

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, October 7, 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, October 7, 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: Murphy, Gliva, Scales and T’Kach; City Administrator Wilson, Community Development Director Ziemer, City Attorney Nason and Deputy City Clerk Malott.

3. APPROVAL OF AGENDA:

Motion to Approve by Murphy, Second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

4. DISCUSSION ITEMS

A. Proclamation for Fire Prevention Week

Mayor Dietrich read the Proclamation declaring October 6 to October 12, 2024 Fire Prevention Week in the City of Inver Grove Heights and invited the public to attend the Fire Department’s annual Community Open House on Sunday, October 13th.

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

Director Connolly said Utility Superintendent Eric Kramer, Street Superintendent Barry Underdahl and Lead Mechanic Rick Jackson from the Public Works Department were in attendance. Director Connolly introduced Jonathan Loose from Wold Architects to give a presentation.

Loose said they are hoping to receive feedback on the needs that their study has vetted. There are needs within the existing buildings and others are deficiencies that are not provided within the current buildings. There are many directions the project could go, and they are looking for feedback from Council if they are in the right direction.

Loose said there are two parts of the process. The first part is to determine the needs, and the second part is to develop the options. They move through the process with their core planning group and stakeholders.

Core Planning Group and Stakeholder Process:

1. Establish Core Planning Group to Represent all Stakeholders:

- High level of collaboration
- Involve all stakeholders
- Opportunities for partnership
- Sets the tone for building consensus

2. Develop Agreement on Needs:

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- Establish guiding principles and criteria for measuring success
- Expectations discussed, including in planning

3. Ownership of Decisions:

- All needs are documented so that final product meets the project goals

Project Goals and Criteria – Public Works

- The goal of the needs analysis and future site plan development is to better articulate the need for additional space for trucks, equipment, attachments, and materials, as well show the need for additional space for full-time and part-time employees, including updated meeting spaces, crew spaces, locker room facilities, training and breakroom facilities, and space for an estimated future workforce of up to 75 people.
- Solutions should be developed to allow opportunities for phased implementation while carefully considering re-use of existing facilities.
- Providing adequate interior environments to support staff – safety, flexibility, wellness, retention.
- Potential solutions should emphasize asset preservation while balancing workflow efficiency – use what we have, but do not sacrifice operations.

Project Goals and Criteria – Police:

- Expand and secure staff parking areas, providing adequate separation from public parking areas and staff parking areas.
- Review site utilization options on the CMF campus for the siting of future police training facility. Potential programming of the training facility would include a firing range and associated support spaces, scenario-based classroom training, and defensive tactics training spaces.

Loose said the police department may be another project but since it is near the current project area for Public Works and made sense to look at potential solutions.

Mauri Solomon, Facility Condition Assessment manager with Kraus-Anderson presented the current conditions of the Public Works Facility. Solomon said there have already been a lot of updates done to the building and gives kudos to the team. There are ongoing maintenance issues and capital projects that need to be addressed. The monument sign is original to the original 1980 build and is in need of complete replacement. The parking lot needs a mill and overlay. The sidewalks along the front of the building are cracked all the way down the building and is a trip hazard. There is also potential for damage to the building due to water getting in between the building and the sidewalk. The fuel island needs a complete replacement. The canopy is made of wood, and it is starting to rot. It has also been hit multiple times by a large piece of machinery. There is damage to the exterior of the building but is typical wear and tear. These are typical repair and maintenance items that need to be addressed.

Solomon said there is moisture forming in some of the skylights and they likely need to be replaced. The exterior of the building needs a good wash, and they talked about irrigation heads being relocated so they are not spraying the building. Most of the exterior doors are original to the building and need to be replaced, including the overhead garage door which is opened and closed multiple times per day. There is rusting on the lintels above some of the windows. Most of the issues are age related. Solomon said the interior is out of date and there are some ADA concerns. They need an elevator to the 2nd floor to be ADA compliant.

Executive Summary:

- Kraus-Anderson completed a Facility condition Assessment (FCA) on two city facilities equaling 62,000 square feet.
- Identified 3.2 million of maintenance/repair/capital needs over the next ten years. The “Do Nothing” Plan

Facility List	Year Built	Facility SF	Pres. Day Repl. Costs	Building Repl. Cost	10-Year DM Cost	FCI
Central Maintenance	1985	35,262	\$400	\$14,104,800	\$2,080,159	0.0664
Cold Storage	1991	26,621	\$350	\$9,317,350	\$1,143,136	0.1830

Solomon said the “Do Nothing” Plan is the minimum cost to keep the current facilities and maintain them and continue to operate. The FCI is a health check on the facility that was developed by the International Facility Management Associate (IFMA). According to the FCI numbers, the Central Maintenance Facility is in good condition and cold storage is in fair condition.

Facility Condition Assessment - Percentage Breakdown of Costs per Discipline:

Discipline	Cost of \$3.2 Million	% of 3.2 Million
07- Interior Construction	\$1,484,855	46%
02- Sitework/Building Earthwork	800,872	25%
05- Exterior Enclosure	564,899	18%
13- HVAC	205,295	6%
09- Special Construction	51,750	2%
11- Fire Protection	40,000	1%
15- Electrical	37,275	1%
12- Plumbing	30,300	1%
08- Equipment Furniture	8,050	0%

Solomon said the Sitework/Building Earthwork includes the parking lots, sidewalks, fuel station, exterior windows and doors, and damage to the exterior of the building. The Interior Construction is remodeling the interior of the building and is a retention part of this project. The HVAC system will need to be replaced at the end of the ten-year cycle.

Loose presented the space deficiencies of the site. Loose said there are inefficiencies in parking with traffic having to circle around the building. The cold storage building has space to put things, but it does not have the height to allow for good circulation. The product has to be dumped outside first and moved into cold storage with a smaller loader because there is not enough height to allow larger to go in and out. The parking lot is typically full.

Loose said there is more focus on the inadequacy of the interior. The office spaces do not seem to have the number of meeting spaces needed. The break room is not large enough for all of the staff and is the only meeting space that staff can use for larger groups. There is a lack of support spaces for staff. There is not a lobby space in the entryway and contractors and consultants do enter the building and there is not a place to greet them. There are different items in the cold storage and warm storage buildings that departments need. The sign shop has the shop in one building and their storage in the other. It is harder to find an efficient ways to store things and staff have to move back and forth between buildings to complete their job. There are some office spaces, but they are very small and have limited daylight. All of the areas overlap and that makes it difficult for staff to do their jobs.

Loose said the breakroom is used for everything that has to happen with a larger group. There is no elevator to the second floor and that does not meet accessibility codes. The locker room space is small and there is only a men's locker room. There is no room for a women's locker room. The breakroom has many tables but not nearly enough space for all employees. Staff are having their breaks outside or in the shop and they are separated. With more space they can try to create more of a comradery amongst different departments and be one department.

Loose said there is not enough vehicle storage, and they have equipment that gets stacked up and it is difficult to a get to the maintenance areas. The more equipment they can fit in warm storage the better to help the longevity of the equipment. The wash bay has been being used for some storage. Equipment is being parked in the center aisle of warm storage making it difficult to get equipment in and out. Equipment is continuing to get bigger and there is not enough space to work around equipment in a safe manner. They do maintenance for fire engines and there is not much space around them to work. The report has a much more comprehensive list of inefficiencies.

Loose said some of the Members of Council joined them on a tour of some of the other buildings that may be good models for the facility. The tours were good to see how other cities addressed similar inefficiencies.

Council Member Murphy asked if the current facility was 3,200 square feet.

Loose said yes, it is around 3,200 square feet.

Council Member Murphy said he was unable to attend one of the tours and was curious what the square footage of the facilities in Rosemount and Woodbury were.

Mayor Dietrich said the Public Works staff has been very creative to make things work. The other cities used that wisdom when creating their new space and she looks forward to the input from the staff.

Loose said they looked at need for the future.

Staffing:

	2024	2035	2045
Streets Maintenance	11	15	16
Fleet Maintenance	4	6	6
Utilities Maintenance	11	15	16
Parks Maintenance	10	15	15
Natural Resources	2	6	6
Support Staff	1	1	2

Seasonal	23	30	31
Total (Excl. Seasonal)	38	56	60
% Increase		47%	7%
Total (Incl. Seasonal)	61	86	91
% Increase		41%	6%

Loose said the increase in the next ten years is between 41% and 47%. The ten years after that it does taper off. When cities become more developed there is usually a plateau in staff increases. There is also an indication of a lack of staff. The model is trying to correct both lack of staff and accommodate growth in the future.

Equipment:

	2024	2035
Streets Maintenance	50	57
Fleet Maintenance	1	1
Utilities Maintenance	21	25
Parks Maintenance	48	58
Natural Resources	0	5
Total	120	146
% Increase		22%

Loose said there is a replacement regimen for equipment that ages out, but equipment needs to be increased as development happens. A 20% increase over ten years is modest. There is nothing that is on the list that is not needed. Staff have a plan and use for each piece of equipment to be used.

