Funds | 5,623,339 |
| Reimbursements from Partner Agencies (Dakota County, City of Eagan, etc.) | 1,885,994 |
| **Total City PM Funding** | **$ 14,006,175** |

The State Aid – Construction funds are for the project on Argenta Trail along the border with Eagan. The transfer from utility funds is for pavement management projects that require utility work. The project in the 46th Avenue and Barbara Avenue area is a complete reconstruction and will require all new sanitary sewer, storm sewer and watermain.

Combined Funding for 2025

| City Funding Source | 2025 Projected |
|---|---|
| City-Dedicated PMI Fund (Requested) | $ 4,645,750 |
| Additional Project-Specific Funds (Projected) | 14,006,175 |
| **Total PM Fund Revenue** | **$ 18,651,925** |

Pavement Management – Local Streets 2025 Projects

| Project | Amount |
|---|---|
| Annual PMI Projects | $ 15,607,913* |
| Broad Area Patching | 230,000 |
| Crack Sealing & Pavement Rejuvenation | 220,000 |
| Traffic Calming and Safety Improvements | 30,000 |
| Cahill Ave. Traffic Study | 95,000 |
| South Grove Area Maintenance Overlay (UTBWC) | 1,000,000 |
| **Total Projects** | **$ 17,182,913** |

* All PMI costs include funding from multiple funding sources (Assessments, Utility Funds, MSA, etc.)

The 2025 PMI Projects are 91% of the budget.

Council Member T'Kach said in 2024 $30,000 was budgeted for traffic calming and safety improvements and asked if that money was spent. If it was not spent, she asked if it was moved into a fund balance for a bigger project.

Director Connolly said if the funds are not spent, they stay in the PMI fund. If there are any funds left when a PMI project is finished, that money is returned to the funds that they came from. They did do several small improvements with the budget from 2024, mostly minor updates to crosswalks.

Council Member T'Kach said pedestrian safety continues to be in issue and asked if more lighting on crosswalks at night or similar items are in the plan.

Director Connolly said he does not have anything specific, but lighting would be paid for from the Street Lighting Fund. He has not received any requests specifically about lighting for crosswalks. The majority of requests he has had were for adding new crosswalks. Several of the requests have been for roads where they have already proposed a study, new roads, or county roads.

Pavement Management – Partnership Projects 2025 Projects

| Project | Amount |
|---|---|
| 70th Street – TH 3 to Cahill Ave – Final Design | $ 165,000 |

| | |
|---|---|
| 80th Street – Babcock Tr. To Bowman – Construction | 400,000 |
| 80th Street – TH 3 to Babcock Trail Scoping Study | 36,500 |
| Argenta Trail/I-494 – Prelim Design | 50,000 |
| Babcock Trail Multiuse Trail Facility (Construction) | 207,150 |
| Argenta/Westcott/TH 149 Flashing Yellow Arrow | 75,000 |
| **Total Projects** | **$ 933,650** |

* All cost amounts are City Share from Pavement Management Fund only.

Partnership Projects are projects that are done in conjunction with other communities. All of the above projects except the flashing yellow arrow at Argenta, Westcott and TH 149 are county projects. This project is in conjunction with MnDOT and the City of Eagan.

Expenditure Budget for 2025:

- Project Costs - $17,182,913
- Transfers to Partnership Projects - $933,650
- Additional Operational Costs - $53,500
  - Division Software
  - ICON Pavement Ratings
  - Special Assessment Fees
  - Professional Services – support for financial modeling
- Total 2025 Expenditures: **$18,170,063**
- 2025 Revenues: $18,651,925
- Net Project Fund Proceeds (end of 2025): +$481,862

Pavement Management Initiative

| Year | Miles | Estimated Cost (Street Only) (Inflation Adj.) |
|---|---|---|
| 2025 | 3.6 | $ 7,477,000 |
| 2026 | 7.3 | 10,650,000 |
| 2027 | 6.6 | 9,606,000 |
| 2028 | 6.2 | 9,702,000 |
| 2029 | 8.2 | 12,988,000 |
| **Total** | **31.9** | **$ 50,423,000** |

Assessment Budgeting: A Moving Target

- Assessments Vary by Construction Type
  - Reconstruction, Reclamation, Overlay
  - 35% to 80% of pavement costs
  - Capped by special benefit received (see below)
- Special Assessment Payment Modifications
  - Assessment Payback period based on assessment cost Payback ranges from 5, 10 or 15 years
    - Modified in Updated Assessment Policy (January 2024)

      - Will apply to all 2025 PMI Projects
- Future Adjustment in Special Assessment Rates
   - Current Assessment Rates nearing limits of special benefit
      - Most Reconstruction Projects result in assessment caps
      - Result: Increased PM-Local Fund percentage

Director Connolly said they will present the last 2025 PMI project at the next Council meeting. The project is for Bacardi Avenue. It is currently a gravel road, and the project proposes a full reconstruction. The assessments are a bit higher than what staff believes special benefits can sustain. Staff will ask Council to consider allowing staff to do a formal independent special benefit analysis. If the analysis comes back with lower assessments, it will mean the city would need to pay a higher cost.

