

**INVER GROVE HEIGHTS CITY COUNCIL MEETING
MONDAY, NOVEMBER 22, 2021 - 6:00 P.M. - 8150 BARBARA AVENUE**

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, November 22, 2021, in person. Mayor Bartholomew called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. ROLL CALL:

Present In-Person: Mayor Bartholomew, Council Members: Piekarski Krech, Dietrich, Murphy, and Gliva; City Administrator Wilson, City Attorney McCauley Nason, City Clerk Kiernan, Community Development Director Rand, City Planner Hunting, Finance Director Hove, and Assistant City Engineer Dodge.

Also Present: Jessica Cook, Financial Advisor, Ehlers.

3. PRESENTATIONS:

4. CONSENT AGENDA:

A. Minutes from the October 19, 2021, City Council Meeting.

B. Resolution 2021-294 approving disbursements for period ending November 16, 2021.

C. Approve personnel actions.

D. Resolution 2021-295 providing support and authorizing application to the Minnesota Department of Transportation for a Standalone Noise Barrier for City Project 2020-11 - Highway 52 Noise Barrier - Beckman Neighborhood.

E. Accept anonymous donation for police and fire. **Resolution 2021-296**

F. Consider Approval of an **Ordinance 1418** Rezoning the property from B-3, General Business to I-1, Limited Industry District and a **Resolution 2021-297** approving a Comprehensive Plan Amendment to change the future land use from RDR, Rural Density Residential to Light Industrial for Solomon David, property located at 10045 Courthouse Boulevard.

G. Consider Approval of an **Ordinance 1419** Rezoning the property from A, Agricultural to P, Institutional District for City of Inver Grove Heights, property located at 8296 Babcock Trail.

H. Resolution 2021-298 authorizing Fix of Scrivener's Errors in Ordinance No. 1407.

Motion by Dietrich, second by Gliva, to approve the Consent Agenda as presented.

Ayes: 5

Nays: 0 Motion carried.

5. PUBLIC HEARING:

A. Public Hearing for 2022 renewal of Liquor Licenses.

City Clerk Rebecca Kiernan brought forward the 2022 renewal of Liquor Licenses. 27 of the 31 Licenses have all gone through Background Checks and are in good standing. She recommends the 27 be approved. She said there will be four more renewals coming before the Council on December 13, 2021 if everyone gets their information in to her in time. She said there are two new Officers, one for Moose Lodge that would be coming up on December 13th, and for Outback Steakhouse which has a new Operating Manager.

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Mayor Bartholomew asked City Clerk Kiernan if the four they are not considering this evening were aware of the time constraint and the need to get their information to her. City Clerk Kiernan responded there was an issue with mailing out their original renewal to them, she has given them additional time.

Mayor Bartholomew asked if that information would be brought forward at the first regular meeting in December. City Clerk Kiernan responded yes.

Motion by Murphy, second by Piekarski Krech, to close the Public Hearing at 6:03PM

Ayes: 5

Nays: 0 Motion carried.

Motion by Gliva, second by Dietrich, to approve the 2022 renewal of 27 Liquor Licenses.

Ayes: 5

Nays: 0 Motion carried.

6. REGULAR AGENDA:

Community Development:

A. Variance to allow an accessory structure for property located at 6825 Blaine Avenue.

Resolution 2021-299.

City Planner Allan Hunting discussed property located on the west side of Blaine Avenue between 67th and 70th Street. The Applicant is proposing to remove the two existing structures located on the lot and rebuild with one new. An aerial photograph of the property was shown with the two existing structures. He said the Applicant is proposing to match the size that is out there which is 1,334 square feet. Staff went through and looked at the Building Permit file for the site and found Permits for the two structures. Sizes were a little bit different. In 1988 there was a Permit for a 672 square foot building, in 1999 there was a Permit for a 484 square foot carport. Any carport at that time would have been posts and roof with no sides on it. The grand total of square footage was 1,156 square feet. He said Staff was unsure of the discrepancy. Somewhere along the line there were walls put on the carport so there are actually two enclosed structures on there now. That was not done by the current Applicant. He said the Applicant did go out and measure and verify that the size of the two accessory structures are 1,334 square feet. The maximum size for a structure in the R-Zoning would be 1 structure at 1,000 square feet. The Applicant would like to remove both buildings and build one new one at 1,334. The location would be in the same spot as the other two. He said there is another lean-to type of structure that would come down as well.