Space Standards:

The following are suggested Space Standards based on job classification:

- Director Office - 225 SF to 250 SF (20' x 12')
- Supervisor Office - 150 SF to 180 SF (15' x 12')
- Lead/Worker Office 120 SF (12' x 10')
- Regular Administrative Work Station - 7' x 6'
- Technical/Engineering Work Station - 8' x 6'
- Flexible/Intern/Seasonal Work Station - 6' x 6'
- Small Meeting Room - 150 SF (3-4 people)
- Medium Meeting Room - 250 SF (5-8 people)

- Large Meeting Room – 500 SF (10-15 people)
- Muster Room – 500 SF to 750 SF (15-25 people)
- Training Room – 1,500 SF to 2,000 SF (50-90 people)

Building Summary:

	Existing	Proposed 2024	Proposed 2035	Net Increase (Exist to 2035)
Staff Offices and Meeting Rooms	2,980 SF	12,519 SF	13,867 SF	365%
Staff Locker Rooms and Support Spaces	1,550 SF	1,536 SF	1,932 SF	25%
Mechanic Suite	7,000 SF	17,509 SF	21,541 SF	208%
Vehicle Support and Workshop Spaces	2,000 SF	10,063 SF	12,482 SF	524%
Warm Vehicle Storage	19,000 SF	40,542 SF	51,087 SF	169%
Cold Storage	9,000 SF	10,072 SF	10,072 SF	12%
Total Gross Square Footage	41,530 SF	92,241 SF	110,981 SF	

Site Summary:

	Existing	Proposed 2024	Proposed 2035
Salt Shed & Material Storage	17,600 SF	20,000 SF	20,000 SF
Staff Parking (Stalls)	34 stalls	70 stalls	90 stalls
Fuel Island (DSL, UNL, DEF)			
Boneyard		2 acres	5 acres
Available Site Area (Acres)	6.12 acres	13.27 acres	13.27 acres

Note: 2024 Site Area excludes parcel west of Babcock Trail (Approximately 4.27 acres)

Loose said the forecasting addresses the expected growth in the city and correcting what is here today. The total square footage includes the salt shed material storage and the total square footage it is approximately 130,000 square feet. The square footage may go up or down depending on the design, but this is the size that the data says will address the needs of the facility.

Council Member Scales said he would prefer to be more efficient with office space. The typical government offices are not that large.

Loose said when they get into the design of the facility many times a 250 square foot office is also considered a meeting room. The spaces sometimes will cover more than one function. The 110,000 square feet is a budget square footage until they start looking at the space by design.

Council Member T'Kach said there is not a large difference in the square footage of the salt shed and material storage and asked if the buildings would be built higher.

Loose said yes, they would be taller buildings to fit more, and they are proposing for them to be separated from cold storage which would change the way staff are able to get equipment in and out.

Council Member T’Kach asked why there was no area listed under the fuel island.

Loose said it is on the list for tracking, so it is not forgotten during design.

Loose said they did a similar analysis on the Police Department.

Police Training:

- Public Lobby - 605 SF
- Gun Range and Support Spaces - 11,777 SF
- Training Rooms and Classrooms - 4,620 SF
- Staff Locker Rooms and Support Spaces - 2,940 SF
- **Total Gross Square Footage Training Facility - 19,942 SF**

Loose said this is based on other training facilities they have done and what may be needed in the future. They did not evaluate the site’s needs, including indoor and outdoor parking.

Base Assumptions:

1. Ideal operation suggests that Streets, Mechanics, Utilities, Natural Resources and Park Maintenance are centralized.
2. Maintaining both facilities long-term may prohibit efficiency of the site, in particular the existing Cold Storage facility is a barrier to ideal site grading.
3. If the existing Warm Storage is the future central operations facility, the Cold Storage building would need to be removed.
4. It may be cost prohibitive to repurpose the existing Cold Storage into an occupied space due to the existing construction.
5. The desire for a public safety training facility is more likely to be implemented with facility re-use due to the cost of a new building and implemented in a later phase of site development.
6. The city property west of Babcock Trail has not been assumed as a long-term site for Public Works, and it falls within a different watershed creating added expense. The site may provide opportunity for short-term or temporary staging.
7. A portion of the MnDOT property southeast of the existing site is likely to be available for use to allow for additional circulation and site staging flexibility.

Loose said they looked at the site holistically and did not look at using the site west of Babcock Trail for a number of reasons.

Loose said Council Member Murphy asked about the existing facilities for neighboring cities. They compared the 130,000 sq. ft. plan with nearby cities.

Facility Comparisons:

City	Square Footage	Notes

Inver Grove Heights	130,000 SF	Divisions: Streets, Parks, Utilities, Fleet Maintenance Includes Offices, Warm Storage, Cold Storage & Salt Storage Excludes PD Training
Woodbury	176,000 SF	Divisions: Admin, Streets, Parks, Utilities, Fleet Maintenance, IT (partial), Watershed (partial) Includes Offices, Warm Storage, Salt Storage, Cold Storage/Ancillary Storage Buildings
Rosemount	124,000 SF	Includes Offices, Warm Storage, Cold Storage & Salt Storage
Oakdale	82,300 SF	Includes Offices, Warm Storage & Salt Storage Excludes Cold Storage

Loose said this was the information on the deficiencies and needs and asked if there were any additional concerns or if Council thought they were moving in the right direction.

Council Member Murphy said they had mentioned safety and asked if the larger facility would make it safer or if there were specific items related to safety.

Loose said there would be more specific details, but a large cause of the current safety hazards is everything being so close together.

Council Member T’Kach asked why police personnel being able to park in an enclosed area is more critical than regular staff being able to park in an enclosed area.

Loose said he is not making the assertion that it is, but recognizes that there are currently staff and police parking on that side of the facility and trying to fit the public parking in there creates some conflict in terms of traffic. There are some that might say squad cars and police officers take home vehicles are more susceptible to vandalism or might be targeted. Other municipalities in the metro area tend to have their police squad cars and take home vehicles in a more secure place.

Council Member T’Kach said currently some police staff are parking on Barbara Avenue where there is plenty of parking and asked if the personal vehicles would be parked in the enclosed area.

Loose said the police department site did not go too far into solutions. Parking at the police station was an issue that was brought up and the information here is saying that it would need to be reviewed but potential solutions have not been discussed yet.

Administrator Wilson said it is in the industry norm that parking for law enforcement officials is behind a gate. They are more susceptible to vandalism and typically have longer shifts compared to other staff. Local law enforcement tends to expect security for their personal vehicles.

Council Member T’Kach said there is a rationale for the enclosed parking for officers. She asked if there was going to be a firing range or training facility somewhere in the county and said there was discussion a few years prior.

Administrator Wilson said she was not aware of plans for a countywide training range. The city of Lakeville is looking at training space in their city and has expressed some openness to collaborating with partners but at the moment each city meets their needs in different ways.

Council Member T’Kach said the Natural Resources department mentioned earlier does not appear in the list of what is making up the 130,000 SF plan and asked if it was included.

Loose said the Natural Resources department is included in the 130,000 SF.

Loose said there are options to approach the project. The options fall into two categories, replace everything or look at opportunities to reuse and expand the current buildings.

Full Replacement - Phase 1:

- New Salt Shed and Materials Storage
- Demo Existing Cold Storage and Salt Shed
- New Cold Storage
- Site Improvements and Regrading - South Lots
- Temporary Staging at Property West of Babcock Trail

Loose said the grading of the site is a large challenge and the Cold Storage and Salt Shed are creating a barrier to a contiguous site from north to south. The existing Warm Storage and office area would be as functional as possible during Phase 1. These are high level options and would have more details when it was decided to move forward.

Full Replacement - Phase 2:

- New Warm Storage and Office building
- Demo Existing Warm Storage and Office Building*
- Site Improvements - North Lot*
- Temporary Staging at Property West of Babcock Trail

* Scope of completion subject to Phase 3.

Loose said Phase 3A and 3B are different options.

Full Replacement - Phase 3A:

- PW Site Improvements - North Lot Partial
- PD Site and Security Improvements - North Lot Partial
- Temporary Staging at Property West of Babcock Trail

Full Replacement - Phase 3B:

- PW Site Improvements - North Lot Partial
- PD Site and Security Improvements - North Lot Partial
- Renovate Existing Warm Storage for Police Training Facility
- Temporary Staging at Property West of Babcock Trail

Loose said the existing Warm Storage building is larger than the 20,000 SF that they had allotted but a lot of it could be more indoor parking for the police department's fleet. There were initially conversations about trying to reuse the Cold Storage building for police training, but the conversion would be cost prohibitive. It is not insulated, does not have weatherproofing, and lacks many characteristics that an enclosed building should have.

Partial Replacement - Phase 1:

- New Salt Shed and Materials Storage
- New Cold Storage
- Demo Existing Cold Storage and Salt Shed
- Site Improvements and Regrading - South Lots
- Temporary Staging at Property West of Babcock Trail

Loose said the partial replacement option would still propose removing the existing Cold Storage and Salt Shed. It would be reconstructed on the south side of the site.

Partial Replacement - Phase 2:

- Renovate Existing Warm Storage and Mechanics Space Addition
- Site Improvements - North Lot
- Temporary Staging at Property West of Babcock Trail

Loose said the west side of the site is dedicated to Public Works circulation and parking and the east side of the site would be public circulation and the police department would also continue to use that space.

Partial Replacement - Phase 3:

- PD Site and Security Improvements
- Temporary Staging at Property West of Babcock Trail

Loose said the Partial Replacement option gives a smaller area for the Police Department site because the existing Warm Storage and office area limits the space. Both options are at the very beginning stage and are a concept rather than a plan. Loose asked if Council had any feedback, other ideas or misgivings about the concepts.

Mayor Dietrich said during the presentation it was mentioned that there may have been water intrusion in the sidewalks of the Warm Storage and office area building and asked what the condition of the foundation was.