Capital Improvement Plan Financing Models – Future Presentation:

- To be discussed at a future work session
- Will include projects as outlined within the current Public Works CIP draft, and as included in project estimates presented today
- Separate models for each PMP Fund: Local Streets & Partnership Projects
- Will contain updated bonding recommendations based on annual cash balances in Local Street fund

Council did not have any additional questions.

Parks and Recreation Director Lares presented the proposed 2025 budget for Veteran's Memorial Community Center (VMCC).

Community Center Overview:

- 153,000 sq. ft. plus facility
   - Aquatics Center
   - Fitness Center
   - Ice Arena/Senior Center/Community Rooms
   - National Guard Armory Gym
- Annual Hours of Operations
   - 5366 hours (average 15 hours/day) Fitness, Aquatics, Gym
   - 5980 hours (average 16.5 hours/per day) Arena
- 3,475 – Members in 2023 (Increase of 13%)
- 165,499 – Admissions in 2023 (Increase 7%)
- Over 500,000 attendees annually (Arena, Senior Center, Gym, etc.)
- 14 FTE's
   - Operations and Maintenance – 5
   - Programming – 5
   - Guest Services – 2.75
   - Administrative – 1.25
- 100-150 Part-time Non-benefited staff
   - Across all divisions

Community Center – New Divisions in 2024:

- (4410) Common-Admin and General Operations
- (4420) Aquatics
- (4430) Fitness
- (4440) Arenas
- (4450) Community Rooms/Rentals/Kids Rock/Seniors

Director Lares said Jamie Muscha is the new Community Center Manager and will help clean up the budgets.

Community Center Divisions Expenditure Budgets:

- Aquatics – 28%
- Fitness – 19%
- Arenas – 16%
- Community Rooms/Rentals/Kids Rock – 12%
- Common – 25%

Community Center Operating Summary

| | 2022 Activity | 2023 Activity | 2024 Budget | 2025 Requested |
|---|---|---|---|---|
| Personnel* | $ 2,148,402 | $ 2,356,426 | $ 2,575,200 | $ 2,669,000 |
| Supplies | 189,826 | 163,165 | 199,820 | 196,752 |
| Services and Charges | 1,379,958 | 1,388,538 | 1,307,875 | 1,376,558 |
| **Total** | **$ 3,718,186** | **$ 3,908,129** | **$ 4,082,895** | **$ 4,242,310** |

* The above Personnel figures do not reflect additional staff requests

Council Member Gliva asked what was included in service and charges.

Director Lares said service and charges have a lot of different items for contracts, contract cleaning, software, and different contracts for preventative maintenance.

Administrator Wilson said VMCC's budget includes the building operating costs. They have an ice rink and pool, and the utility expenses are in the service and charges operating costs. The technology allocation is also included.

Director Lares said the aquatics facility does have a high utility cost. One of the first items on their 2023 CIP was to improve the LED lighting in the center to reduce utility costs. They are continuously trying to lower their utility costs because it is a high percentage of their operating costs.

Community Center Operating Summary

| | Common Dept 4410 | Aquatics Dept 4420 | Fitness Dept 4430 | Arenas Dept 4440 | Community Rooms/Rentals/ Kids Rock Dept 4450 | Total |
|---|---|---|---|---|---|---|
| Revenues | $ 151,600 | $ 895,758 | $ 1,044,800 | $ 815,317 | $ 394,760 | $ 3,302,235 |
| Expenditures | 1,060,975 | 1,201,290 | 818,160 | 674,390 | 487,495 | 4,242,310 |
| **Difference** | **($909,375)** | **($305,532)** | **$ 226,640** | **$ 140,927** | **($92,735)** | **($940,074)** |

General Membership Revenue split:
- 10% Common
- 15% Aquatics
- 75% Fitness

General Admission Revenue split:
- 10% Common
- 60% Aquatics
- 30% Fitness

Director Lares said this is a work in progress. They are trying to reallocate costs to the appropriate departments based on use of the facilities.

They have a high increase in cost due to growing membership and admissions. They have a large increased interest in fitness personal training.

Mayor Dietrich said the community center is a service to the community, so they do not expect revenues to offset all of the expenses. She asked if in future budgets they could include the percentage of cost recovery they would like to be at.

Director Lares said they are trying to fine tune what they would have for a percentage of cost recovery for each division and for the community center as a whole.

Mayor Dietrich said she wants residents to know what the goals are.

Director Lares said it is a service and what they are providing the residents. There is a cost of doing business. They are considering affordability and accessibility as well and look at other community centers of similar size in the area.

