

INVER GROVE HEIGHTS CITY COUNCIL MEETING

TUESDAY, November 12, 2024 - 6:00 P.M. - 8150 BARBARA AVENUE

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Tuesday, November 12, 2024. 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, T’Kach, Gliva and Scales; City Administrator Wilson, City Clerk Kiernan, Public Works Director Connolly, City Engineer Merchlewicz, City Attorney Nason, Finance Director Hove, Police Chief Chiodo and Parks & Recreation Director Lares

3. APPROVAL OF AGENDA:

Staff asked to add 7H – Resolution and Certification of Deferred Special Assessments, to the end of the agenda.

Motion to approve amended Agenda by T’Kach, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

4. PRESENTATIONS:

5. CONSENT AGENDA:

- A.** Approval of Minutes of the October 28, 2024 City Council Meeting
- B.** Approval of Disbursements, **Resolution 2024-252**
- C.** Personnel Actions
- D.** Adoption of Revised 2024 City Council Meeting Schedule
- E.** Resolution of Support for Dakota County 2025-2029 Transportation Capital Improvement Program, **Resolution 2024-253**
- F.** Resolution Approving City of IGH 5-Year Capital Improvement Plan (2025-2029), **Resolution 2024-254**
- G.** Resolution Awarding Contract and Approving Budget for City Project No. 2016-17A – 117th Street Advance Clearing & Grubbing, **Resolution 2024-255 & 2024-256**
- H.** Resolution Authorizing 2025 Central Equipment Vehicle and Equipment Purchases, **Resolution 2024-257**
- I.** Resolution to Amend Final Project Budget & Close City Project No. 2016-08 – Trunk Highway 3 / 70th Street Intersection Improvements, **Resolution 2024-258**
- J.** Approval of Storm Water Facilities Agreement for 9486 Robert Trail
- K.** Approval of Collateral Assignment of Development Contract
- L.** Approval of Contract with Alliance for Feasibility Study to Relocate Historic Buildings

M. Approval of Real Property Declarations for Heritage Village Park and South Valley Park

Motion to approve Item A - M by Murphy, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

6. PUBLIC HEARING:

A. 2nd Reading of Ordinance Amending Utility Connection and Certain Development Related Fees

Administrator Wilson presented this item.

Process:

- Annual action of the City Council
- Required by state statute to be accomplished via ordinance and following a public hearing
- Ordinances require 3 readings in IGH
- Public Hearing to be held tonight followed by consideration of 2nd reading

Administrator Wilson said during the last Council meeting there was an in depth discussion of the changes and the presentation at this meeting would be condensed.

Sections of Proposed Ordinance:

- Section 1: Connection Fees for Water Utility System
- Section 2: Connection Fees for Sanitary Sewer Utility System
- Section 3: Connection Fees for Stormwater System
- Section 4: Trunk Line Assessments for Water & Sewer
- Section 5: Land Use Approval Fees & Deposits
- Section 6: Effective Date (January 1, 2025)

Section 1 - 4 - Utility Connection Fees:

- Sets connection fees for water, sewer and stormwater utilities.
- Paid at the time of connection to the system - most often by developers, but sometimes by current residents.
- For the past 15+ years, City has had higher utility connection fees for most development in the NWA - as a means of "paying the City back" for upfront investments made without assessments to property owners.
- In the NWA, the connection fees escalate with density to a greater degree than they do outside the NWA - creating a particular challenge for proposed multi-family development

Section 5 - Land Use Application Fees & Deposits:

- Proposed fee changes shown in red in the draft ordinance.

Section 6 - Effective Date:

- January 1, 2025

Ordinance Approved at 1st Reading:

- 5% increase to non-NWA and city-wide connection fees.
- Flat fee amounts for NWA-specific plat connection and building permit connection fees (both water and sewer) - pending further study and discussion.
- No changes since the 1st reading.

Next Steps:

- 3rd & Final Reading - Monday, November 25
- Continued Study of Connection Fees
 - Seeking rates justified by City's costs, while also competitive with other developing cities in the metro-area
 - May consider mid-year adjustment to fees following completion of additional study
 - Council continues to have the ability to consider requests on a project bases

Mayor Dietrich asked if Staff had received any comments from the public.

Administrator Wilson said no, they have not.

Mayor Dietrich opened the public hearing.

There were no public comments.

Motion to close public hearing by Scales, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

Motion to approve Second reading of Ordinance amending City Code Title 3 Chapter 4 Sections 2 & 3 related to water, sanitary sewer, and stormwater system connection fees and sanitary sewer and water trunk area assessments; Section 8-7-4 related to stormwater system rates and charges; and Section 10-3-8 related to Land Use Approval Fees and Deposits by Murphy, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

7. REGULAR BUSINESS:

A. Canvass of November 5, 2024, General Election Results

Clerk Kiernan presented this item.

Statistics:

Overall Volume		Total Cast	Percent
Total Cast Absentee		10,201	41%
Early Voting	6,189		
Mail Process	4,012		
Total Cast on Election Day		10,794	43%

New Registrations	1,911		
Overall Voter Turnout		20,995	83.7%

Results - Mayor:

Mayor (Elect 1)	Total Votes	Percent
Greg Grover	4,627	27.25%
Brenda Dietrich	12,187	71.78%
Write-In	165	0.97%

Clerk Kiernan said Council approved a Resolution in 2023 that write-in votes were not going to count unless they had received a write-in campaign. Staff did not receive notifications of any write-in campaigns.