He said Staff does not see a Practical Difficulty that stood out. It could be considered a convenience for the Applicant to continue to the two or the larger size. The house does have an attached garage. They would still be allowed one detached at 1,000 square feet. He said the Planning Commission discussed the Application and were supportive of allowing the new building to be larger than 1,000 square feet, but their recommendation was that it be no larger than what the two Permits were shown for their total which was 1,156 square feet. That was their recommendation 8-1. He said their rationale would be improving the non-conformities by only rebuilding one of the structures. Getting rid of two structures, then having one, would have it closer to conformance with R Zoning. He said the Council packets contain a Resolution for both the approval and denial of the Variance.

Mayor Bartholomew mentioned that the Motion passed with the Planning Commission on an 8-1 vote, the packets state 8-0. He asked if it was 8-0 or 8-1. City Planner Hunting responded 8-0.

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Mayor Bartholomew said their recommendation is for a Variance of 1,156 square feet based on the current footprint of the two buildings combined. City Planner Hunting responded it is based on the numbers from the Building Permits, that is what the sizes were supposed to be.

Nick Buchholz, 6825 Blaine Avenue, stated he bought the house with the structures on it. That was why they moved here because it was a lot of space for storage. He said he would like to keep that, but it is such an eyesore; the pictures show that. He said he would like it to match the house. He has done the house already and would like the outbuilding to look the same. He said it is not ideal to have two structures, he has to drive around one to get to the other. It would be nice to take them both down and have one nice looking building.

Mayor Bartholomew said he saw the structure in the back and agrees they are in need of repair. He referenced the 1,156 footprint, and said it is not a normal size building, it is a little bit off. He requested Mr. Buchholz's input on that and asked if 1,000 would not be easier to put up. He asked if that small of a difference would make that big of a difference for him.

Mr. Buchholz responded he did not really want to lose the square footage. He was willing to work a little bit if he absolutely had to. He was told they could work off of the interior dimensions at the meeting the other week, which would get him a little more space. He said he did the outside dimensions of the current structures. He gained roughly 1 foot, 8 inches on each side. He said that was better than the 1,000 square feet.

Mayor Bartholomew said it is 1,000 square feet exterior footprint, not interior. Mr. Buchholz agreed.

Mr. Buchholz said that being that it is 28 feet wide he cannot really widen it because it would cut into the neighbor's property, and he has drainage on the other side. He can only go forward with it.

Councilmember Piekarski Krech commented that 1,156 seems odd. She asked how they would build a building on 1,156 square feet. She said she would be amenable to evening it out to standard measurements, so it is even. She said she was not willing to go to the huge size but could tweak the 1,156 to have a decent size building.

Mr. Buchholz said if leaving it at 28 feet, it would be 44.8 feet which is what the 1,156 would be. He was asking for 48. He said if going with interior dimensions he would be fine with that. It gains a bit; he would be at 46 instead of 48 on the outside.

Mayor Bartholomew said if considering the interior measurement of 1,156 then the exterior would be a random size, more of a standard size.

Mayor Bartholomew asked City Planner Hunting about the interior measurements versus the exterior measurement and said he thought they always looked at the exterior measurement as the footprint. He said he wondered how they got on the interior measurement versus exterior. City Planner Hunting responded they looked at it that way because it was always the number provided by the Applicant. The Code definition actually defines the interior of the walls. It would be the inside measurements by Code. They have always used the outside because that is what the Applicant always gives for numbers. That is just always what they have used, then you do not know how wide the walls are. He said that would be well within the purview to do that because it meets Code requirements.