Community Center - $96,385 in Additional Requests:

- New staffing requests
    - Reclass Lead Customer Service Specialists to Membership Specialist, backfill with additional guest service hours ($35,400)
    - Reclass Lead Worker ($8,400)
    - Staffing Adjustments ($52,584)
        - Additional swim lessons/birthday parties
        - Additional Silver Sneakers classes, specialty classes and personal training
        - Additional 3 hours of childcare/week and increase in guest services hours
        - Higher wages for part-time operations staff to remain competitive in the current labor market
        - Partially offset by increases to revenue
        - Reductions to hours for part-time maintenance workers

Revenue Projections

| | 2022 Activity | 2023 Activity | 2024 Budget | 2025 Proposed |
|---|---|---|---|---|
| Total operating Revenues | $ 2,701,883 | $ 2,789,050 | $ 2,895,790 | $ 3,302,235 |
| **Increase from Previous Year** | **$ 456,655** | **$ 87,167** | **$ 106,740** | **$ 406,445** |

Higher projected revenue in 2025 due to:
- Increase in membership
- Increase in admissions
- Increase in swim lessons and birthday party offerings
- Additional personal training offerings
- Overall increases in program offerings and participation

Community Center – Operating Transfer Needed

| | 2022 Activity | 2023 Activity | 2024 Budget | 2025 Proposed |
|---|---|---|---|---|
| Total Operating Expenditures | $3,718,186 | $3,898,700 | $4,082,995 | $4,242,310 |
| Total Operating Revenues | $2,701,883 | $3,196,020 | $2,895,790 | $3,302,235 |
| **Transfer Needed from Host Community Fund (per audited financials)** | **$1,016,303** | **$702,680** | **$1,187,205** | **$940,075** |
| **Operating Costs Not Covered by Revenue** | **27.3%** | **18.0%** | **29.0%** | **22.2%** |
| | | | | |
| **Actual Transfer from host Community Fund*** | **$1,069,557** | **$725,621** | | |
| **Difference** | **$53,254** | **$22,941** | | |

* Actual transfers are calculated prior to finalizing year-end payroll liabilities so transfers needed per audited financials will differ from actual transfers completed. These small differences either increase or decrease fund balance within the Community Center Fund.

Council Member T'Kach asked if the reconstruction of the Brightside Room would happen in 2025 and lead to higher revenue and a lower transfer from the Community Fund.

Director Lares said in the 2024 CIP $20,000 was allocated to the design and construction efforts mainly for the Brightside Room. They worked with vendors who gave ideas for design and general costs at no cost. They did not use the $20,000 and amended the CIP. If they choose to do the indoor playground that is currently in the 2025 CIP, they estimate a net revenue between $80,000 and $120,000 which will impact the cost recovery efforts.

Community Center Capital:

- New fund created in 2023 to track Community Center capital expenditures (Fund 206)
- Funded by a transfer from the Host Community Fund
- Scheduled for $700,000/annually
    - Based on most recent 5-year CIP (2025 – 2029), leaving this transfer at $700,000 annually (no inflationary factor)
- Consistent funding should allow the city to manage capital repairs and replacements for varying years of high and low capital needs
- Individual projects still require annual City Council approval

Community Center – Proposed 2025 Projects

| Area | Project | Amount |
|---|---|---|
| Fitness | Equipment Replacements, Center Flooring | $105,000 |
| Aquatics | Water Park Play Structures | 80,000 |
| Arena | Paint Team Rooms and Restrooms, Volleyball Poles/Stands, Card Reader for P & R Admin Office | 132,500 |

| | | |
|---|---|---|
| Mechanical | Replace ADA Door Openers, HVAC (Daycare), Radiant Heat West Rink | 132,500 |
| Grove | Brightside Room Remodel, Benches, Birthday Party Room, Pool Deck, Rear Concrete Stairs | 400,700 |
| | Total Projects | $ 750,200 |

Community Center Capital Fund (Fund 206)

| | 2024 Budget* | 2025 Proposed | 2026 Projected | 2027 Projected | 2028 Projected | 2029 Projected |
|---|---|---|---|---|---|---|
| **Beginning Balance** | $299,899 | $630,879 | $600,679 | $756,629 | $1,271,629 | -$565,371 |
| **Revenue In** | | | | | | |
| Transfer from Host Community Fund | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 |
| Interest and Other Rev | 32,610 | 20,000 | 20,000 | 25,000 | 40,000 | 0 |
| **Expenses Out** | | | | | | |
| VMCC Capital Projects (from 2025-2029 CIP) | (401,630) | (750,200) | (564,050) | (210,000) | (2,577,000) | (472,900) |
| **Year-End Balance** | **$630,879** | **$600,679** | **$756,629** | **$1,271,629** | **-$565,371** | **-$338,271** |

The 2024 CIP Budget was revised and reduced at the May 28, 2024 Council Meeting. The 2028 CIP contains a $2.5 million project for replacement of the East and West Rink Compressors. There is a potential cost-share agreement with the City of Rosemount. The current agreement with Rosemount ends in 2028 and there is an option to partner with them again. $2.5 million is a high level estimate.

There were no additional questions from Council.

City Administrator Wilson presented the Host Community Fund budget.