Results - Council Member:

Council Member (Elect 2)	Total Votes	Percent
John Murphy	8,527	32.65%
Sue Gliva	10,208	39.08%
Jason Teiken	7,210	27.60%
Write-In	174	0.67%

Requested Council Action:

Motion to approve Resolution Canvassing the Votes Cast at the November 5, 2024, General Election of the City of Inver Grove Heights, and Declaring Candidate Results.

Motion to approve Resolution 2024-259 Canvassing the Votes Cast at the November 5, 2024, General Elections of the City of Inver Grove Heights, and Declaring Candidate Results by Scales, second by T’Kach.

Ayes: 5

Nays: 0 Motion carried.

B. Approval of Rental Housing Licenses

Administrator Wilson presented three rental housing licenses that have been reviewed by Staff and found to be eligible for licenses. Staff recommends approval.

Motion to approve three rental housing licenses for the addresses of 3534 Cloman Way, 5455 Brewer Lane, and 3248 71st Street E by Gliva, Second by Murphy.

Ayes: 5

Nays: 0 Motion carried.

C. Second Reading of Ordinance Establishing the 2025 City Fee Schedule and of Ordinance Updating and Clarifying Fee References in City Code

Clerk Kiernan presented this item. Clerk Kiernan said there has not been much change to the ordinance since the first reading.

Background:

- Three types of City Fees and charges for the upcoming year:
 1. Utility Connection & Other Development Related Fees
 2. Utility Rates
 3. All other fees and charges - including those for building permits, business licenses, the VMCC, Inver Wood Golf Course, etc.

Move from Resolution to Ordinance:

- Preferred to comply with state statute
- Notable differences:
 - Ordinances require three readings by the Council
 - Resolutions only require one reading
 - Ordinances or summary publications are published in the official newspaper of record
 - Resolutions do not get published

Uncodified Ordinance:

- Staff is recommending an "uncodified" ordinance:
 - Same manner as codified and carries same legal authority
 - Stands independently and not merged into sections of City Code.
 - Useful tool for interim ordinances and items that frequently change

Second Ordinance Proposed:

- To finalize this process, staff have prepared a "housekeeping" ordinance
- The purpose of the ordinance is to remove final remaining references to fees (with the exception of plat and building permit utility connection fees, park dedication fees, and certain other fees) from the Code and replace the same with a reference to fees found "set forth in the City Fee Schedule"
- This will provide consistency moving forward, and eliminate the risk of conflicting fee references or amounts.

Staff recommends considering the approval for the second reading of Ordinance 1485, adopting the 2025 Fee Schedule and the approval of the second reading of Ordinance 1486, amending various provisions of the Inver Grove Heights City Code Related to Fees.

Mayor Dietrich asked if the wording that was cleared was just for typos.

Clerk Kiernan said some areas of the Code had different language and Staff tried to clean up the language to read the same.

Council Member T'Kach said if a permit expires, people have to pay 50% of the permit fee to have it renewed and asked when a permit might expire.

Clerk Kiernan said permits are typically one year. If a homeowner is working on a project and does not have it completed within the year, they could ask for an extension, and it does cost a fee to renew the permit.

Council Member T'Kach said 50% seems high for a permit renewal when you look at how much a permit costs for residential construction.

Clerk Kiernan said she would have to defer the question to the next meeting and will get more information for Council.

Council Member T'Kach said the multi-family building permit is changing from 2% of the valuation to 1.5% and asked what kind of lost revenue that is.

Attorney Nason said it is based on the valuation of the building and with the proposal is 1.5% instead of 2% which would mean less fees being provided to the City for the permit.

Council Member T'Kach asked if there was a rationale for the reduction.

Clerk Kiernan said the reduction came from the building inspections and she will get more information for Council.

Motion to approve Second Reading of Ordinance 1485 adopting the 2025 Fee Schedule by Gliva, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

D. Second Reading of Ordinance Adopting Cannabis Business Regulations

Attorney Nason presented this item.

Legislative Background:

- In 2022, edibles and beverages containing 5mg of THC per serving entered the Minnesota marketplace
- In 2023, the Minnesota Legislature passed the Cannabis Act which provided for a framework for legalized adult-use cannabis and regulated some hemp products
- In 2024, the Minnesota Legislature made additional updates to Chapter 342 (Cannabis)

Current City Regulations:

- Moratorium on operation of cannabis businesses until January 1, 2025
- No license is required to sell hemp edibles containing THC, but businesses must register with the Office of Cannabis Management.
 - Currently 18 businesses are registered to Inver Grove Heights addresses
- Use Regulations
 - Smoking or vaping cannabis or hemp flower or products in a public place is prohibited – similar to tobacco use
 - Consumption of beverages containing THC prohibited in public places (unless otherwise permitted per license or permit) – similar to alcohol use

Attorney Nason said there will be no licenses issued on January 1, 2025. The Office of Cannabis Management is not ready yet.