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City Planner Hunting said once size is determined he needed clarity so when they get the Permit, they know what size is approved dimension wise.

Mayor Bartholomew asked Mr. Buchholz if he would be fine with the 1,156 interior. Mr. Buchholz responded yes. He said he would like it to be bigger but if that is the best he can do he agreed.

Mayor Bartholomew stated that is the recommendation from the Planning Commission. The recommendation from Staff is no Variance. He said the Applicant is proposing 1,334. Mr. Buchholz responded he is proposing what he has existing. He said he is willing to work with it and get something a little bigger than 1,000.

Mayor Bartholomew asked the Councilmembers for their feedback. He said Staff is struggling with a Practical Difficulty. He said he tends to lean towards where the Planning Commission is, the property has two Permitted buildings on it and is in existence. The Practical Difficulty is how to retroactively make someone comply when they have Permits in hand. He said he can see the Variance to the 1,156 interior but does not want to go over 1,334.

Councilmember Piekarski Krech said he could do 1,156 at a 28x44 exterior.

Councilmember Murphy agreed that it does not seem fair to ask a resident to go backwards. He said he felt comfortable with 1,156. He believes it was a good recommendation by the Planning Commission.

Motion by Piekarski Krech, second by Murphy, to approve Resolution 2021-299 approving a Variance to allow an accessory structure larger than 1,000 square feet with the additional limitation that the structure should not exceed 1,156 square feet for the interior dimensions of the structure with the Practical Difficulty as stated by the Planning Commission.

Mayor Bartholomew asked the City Attorney if the verbiage was acceptable within the Motion. City Attorney Bridget McCauley Nason responded the Motion is to approve the Resolution approving a Variance to allow an accessory structure larger than 1,000 square feet with the additional limitation that the structure should not exceed 1,156 square feet for the interior dimensions of the structure.

Ayes: 5

Nays: 0 Motion carried.

B. Variance to allow a porch addition within the front setback at 7086 Delaney Avenue. Resolution 2021-300

City Planner Allan Hunting discussed property located on Delaney Avenue between 70th and 71st Street. The Applicant is proposing to put a porch addition on the front of the house. It would be an open porch with a roofline over it. He said the Applicant double checked the actual measurements; the closest point would be about 22 feet from a corner to the front property line/right of way line. That would be the Variance requested. He displayed an illustration of what is being proposed. He stated once putting a roof on something like that it is considered a part of the principal structure and has to meet setbacks. If it were just an open flat deck it could be up to 24 feet from the front property line. They are still encroaching 2 feet further in than it would be with just an open deck.

City Planner Hunting mentioned there is some uniqueness to the lot. The Delaney and 71st intersection point is kind of a $\frac{3}{4}$ bubble cul de sac where normally the streets would have a 90 degree right turn like

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all of the other intersection points. That pushes the house back and reduces the buildable area and it ends up being behind the other houses. There are other houses on the cul de sac that make this unique, pushing the house back and shrinking the setback/buildable area. He said with Variances, they would look to see if there are any other encroachments into the front property line on either side in those neighborhoods. Staff did not find any via aerials to see if something else had been encroached into the 30-foot setback at some other point and time.

He stated that Staff is not in support of the Variance. They believe there is reasonable use of the land as/is. There is area on the lot where they can do some kind of a porch and addition even though they are raising the points of their location and the apartments on the back side. There is room for something in the rear yard. He said there is always the concern of the precedence of encroaching into front yards along streets. He said the Applicant provided a Petition in the Council packets with 29 signatures he received from the neighbors to show support of the request and there is also a handwritten letter from the resident to the south in support of the request. He said the Planning Commission had a lengthy discussion on the request and raised many points on the uniqueness of the cul de sac and concern of precedence. There was a Motion to approve presented with a second, but the Motion failed on a 4/4 vote. The Planning Commission did not take any formal action, that was the only action they took. He said the Council packets contain an approval and denial Variance Resolution because Staff did not support, and the Planning Commission did not have a recommendation.