Loose said there is no evidence that there are issues with the foundation of the building. There is a portion of the building underground, and some waterproofing items would need to be addressed. Both Wold Architects and Kraus-Anderson expert opinions are that there are no structural or foundational issues with the structure. There is some water getting in that would need to be addressed but it is not deteriorating the foundation of the building right now.

Council Member T'Kach asked if there would be onsite storm water retention to keep saltwater from entering the pond.

Loose said they are having more of the site surveyed to determine how the topography works. There is an area in the northwest corner that may be an option because it is a low spot. Those details are still being looked at, but it is a feature that would likely end up somewhere on the site.

Council Member Gliva asked if the full replacement and partial replacement options would all result in the same 130,000 SF.

Loose said the full reconstruction Phase 3B option includes additional training space for the police department and Phase 3A only includes the space that is needed for Public Works. There would be an

additional cost to renovate the Warm Storage building in the partial reconstruction option. Both options result in the same square footage for Public Works. The Warm Storage building would have to be renovated to address the accessibility issues and space issues. The building would have to be reconfigured to fit the needs of a police training facility.

Council Member Murphy said the full reconstruction option makes the most sense to him without seeing the cost. It solves the issue with the police department facilities and utilizes the land they purchased for this idea. For the partial reconstruction option, he worries that the facility would be out of date by the time it was completed, and it would need to be addressed again in the near future.

Mayor Dietrich said the County's SMART Center is close to Inver Grove Heights and asked it was equipped for scenario based training for the police department.

Administrator Wilson said she did not have the information about the available training facilities in the SMART Center. Staff will get information from the Police Chief and provide it to Council.

Council Member T'Kach asked if the financing would be phased and if it would be Bonding Requests.

Loose said when they start looking at estimating it and have more details, they would partner with the City's Bond Council or financial advisor and determine what would make the most sense financially. Sometimes there are ways to structure the debt and financing that levels out the effect on the levy.

Loose said the plans will come at a cost and they have been working with Kraus-Anderson to see potential cost options.

Ken Francois, Senior Project Manager at Kraus-Anderson Construction, presented the potential costs of the project. Francois said the figures are based on SF based on the different types of spaces like office space, warm storage, and mechanic spaces. They compared those costs against other facilities that are very similar.

	Project Cost at Bid	Adjusted Project Cost (2025)	Cost / SF (2025)
Inver Grove Heights		\$45-50M	\$345-\$385 / SF
Woodbury	\$23.95M (2020)	\$34M	\$205 / SF
	<i>Approximately 80,000 SF renovation and 86,000 SF new construction or additions</i>		
Rosemount	\$35M (2023)	\$38M	\$305 / SF
Cottage Grove	\$13.3M (2024)	\$13.9M	\$386 / SF
Oakdale	\$31.1M (2024)	\$32.3M	\$390 / SF

Francois said some of the project's costs were slightly lower and some slightly higher. In general, one of the bigger differences in all of these were the sites and the amount of work that needed to be done. The budget includes the hard construction cost to build and soft costs such as engineering, architecture, furniture, and equipment. The budget anticipates both construction and the soft cost to provide the total cost for the project. Many assumptions go into the initial budget and if Council proceeds with an option the budget will be a lot more refined and they will be able to present a much more detailed estimate.

Council Member T'Kach said if they City bonds for the project they would follow SB2030 standards for building and asked if the estimated cost includes SB2030 standards if they do not bond for it.

Loose said the estimates assume that the City is bonding for the project and not that the City is receiving state bonding funds. If they receive money from the state, they will have to follow SB2030 standards. This estimate includes quite a few sustainable initiatives but not to the degree of meeting the SB2030 standards. There are efficient and sustainable practices, but they did not anticipate a need to meet SB2030 standards because there was no discussion of state bonding. He is not aware of a city or county level initiative that says they have to meet the SB2030 standards.

Council Member T'Kach asked what the estimated cost would be to meet the B3 standards.

Loose said he does not know the specific timeline in terms of the B3 program but thinks they are currently 80% better than minimum code requirements. It will soon get to 90% and eventually to net zero. If they start design now and start to build in late 2025-2026 it would likely be an overall increase of 10-15% to meet B3 standards.

Council Member T'Kach said that has gone up quite a bit over the past few years.

Loose said they had looked at it previously and were closer to 5-8% but as the requirements go up, the cost goes up. There are ways to not hit the 10-15% but he would never advise a city not to budget a 10-15% increase.

Council Member T'Kach said she would like to see a cost comparison between not meeting B3 standards and meeting B3 standards as we know them for the timeframe if possible. There are economic issues on the backend that they will benefit from.

Loose said many clients follow B3 standards. A lot of municipalities and counties that have to bond for the work themselves look at the point of diminishing return. They can spend the raw cost dollars here and they can still include a lot of things that are considered sustainable without the additional cost of the intensive B3 program. That also includes being in the Excel Energy territory and some of the rebates that would not be shown here, but those are small in comparison with the overall increase to meet B3 standards.

Mayor Dietrich said they do not want this as an additional expenditure unless the majority of the Council wants to look into it.

Loose said it would only make sense to make that decision before you start design because having to do it retroactively means they have to redesign.

Council Member T'Kach said she would not want to do it retroactively but would be interested in seeing the incremental costs.

Council Member Gliva asked if any of the costs of the projects were met B3 standards.

Francois said he is not aware of any of them meeting the B3 standards, but they have many different features in the projects that are sustainable. They did not formally apply for B3 status or any other sustainable programs.

Council Member Gliva said based on the SF cost it did not appear that they met the B3 standards.

Loose said they will be back to provide more details and data to provide clearer options on how to develop those into the next steps.

Mayor Dietrich asked what the timeline would be for the next steps.

Loose said it would take a month or two to develop this and they are working through timing with Director Connolly and the City, but they would likely have a recommendation within six months.

Mayor Dietrich asked if they were speaking with Director Connolly and his staff.

Loose said yes, every step of the project they are speaking with staff.

C. Cannabis Business Regulations

Attorney Nason said Assistant City Attorney Joe Sathe will review information regarding the regulatory direction they are seeking from Council for staff to prepare ordinances related to the changes in state law for cannabis businesses.

Assistant Attorney Sathe said he does a lot of the work on the cannabis with the City's municipal clients at Kennedy and Graven. This is a high level overview and for some initial input from Council in order to present more specific ordinances for Council to review regarding the decriminalization and legalization of cannabis.

Background:

- Hemp Edibles/151 Hemp Products
 - A 2022 statutory change results in edibles and beverages containing 5mg of THC per serving entered the Minnesota marketplace ("151 Hemp Products").
 - No city-license is required, but business must register with the state. Currently 18 businesses list an Inver Grove Heights Address.
 - These businesses will eventually need to obtain a license from the state.

Assistant Attorney Sathe said the current registry is not very well reviewed. Many people have registered with their home addresses but are selling from a business location.

- Cannabis Products
 - In 2023, the Minnesota Legislature passed the Cannabis Act providing a framework for adult-use cannabis and addresses hemp products as well.
 - Beginning July 1, 2023 cannabis was decriminalized, and the Office of Cannabis Management (OCM) is established and starts filling in the legislative framework.
 - In 2024, the Minnesota Legislature made minor updates to license types.
 - City moratorium on cannabis businesses effective until January 1, 2025.

Assistant Attorney Sathe said they want to try to have something in place by January 1, 2025 but they may not see licenses from the OCM until the second quarter of 2025.

Assistant Attorney Sathe said there are two different types of cannabis business, a Cannabis business and Hemp business. Both types of businesses require a different license.

"Cannabis business" means any of the following licensed under [Minnesota Statutes, Chapter 342]:

1. Cannabis microbusiness*
2. Cannabis mezzobusiness*
3. Cannabis cultivator
4. Cannabis manufacturer
5. Cannabis retailer
6. Cannabis wholesaler
7. Cannabis transporter
8. Cannabis testing facility
9. Cannabis event organizer

10. Cannabis delivery service
11. Medical cannabis combination business

“Hemp business” means any of the following licensed under [Minnesota Statutes, Chapter 342]:

1. Lower-potency hemp edible retailer
2. Lower-potency hemp edible manufacturer

Cannabis businesses are generally dealing with what is generally referred to as marijuana. Hemp businesses are dealing with the products that have been available in Minnesota since 2022. The regulatory framework for Hemp businesses is going to be included in the state licensing process but it has not happened yet.

Licensing and Registration Process – Quick Overview:

- Cannabis and hemp businesses must apply for a license from the OCM.
- Touchpoint 1: Cannabis businesses must receive zoning certification – includes both zoning compliance and can include building and fire code checks.
- If certified as compliant, then OCM can issue license to cannabis business.
- Touchpoint 2: After receiving a license, cannabis and hemp retailers must register with the city or county prior to operation.

Assistant Attorney Sathe said the first touchpoint for the city is when the state contacts the city to verify the location is compliant. The second touchpoint is the notification the city gets to know where the products will be sold and where compliance checks would need to occur.

Preview of Questions Regarding City Regulation of Cannabis Businesses and Hemp Businesses:

Registration and Compliance:

1. Register businesses or defer registration to Dakota County Allows City to:
 - Impose a registration fee
 - Limit the number of retailers (min. 3)
 - Suspend registration
2. Limit hours of retail operation
3. Impose standards for temporary cannabis events

Zoning:

1. Assign cannabis businesses to specific zoning districts or classify by underlying use.
2. Establish “buffers” to separate cannabis businesses from certain uses, or each other.
3. Establish “buffers” to separate LPHE businesses from certain uses, or each other.