Office of Cannabis Management:

- Established July 1, 2023
- Responsible for all Cannabis Act licensing of cannabis and hemp businesses and products and most of the regulatory framework established by the Cannabis Act
- Administrative rulemaking
- Enforcement of licensing requirements

City Regulation of Cannabis Businesses and Hemp Businesses:

"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 Licenses:

License Type	Main Function	Use Type(s)
Cannabis Retailer	Sales to the customers	Commercial
Medical Cannabis Retailer	Sales to registered patients	Commercial
Cannabis Deliver Service	Deliver 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 Outdoor: Agricultural
Medical Cannabis Cultivator	Growing cannabis plants	Industrial, Agricultural, Commercial

Cannabis Event Organizer	Coordinate cannabis events	Office, Commercial
Cannabis Manufacturer	Create 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 the public and medical patients	Cultivation, Manufacturing & limited Retail
Cannabis Mezzobusiness	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing & Retail
Cannabis Microbusiness	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing & Retail

City Regulation of Cannabis Businesses and Hemp Businesses:

Registration and Compliance:

1. Registration of allows City to:
 - Impose a registration fee.
 - Limit the number of retailers (min. 3; 4 proposed)
 - 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.

Establish "buffers" to separate LPHE businesses from certain uses, or each other.

Proposed Cannabis Business and Hemp Business Regulations - Five proposed areas of regulation:

1. City registration required for all cannabis and hemp businesses
2. Establishment of buffer zones from other cannabis businesses, and schools, daycares, and child-oriented park features
3. Set hours of operations
4. Cannabis event permit
5. Zoning ordinance amendments (separate ordinance)

City Retail Registration:

- Imposes a registration fee and renewal fees
- Limits the number of cannabis retailers (optional)
 - Inver Grove Heights must allow at least 3 (based on population)
 - Can refuse to issue registration if county has 36 retailers
 - Ordinance proposes a limit of 4 retail registrations
- May suspend registrations, including the ability to suspend immediately if the business poses “an immediate threat to the health and safety of the public”
- Perform preliminary compliance checks
- Perform the required annual compliance check

Buffers:

Alcoholic Beverages:

- No buffer for on-sale licenses
- Off-sale retail licenses may not be approved for properties located within 500 feet of a school or church, as measured by the nearest property lines of parcels

Tobacco Sales:

- No new license may be issued to a tobacco products shop located within 500 feet of a school

Cannabis Retail Businesses:

- Within 1,000 feet of a school.
- Within 500 feet of a day care, residential treatment facility, or public park attraction regularly used by minor (e.g. playground, athletic field).
- Within 1,000 feet of another cannabis business
- Apply to all cannabis retail businesses

Lower-Potency Hemp Edible Retail Businesses:

- Same standards as cannabis retail businesses
- Exception for existing lower-potency hemp edible retail businesses

Operational Business Regulations:

Retail hours of operation:

- Default: 8:00 a.m. – 2:00 a.m., Monday-Saturday, 10:00 a.m. – 2:00 a.m. Sunday
- Most Restrictive: 10:00 a.m. – 9:00 p.m., seven days a week

Additional Business Regulations – Temporary cannabis events:

- OCM Cannabis Event Organizer license required
- Additional requirement for City permits for events
- Application requirements:
 - Contact information for on-site contact

- Site plan for event, including consumption areas
- Not allowed on City-owned property
- Not allowed on residentially zoned property, including Agriculturally zoned property
- Restricted hours and dates and number of permits issued per year

Attorney Nason said Council is requested to consider approval of the 2nd reading of the Ordinance Adopting Cannabis and Hemp Business Regulations. If the 2nd reading is approved, the final reading will be at the next Council meeting and Council will see the zoning ordinance amendments related to cannabis business regulations.

Council Member T'Kach said it is a first come first serve basis for getting a license and asked if there would be an opportunity to have a lottery for the business licenses. Larger businesses would probably be ready to request a license as soon as they are available and there may be better businesses that would not have an opportunity for a license.

Attorney Nason said the City could look into a lottery like system. Nason said she is not aware of any cities that are currently doing a lottery system but if Council would like that information, Staff can look into it. One of the requirements to be considered for an application is a license or pre-approval from the OCM. The OCM is going to be limited on the number of licenses they will be issuing. Some cities established lottery systems when LPHE first became available in 2023.

Council Member T'Kach said it may get Inver Grove Heights better businesses.

Council Member Gliva asked how a lottery system would help them get better businesses because they would not have a choice in the businesses.

Attorney Nason said if it is a pure lottery there would not be any choice. Some cities have done a ranked lottery system where they have assigned points based on different criteria but she does not know what criteria was considered.

Council Member Scales asked if there was a cost to get a license from the OCM.

Attorney Nason said yes, there is a cost.

Council Member Scales said if a company spends the money to get a license with the OCM in January and wants to open a business in Inver Grove Heights and the City says they have to wait while they collect names, they will not get the money back that they paid to the OCM. Council Member Scales said he is not comfortable with that and there is something to be said for a company that puts the effort in and is first in.

Council Member T'Kach said she thinks it would open a broader pool of businesses and asked if applicants need to identify a site before they are able to get a license from the OCM.

Attorney Nason said she did not have the information but did not think they would need to have the site to get the license. Staff will confirm the information.

Council Member Scales said a company could get a license from the OCM and decide to locate in Inver Grove Heights or Eden Prairie.

Council Member Scales asked if they did a lottery with any other license.

Council Member T'Kach asked if they approve liquor and tobacco licenses on a first come first serve basis.

Council Member Scales said they do not tell applicants they have to wait three months for a license.