Mayor Bartholomew asked what the reason was for the bubble. He asked if there was the thought there would be more streets, maybe through the park area/outlot. City Planner Hunting responded that he assumed at that time they were looking at maximizing some lots on the corner. These are older developments from the 50's or 60's when they were platted.

Councilmember Piekarski Krech asked if there were other similar intersections like that. City Planner Hunting responded he was unsure off hand. They are probably fairly rare because you do not see that now. There may be a few others like these in the South Grove area.

Councilmember Piekarski Krech said she has been around the South Grove area and did not recall any.

Mayor Bartholomew said this was the first one he recalls seeing. City Planner Hunting said he thought these would be rare.

Councilmember Murphy asked if it was an 8-foot difference, 22 versus 30. City Planner Hunting responded yes.

Mayor Bartholomew addressed Mr. Guevara and said he has been to the Planning Commission. He asked and if he had heard what they had to say.

George Guevara, 7086 Delaney Avenue responded he heard what the Planning Commission said about setting a precedence. He said he went and drove around and have a few addresses that have front porches on 73rd, Cloman Way by the Little Green, new homes that have a beautiful front craftsman style. He said he knows they encroach because he got out and measured. He commented that there are apartments right behind him. He said at the Planning Commission meeting, a Commissioner had said they all have neighbors behind them, and they get loud. He has nine neighbors behind him, there are three buildings and a playground which is right behind his fence. He said the Commissioner mentioned that he had a fence. He said his response was yes, but the neighbors behind have a 3-foot building. He said he never spends time together in their back yard because there are always people

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looking or out on their balconies, so he sits in the front. He said he used to have a huge tree but lost it in the windstorm on September 17th, now he does not have shade. He said on the northwest corner he has the space for it, but as they go down and follow the circle, he needs about 7 feet to make it 18x11. He said he even thought he could scale it down a foot to 10, it would bring him down to 6 or 7 feet on the southwest corner. He said he has plenty on the northwest side because of how his property sits. It almost lines him up with the houses that are in front of him. The neighbor right next to him is the one that wrote the letter. He said he went into his neighbor's home and looked out his front window. That is why he is requesting this; they spend time together in the front. He said he thought they were set back far enough; he needs the little extra space on the one side. He said he was not sure how much the boulevard was, he was told 10, and then he was told 13, on his diagram he sees 15. He said obviously he went with 15 thinking if it was less, then it was in his favor, if it was more, he went with the higher number. He came up with 54'10 on the northwest and 47'8 on the southwest.

Mayor Bartholomew said, as Staff has said, it is an 8-foot Variance, but Mr. Guevara believes it is a 7 foot. He said he believes they have to go with the 8-foot Variance. Mr. Guevara responded it would be about 8 feet on the one side. He said the reason he went to the 11x18 was so he would not have to break his concrete to put the footing in. He is willing to scale it back, whatever needs to be done to get it. The apartments behind him are going to be there forever.

Mayor Bartholomew said he cannot comment on other porches in front yards because that is not in front of the Council. He said they have acted on Variances for porches in the front yard and typically they were handicap situations and access, which is where the Council came in for granting of Variances for front yard porches.

Mr. Guevara said the ones he saw did not have any ramps. Mayor Bartholomew replied they are not here to visit with those, he was just telling him what they have historically seen.

Mayor Bartholomew addressed the Council and said the Planning Commission has this in front of the Council. He said they have done Variances in the front for other reasons, what he recalls is for accessibility and use of the front yard for members of the family that were in need of accessibility and were not able to get to the back of the house. He said the Practical Difficulty is well stated by the Planning Commission. He said he thought the Practical Difficulty is the challenge of the lot and the way it is shaped. He said he would be in full support of the Variance. He said he was not concerned about the precedent, there are very few of these in the city and he cannot think of one that looks like this.