Assistant Attorney Sathe said staff is requesting direction to know if the city wants to explicitly list each cannabis type in a particular zoning district, or allow cannabis businesses based on similar uses to existing districts. Cities are taking two different approaches. The first approach is that they do not want to designate which zones these businesses can exist. For example, if they are a retailer they can exist in any retail zone in the city. Other cities are only allowing in certain districts of a zone. For example, a retailer is only permitted in the B1 district of the zoning code.

Types of Uses and Potential Districts:

- Commercial Grouping:
 - Retailer: Cannabis, LPHE

- Cannabis delivery service
- Medical combination
- Industrial Grouping:
 - Cultivator – cannabis, medical, LPHE
 - Manufacturer – cannabis, medical, LPHE
 - Cannabis Testing
 - Cannabis Wholesaler
 - Cannabis Transporter

Micro/mezzo businesses can engage in multiple parts of the process (e.g., retail, manufacturing, and cultivation). Each component can be treated separately (e.g., retail as retail) and they do not need to be in the same location.

Assistant Attorney Sathe said micro/mezzo businesses are able to hold multiple licenses and would allow smaller businesses to own all three components, retail, manufacturing, and cultivation.

Council Member T’Kach asked if the micro/mezzo businesses could have all three components on one site.

Assistant Attorney Sathe said yes, as long as they met the zoning requirements for all three of the components.

Council Member T’Kach asked if Inver Grove Heights has a zoning that would accommodate retail, manufacturing, and cultivation.

Administrator Wilson said Inver Grove Heights does not currently have zoning for these types of businesses and that is one of the items staff is asking Council for direction on.

Council Member T’Kach asked if there are any current zoning districts that would permit growing, manufacturing and retail.

Community Development Director Ziemer said some of the uses may occur in all of the business districts, some may appear in some of the business districts, and some may not appear in the business districts. If Council wants to allow a use in a specific district they could add them as a permitted use. They could allow retail as a conditional use in the industrial zoning district to allow a path for the micro/mezzo businesses to have retail, manufacturing and cultivating on one site.

Assistant Attorney Sathe said the list below includes every type of license available, what it permits and which zone it could exist.

License Type	Main Function	Use Type(s)
Medical Cannabis Retailer	Sales to registered patients	Commercial
Cannabis Delivery Service	Delivery of products directly to customers	Commercial
Lower Potency Hemp Retailer	Sale of lower-potency hemp edible products directly to customers	Commercial
Cannabis Cultivator	Growing and tending to cannabis and hemp plants	Indoor: Industrial, Commercial, Production
Medical Cannabis Cultivator	Growing cannabis plants	Industrial/Commercial

Cannabis Event Organizer	Coordinate cannabis events	Office/Commercial
Cannabis Manufacturer	Creates cannabis products that are sold to retailers	Industrial
Medical Cannabis Manufacturer	Creating cannabis products that are sold to medical retailers	Industrial
Lower-Potency Hemp Edible Manufacturer	Creating lower-potency hemp products that are sold to retailers	Industrial
Cannabis Testing	Testing cannabis and hemp products	Industrial
Cannabis Wholesaler	Warehousing and Storage	Industrial
Cannabis Transporter	Transport products from one license type to another	Industrial/Commercial
Medical Cannabis Combination Business	Cultivation, Manufacturing and Retail to both public and medical patients	Cultivation, Manufacturing, and limited Retail
Cannabis Mezzobusiness	Cultivation, Manufacturing and Retail	Cultivation, Manufacturing and Retail
Cannabis Microbusiness	Cultivation, Manufacturing and Retail	Cultivation, Manufacturing and Retail

Assistant Attorney Sathe said if there are areas in the City that Council thinks these businesses should be in, Council can designate specific zoning regulations. Staff recommends adopting specific zoning regulations related to cannabis businesses and hemp businesses.

Council Member Murphy asked if staff's recommendation was based on best practices from other communities that have legalized cannabis.

Director Ziemer said staff researched what other cities have done but have found that every city seems to handle it a little differently. Staff think it is better to be explicit and specific on the uses.

Mayor Dietrich asked if the cities reviewed were in Minnesota.

Director Ziemer said yes, they reviewed cities in Minnesota that recently adopted their ordinances. Some cities' ordinances are very high level and if it is retail it is permitted in any district where retail is permitted. Some cities have been specific and identified retail in a few districts. Staff is suggesting having retail, manufacturing and/or cultivating explicitly permitted in certain zoning districts.

Council Member Murphy asked if designating certain zoning districts that permit the type of business would give the Council more control over the new industry.

Director Ziemer said it does give Council more control because Council decides where they want the types of business to be located.

Mayor Dietrich asked if staff have worked with any cities that have decided to allow businesses that do sales, manufacturing or cultivating on a municipal basis.

Assistant Attorney Sathe said they are working with a number of cities that are considering municipal retail operations. There was a change in the legislation in 2024 that says any municipal license does not

count against a residential cap that Council could enact. If the city can limit the number of licenses to three, the city would have three private licenses plus one city license.

Council Member T'Kach asked if staff is recommending that retail be permitted in all retail districts, commercial permitted in all commercial districts and industrial in all industrial districts.

Director Ziemer said staff has not gotten that explicit and have been looking to see what other cities have done. They are trying to define if Council would prefer a narrow approach or to allow a broader use. They have not gone into determining which district the use should be permitted. That will be worked through with the Planning Commission. The discussions tonight are about licensing and general zoning. They are not currently discussing which zoning districts the uses should be permitted.

Council Member T'Kach asked if they allow cannabis to be sold in a retail zone if it would be permitted to be sold in all retail districts.

Director Ziemer said they are not defining the districts that permit cannabis retailers. That will come at a later time. The Planning Commission can make a recommendation for the sale of cannabis in all retail zoning districts and Council can disagree and decide they only want it to be allowed in certain zoning districts.

Council Member Scales said he would like to narrow the list of zoning areas. Inver Grove Heights had an incident where self-storage was on all of the zoning areas. He would prefer to have control at the beginning to determine where it is going and why.

Mayor Dietrich asked if they had looked at cities in other states that have had legal cannabis for quite some time and see what they are doing that is successful.

Assistant Attorney Sathe said he has avoided reviewing cities in other states because the legislation in Minnesota does not allow cities or counties to completely prohibit cannabis sales. Michigan is the most similar, but he has not looked into it.

Mayor Dietrich asked if there were any other states that have the same framework that Minnesota does.

Assistant Attorney Sathe said that was correct as far as he knew.

Mayor Dietrich said she would also like to start with a narrow list to avoid unintended consequences.

Assistant Attorney Sathe said staff will take the direction of specifically designating zoning when drafting the ordinances.

Assistant Attorney Sathe said the state statute allows buffers between cannabis businesses and schools, day cares and other cannabis businesses. It does not address hemp businesses or medical cannabis businesses. Staff is asking for direction from Council if they would like to require a buffer.

Buffers Permitted by State Statute:

- Cannabis Businesses: Prohibit from operating:
 - Within 1,000 feet of a school.
 - Within 500 feet of a day care, residential treatment facility, or public park attraction used by minors (e.g., playground, athletic field).
 - Within X feet of another cannabis business
 - Apply to all cannabis businesses or certain licenses only

Assistant Attorney Sathe said school, day care, residential treatment facility and public park attraction that are used by minors are not defined in the statute. Council has some discretion in determining what they mean at this time. It is likely they will have a cannabis bill every year and those could change the

current statute. They do not have to have buffers between all of these types of business and Council could also lower the distance. The statute does not address a buffer between other cannabis businesses, but the OCM has implied that cities can adopt a buffer.

- Lower-Potency Hemp Edibles and Medical Cannabis Businesses:
 - Apply standards of cannabis businesses
 - Apply more or less restrictive standards

Director Ziemer said the last page in the packet provided to Council shows all of the properties that are guided as or zoned as commercial, office, mixed use and industrial. There are blue circles around schools indicating property that is within 500 feet of a school.

Mayor Dietrich asked if it was within 1,000 feet of a school.

Administrator Wilson said staff provided a 500 foot buffer to start because that is the current buffer for liquor sales and thought of trying to make liquor sales and cannabis sales consistent. They buffer schools and churches from liquor sales, but they do not have a buffer for day cares, residential treatment facilities or public park attractions. They are not able to buffer churches from cannabis sales. It would be impossible to have the two policies match if they keep what they have existing but thought they might consider 500 feet from schools to be consistent in that area.

Mayor Dietrich said they could do 1,000 feet and revisit the statute of schools for liquor sales.

Administrator Wilson said they could, but they would have to look at existing uses that would be grandfathered in. They do not have to do any buffers if they do not want to. Staff is asking for direction if Council is interested in buffers. If Council is interested, they need to determine what uses they want to buffer and if they want to buffer something less than the statute allows.

Mayor Dietrich said when someone is consuming alcohol it is not effecting someone standing near you but if you purchase cannabis and inhaling it, there is a concern of secondhand smoke.

Council Member T’Kach said she would like to see consistency with the tobacco shops in terms of buffers, licensing, and retail. They prohibit smoking in almost every public place, and she is less concerned about that path. Places that sell tobacco may want to sell cannabis.