Council Member T'Kach asked if they limit the number of liquor licenses in the City.

Attorney Nason said there are some limits in their Code regarding liquor licenses.

Clerk Kiernan said liquor licenses are limited to an extent.

Attorney Nason said there is language in the code about a maximum number of liquor licenses, but they are not near the maximum.

Clerk Kiernan said they limit the on-sale intoxicating liquor licenses for exclusive liquor stores to 18.

Council Member Murphy said they are trying to welcome legal business into Inver Grove Heights and if they are first in line he gives them credit for doing all of the work. If it is a bad business, they are going to fail, and another business will have their chance. Council Member Murphy said he does not see the lottery as a benefit, and he does not want to keep anybody waiting for months since they could go to another town and does not see any advantages to a lottery.

Council Member T'Kach said it is more about fairness to people who will do everything they can to get a license from the OCM. They could have the opportunity for a larger number of people to start a business in Inver Grove Heights like a local resident who wants to start a business. There are large corporate cannabis companies that would likely be ahead of a smaller business.

Council Member Scales said anything that puts a barrier in front of a legal business is a problem. There is credit given to those that do the work to move forward. They do not do a lottery for any of their other licenses, and he does not see having one for a cannabis license. It makes it appear that the City is difficult to work with.

Council Member T'Kach said she agrees fundamentally but with there only being four licenses they are already limiting opportunities for business in Inver Grove Heights.

Council Member Scales said the number of liquor licenses permitted in the City has grown over the years and the number of cannabis licenses would likely grow as the City grows.

Council Member T'Kach said the City may be able to accommodate more than four licenses and thinks there could be more opportunities than they are seeing.

Council Member Gliva asked for clarification on what cannabis events are.

Attorney Nason said a cannabis event is typically a place where there are booths and vendors that sell a variety of products including cannabis products.

Council Member Gliva asked to confirm that a cannabis event could not be on City property, residentially zoned property, or agriculturally zoned property.

Attorney Nason said yes, that is correct.

Council Member Gliva asked how the number of events permitted in a calendar year were determined and if it was in the state statute.

Attorney Nason said they are not limited in the statute. Staff thought of what types of parameters the City would want to put on the events because they have never had them before. The length of four calendar days is to avoid circumvention of the requirement to operate a business. Limiting a business to four temporary cannabis event permits in one year is to start out with a manageable number of events.

Administrator Wilson said the definition of a temporary cannabis event being four days or less is in the state statute. The hours of operation and the limit to four per year for a single applicant are staff's suggestions. Council could modify the number of events and the hours an event is permitted. The current draft does not prohibit the consumption at a cannabis event but that is something that a city can choose to prohibit. Prohibiting onsite consumption could discourage cannabis events from being held in Inver Grove Heights. The ordinance as written allows for consumption in designated areas and they would need to identify in the permit how they would control underage access. Events with onsite alcohol consumption usually say they will issue wristbands and verify IDs upon entrance.

Mayor Dietrich asked how many temporary liquor events are allowed.

Administrator Wilson said they allow on-site liquor license holders to expand their premise three times per year. Drkula's may have a tent in front during Inver Grove Heights' Days which is outside the bounds of their normal business.

Council Member Murphy asked if there was a reason they decided on a 500 foot buffer versus a 1,000 foot buffer from day cares, residential treatment facilities etc.

Attorney Nason said she did not recall the specific reason they kept the 500 foot buffer.

Council Member Gliva said the 500 foot buffer was the maximum buffer permitted except for the 1,000 foot buffer permitted from schools. The buffer for alcohol is 500 feet from schools and Council decided to keep the maximum 1,000 foot buffer for cannabis.

Attorney Nason said in the ordinance, cannabis business has to be a minimum of 500 feet away from day cares, residential treatment facilities or public park attractions regularly used by minors. The statute has a maximum buffer requirement of 500 feet. Attorney Nason provided Council with an updated map with the buffer zones.

Council Member T'Kach asked if the map noted where cannabis businesses would be permitted or if it also included where cannabis events would be able to be held.

Attorney Nason said there are areas in the on the map in red where a cannabis business could be located and comply within the buffers in the ordinance. There are areas in the northwest area of the city as well as a few throughout the rest of the city.

Administrator Wilson said there is an additional map that was provided to Council late the previous week that includes schools and buffer zones. The areas on the map can change. An example would be if a day care closes it may open a properly zoned space in the City that someone could apply for a cannabis license for. Once a cannabis is licensed at a particular location, a day care could choose to locate within 500 feet of the existing cannabis business. The cannabis business would be grandfathered in and able to stay even though it would be within 500 feet of a day care.

Mayor Dietrich asked if there if there were any restaurants that would be impacted by the buffer zones if they chose to offer the cannabis beverages.

Attorney Nason said the current map shows buffers related to cannabis businesses, but the City is also proposing to apply the same buffers to lower-potency hemp edible retailers. There are 18 lower-potency hemp edible retailers that are registered in Inver Grove Heights with the OCM. If there is an existing liquor store or restaurant currently selling LPHE products, they would be able to continue selling the products. If there is a bar or restaurant that is not currently selling LPHE products, they would not be able to start selling the products if the City adopts the ordinance and they are within a buffer zone.

Mayor Dietrich asked if staff were anticipating advising restaurants of the anticipated change.