Host Community Fund – Revenues

- Revenue comes from landfill host community fees
  - Tonnage Fee from Pine Bend
  - Fixed Fees from Pine Bend - $225,000 per year
  - $25,000 from Frattalone through 2027

Host Community Fund – 2025 Budget

| Revenues | 2022 Actual | 2023 Actual | 2024 Estimate | 2025 Budget |
|---|---|---|---|---|
| Pine Bend – Tonnage Fees | $ 2,826,661 | $ 2,078,082 | $ 2,500,000 | $ 2,575,000 |
| Pine Bend – Fixed Fees | 225,000 | 225,000 | 225,000 | 225,000 |
| Frattalone Payment | 25,000 | 25,000 | 25,000 | 25,000 |
| Interest and Other | (195,501) | 383,584 | 110,139 | 100,000 |
| **Total** | **$ 2,881,159** | **$ 2,721,666** | **$ 2,860,139** | **$ 2,925,000** |

Host Community Fund – Uses

- Council has broad discretion on how the fund is used
- 2023 identified “core uses” and “temporary uses”
- 2024 modified core uses to include Storm Water which included a plan to transition current transfer to PMP Fund to Storm Water Capital Fund instead - $ 100,000 per year
- 2025 seeks to accelerate that transition and affirm new financial priorities
    - Storm Water Capital
    - Sewer Capital

Host Community Fund – 2025 Expenses and Uses
Expenses:
- Staff and consultants for landfill monitoring
- Legal costs associated with enforcing current Host Community Agreement
- Transfer to cover funding gap in Recycling Program

Core Uses:
- Transfer to VMCC Operations
- Transfer to VMCC Capital
- Cover Balance of Recycling Grant
- Transfer to Storm Water
- Transfer to Sewer Capital (beginning in 2026)

Proposed to be Discontinued
- Transfer to Pavement Management

Mayor Dietrich asked to confirm if the golf course had taken a loan from the Host Community Fund for $1 million.

Administrator Wilson said the EDA has a loan from the Host Community Fund for purchase of land from the golf course.

Mayor Dietrich asked when the loan was taken.

Administrator Wilson said she would find the date, but it was 8 to 12 years prior.

| Expenditures | 2024 | 2025 | 2026 |
|---|---|---|---|
| Expenses | **$183,401** | **$155,300** | **$163,065** |
| Core Uses | | | |
| Pavement Management | $500,000 | $0 | $0 |
| VMCC Operations | $1,187,205 | $940,075 | $987,079 |
| VMCC Capital | $700,000 | $700,000 | $700,000 |
| Balance of Recycling Grant | $5,000 | $5,000 | $5,000 |
| Storm Water (moved to core use) | $1,100,000 | $1,500,000 | $500,000 |
| Sewer | $0 | $0 | $1,000,000 |
| “Short-Term” Uses | | | |
| TKDA- 65th St Small Area Plan | $12,068 | $0 | $0 |
| **Total** | **$3,687,786** | **$3,300,375** | **$3,355,144** |

Council Member T’Kach asked why the Sewer Fund does not pay for itself.

Administrator Wilson said the city took on debt to provide sewer to the NWA expecting development to pay for it with connection fees, but the development has not gone as projected. They do not have to transfer from the Host Community Fund, but the debt needs to be paid from somewhere. There are alternatives such as raising the rates on sewer rates or raising the property tax levy. Staff is recommending the transfer from the Host Community Fund.

Council Member T'Kach asked if this would reduce the need to give a fee reduction to developers in the NWA.

Administrator Wilson said if there was a large increase of development and developers were willing to pay the current fees, the need for the transfer of funds from the Host Community Fund would decrease.

Council Member T'Kach asked if the $1.5 million would reduce the pressure on the city to grant fee abatements.

Administrator Wilson said Council has granted two fee reductions for developments in the NWA recently. The Host Community Fund is interwoven with the sewer and stormwater funds. Council will see the budgets for sewer and stormwater over the next few work sessions. They are modeling budgets based on a reasonable estimate of development fees and a transfer from the Host Community Fund.

Council Member Scales said if they transfer the money in to help the stormwater budget, they can lower the fees for development and get development to help pay some of the fees and make up some of the difference. If they do not transfer it the residents will end up paying for it because they will not have any development.

Administrator Wilson said the sewer debt is an obligation of the city so either the residents or the city has to pay it somehow. One of the challenges with the development fee structure is they have little control over the land being developed ion a certain year.

Council Member Scales said some revenue is better than no revenue.

Administrator Wilson said with the transfers to stormwater and sewer funds the Host community Fund is still projected to have $2 million dollars at the end of 2030. The host community agreement expires the end of 2030.

Council Member T'Kach asked if there has been modeling for how the contracts will be structured if Dakota County Solid Waste Management's plan meets their goal to reduce waste going to landfills.

Administrator Wilson said she had not analyzed it yet.

Council Member T'Kach asked if it would be considered.

Administrator Wilson said staff can look at it but as a society they have not been meeting the goals.

Council Member T'Kach said they do not want to be anticipating more money into the fund and then have it be much lower.

Administrator Wilson said this is not the best year to model because they are in the process of negotiating a new Host Community Agreement. Once that is in place they would have more information to model.