Assistant Attorney Nason said staff is asked often about tobacco shops transitioning into selling cannabis. It is possible but there is significant performance standards related to a cannabis retailer and the store would essentially have to change completely. They could not sell both cannabis and tobacco but could sell both hemp products and tobacco.

Council Member Murphy said he does not have an issue with 1,000 feet from a school and thinks they definitely need a buffer. To remain consistent with liquor sales he would be ok with 500 feet. He thinks day cares, residential facilities, public parks and anything used by kids should have buffer. He would like it to apply to all cannabis businesses. He could see issues if they have two cannabis business side by side, but he does not think they need to add a buffer between cannabis businesses.

Council Member T’Kach asked if there was a map of the public parks, athletic fields, and playgrounds.

Administrator Wilson said there is not one yet but if Council has an interest in seeing one, staff will provide one.

Council Member Gliva said she agrees with Council Member Murphy and would like the buffer around schools to be 1,000 feet. The ordinances for liquor sales and cannabis sales will be different in other ways so she does not think the difference in the buffer would matter. Gliva asked if there is a number of licenses that Inver Grove Heights has to meet.

Assistant Attorney Sathe said yes, the number of licenses is based on population and is an upcoming question. Sathe asked for direction from Council if they want to apply the same buffers, lower buffers, or no buffers to lower-potency hemp edibles and medical cannabis businesses.

Hemp businesses are what is available now. Medical cannabis businesses require someone to be a patient to purchase from them, but it does include medical cultivators, medical manufacturers, and medical retailers.

Council Member Scales said he prefers a buffer for cannabis businesses of 1,000 feet from schools and 500 feet of day cares and rehabilitation facilities. Scales said he would prefer hemp businesses have the same standards as cannabis businesses and does not think edibles being near a school.

Assistant Attorney Sathe said there is a gray area that might limit a buffer being put in place where onsite consumption is permitted but staff will provide an update.

Council Member Scales said there is a location right across from the high school that he does not want edibles to be available.

Council Member T’Kach asked how old someone has to be to purchase any of the products.

Assistant Attorney Sathe said they have to be 21 years old to purchase any of the products.

Council Member T’Kach said high school students should not be able to purchase them.

Assistant Attorney Sathe said the next question is if the City wants to register cannabis and hemp businesses or if they want to delegate the responsibility to the County. The City can also impose a registration fee and limit the number of retail registrations permitted.

City Retail Registration:

If the county issues registrations, the following powers would transfer to the county:

- Imposing a registration fee and renewal fees (optional)
- Limiting the number of cannabis retailers (optional)
 - Inver Grove Heights must allow at least 3 (based on population, 1 per 12,500 residents)
 - Can refuse to issue registration if county has 36 retailers
- Suspending registrations including the ability to suspend immediately if the business poses “an immediate threat to the health and safety of the public” (discretionary)
- Performing preliminary compliance checks (optional)
- Performing the required annual compliance check (required)

Assistant Attorney Sathe said if a city chooses to issue registrations they will also have to manage the administrative functions. If a city chooses to have the county issue registrations the county will have to complete the administrative functions but it does remove control from the city.

Mayor Dietrich asked if the state was going to supply additional dollars the city to issue registrations.

Assistant Attorney Sathe said if the city issues the registration a fee can be applied. There is also local cannabis government aid that is given to a city based on the number of cannabis businesses in the city. That funding is not dependent on the city issuing the registrations.

Mayor Dietrich asked if the city could set its own registration fees.

Assistant Attorney said yes, the city can determine the registration fee, but it is capped based on the business type.

- Cannabis business:

- \$500 registration
 - \$1,000 renewal
- Hemp business:
 - \$125 registration and renewal
- Medical Cannabis business:
 - \$500 registration
 - \$1,000 renewal

Council Member Gliva asked if the city loses control of the number of registrations that could be given in the city if they have the county issue the registrations.

Assistant Attorney Sathe said if the city consents to the county issuing the registrations the county could put a limit on registrations issued in Inver Grove Heights. If maintaining a specific number of registrations is important, the City should issue the registrations.

Administrator Wilson said staff has discussed registration with the police chief and the chief prefers to retain registration authority and not delegate it to the county. They will have a better knowledge of who is selling the products and a better relationship with them if the City does the registration and compliance checks. Staff recommend imposing the permitted registration fees and limit retail registrations to a specific number.

Council Member Murphy said he agreed with staff's recommendations and asked if the recommendation for the fees the maximum was allowed.

Administrator Wilson said yes, the recommendation is to apply the maximum fee.

Council Member T'Kach asked what the current fees were for liquor licenses.

Administrator Wilson said the cannabis fees are lower. There are liquor license fees that are greater than \$1,000.

Council unanimously agreed with staff's recommendations.

Assistant Attorney Sathe said there are some default regulations the city can consider adopting.

Optional Business Regulations:

- Retail hours of operation:
 - Default: 8:00 am – 2:00 am, Monday-Saturday, 10:00 am – 2:00am Sunday
 - Most Restrictive: 10:00 am – 9:00 pm, seven days a week

Administrator Wilson said staff does not agree with allowing sales until 2:00 am is necessary. The recommendation is to set the hours as close to the hours of the liquor license as the state statute will allow.

Council Member T'Kach asked if retail hours would differ from hours for an on-sale liquor license.

Administrator Wilson said they are differentiating between cannabis and the lower-potency hemp. They do not expect on-sale liquor license holders will be able to meet the standards to sell cannabis, but they may be able to meet the requirements to sell hemp products. They are looking at the hours relating to cannabis.

- Odor

Assistant Attorney Sathe said the Office of Cannabis Management should be adding to the administrative rules to address odor. If they do not provide more guidance, staff can come back with additional options related primarily to cultivators and manufacturers.

Mayor Dietrich asked if any cities have addressed odor.

Assistant Attorney Sathe said he has not seen any cities that have done it yet. There are some cities considering it and the regulations are a step more restrictive than the NPCA odor guidelines that apply to all businesses. They can provide more information when available.

- Temporary cannabis events:
 - Require City license or permit for event
 - Restrict or prohibit on-site consumption
 - Restrict location
 - Restrict hours

Assistant Attorney Sathe said the events do not need a license from the state but a sign-off on the event is required. The City can impose restrictions and requirements on temporary cannabis events. The events are typically similar to a tradeshow with many cannabis retailers and cannabis groups getting together. There could be a request for onsite consumption in designated areas. Some cities are treating cannabis events like any other event and base any rules and restrictions on the estimated number of people. Other cities have created multipage ordinances with very specific requirements for the events. If Council would like a separate ordinance staff can bring one back or it can be linked to the current events.

Mayor Dietrich asked if there was any recommendation from Chief Chiodo.

Administrator Wilson said no, they have not discussed it on a detailed level yet. Staff would like to present all of the ordinances at the same time, but they have a little more flexibility to evolve this as they see events since there would not be a preexisting ongoing event like for storefronts. The regulations for storefronts need to be in place in the next three months.

Mayor Dietrich asked if people from other cities could come to Inver Grove and have an event before they had any stores.

Administrator Wilson said they could have an event, but a permit would be required. Council could refine the terms of a permit as they have events compared to storefronts where once one opens it is a preexisting use. Staff are going to have more conversations and plan to have a recommendation for Council but have treated it as less urgent than the other issues.

Mayor Dietrich asked if they would see a recommendation prior to January 1st.

Administrator Wilson said yes, they are anticipating two ordinances. One ordinance would be for zoning and need to have a public hearing with the Planning Commission and one reading before Council. There would also be a business regulation ordinance regarding registration. The ordinance would require three readings, and staff plans to have the first reading during the October 28th Council meeting. Their goal is to have both ordinances adopted during the second meeting in November unless Council requests further information.

Administrator Wilson asked if Council wants to restrict the number of retailers in Inver Grove Heights. They can restrict registrations to one per 12,500 residents. They currently have to allow three but are close to needing a four. Staff recommend limiting the registrations to four up front. If four registrations are permitted, they would not have to revisit the item until Inver Grove reached 50,000 residents.

Council Member T'Kach asked if the number of registrations could be changed at any time and if someone could ask for a variance if the allotment of registrations was already met.

Administrator Wilson said Council would request a text amendment to the city code to increase the registrations. Registrations could be increased at any time, but it would be difficult to decrease them.

Council Member Murphy said he agreed with four registrations. Murphy asked if cannabis events were similar to a cigar lounge or if they had potential to be similar to Woodstock.

Assistant Attorney Sathe said they are likely somewhere in between. They are typically a four day period of retailers getting together. They are not huge and have to be defined and go through a state check list process. There could be outdoor use in a designated area within the event space.

Council Member Murphy said he thinks it could be used as a loophole and once they get guidance would like it to be moved to the top of the list.

Director Ziemer said there was a cannabis event recently in Minneapolis that was similar to a farmer's market and thinks the majority of cannabis events would be similar.

Council Member Murphy said he is concerned because it is new for Inver Grove Heights.

Assistant Attorney Sathe said in order to use or purchase cannabis at one of these events it would need to be purchased from a licensed retailer. They will not start to see licensed retailers in Inver Grove Heights until the second quarter of 2025 and it is likely these events will not occur until then.

Council Member Murphy said the timing was not his concern.

Council Member T'Kach asked if liquor events are allowed where there may be a scotch tasting or wine tasting.