Administrator Wilson said they have not reached out to any restaurants in Inver Grove Heights. If Council would like them to they can. Staff have been hesitant to present themselves as experts because it is still evolving.

Mayor Dietrich said she would like to let them know so they can plan accordingly.

Council Member Murphy said he is not opposed to a letter to bars and restaurants but thinks it should direct them to the OCM to read the rules versus the City trying to interpret them.

Mayor Dietrich said she agreed.

Council Member T'Kach asked if a convenience store currently that has a LPHE license from the state can continue selling LPHE products if they are already in the proposed buffer zones.

Attorney Nason said if they are selling LPHE products right now they can continue to sell them, but they would not be able to obtain a retail cannabis license if they are within the buffer zones.

Council Member T'Kach asked if businesses within the buffer zone that are not currently selling LPHE products would be able to obtain a license to sell LPHE products after January 1, 2025. If businesses without a current license would not be able to sell LPHE products after January 1, they should be notified as well.

Attorney Nason said if a convenience store within the buffer zone is not currently selling LPHE products and the ordinance is adopted, the convenience store would be prohibited from starting to sell LPHE products. Council can decide if they want to treat LPHE businesses differently than cannabis businesses. The current draft has the buffers applicable to both types of businesses.

Council Member T’Kach said she thinks there is a difference between the types of businesses. There are not many available spaces on Cahill Avenue where they do have other retail.

Attorney Nason said the area of Cahill Avenue and 65th Street is where the majority of the businesses could be located. There are some closer to South Saint Paul and a few locations on Cahill and 70th. That would be the extent until you move south of Concord on Cahill.

Council Member T’Kach Drkula’s would be excluded due to zoning or if they are too close to the elementary school.

Administrator Wilson said they are too close to the elementary school.

Attorney Nason said if they are currently selling LPHE beverages and are registered with the OCM they can continue to sell the beverages. If they are not currently selling the products and the ordinance is adopted, they would not be able to add the products.

Council Member T’Kach asked if they could apply for a variance.

Attorney Nason said no, buffers are in the licensing section of the code and not in zoning ordinance so there is not a process for a variance.

Council Member T’Kach said she thinks it needs more thought.

Administrator Wilson said the Council has the ability to change the buffers overtime and suggests starting with the larger buffers knowing they can reduce the buffer and open more areas of the City. It is harder to restrict businesses further once they are operating.

Motion to approve Second Reading of Ordinance adopting Inver Grove Heights City Code Title 4, Chapter 4, Cannabis and Hemp Business Regulation by Scales, second by Murphy.

Ayes: 4

Nays: 1 (T’Kach) Motion carried.

E. 2025 Water, Sanitary Sewer, and Stormwater Utility Rates

Administrator Wilson presented this item. Administrator Wilson said the utility rates are the monthly or quarterly fees that are paid by residents or businesses that are connected to the City’s systems.

Funding Challenges for the City’s Utilities:

- Have not kept up with the maintenance needs of aging infrastructure
- Many years of just looking one or two years ahead – instead of 5, 10 or 20 years out
- Example: Water Treatment Plant Rehabilitation
 - Not planned or saved for
 - Using ARPA Funds & a low-interest loan from the State

Administrator Wilson said the water fund is run like a business with revenue in and expenditures out. The revenues have not kept up with the expenditures out with the maintenance of the aging infrastructure.

Water & Sewer Utilities - Historical Rate Increases:

	Water Rates	Sewer Rates
2014	2%	3.5%
2015	2%	3.5%
2016	2%	3.5%
2017	2%	3.5%
2018	2%	3.5%
2019	2%	3.5%
2020	2%	3.5%
2021	2%	3.5%
2022	2%	3.5%

Aging Infrastructure:

- Finite Lifespan
 - Sanitary Sewer - 60-100 years
 - Watermain - 70-100 years
- Oldest City Utilities Constructed in mid-1950's
 - Currently nearing lower limits of life expectancy (70 years)
 - In next 20 years, over 25% of infrastructure will reach its average intended life expectancy (80 years)
- Quantity of Infrastructure Mirrors Population Growth
 - Rehabilitation & Replacement Needs Continue to Increase for the Next 40+ years

The City has been investing \$500,000 or less per year in the infrastructure. Projected needs will cost \$1 million to nearly \$3 million per year for the next 20 years. The projected needs for the following 60 years are between \$2 million and \$2.5 million per year.

Administrator Wilson said in 2023 they completed a rate study and a funding study for the water and sanitary sewer utilities. Staff recommends a 10% increase per year for the next few years.

Water Operating Fund - Rate Study - Forecasted Rate Increases:

	Fixed	Volumetric
2024	10%	10%
2025	10%	10%
2026	10%	10%
2027	10%	10%
2028	10%	10%

Water Operating Fund - 2025 Rates with a 10% increase:

Single-Family Dwelling	Current (2024)	Projected (2025)
Base Fee - All Accounts	\$19.80 per quarter	\$21.78 per quarter
0 to 6,000 gallons in a quarter	\$1.28 per 1,000 gal.	\$1.41 per 1,000 gal.

6,001 to 21,000 gal. in a quarter	\$3.19 per 1,000 gal.	\$3.51 per 1,000 gal.
21,001 to 39,000 gal. in a quarter	\$3.83 per 1,000 gal.	\$4.21 per 1,000 gal.
39,001 + gal. in a quarter	\$4.60 per 1,000 gal.	\$5.06 per 1,000 gal.