Host Community Fund – 2025 Balance Estimate

| | 2024 – updated estimate | 2025 |
|---|---|---|
| Estimated Starting Balance | $4,791,336 | $3,963,801 |
| Revenues | 2,860,139 | 2,925,000 |
| Expenditures | 3,687,674 | 3,300,375 |
| **Estimated Ending Balance** | **$3,963,801** | **$3,588,426** |

The estimated cash balance as of December 31, 2030 is $2,122,292.

There were no additional questions from Council.

**C.** Follow-up Information Requested During July 15 Budget Work Session

City Administrator Wilson and Finance Director Hove presented this item.

Director Hove said Council had questions regarding the citywide tax levy during the work session on July 15, 2024.

Citywide Tax Levy by Fund

| Fund | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| General Fund | $ 22,916,070 | $ 24,856,311 | $ 26,971,103 | $ 28,566,191 |
| General Fund – Tax Abatement | | 33,000 | 182,880 | 183,300 |
| Pavement Management | 2,550,000 | 2,900,000 | 3,045,000 | 2,934,750 |
| Debt Service | 2,519,316 | 2,545,484 | 2,542,411 | 2,547,632 |
| Total Levy | $ 27,985,386 | $ 30,334,795 | $ 32,741,394 | $34,231,873 |
| % Change from Prior Year | 7.1% | 8.4% | 7.9% | 4.6% |

The total levy presented is $34,231,873 for a 4.6% increase over the total levy from 2024.

Impact of 4.55% Citywide Tax Levy Increase on Median Valued Residential Property ($349,500)

| | |
|---|---|
| Proposed Citywide 2025 Tax Levy | $ 34,231,873 |
| Increase (%) | 4.55% |
| Change in Tax Rate | 1.65% |
| 2025 Median Value Property * | $ 349,500 |
| Annual Change in City Taxes (for $349,500 median property) | $ 69.75 |

Director Hove said the tax rate would be 50.961 compared to the 2024 tax rate of 50.132. The rates are subject to change.

Council did not have any additional questions.

Administrator Wilson said Council had requested to review new staff added in the recent years, the need for new staff positions in 2025 and a comparison of Mayor and Council salaries to neighboring cities.

Staff Positions Requested in 2025:

- Police Department – three additional police officers
  - Pending grant which will cover some of the salary
- Fire Department – three additional full time firefighters
  - Pending grant which will cover some of the salary
- Communications – one additional FTE

These are all of the full time positions requested and will fall in the General Fund. Parks and Recreation Director Lares requested a few reclassifications and changes, but they fall outside of the General Fund and do not impact the tax levy.

History of Staff Increases – Fire Department:

- Four new staff in 2019
  - Three fulltime Captains and One Inspector
- Zero new staff in 2020
- Zero new staff in 2021
- Nine new staff in 2022
  - Three Fulltime Lieutenants
  - Six fulltime firefighters – grant funded
- Zero new staff in 2023
- One new staff in 2024
  - Assistant Chief – Operations
- 14 new fulltime staff positions over six years

Administrator Wilson said the fire department has been undergoing a change since 2019. They were primarily a paid on call department with fulltime leadership and have moved to a mix of responders that are paid on call or fulltime staff.

History of Staff Increases – Police Department:

- Minus two staff in 2019
  - One officer
  - One support staff
- One new staff in 2020
  - One officer
- One new staff in 2021
  - One officer
- Four new staff in 2022
  - Two officers
  - One Sargent
  - One support staff
- Two new staff in 2023
  - Two officers
- Zero staff in 2024
- Net gain of six new staff over six years

History of Staff – Communications:

- One new staff in 2019

  - Communications Manager
- 0.5 FTE added in 2023
  - Assigned to Parks and Recreation

Administrator Wilson said if all seven new staff are approved it would be an increase to the General Fund budget of $894,000. There are also requests for position reclassification, overtime, and seasonal/temporary staff and that would be an additional $53,000 for a total cost of $947,000. This would be an additional 2.9% levy increase.

Administrator Wilson said all of the requests are reasonable and valid. They do have to prioritize, and staff will provide their recommendation at the next council meeting.

Council did not have any additional questions.

Administrator Wilson presented a review of Mayor and Council Member salaries. The current salary for Mayor is $11,400. The current salary for a Councilmember is $8,200. The last increase was effective January 1, 2015. Any changes to Mayor or Councilmember salaries must be adopted prior to the November election and would take effect after the election. There is no requirement as to how far before the election changes can be made. It does need to be done by ordinance and three readings are required to pass an amendment to an ordinance.

The average Mayor's salary in Dakota County is $10,986. Salaries are typically higher for cities with higher populations. The average Councilmember's salary in Dakota County is $8,454. Council requested to compare the average salaries for Mayor and Council members in cities in the Municipal Legislative Commission (MLC). Cities in the MLC tend to be the larger suburban communities in the metro area that do not receive local government aid. The average Mayor's salary in the MLC is $15,366. The average Councilmember salary in the MLC is $11,090.

Administrator Wilson said if they had done a 3% increase each year since 2015 the Mayor's salary would be $15,321 and the salary for Councilmember's would be $11,020. This is very close to the average for cities in the MLC and would be a 34.4% increase.