Director Ziemer said there are different regulations that apply. Sometimes farm wineries can go to different places and do wine tastings. There are some options through nonprofit events that give the ability to do different alcohol tastings, but they have to follow the state guidelines for the samples. A lot of the guidelines depend on who is serving the liquor and who has the license.

Council Member T'Kach said if they are trying to align liquor and cannabis it would make sense to allow the same type of events for cannabis as they do for liquor and not have it be so restrictive.

Administrator Wilson said staff can look into the liquor licensing for events and provide more information.

Mayor Dietrich said she would prefer to see three registrations but if the majority of Council prefers four registrations, she would support it.

Council Member Scales asked how close they were in population to requiring four registrations.

Administrator Wilson said if Inver Grove Heights' population passes 37,500, they would need to have four. The current population is between 35,000 and 36,000.

Council Member Scales said they would likely hit 37,500 in the next few years and asked if four registrations would cover them up to a population of 50,000.

Administrator Wilson said yes, the population would have to pass 50,000 to be required to issue a fifth registration.

Council Member Gliva said she would prefer three and wait until a fourth is required.

Council Member T'Kach said she thinks four is a minimum to cover them.

Council Member Scales said he would be ok with three or four.

Administrator Wilson said they will structure the ordinance with a limit and as Council considers the reading of the ordinances it can be changed between three and four.

City's Ability to Regulate Lower-Potency Hemp Edibles (LPHE)

- The city should decide whether it wants to adopt additional regulations, similar to cannabis businesses, for hemp businesses (e.g., buffers, hours of sales, etc.).
 - Important note: The regulatory framework regarding hemp-based edibles and beverages may be further clarified and impact the city's ability to limit an on-sale establishment from selling hemp edibles for on-site consumption.
- These regulations could apply to lower-potency hemp edible retailers and/or lower-potency hemp edible manufacturers.

Assistant Attorney Sathe said his understanding from previous Council comments is that Council wants to treat lower-potency hemp edible retailers and manufacturers in the same way they treat cannabis businesses in regard to zoning and a registration perspective.

Council Member T'Kach said she does not agree with that but understands it is up to the majority.

D. 2025 Convention & Visitors Bureau Budget Request

LillyAnna Miller, the Director of the Inver Grove Heights Convention and Visitors Bureau (CVB), presented this item. The Convention and Visitors Bureau mission is to market and promote Inver Grove Heights to visitors and to maintain and stimulate the community's economic vitality. The CVB's purpose is to market and promote Inver Grove Heights to visitors to stimulate the community's economic vitality by building upon their connection to the river and parks, fun experiences, local businesses, and regional attractions. They are rooted in the community's story.

CVB's 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!

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.

Miller said in February 2024 they launched a new website that focused on what is in Inver Grove Heights. It highlights the parks and trails, shopping and dining, and the area attractions.

Miller said she partnered with the Parks & Rec department to highlight parks and trails through the summer. Every Tuesday they would visit a different park or trail and take videos of what it looked like. These videos were posted on their social media channels and YouTube.

Convention and 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 and voting will take place until December 18
 - Houses register their house for holiday decorations
- NEW Inver Grove Heights Visitor Guide, December 2024
 - Last visitor guide was done in 2021 due to staffing

Convention and Visitor 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.

Miller said these goals are based off of the 2022-2024 strategic plan with the addition of expanding overnight group travel. A new strategic plan is in the works for 2025-2027.

Hotel Rate Comparison for MEA weekend:

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

2025 Revenues:

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

Miller said the EMT Grant is the Explore Minnesota Tourism grant that was approved by Council. The Lodging Tax 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:

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 Charge (5%)	10,750
Transfers Out to Other Funds	0
Total Expenditures	\$ 227,000

Miller said Council can email her with any questions or concerns about tourism and loves big ideas.

Mayor Dietrich said she is very excited about the visitors guide and is interested in the creation of a city event and asked Miller to let Council know how they can collaborate.

Miller said the city event has been talked about in the past and Council will receive more information as soon as she has it.

Council Member T'Kach said she was looking forward to the performance results on the overnight conferences and events and thinks it will be a big boom for the community.

Miller said it is currently happening, but they want to be more strategic. They would like to be able to provide a flyer with Inver Grove Heights attractions.

Council Member Gliva thanked Miller for her work on social media.

E. 2025 Budget Discussion - Inver Wood Golf Course

Matt Moynihan, Clubhouse Superintendent, presented this item.

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

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

	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	90,007	94,147	98,000	97,400
Alcohol Sales	148,637	153,907	165,000	153,500
Other Charges & Revenues*	19,946	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.

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

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

Expenditures - Clubhouse Operations:

	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:

	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

Moynihan said the capital outlay will replace storm shelters at hole #5 and #15. They have been there since 1993 and are no longer repairable. There are also some stairs going from one hole to another that are needing replacement.

Expenditures - Combined

	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Clubhouse Operations	\$ 1,147,707	\$ 1,072,090	\$ 1,345,300	\$1,257,960
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	\$1,903,389	\$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
Inter-fund 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 Council may recall we are still awaiting the delivery of two pieces of Maintenance equipment from 2022 and one piece from 2023.

2025 Budget Summary:

Revenues	\$ 2,775,465
Operating Expenditures	<u>2,317,550</u>
Net Operating Income*	\$ 458,915

*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.
 - Same program for the past ten years
- Conversation with Mulligan Marketing Concepts (MMC) about a future Anniversary Membership Campaign.

Golf Course - Approximate Cash Balances:

2018	\$ 750,000
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2019	\$ 100,000
2020	\$ 1,600,000
2021	\$ 2,100,000
2022	\$ 2,100,000
2023	\$ 2,400,000
2024	\$ 1,400,000
2025	\$ 2,100,000

- In 2019, the Golf Course paid off all inter-fund equipment loans – only outstanding loan is from 2016 golf course improvements.
- In 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 in cash from a new membership drive (for a 3-year membership); the last membership drive in 2023, covered a 2-year membership period.

Council Member T’Kach asked how many residents had memberships compared to nonresidents.

Moynihan said residents make up around 40% of their current memberships. They have many different skill levels and many less skilled golfers like the 9-hole course because it is not as long. They have others that like the championship course and come from all over to play. The membership program has done what they wanted it to and filled up the empty slots.

F. 2025 Budget Discussion – Utility Funds

Director Connolly presented this item. Connolly said they have two Water Funds, the Water Operating Fund (510) and the Water Capital Fund (511). The operating fund is what is used to operate the day to day funds of the water treatment facility. The capital fund is the money that is spent on big projects.

Water Operating Expenditures by Category:

	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

Director Connolly said the money for depreciation is transferred to the Water Capital Fund to help pay for the capital improvements.

Water Operating Fund - 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)

Director Connolly said they did a rate study, and the recommendation of the study was to do incremental but higher rate increases over the next few years. The forecasted rate increases through 2028 are 10% for both the fixed charge and the volumetric charge.

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.

Director Connolly said the amount for depreciation is transferred at the end of the year and they will adjust the amount so that it will not result in a negative balance in the Water Operating Fund. They are running at a slight deficit. They could have more revenue if they sell more water, but they do not base their budget on selling more water.

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 Estimate*	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

Director Connolly said the expenditures will be brought before Council next month. There is a large transfer out for Street Projects because the Groveland neighborhood is having all new watermain and sewer put in in 2025. They spend down the capital balance and then allow it to build up for future years.

Water Capital Fund - 2025 Budget Overview:

Water Capital Fund (Fund 510)	2024 Estimate	2025 Proposed Budget
Revenues- Development Fees, Transfers In, & Interest	\$ 1,798,500	\$ 1,777,205
Revenues-ARPA/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)

Finance Director Hove reviewed the Water Capital Fund Model. Director Hove said the water funds are split into a Water Capital fund and a Water Operating fund. Council approved a minimum fund balance policy a year ago. They had the first transfer of the residual fund balance from the Water Operating

Fund to the Water Capital fund and are not able to start looking at how much money is in the Water Capital fund and if they can afford their CIP plan in the future.

Director Hove said in 2022 the ending cash balance of the Water Capital fund was \$1,641,439 and in 2023 there was an extreme increase to \$12,727,949. The increase is because this was the first time they transferred the remaining money from the Water Operating fund to the Water Capital fund. Over time they will have better modeling because there will be a normalized balance between the operating and capital funds. The Water Capital Fund Model includes the incoming revenue including development related connection fees and the interest from the annual depreciation. In 2024 there are two additional funding sources for the water treatment plant from the PPFA Loan proceeds and ARPA funds. The total revenues and transfers in for 2024 are \$6,463,671.

Director Hove said the 2025 budget assumes a slight reduction in annual development-related connection fees due to a decrease of what has been coming in. The models are updated annually so if more revenue is received the budget will reflect the actual amounts in the future. They try to be conservative on revenue assumptions. The total revenues and transfers in for 2025 are \$1,777,205.

Director Hove said the expenses on the Water Capital Fund Model were similar to what was discussed earlier. They include the capital projects and transfers out.

Capital Projects - Water System:

- Well & Pump Service Rehabilitation
- Water Treatment Plant Sludge Replacement
- Water Treatment Plant High Service Pump Rehab
- Well #3 Programmable Logic Controller
- Automated Metering Infrastructure (AMI)

Capital Projects - Facility:

- Make Up Unit & Roof Top Unit

Debt Service:

- MPFA G.O. Loan (20 yr. @ 2.155% interest)

Transfers Out:

- Local Street Projects (Fund 440)

Director Hove said they budget all of the projects that are in the current version of the 5-year CIP across the five years in the Water Capital Fund Model. Director Hove said she has highlighted the AMI Project in the budget because staff are still considering it on a scope of projects, but they have limited resources. Staff has to pick which projects may need to be moved to the front like the water treatment plant rehabilitation. The next big joint project with Finance and Public Works will probably need to be a Stormwater Rate study before they are able to look at starting the AMI project.