Water Operating Fund - 2024 Rates with a 10% Increase:

Commercial/Industrial/Institutional	Current (2024)	Projected (2025)
Base Fee - All Accounts	\$6.60 per month	\$7.26 per month
0 to 7,000 gallons in a month	\$1.28 per 1,000 gal.	\$1.41 per 1,000 gal.
7,001 to 20,000 gal. in a month	\$3.19 per 1,000 gal.	\$3.51 per 1,000 gal.
20,001 to 80,000 gal. in a month	\$3.83 per 1,000 gal.	\$4.21 per 1,000 gal.
80,001 + gal. in a month	\$4.60 per 1,000 gal.	\$5.06 per 1,000 gal.

Water Operating Fund - 2025 Rates with a 10% increase:

Quarterly Water Use	2024	2025 (proposed)	Quarterly Increase
10,000 gallons	\$40.24	\$44.28	\$4.04
18,000 gallons	\$68.95	\$75.87	\$6.92
25,000 gallons	\$90.65	\$99.73	\$9.08

In 2021, 75% of the City's single-family water accounts used 25,000 gallons per quarter or less.

Sewer Operating Fund - Rate Study - Forecasted Rate Increases:

	Fixed	Volumetric
2024	7%	6%
2025	7%	6%
2026	6%	4%
2027	5%	2%
2028	4%	2%

Correction to Memo in Packet: IGH's increase from the Met Council is 4.05% for 2025 - the 7.4% referenced in the staff report was mistakenly carried over from last year.

Administrator Wilson said the City is billed by the Metropolitan Council of Environmental Services because they are a part of a regional water treatment system. The sewer rates fund pays for a substantial part of that bill. The City's sanitary sewer system collects the wastewater and transports it into a regional pipe, and it is treated by the Metropolitan Council. Close to half of the budget goes to the Metropolitan Council.

Administrator Wilson said the costs for the infrastructure for the sewer system is slightly less expensive because they do not own and operate a water treatment facility, but they are still increasing substantially.

Proposed 2025 Sewer Rates:

All Customers	Current (2024)	Projected (2025)
Fixed Fee (+7%)	\$7.42 per month (\$22.26 per qtr.)	\$7.94 per month (23.82 per qtr.)
Volumetric Fee (+6%)	\$5.21 per 1,000 gal.	\$5.52 per 1,000 gal.

Administrator Wilson said they do not meter wastewater. They use water consumption in the 1st quarter of the year to set the sewer bill for the remaining three quarters of the year.

1 st Quarter Water Use	2024	2025 (proposed)	Quarterly Increase
10,000 gallons	\$74.36	\$79.02	\$4.66
18,000 gallons	\$116.05	\$123.18	\$7.14
25,000 gallons	\$152.51	\$161.82	\$9.31

Stormwater Rates:

- Paid by all properties in the City – as part of monthly or quarterly utility bills for those on city water and sewer; in a stand-alone annual billing for those not on city water and sewer.
- Dual rate structure – NWA and non-NWA rates
- NWA rates are in the ballpark of those charged by other metro-area cities
- Non-NWA rates are notably lower
- Working to bring them together – over several years
 - 5% increases for NWA
 - 25% increases for non-NWA

Administrator Wilson said the City has increased the rates in the NWA by 5% and the rates outside of the NWA by 25% for the past three or four years.

Stormwater Operating Fund – Converging Rates with 5% / 25% increases:

	2024	2025	2026	2027	2028
R-1A – Non NWA	\$8.76	\$10.95	\$13.69	\$17.11	\$18.95
(approx. increase of 25% per year, and 10% the final year)					
R-1A – NWA	\$15.59	\$16.37	\$17.19	\$18.05	\$18.95
(approx. increase of 5% per year)					

	2024	2025	2026	2027	2028
R-1C – Non NWA	\$4.14	\$5.18	\$6.46	\$8.09	\$9.03
(approx. increase of 25% per year, and 10% the final year)					
R-1C – NWA	\$7.43	\$7.80	\$8.19	\$8.60	\$9.03
(approx. increase of 5% per year)					

*The above listed stormwater rates are monthly amounts for a single-family home in the urban area of the city.

Administrator Wilson said they are on track to be on one fee system by 2028.

Sample Quarterly Utility Bill – Single-Family Residential Utility Customer:

	2024	2025
Water (25,000 gallons)	\$90.65	\$99.73
Sewer (Q1 water of 25,000 gallons)	\$152.51	\$161.82
Stormwater (R1A - NonNWA)	\$26.28	\$32.85
Total	\$269.44	\$294.40
	\$ increase	\$24.96
	% increase	9.26%

Administrator Wilson said the example is on the upper end because 75% of water users use 25,000 gallons or less. It is all dependent on how many gallons of water a residence uses. Single-family customers are billed quarterly, and the City may want to consider billing monthly to make it easier to build into the household budget. It would require additional meter reading which is contracted out. They are able to get through the City quarterly and if they want to bill monthly, they will need to up their contract for meter reading services. There will also be administrative changes, but staff is not as concerned with those as they are with the meter reading cycle. They are not prepared to do this for 2025 but if Council is interested it may be worth spending time examining the pros and cons and the cost of moving to monthly billing.