Councilmember Murphy asked if there was any way to measure the impact of the unique street design, as in how many feet they lost because it was not a right angle. City Planner Hunting responded he could not do it right now because he does not have any scales for anything. He referenced the diagram and said he was unsure of the answer.

Mayor Bartholomew said it was a small portion of the lot but a very important portion when it comes to use of the lot. City Planner Hunting agreed.

Councilmember Piekarski Krech said she could understand the balconies in the back looking down on a person all of the time. She fully understands the reason for wanting a porch in the front. She said she does not think it harms anything; it is a unique shaped lot with the way it curves in.

Councilmember Murphy said they had the opposite in Settler's Ridge because of the unique lot design they pushed over an easement by 8 feet when someone wanted to put a deck on when they had the

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narrow lot. This is the opposite. It is the street causing the problem. He said he feels it is a bit of a difficulty. Mayor Bartholomew agreed.

Councilmember Piekarski Krech said it was not a house addition, it was an open porch.

Councilmember Dietrich said it is a unique situation Mr. Guevara has and wanted to applaud him for being a good neighbor and asking the neighbors and getting signatures. She said it goes a long way to speaking his intentions. She said she supports the request.

Motion by Piekarski Krech, second by Dietrich, to approve the Variance to allow a porch addition within the front setback at 7086 Delaney Avenue with all conditions as listed in Resolution 2021-300 with the Practical Difficulty being the uniqueness of the lot and adjacent street configuration.

City Attorney McCauley Nason stated to clarify that under the "whereas" clauses, there are not any filled in for the Practical Difficulty. She questioned if the Practical Difficulty found by the Council is the unique shape of the lot and the adjacent street configuration. Mayor Bartholomew responded that was correct.

Councilmember Piekarski Krech stated that it is not a Practical Difficulty, but just the lifestyle of being able to have some privacy in the front yard versus the back yard.

Ayes: 5

Nays: 0 Motion carried.

Administration & Finance:

C. Consider a Resolution providing for the sale of \$2,990,000 General Obligation Refunding Bonds, Series 2021A. Resolution 2021-301

Finance Director Amy Hove stated she is present as they monitor the Bond Obligations which presents themselves with opportunities from time to time to refinance Bond issuances. In this case, there is an opportunity to refund their 2014B Sewer Revenue Bonds. She said she would be bringing up Jessica Cook, who is their Financial Advisor with Ehlers, to speak. Staff has been working closely with Ehlers, Ms. Cook can walk the Council through the analysis, the options, and Staffs recommendation.

Jessica Cook, Ehlers, 3060 Centre Pointe Drive, Roseville, Minnesota, discussed the sale of the 2021A Refunding Bonds (2014B Sewer Revenue Bonds). She said at Ehlers they monitor regularly when you can call your Bonds and refund them for interest savings. A couple of things have to align in order for that to happen:

1. Interest rates have to be low, which they are right now.
2. The Bonds have to be callable.
 - a. When issuing Bonds, it is not like a mortgage where you can prepay at any time. There is a call date that is usually 7, 8, or 10 years out from the issuance of the Bonds. You cannot prepay the Bonds until that time.

Currently there is a confluence of those two things; the 2014B Bonds that were issued in 2014, which are callable on February 1, 2022, and interest rates are low right now.

- That means they can issue new Bonds to take out the old Bonds and have interest savings.
- The 2014 Bonds were originally issued to refund even older Bonds, three older issues.
- The only one left outstanding is the refunding of the Bonds for the northwest area sewer extensions.

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- All of the 2014B refunding, any savings achieved, would go to the benefit of the Sewer Fund for the northwest area (NWA).