Additional Options:

- 5% increase:
  - Mayor - $11,970
  - Council - $8,200
- 10% increase:
  - Mayor - $12,540
  - Council - $9,020
- 15% increase:
  - Mayor - $13,110
  - Council - $9,430

Council did not have any additional questions.

**D.** Dedicated & Specialized Revenues & Possible Uses Within 2025 Budget.

Administrator Wilson presented this item.

Dedicated City Funds:

- Fund 220 – Affordable Housing Fund
- Fund 251 – ARPA Fund
- Fund 252 – Opioid Settlement Fund
- Fund 453 – SE Quadrant TIF District

Administrator Wilson said they received some one-time Public Safety Aid from the state.

Fund 251 – Affordable Housing Fund (New)

- Ongoing state aid to cities to support eligible expenditures related to:
  - Development and preservation of Affordable Housing
  - Helping people experiencing homelessness find housing
- First half of 2024 payment received
  - $100,221 received in July
  - Equal amount expected in December

Administrator Wilson said these funds are from an increase in sales tax in the metro area. The amounts received in 2025 and beyond should be slightly higher because the funds in 2024 were for ten months instead of twelve. The funds need to be spent on a rolling three-year basis.

The Dakota County Community Development Agency presented an option during the June 2024 work session to transfer the funds to the CDA to manage the funds using programs they already have in place. The funds would only be spent within the Inver Grove Heights community.

Fund 251 – ARPA Fund:

- Federal funds via the "American Rescue Plan Act"
- City received $3.9 million
- Broad scope of allowable uses
- Must be committed by December 31, 2024 – Spent by December 31, 2026
- $2.5 million committed to Water Treatment Plant Rehabilitation
- $1 million earmarked for acquisition of park land in NWA
- Remaining $400,000 flexible

Staff is still recommending if there is not significant progress on the park land acquisition in the next four to six weeks, to consider spending the funds on the public safety payroll. This would result in an equal surplus in the General Fund and Council could be spent on park dedication or any other governmental purpose.

Council Member Scales said his preference is to use the $400,000 to move the two historic buildings to Heritage Village.

Administrator Wilson said the only way to move the buildings would likely be with the city's money. This would be an eligible way to spend the funds. There are no historic grants that will cover moving buildings and State Bonding dollars cannot be used to move a building.

Council Member Scales said he thinks this is a great opportunity to make Heritage Village the destination park for the area.

Council Member T'Kach asked if the $1 million could be given to the county to combine funds to develop a park in the NWA and the other $400,000 could still be used to relocate the historical buildings.

Administrator Wilson said they think they could find the legal means to have the county put the $1 million to use on behalf of the city but is unsure they could have it committed by the end of the year.

Council Member T'Kach asked if giving the funds to the county would be considered committed.

Administrator Wilson said she was not sure.

Council Member Gliva asked if they were unable to have the funds applied to the park if there was a reason they would not put more towards the water treatment plant rehabilitation.

Administrator Wilson said they have taken a low interest loan from the Public Facilities Authority. The water treatment plant benefits part of the city and they were looking for a way to spend the remaining

ARPA funds in a way that would benefit the entire city. If the Council wants staff to look into applying the funds towards the water treatment rehabilitation, they can but it needs to be done quickly because the loan is already signed.

Council Member Gliva asked what the payback period is for the loan.

Director Hove said it is a 20-year loan for $1.2 million at a 2.155% rate. The ARPA funds cannot be applied towards existing debt. They could use the money for General Fund purposes and reallocate those funds towards something else.

Council Member Gliva said they are talking about raising the levy again and if there could be a lower loan or they could pay it back earlier it would help.

Administrator Wilson said she anticipated the Council would ask if the funds could be put towards the sanitary sewer or stormwater needs but they cannot save the funds. They would have to sign a contract to spend it within the next four months and they have already paid their debt for 2024.

Administrator Wilson said they would provide a budget amendment that commits the funds towards the 2024 Public Safety budgets and the General Fund would have a surplus at the end of the year.

Council Member Gliva asked if the surplus in the General Fund could be applied towards the sewer and stormwater debts.

Administrator Wilson said it could be.

Council Member T'Kach asked if the intent for the ARPA funds was for legacy projects in communities to have something that benefits the entire community.

Administrator Wilson said she has not seen anything from the federal government with those parameters. A number of cities and counties have locally decided they wanted to do a legacy project by choice. It is not required to be spent that way.

Mayor Dietrich asked if Council Member Murphy provided any feedback.

Administrator Wilson said Council Member Murphy was generally supportive of staff's recommendations in the budget as long as nothing prevents them from buying land in the NWA for a park. This is a high priority for him, and he would likely be firmly advocating keeping the money for a park.

Council Member Gliva asked if they would allocate the funds to the General Fund, and could it be kept for a park. Administrator Wilson said yes, they would report to the federal government how they spent the funds, and all of their obligations would be completed.

Council Member Scales said that it leaves opportunity for the funds to be applied elsewhere and not be available for a park.