Sample Quarterly Utility Bill - Single-Family Residential Utility Customer:

	2024	2025
Water (18,000 gallons)	\$68.95	\$75.87
Sewer (Q1 water of 18,000 gallons)	\$116.04	\$123.18
Stormwater (R1A - NonNWA)	\$26.28	\$32.85
Total	\$211.27	\$231.89
	\$ increase	\$20.62
	% increase	9.76%

Administrator Wilson said the Resolutions to adopt the utility rates is in the meeting packet if Council is ready to act. They are the rates that were used to set the budgets for the utility funds. The Resolutions do not need to be adopted at this meeting if Council wants to review the numbers for another two weeks.

Mayor Dietrich asked if the meters would require being read by a person walking around once they are upgraded.

Administrator Wilson said for several years the CIP for the Water Utilities has had an Automated Metering Infrastructure (AMI) project. New meters that are computerized have a number of advantages including a much more efficient ability to read them. Currently a car drives down the street and picks up the signal from the meters as opposed to having to physically go up to each one. An ideal time to switch from quarterly to monthly would be when the AMI project is completed but the project still needs to be researched, designed, bid, and rolled out. The CIP has it as a three year project currently.

Council Member Scales asked if neighboring cities bill monthly or quarterly.

Administrator Wilson said she does not have that information but the City she lives in bills monthly.

Council Member Scales said he thinks monthly would be a benefit to the residents.

Council Member Murphy said it might be expensive to bill monthly but it to receive residents' feedback they could add it into a newsletter and is supportive of the Resolutions if it is the will of the Council. Council Member Murphy thanked Staff for putting in the work even though it is not the best news.

Council Member T'Kach asked what the average usage of sewer and water was for commercial and industrial properties.

Administrator Wilson said she does not have that information. The commercial and industrial customers vary greatly. They can get statistics, but the average may not mean much. The sewer charges do not have increased tiers and are the same for commercial and residential.

Motion to approve Resolution 2024-260, Establishing Water Utility Rates Effective January 1, 2025, Resolution 2024-261, Establishing Sewer Utility Rates Effective January 1, 2025, and Resolution 2024-262, Establishing Storm Water Utility Rates Effective January 1, 2025 by Murphy, Second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

F. Overview of Budget & Levy Status

Administrator Wilson presented this item. Administrator Wilson said Council adopted a preliminary levy and budget in September.

Changes Since Preliminary Levy:

- Updated data from Dakota County regarding total tax base, fiscal disparities impacts, etc.
- Increased Police Pension State Aid + receipt of federal COPS grant.
- Final review of revenues and expenditures by staff - based on more YTD 2024 data.

Updated Data from Dakota County

	Sept. 2024 (Preliminary Levy)	Nov. 2024
Proposed Citywide Tax Levy	\$ 34,214,757	\$ 34,214,757
Levy Increase (%)	4.50%	4.50%
Tax Rate	50.932%	50.732%
Change in Tax Rate	1.60%	1.20%
2025 Median Valued Property*	\$ 349,500	\$ 349,200
Annual Change in City Taxes (for median property)	\$ 68.77	\$ 61.60

Impact of COPS Grant:

- \$125,000 per year for three years.
- Grant funds approximately 30% of the wage and benefit cost of each new officer.
- IGH awarded grant for three officers.

Original Plan:

- Add three police officers in 2025
- Phase in impact to tax levy with gradual spend down of one-time public safety aid over five years

At time of Preliminary Levy	2025	2026	2027	2028	2029	Total
Estimated Cost - 3 new officers	\$414,500	\$435,225	\$456,986	\$479,836	\$503,827	\$2,290,374
Minus Use of One-Time State Aid	-331,600	-261,135	-182,795	-95,967	-0	-871,497
Amount paid for by General Fund	82,900	174,090	274,192	383,868	503,827	1,418,878
% Covered by General Fund	20%	40%	60%	80%	100%	

Revised Proposal:

- Add two police officers and one new Sergeant in 2025
- Phase in impact to tax levy with use of grant funds and gradual spend down of one-time public safety aid over five years.

Administrator Wilson said they would promote an officer to Sergeant and back fill the police officer's position. They have limited first level supervision.

Updated after receipt of COPS grant	2025	2026	2027	2028	2029	Total
Estimated Cost - 3 new officers	\$424,500	\$445,725	\$468,011	\$479,836	\$515,982	\$2,345,630
Less: COPS Grant	-125,000	-125,000	-125,000	0	0	-375,000
Minus Use of One-Time State Aid	-224,625	-144,326	-68,602	-98,282	503,827	-535,836
Amount paid for by General Fund	74,875	176,399	274,409	393,129	515,982	
% Covered by General Fund	18%	40%	59%	80%	100%	

Current Status of 2025 General Fund Budget:

- If recommend phase-in of new officers is adopted, \$77,326 remains unallocated
- Options:
 1. Fund an additional six months of a FT Firefighter (\$66,150)
 - Allowing for two hires on April 1 rather than 1 hire on January 1

- Reserve remaining \$11,176 for non-Public Safety personnel adjustments
2. Reduce tax levy by \$77,316 and stay with one new FT Firefighter for 2025.