She said when looking at refunding and the recent discussion had about the northwest area and the difficulty paying the debt, they looked at three options. Since the Bonds are callable, they can issue Bonds for the same term at a lower interest rate. For example: It is like if having 10 years left on your mortgage, you would enter into another mortgage for 10 years. That is what she meant by keeping the term the same.

2021A Bonds Refunding Scenarios:

- Option #1: Leave "as is" (do nothing)
- Option #2: Refund with the same term (Bonds would be paid in full in 2029)
 - Over the next eight years the city would save \$127,512 (estimated)
- Option #3: Refund with extended term (2034)
 - This option presents an opportunity; the fact that the Bonds are callable and interest rates are low, long-term interest rates are low, they can restructure the Bonds with a longer term. Stretch them out.
 - Change the annual debt service payment on the Bonds from approximately \$460,000 (what it is today) to \$272,188 but pay on those Bonds for five more years.
 - The advantage to doing that is that they are lowering the commitment to paying those Bonds today and over the next 10 years.
 - As discussed in October, were dependent on fees collected from the northwest area to pay these Bonds. This gives more wiggle room for collecting fees, if development slows, there is a turn in the economy, does not happen at the pace expected. As known, that fund is in a deficit, it is a way to help that fund out.
 - There is a small cost in extending the term of the debt because you are paying interest over more years. They estimate \$36,000 to \$40,000 for that cost. You get the flexibility of repayment.

She said in consultation with Jason Aarsvold and herself, who she has been working with, they recommend Option #3 which extends the term of the debt.

- Reduces the debt by approximately \$189,000 a year from what they are paying right now.
- The structure before the Council for consideration would extend the term of the debt.
- Provides a longer horizon for collecting utility fees and not having to turn to other revenue sources to repay that debt.
 - If the development fees are not sufficient as discussed before, the city has pledged its sewer revenues from all of its sewer customers. If that is not sufficient, it goes to the property taxes.
- If wanting to proceed with this funding their goal would be to do it expeditiously because there are concerns that interest rates will start rising.
- If closing by the end of the year, they can call the Bonds on the soonest available date which is February 1st, 2022.

She said in the Council packets there is a memo from Staff that went through what she just discussed. She said there is a Presale Report from Ehlers that goes through the timing and call date of Option #3. She said she would be willing to share those details verbally, but would be more helpful first to see if that is the option Council would like to pursue.

Councilmember Piekarski Krech asked what could change the \$36,000 amount. Ms. Cook responded they built in an interest rate increase over current rates because they are looking at selling these Bonds on December 13th. They are assuming interest rates would creep up a little bit. If interest rates drop, the \$36,000 would be a smaller amount.

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Councilmember Piekarski Krech asked if it could not get much greater. Ms. Cook responded she felt they were acting quickly; she felt the risk was small.

Councilmember Piekarski Krech commented once they refinance that is the amount. Ms. Cook responded that is correct.

Councilmember Murphy asked what the current rate on the Bonds were. Ms. Cook responded each maturity has its own rate; they range between 2-3%. They are projecting that the refunded Bonds would have interest rates between .4 and 1.75%.

Councilmember Gliva asked if extending another five years, when that group of Bonds would be callable. Ms. Cook responded the final term on the Bonds would be 2034, they would be callable in 2030 for maturities 2031, 2032, 2033, and 2034. The last four years would be callable.

Mayor Bartholomew said the tradeoff with doing nothing is that there is no bottom-line effect. If changing and going with the lower interest and refinance they are saving \$127,000. If buying time so they can let the market catch up to us, it would cost \$36,000. They lose \$127,000 and cost \$36,000, there is a \$164,000 swing. Ms. Cook agreed. She said there is the opportunity cost. If they do not have enough money in the northwest area Sewer Fund and are borrowing money internally to do that, you are paying interest back to yourself. That is not really factored in here.

Mayor Bartholomew said he wanted to make sure they are looking at everything in the same order. He believes it makes sense. He liked Option #3.

Councilmember Murphy said he would support Option #3.