Director Hove said they are intending on drawing down the ending cash balance in the Water Capital Fund.

Drawdown:

- 2024: \$946,594
- 2025: \$995,703
- 2026: \$1,322,863

- 2027: \$2,999,467
- 2028: \$890,694
- 2029: \$491,694

Director Hove said the large drawdown in 2027 is for the painting of the Northside Water Tower. The AML project could shift out which would adjust how far they drawdown the cash balance.

Council Member T’Kach asked if there is room in the budget for Council to provide any connection fee reductions to developers.

Director Hove said they have not modeled the budget with any potential reduction in fees.

Administrator Wilson said the fund does not have a negative cash balance, but they are decreasing the balance. Staff is projecting a more modest amount of development fee revenue. They are projecting \$370,000 in development-related connection fees for 2025 which could come from a number of sources. It could be one small project that pays the full rate in the NWA or a few projects that pay a reduced rate. The decision to provide fee reduction to developments does impact the fund. The argument is whether they risk getting nothing if they do not provide fee reduction or they provide fee reduction and they get some revenue.

Council Member T’Kach said supplies went up between 2022 and 2023 and asked if the supply costs were still the same amount or if they were in need of more supplies.

Director Connolly said there was a peak in supply needs in 2023 mostly due to water treatment chemical needs. In 2024 they were able to lower the price a little because they were able to better balance it, and they were able to address some of the radium issues in 2023 and 2024. They are still seeing increases over the typical inflation rate for chemicals but were able to keep the cost for 2025 similar to the cost in 2024. In 2025 there will be some cost due to getting the treatment plant online. They are trying to dial down their chemical use. They are expecting to reduce their chemical use but there will be a lot of extra testing in the treatment plant.

Director Connolly presented the Sewer Operating Fund (fund 520) and the Sewer Capital Fund (Fund 521).

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	784,095	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	\$4,679,358	\$10,944,462	\$4,574,320	\$4,708,895

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

Director Connolly said the decrease in personnel expenses between 2024 and 2025 is due to moving a full-time employee over to 30% sewer and 70% water. They do not operate a water treatment plant and that is why the supply cost is low. Most of the costs to sewer are from maintenance which falls under other charges and services. This would include the cost for in-house sewer cleaning and televising or work on a lift station. The City pays MET Council for wastewater treatment instead of operating a water treatment facility. The Met Council provides the amount due every year. The recommended depreciation in the AE2S report was a steady \$800,000.

Sewer Operating Fund - 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%

Director Connolly said the Met Council reviews all of the communities that go into their water treatment system and rebalances the amount charged to each city every year. In 2024 they had slightly more residents moving into town, so their share got a little higher. In 2025 the cost drops down due to the number of people moving into town has dropped over the last two years. There is a two year lag in the percentages. Director Connolly expects a drop in 2026 also, but it is hard to predict because it is based on all of the communities.

Sewer Operating Fund - Highlights:

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

Director Connolly said the fixed rate is the base rate that everyone pays, and the volumetric rate is based on the amount of water used.

Sewer Operating Fund - Rate Study - Forecasted Rate Increases:

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

Director Connolly said the rate increases are proposed from the AE2S report, but it may be underestimating the need because they are not collecting the anticipated fees, particularly in the NWA for new development, when the report was done. The increases were dependent on the Met Council's treatment charges, but staff are proposing to keep the same rate increases even though the Met Council's cost was lower. The Met Council rate will increase in the future and the increase in rates can help pay with some of the debt service. Staff are trying to balance the rate increases and have been reviewing them on a 10 - 20 year period.

Sewer Operating Fund - 2025 Budget Overview:

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

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

Director Connolly said they will have a slight increase to the fund balance in the Sewer Operating Fund in 2025.

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.

Director Connolly said they televise pipe sewers when they do the sanitary sewer cleaning fund, and the funds are stored here because the sewer makes up approximately 90% of the contract. The transfer from stormwater is to help pay for the stormwater component.

Sewer Capital Fund - Capital Expenditures:

Expenditures	2024 Estimate*	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

Director Connolly said the sanitary sewer rehabilitation will line the sewer pipes instead of replacing them to help extend the life. There will be another rehabilitation of a lift station in 2026 as part of a street project. The debt payment will continue for the better part of the next ten years. The transfer out to Street Projects is larger in 2025 because the Groveland Area project will have a large amount of the sanitary sewer replaced in 2025.

Sewer Capital Fund - 2025 Budget Overview:

Sewer Capital Fund (Fund 520)	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)

Director Connolly said there is a decrease in the fund balance because they are paying the debt payment and not collecting enough revenue to cover to pay off the debt. There is an increase of \$432,105 in the operating fund balance that will be transferred to the Sewer Capital Fund, but it will only cover about half of the shortfall.

Director Hove presented the said staff provided an expanded view of the Sewer Capital Fund Model because the fund is having more trouble being sustainable. The ending cash balance in 2022 was \$1,902,146 and increased in 2023 to \$5,682,835. This is when anything over the minimum fund balance policy was transferred from the Sewer Operating Fund to the Sewer Capital Fund. The revenues from development-related connection fees are assumed to be \$304,500 annually starting in 2025 and the interest is related to the cash balance.

Director Hove said under transfers in is another revenue source and includes depreciation of \$800,000, and an additional transfer of capital which is the forecasted net income from the operating fund of \$432,000. There is also the transfer from the Storm Water Fund for \$60,000 and the proposed transfer in from the Closed Bond Fund to cover the debt service. They have forecasted that there is enough money remaining in the Closed Bond to cover one year of the debt service for sewer. They are forecasted to bring in \$2.7 million into the Sewer Capital Fund.

Director Hove said there are not many capital projects in the 2025 budget. The Sewer Capital Fund Model is based on the 5-year CIP. Staff has taken the average amount in the CIP and added an inflationary factor to model through 2038. The debt payments are a little over \$1 million until 2032 where it decreases to approximately \$700,000. In 2035 the debt service payment decreases to \$420,000 and is paid off in 2036. In 2025 there is a transfer out of almost \$1.9 million for street projects.

Director Hove said the estimated cash balance in 2024 will be just under \$5 million and at the end of 2025 they are forecasting a decrease to \$4 million even with the transfer in from the Closed Bond Fund. The cash balance continues to decline year over year.

Director Hove said they are currently transferring \$1 million from the Host Community Fund to the Stormwater Capital Fund. The original proposal was to transfer \$1 million to the Stormwater Fund for three years. Staff are proposing to consider moving the \$1 million to the Sewer Capital Fund. The Stormwater Capital Fund is forecasted to receive transfers from the Host Community Fund of \$1.5 million in 2026. They redirected \$500,000 that was originally intended for Pavement Management to

the Stormwater Capital Fund. If they transfer \$1 million to the Sewer Capital Fund, the Stormwater Capital Fund will still be receiving \$500,000.

Council Member T’Kach said the model shows the \$1 million transfer from the Host Community Fund through 2038 and asked if the permit for the landfill is until 2038.

Administrator Wilson said the current Host Community agreement goes through 2030. The model assumes there is a continuation of landfill operations and revenue.

Council Member T’Kach asked what would happen if the agreement is not extended.

Administrator Wilson said she and the Director Hove had tried to find other sources of funds to meet the obligations of the Sewer Capital Fund for both debt and projects. The model includes potential transfers in from the General Fund, the Water Capital Fund or the TIF Fund. A transfer from the General Fund could either be from a tax levy or the fund balance. The Water Capital Fund is not overly funded, but the city has historically used funds from water and sewer to support each other. The closed TIF Fund could be returned to the County and the City’s share of \$2.2 million could be transferred into the Sewer Capital Fund. If staff are able to find other options, they will add them to the model.

Director Hove said even with the transfer in from the Host Community Fund the balances are still decreasing. They want the capital fund to be increasing because they will have capital replacement needs as the infrastructure ages. They are assuming they will have an additional \$432,000 transferred in from the operating fund. They have forecasted the same amount of transfer throughout the model. If the transfer in from the operating fund is removed, the cash balance will be negative before 2038. Staff are going to focus on what connection fees will look like in the future. The current proposed plan will get through the debt payments, but it does not build up a balance to cover future CIP needs.

Council Member Murphy asked what Host Community Fund’s current balance was.

Director Hove said she would find out and let them know.

Mayor Dietrich asked for more information about the audit for the pension and how it will not happen again.

Director Hove said at yearend they have to add a book entry for the accrued liability for pensions and typically the auditors put it together. Neither the auditors nor the finance staff caught that expenses related to the golf course went against the sewer fund. They have to make a correction in the 2024 entry to fix it. The adjustment will come through with the adjustment to the 2024 pension expenses. It is a book entry about a future liability and does not affect cash.

Director Connolly said there are three Storm Water Funds, Operating Fund (Fund 530), Storm Water Capital (Fund 531) and Storm Water Capital – NWA (Fund 533). Staff is trying to find a way to combine the capital funds but currently connection fee revenues and capital project expenditures in the NWA go into the Storm Water Capital – NWA Fund. All fee revenue from the stormwater utility fees goes into the Storm Water Capital Fund.