Impacts on Tax Levy, Rate and Bills:

	Sept. 2024 (Preliminary Levy)	Nov. 2024	If reduced by \$77,326
Proposed Citywide Tax Levy	\$ 34,214,757	\$ 34,214,757	\$34,137,431
Levy Increase (%)	4.50%	4.50%	4.26%
Tax Rate	50.932%	50.732%	50.604%
Change in Tax Rate	1.60%	1.20%	0.94%
2025 Median Valued Property*	\$ 349,500	\$ 349,200	349,200
Annual Change in City Taxes (for median property)	\$ 68.77	\$ 61.60	\$57.22

Council Member Scales said the Fire Department asked for three FT Firefighters and asked if they hired three Firefighters later in the year if it could be balanced in the budget.

Administrator Wilson said yes, the issue would be determining what the impact would be to the 2026 budget. Staff can look into how far into the year they would have to wait to be able to hire three FT Firefighters and provide the information to Council if they would like it.

Council Member Scales said he would like to see the information because they were intending on hiring another FT Firefighter in 2026.

Mayor Dietrich said she would be interested in the numbers as well.

Council Member Murphy said he wants the police and fire departments to be fully staffed for the residents and he would support reviewing the numbers.

Administrator Wilson said it would likely be a July 1 start date for three FT Firefighters. Staff will need to review the impact on next year's levy. An advantage to addressing the staffing needs early is there are serious needs with the Public Works Maintenance Facility. That will have an impact on the levy, and they are going to want to be able to control other areas of the budget during those years.

Mayor Dietrich asked what implications there would be in not having the additional police officer and instead having a sergeant.

Administrator Wilson said there would not be any implications. They were proposing three officers with the plan to request to promote one officer to sergeant in the 2026 budget. There would be no change in the service to the public.

Mayor Dietrich asked what the cost would be for City to pay the three months of wages for the SRO since the referendum passed.

Administrator Wilson said they have opioid settlement funds available, and Staff is proposing the City's portion of the SRO's salary be taken from there. The opioid settlement fund has

sufficient funds to pay for the SRO for five or six years. Staff believe there will not be an impact to the levy for quite a few years.

Mayor Dietrich asked if the project for the Public Works Maintenance Facility would go to a referendum.

Administrator Wilson said to her knowledge the cities who have taken a building to referendum of their voters are looking to fund the project with a local sales tax. Under the current state law, which requires a voter approved referendum. The state has a moratorium on cities asking for the ability to go to the voters for a referendum, so it is currently not an option. It could be an option in upcoming years. Historically cities needed voter approval to issue that magnitude of bonding to build a new fire station or new police station. Currently they can bond for the cost as long as they are pledging their property tax revenues without a referendum.

Council Member Murphy said he wondered how fast they could build the facility if they taxed cannabis sales in Inver Grove Heights.

Council Member T'Kach asked if departments had a preference for how staff were brought on to be able to train people at the same time.

Administrator Wilson said it varies by department. The Fire Chief would prefer to have all of the firefighters at one time to assign one to each shift and get them through training in an orderly fashion. Other departments could be strained by bringing in three new staff members at the same time.

Council Member T'Kach said she is speaking specifically about the police and fire departments.

Administrator Wilson said they have hired four police officers in the same day. In the current market for police officers, if they can only find one that meets the City's standards, they will hire that one, get them started and continue to look for more officers.

Additional Uses of One-Time Public Safety Aid:

Proposed Police Department Uses for 2025	
Phase-in of new officer wage & benefits cost	\$224,625
Vehicle Costs	\$131,000
-new K9 vehicle	
-outfitting new command vehicle	
Equipment Purchases	\$82,025
Total Proposed Uses in 2025	\$437,650
Remaining Balance	\$767,367

Administrator Wilson says the City leases most of the squad cars, but they own the K-9 vehicle and a larger command vehicle that is taken to larger emergency scenes. The vehicles are not being authorized at this meeting and Council will see individual requests for their purchases.

Proposed Equipment Purchases

Small Equipment (Handguns, Body-Worn Cameras & Radios)	\$45,375
Uniform Items (New Badges & Patches, Honor Guard Uniforms)	\$131,000
Officer Safety Items (Turtle Gear, Armored Plate Carriers)	\$17,400
Evidence Preservation (Blocker Locker)	\$5,000
Traffic Enforcement (2 radar speed signs)	\$2,500
Subtotal	\$82,025

Next Steps for 2025 Budget & Levy:

- Dakota County mails proposed tax statements to property owners this week
- Public Hearing on Proposed Budget & Tax Levy
 - Monday, December 2, 6:00 p.m.
- Council Adoption of 2025 budget and levy
 - Monday, December 9, 6:00 p.m.

Mayor Dietrich asked if Council could see the new police badges as designs are being narrowed down.

Administrator Wilson said yes, there are some good ideas, and they will share them with Council.

G. CLOSED SESSION: Attorney-Client Privilege

Motion to move into closed session pursuant to Minn. Stat. Sec. 13D.05 subd. 3(b) pursuant to attorney-client privilege regarding a special assessment objection/appeal by Gliva, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

Motion to move into Open session by Scales, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

H. Settlement Agreement - Deferred Special Assessments

There was no motion on this item.

8. PUBLIC COMMENT:

9. MAYOR AND COUNCIL COMMENTS:

Mayor Dietrich said it was a record number of turn out for the election and the election staff did an amazing job.

10.ADJOURN:

Motion to Adjourn at 8:25 p.m. by T’Kach, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sara Lyons