Councilmember Dietrich asked if there was any anticipation, they could close sooner than December 30th, or if it would extend out longer. Ms. Cook responded they rushed this as soon as they could because of the rating. It takes the Rating Agency a certain number of days to review the city and come out with a rating before the sale. She said they cannot sell any sooner than the 13th. If choosing to sell later, they can call the Bonds anytime after February 1, 2022. If wanting to wait, that would be an option. She said she does not foresee anything that would delay it unless it was their choice.

Councilmember Dietrich said it says December 30th on their information. Ms. Cook replied that is the closing date on the Bonds. They sell on the 13th and close on the 30th.

Mayor Bartholomew questioned if Staff has chosen Option #3. The response was yes. He said he agrees with Option #3, it gives them time and gets them in at a lower interest rate. He said his concern is what happens with the interest rate next year and how quickly and volatile that would be. He said he agrees with going ahead with the Resolution of Option #3.

Motion by Murphy, second by Gliva, to follow Staff's recommendation of Option #3 Resolution 2021-301 providing for the sale of \$2,990,000 General Obligation Refunding Bonds, Series 2021A.

Ayes: 5

Nays: 0

Motion carried.

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Mayor Bartholomew thanked Ms. Cook and Finance Director Hove. He said it was a good move to bring this forward and appreciates Ehlers keeping on top of this for us.

Ms. Cook said her colleague Jason Aarsvold, would be before the Council on December 13, 2021 with the results of the sale.

D. Consider approval of Resolutions Adopting 2022 Utility Rates. Resolutions 2021-302 - Water, 2021-303 - Sewer, 2021-304 - Stormwater

City Administrator Kris Wilson said Interim Public Works Director Klay Eckles is not here this evening, she would be presenting the 2022 Utility Rate Recommendations.

City Utilities: The city operates 3 Utilities:

- Water - Charges based on metered use.
 - Measure what is actually consumed on the property, household, business, or otherwise.
- Sanitary Sewer - Charges based on estimated use.
 - They do not meter what goes down the drain but is based on what is taken in with water in the house.
 - Estimates how much of that goes down the drain in the sanitary sewer system with winter water use so they are not picking up irrigation charges in the summer.
- Stormwater - Charges based on the property type and size.

Fees are billed quarterly for residences on municipal water and sewer service. Monthly for multi-family and business properties.

Stormwater is billed once a year for properties not on municipal water and sewer service. Do not otherwise get a quarterly/monthly utility bill from the city. She said there have been several Council discussions that relate to this topic. Not as specific as the decision that Staff is requesting the Council make this evening.

Previous Council Discussions:

- October 4, 2021 Work Session
 - Interim Public Works Director Eckles presented on Storm Water Utility and Inver Grove Heights rates. How they are different in the northwest area for the remainder of the city and how in the majority of the city they fall significantly below those of other metropolitan area communities.
- November 1, 2021 Work Session
 - Interim Public Works Director Eckles presented on the 2022 Utility Fund Budgets (revenue into those budgets as determined by the rates Staff is requesting Council to set this evening).
 - She mentioned that she also made a presentation on Utility Fees and Utility Rates. The different ways the city funds utilities, both operations and capital.

2022 Water Utility Budget

- Fairly status quo budget
- No major new initiatives or expenditures
- Expenses are down 3.9%
- Still running short of meeting the city depreciation goals (\$246K short with a \$1million dollar depreciation goal).
 - This is an effort to cover not only the operating costs but to be putting aside money for when they have to reinvest in the system. They have money in funds built up to do that and do not have to borrow at that time.
- One of the reasons expenses are down for next year is because some Bond payments are coming down and getting paid off.

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- Largest increase in next year's budget is for meter replacements (increasing from \$24,000 to \$70,000).
 - Seeing an increased failure rate with existing meters around the community.
- The most major issue forthcoming in water utility is the need to make a major citywide investment in meters.
 - This is so they are not spending \$70,000 every year trying to keep up with the ones that are malfunctioning or having difficulties.
 - This is something coming down the road (not in next year's budget).