Administrator Wilson said it leaves the money uncommitted. A future Council could choose to spend it on something different.

Council Member Scales said he would like to move forward with some of the legacy projects and give residents something they can use. He does not want it pushed back for years.

Council Member T'Kach said she agrees with Council Member Scales and wants to do something tangible with the money for the community.

Council Member Gliva said she has been outdoor knocking and running for reelection. Residents are concerned with the 2025 budget and are tired of inflation. Costs of everything have gone up and any increase to taxes is a big deal. She is not against a park but is concerned they would not be able to get the acquisition done in the time they have left.

Administrator Wilson presented the Opioid Settlement Fund (Fund 252). These funds are from a number of settlements with large retailers and manufacturers of opioids that have settled claims that they contributed to the overdose epidemic. The current balance of the fund is $215,656 and there are more funds coming. They are unable to predict exactly how much more they will receive. There are a number of settlements that have different payment options. The rough estimate is that they have received 20 – 25% of the funds they will receive over the years.

Staff have proposed two uses for the funds that would be able cover the costs for many years. School district 199 is proposing a referendum this year and a priority is to have an additional School Resource Officer (SRO). This would be primarily for the middle schools because substances are being used by kids younger and younger. The school district pays for nine months of the SRO's salary and staff proposes this fund could be used to pay the three months of salary that the city would be responsible for. The funds could also be used for Dakota County Drug Task Force dues if they are reinstated. There are many options for these funds, but few are within the realm of what the city does currently.

Mayor Dietrich asked if the fund could be used towards the additional SRO if the referendum does not pass.

Administrator Wilson said they could pay the entire salary for an additional SRO, but the fund would be used much faster. When the money ran out, they would either have to find alternate funds to pay to keep the SRO or discontinue the second SRO.

Mayor Dietrich said it was just a question and she would want to discuss it with the Chief also.

Administrator Wilson said they are under the assumption a second SRO would have a similar funding arrangement.

Council Member T'Kach asked if the ARPA funds could be used to subsidize interest rates on county rehabilitation loans.

Administrator Wilson said she would need to verify if transferring the funds to another governmental entity would be considered committed. Budgeting for it in their 2025 Budget is not considered committed. They have a contract for the water treatment rehabilitation is considered committed.

Council Member T'Kach said the county may be able to spend it by December 31, 2024 because they do have a waiting list.

Administrator Wilson said the Affordable Housing funds could be transferred to the CDA and Council could request they provide more low interest rehabilitation loans. They were doing more loans as opposed to buying down the interest rates.

Mayor Dietrich asked if Council was interested in transferring the money to the CDA.

Council Member Gliva said she would prefer the Council make the decision instead of giving the money to another entity.

Council Member Scales said he has different opinions on different funds. The Affordable Housing funds should go to the CDA because they are ready to handle those. The ARPA funds should benefit the entire community for many years and Council should determine what they are used towards.

Council Member Gliva said she agreed.

Council Member T'Kach said they have been unsuccessful trying to purchase a particular piece of property they have looked at in the NWA. The county may be able to get a purchase agreement by the end of the year with the City's funds.

Administrator Wilson said the property owner has been talking with the city in good faith. The county buys parks with different intentions. They tend to purchase large areas of connected park area and lean towards a natural area with passive use. The direction staff has received from Council is they want parks that are more accessible and for active use.

Mayor Dietrich said she would want to keep the ARPA funds for Council to determine what to use them towards. They would want to hear more from Council Member Murphy.

Administrator Wilson presented Fund 453 – SE Quadrant TIF District:

- Remaining funds from TIF District established in 1991, now closed
- Current balance of $4,184,365
- Two eligible uses:
    - Spend on affordable rental housing within the City:
        - Projects must have 20% of units affordable to households earning 50% of area median income (AMI) or less OR 40% of units affordable to households earning 60% of AMI or less.
    - Return to Dakota County for redistribution to relevant taxing jurisdictions
        - Estimated that the City of IGH would get about $2.2 million back, which could be used for any government purpose.

Council Member Gliva said she does not remember hearing about this fund.

Administrator Wilson said the fund is on the list of funds that is provided by the Finance Department Quarterly. They have been focusing on other fund cleanups. In 2020 the EDA and Council said they would use the money towards affordable rental housing within the city. The policy was adopted but it was not advertised to developers and was never used.

Lupe Development requested a comprehensive plan amendment for a development with affordable workforce housing and affordable senior housing. The fees on the proposed 220-unit development would have been $1.8 million. They could potentially subsidize 2 – 2.5 affordable housing developments. Council could also discount the fees and make it available for more developments of a similar size. Some money could be sent to the county, and some could be saved for development. There is no timeline requirement and no geographic area that it has to be spent.

Council Member Scales said one of the issues they have with purchasing land in the NWA is money. They never have quite enough money, and this could let them have enough money to do a park in the NWA.

Council Member T'Kach asked to confirm that Council Member Scales was saying to give the money back to the county and with the funds returned to the city they could purchase land for a park.

Council Member Scales said that was an option. They have been trying to get a park in the NWA for a long time.