Stormwater Operating Expenditures by Category:

	2022 Activity	2023 Activity	2024 Budget	2025 Requested
Personnel	\$ 281,002*	\$ 188,352	\$ 303,500	\$ 303,500

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	240,000
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

Director Connolly said the Storm Water Funds is underfunded based on their needs, but they continue to work to find ways to get through year after year. There is an increase in personnel between 2023 and 2024. The City hired another person in the street division and that position is 80% funded through the Storm Water Operating Fund. The position was going to be focused mostly on storm water maintenance. There was not a depreciation report done by AE2S for storm water, but they have a storm water rate study on their plan for 2025 and may extend into 2026. The transfers out pay partially for street sweeping.

Storm Water Operating Fund - Noteworthy Expenditure Items:

- Dues & Subscriptions (5335) - 11% increase over 2024 (LMRWMO & EIGHWMCO)

Director Connolly said the City is part of two different watershed management organizations, the Lower Mississippi River Watershed Management Organization, and the Eagan Inver Grove Heights Watershed Management Organization. The organizations have seen a need to increase their participation fees. They are able to recoup most of the costs because the organizations help them apply for grant funding and work on studies that would otherwise have to be fully funded by the City. Inver Grove Heights is the largest member of the LMRWMO. The land area makes up more than 50% of the organization in terms of land area. They are only a small part of the EIGHWMCO, approximately 10% of the land area.

- 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

Director Connolly said this is the third year they have been trying to level the rates between the NWA and non-NWA areas. The original thought behind higher rates in the NWA is there is the NWA had more stormwater infrastructure and required more maintenance. The fees outside of the NWA are very low and do not cover the stormwater needs. All stormwater fees are spent across the entire city. The NWA does have more stormwater facilities, but some are managed by private entities like homeowner's associations. Staff would like facilities that are on city property and use city water to be managed by the city and facilities that are on private property that only take private water should be managed by the private entity.

Director Connolly said the goal is to have the user fees be the same over time. Staff proposes larger increases to the non-NWA area and small increases to the NWA area until 2028 when the fees would be the same across the city.

Storm Water Operating Fund - Rate Study - Forecasted Rate Increases:

	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 510)	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>
Reduction 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.

Director Connolly said the fund balance is relatively low but a transfer to the capital funds would allow staff the opportunity to do maintenance and prevent something from needing a major capital expenses. They have staffing now that allows them to handle more internally. There is large backlog of capital improvements that need to be made, and the transfer will help them start to accomplish some of the improvements.

Storm Water Capital Fund - Revenues:

Revenue	2024 Estimate*	2025 Proposed Budget
Development-Related Connection Fees	\$ 65,000	\$ 7,182
Interest & Others	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 – Capital 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

Director Connolly said staff is working on the Water Resource Management Plan updates and if the contract is not awarded until after 2025 the cost will still come from the 2024 budget. They received information from UP Rail trying to verify ownership responsibilities and there is potential that the City might not have to pay for all of the replacement. There is also potential that it will delay the repair which could also cost more money.

Director Connolly said staff were able to inspect the 64th Street Outfall after the summer flood and the pipe is has failed already. They are working with a consultant on plans from ten years ago to replace it that were never advanced. Staff will also apply for grant money. The structure cannot be ignored and will not fix itself. If the pipe fails, they would lose access to the marina.

Mayor Dietrich asked if the Dickman Trail culvert replacement would need funding from roads as well.

Director Connolly said the \$75,000 is for design costs, coordination costs, permitted costs and potentially right of way costs. It will likely need additional funding for construction in 2026.

Mayor Dietrich asked if they would have an answer by the railroad.

Director Connolly said they are communicating with them, which is a step forward from where they have been for the past two years and hopes he will have an answer before construction.

Council Member T’Kach asked how much the 64th Street outfall project would cost.

Director Connolly said they have a rough estimate of just over \$1 million.

Storm Water Capital Fund – 2025 Transfers Out:

\$1,357,025 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	2024 Estimate	2025 Proposed
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(Fund 531)		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

Director Connolly said with the 64th Street Outfall remaining unfunded, there is an increase in the balance of \$204,657. It is possible as they work into the CIP they may have to request to draw down the balance to pay for critical failures.

Director Hove said the Storm Water Capital Fund did not exist prior to 2023. The modeling starts in 2023 when stormwater connection fees for the non-NWA started. There was also a plan to fund it with Host Community Funds. The Citizens Taskforce and Pavement Management wanted the Stormwater Capital Fund to pay for its share of the road projects.

Storm Water Capital Fund Modeling:

- Based on the 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

Director Connolly presented the 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 80 th Street (SCAH 28)-TH3 to CSAH 73	<u>0</u>	<u>56,000</u>
Total Expenditures	\$ 50,000	\$ 56,000

Net Activity	\$ 0	\$ (16,000)
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*Activity has been estimated for 2024 and used for comparison purposes

G. Nominations for Bridge Builder Commemorative Coin Award

Mayor Dietrich said this was Council Member Murphy's idea and it is a wonderful thing for the community. There are four items they use to select an individual for the award.

Administrator Wilson presented this item. Administrator Wilson said the Bridge Builder Coin Award is intended to show appreciation, recognition, and congratulations to winners. The coin has a message on the back and the coins are ready to award.

Message:

"Service to others is the bridge that brings a city together today and builds a stronger tomorrow. Thank you for making a lasting difference in our community."

Themes:

- Establishing the Swing Bridge as iconic to Inver Grove Heights.
- City colors, font and branding as unifying symbols.
- "Building a bridge within the community" as a metaphor for giving back to others and creating a stronger sense of community, shared citizenship, and pride of place.
- Recognizing local - sometimes unsung - heroes for their actions.

To recognize residents or staff for:

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

Staff has been providing information to the community about the award since the beginning of 2024. It has been in a few issues of the Insights Newsletter, posted on the City's social media and spoken about at the Commissioner's Appreciate event. They received eight nominations, and they have been reviewed by the City Administrator and Department Heads. Three finalists were forwarded to Council for consideration.

Council is asked to decide if there is an individual among the three finalists that they believe embodies the purpose of the new award. To maintain confidentiality, nominees have been assigned a label of Nominee 1, 2 and 3 for the discussion.

Council Member Murphy said he thinks once the first recipient is awarded, momentum for the award will grow. Those that have been nominated remain in the pool to receive the award. There are three great nominees, and it will be a hard decision, and it is somewhat unfortunate that it is not a closed session for the discussion. Council Member Murphy and Director Hove worked on the award together and Murphy said they both know it will be a struggle to choose the winner.

Council Member Murphy said Nominee 2 stands out to him.

Council Member Scales said it was very hard for him because he knows what all three nominees have done for the community either present or in the past. Nominee 1 has a history that goes back to the founding of Inver Grove Heights, and he wishes they were still around. He leans towards Nominee 3 because of the contributions to all of the IGH events. They spend a lot of time in the community. Nominee 2 has done a lot of work for the community, especially for the children. He said he leans towards Nominee 3.

Council Member T'Kach said it is a tough decision, but she leans towards Nominee 1. They have made many contributions to the city. Their long-term service is very important and the commitment to build an organization that continues to this day that has touched a lot of lives and galvanized a lot of people to support the organization. It shows leadership to keep the organization going for many years.

Council Member Gliva asked if they could nominate more than one.

Council Member Scales said he is having issues with current and past contributions. It is a tough decision.

Council Member Gliva said it is between Nominee 1 and 3 for her. This is the first award, and she is thinking about recognizing someone for what is happening in the present and would support Nominee 3.

Mayor Dietrich said she is between Nominee 1 and 3 also.

Council Member Murphy said he struggled between Nominee 2 and 3. He supports either one winning the award.

Council Member Scales said two of the nominees continue to give to the community and one contributed for their lifetime but are no longer with them. He asked if they could consider giving two awards, one for past and one for the present.

Administrator Wilson said this is Council's project and it is their decision if they would like to give the award to two individuals.

Council Member Murphy said if they award two out of three recipients, it may send a message that they do not like. All nominees remain in the pool and the award was designed to be something unique and culture building in Inver Grove Heights and thinks having two or three recipients may be trying to avoid a difficult decision.

Council Member Scales said they are discussing three nominees but there was a total of eight. He thinks two seem reasonable, one for the history going back to before the beginning of Inver Grove Heights and one for someone that is giving in the present. Scales said his vote would be for Nominees 1 and 3, knowing that Nominee 2 is very close and will remain in the running for next year.

Council Member Gliva said she does not want to water the award down and they might want to consider one recipient since it is the first award. Her vote would be for Nominee 3 if there is only one recipient. All three nominees are worthy of the award.

Mayor Dietrich said she is ok with two recipients.

Council Member T'Kach said she is ok with two recipients and does understand the argument that one is for their past contributions and history and the other is currently leading by example and is a positive role model in the community. She does not think it waters down the award.

Council Member Murphy said this is a hard decision and Council can decide to award two nominees. Next year there may not be any awards given. Murphy wants this Council and future Councils to remember to make sure this award remains special for the recipient.

Motion to Award the Bridge Builder Commemorative Coin to Nominee 1 and Nominee 3 by T’Kach, second by Murphy.

Ayes: 5

Nays: 0 Motion carried.

5. Adjourn

Motion to adjourn at 10:09 p.m. by Gliva, second by Scales.

Ayes: 4

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sara Lyons.