Council Member T'Kach confirmed Council Member Scales wanted an active park.

Council Member Scales said he appreciates open land and walking paths but the residents in the area need an active play area with ball fields and playgrounds. That is what they have been asking for.

Council Member T'Kach asked if they had time to think about what to do with the money.

Administrator Wilson said they do not have to make a decision. She wanted to make Council aware the money is there and there is no time limit.

Mayor Dietrich asked if the $2.2 million could be used for sewer and storm water debt.

Administrator Wilson said they would return the $4.2 million to the county and their share would be approximately $2.2 million that they could do what they want with. They could pay off debt, save it, buy park land or whatever else the city does with money. If they did not have the TIF district open for as long as they did, the money would have gone back to the county.

Council Member T'Kach said she could see supporting a couple of affordable housing developments to meet MET Council goals. Subsidizing the fees could be an easy way to encourage the development of affordable housing.

Administrator Wilson presented the One-Time Public Safety Aid. Staff did not create a fund for this because it is a one-time refund from Dakota 9-1-1. They have fairly expensive equipment that is needed for the public safety that does not fall within the Central Equipment fund. There are few parameters to what the money can be spent on. It cannot be used on a building and has to be used for public safety. Staff looked at different ways to divide the money between the fire department and police department. Approximately 90% of 9-1-1 calls are routed to the police department and 10% to the fire department. Staff also reviewed how the public safety budget goes to police (approximately 60%) and how much goes to fire (approximately 30%). They combined the amounts to determine the how much of the One-Time Public Safety Aid each department would receive.

- Deposited in Fund 102 – Public Safety Small Equipment Fund
- Received $1,564,124 total
- Preliminary split of
  - $344,107 to Fire
  - $1,220,017 to Police
- Fire share allocated to:
  - Closing gap to fund new Fire Engine ($240,000)
  - 12 encrypted radios
  - New boat motors

Administrator Wilson said radios have been a recent challenge. After 9/11 there was a push for communication between departments to be on the same platform to talk to one another. There was a shift for police to have encrypted radios so the general public could not listen. At the time fire departments were not allowed to listen to the encrypted calls. They bought encrypted radios for the police department and were ready to start using the new radios in September of 2023. A few months prior to the rollout it was determined that the fire department could listen to the encrypted calls after taking a basic privacy training. They had not budgeted for encrypted radios for the fire department. Contributing to the new fire engine, the cost of 12 encrypted radios and two new boat motors has used the balance allocated to the fire department.

Proposing to utilize Police Money as follows:

- Approximately $81,250 in one-time expenses in 2025:
  - $5,250 related to new state seal
  - $6,000 uniforms for Honor Guard members
  - $60,000 new vehicle for K9 officer
  - $10,000 drone equipment

The state seal was recently redesigned and is part of the police badge, patches, and other emblems the police department uses. They are working on the redesign and plan to exclude the state seal to avoid future issues.

- Phasing-In Wage and Salary Costs for Three New Officers over Five years:
  - 80% from aid / 20% from tax levy in 2025
  - 60% from aid / 40% from tax levy in 2026, etc.
- Still leaves approximately $250,000

Administrator Wilson said originally there were no reporting requirements for this money. The State is now asking how it is being put to use and additional officers are in line with the intent of the funds. There is no timeline on using the funds but there is political pressure to use them.

Mayor Dietrich asked what year the current K9 vehicle is.

Administrator Wilson said she would get that information.

Mayor Dietrich said the police department said they were willing to collaborate with the fire department for UAS training. She would like to see some of the money set aside for the fire department training. The training could have happened since she last checked.

Administrator Wilson said they are in the process of training the fire fighters. The goal is to have all of the fulltime firefighters trained on their UAS. They are using an online training platform to meet the requirements for the license. Administrator Wilson said she would check with the Fire Chief and see what their training needs are. Staff anticipate doing ongoing training and hope they will be able to train together. Training costs have not been a stumbling block.

Mayor Dietrich said she did not know much about the training, but the police department was going to have a smaller drone to use for training and the fire department likely is not getting that training with an online platform.

Council Member T'Kach asked if the budget for the wage and salary of the additional officers would include additional vehicles.

Administrator Wilson said they do not typically budget specifically for additional training costs when they hire new officers. A fair amount of the police and fire training is reimbursed from the State. Administrator Wilson will look into the potential of needing vehicles. They may only need one vehicle. They were allowing for a sergeant overseeing investigators and the investigators share vehicles. She will ask Chief Chiodo to review the vehicle impacts of the new officers.

Administrator Wilson said they have done additional refining to the budgets and will put all of the pieces together and present staffing recommendations for the preliminary tax levy at an upcoming Council meeting or work session. They understand that the majority of Council want a much more modest levy than in recent years and it is not the time for adding significant costs or staff.

**5. <u>Adjourn</u>**

**Motion to adjourn at 9:32 p.m. by Scales, second by Gliva.**

**Ayes: 4**
**Nays: 0 Motion carried.**

Minutes prepared by Recording Secretary Sara Lyons.