Water Operating Fund: Council saw/heard about this at the November 1st presentation. If adopting the rates being recommended, Staff projects:

- \$3.4 million dollars in Revenue
- \$3.7 million dollars in Expenditures
- Leaving us with a paper deficit of \$246,000

She said the deficit comes not because they will not be able to cover the bills, but because we are not setting aside for depreciation as much as the models suggested they should be.

2022 Water Expenditures:

- 3.9% decrease (coming from the debt service going down).

2022 Water Rates - 2% increase recommended.

She stated this is the item Staff is specifically requesting the Council to consider. The revenue side of the budget which is the 2022 Water Rates. Staff is recommending a 2% increase. That has been a consistent increase for the city since 2013. They try not to have these rates fluctuate significantly, but to keep up at a nice steady pace with the operating cost.

She discussed the single-family quarterly rates because that is the most common rate payer they have in the city. They pay quarterly.

- Base charge would go from \$24.02 to \$24.50 for proposed 2022 quarterly.
- There are rates for every 1,000 gallons over that, which would also increase.

Multi-family and commercial rates are equivalent to single-family but are established on a monthly rather than quarterly basis. The Resolution in the Council packets show a rate for multifamily and commercial. If multiplying that by 3 to take monthly to quarterly, you would arrive at these same rates. They charge everyone the same thing. 1,000 gallons of water is 1,000 gallons of water regardless of what type of establishment or property.

2022 Sewer Utility Budget:

- Fairly status quo budget
- Would be funded by these rates
- No major new initiatives or expenditures
- Largest budget component for the Sewer Budget is fees paid to the Metropolitan Council
 - The city sanitary sewer system collects the wastewater and transports it into a metropolitan system where it is treated across the river by a wastewater treatment plant operated by the Metropolitan Council.
 - They charge the city. They meter what comes into their system from Inver Grove Heights.
 - Their rate increase for all of the cities that they serve for next year is a 4.9% increase.
- Sewer is consistently running a deficit in that we are not achieving our depreciation goal, plus the depreciation goal is on the light side. Staff is concerned that it is not as high as it should be.
 - As they move into a Rate Study for 2022, they would be trying to fine tune that number so they have an accurate understanding of what the set aside should really be.

Sewer Operating Fund:

If Council adopts the rates that Staff is recommending for next year.

- Slightly over \$4 million dollars for revenue

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- Slightly over \$4 million dollars for expenditures
- Small deficit
 - This does not impede the ability to pay our bills. It does mean they are not setting aside as much as they would like to for depreciation.

2022 Sewer Expenditures:

- Up 4.3% overall
- Purchased Services \$2.5 million dollars (largely the fee paid to the Metropolitan Council)
 - By far the largest expense, more than they have for their own employee costs.

2022 Sewer Rates - 5% increase recommended for single family dwelling:

- Current Base Charge is \$37.66 per quarter
- Proposed 2022 recommendation would go to \$39.54
- Multi family and commercial rates are equivalent to single family. They are established on a monthly rather than quarterly basis.

Those two funds are fairly status quo. The rate increases being recommended are in line with what the city has historically increased as well as the charges they are seeing from their outside provider in terms of wastewater treatment.

She said the next item relates to Stormwater Utility. That is an area Staff is recommending a more substantial adjustment for next year. Slides being shown are ones the Council has seen before from the Interim Public Works Director.

The Inver Grove Heights Storm Water System has many components. There are:

- Pipes
- Constructed ponds
- Infiltration systems and rain gardens
- Ditches and ravines
- Natural basins, lakes, and wetlands
- Use different means to treat and contain the stormwater in different portions of the community based on when they were developed and what the topography is.

Storm Water Utility - Exists for two reasons:

1. Trying to protect against flooding, especially due to heavy rain. This is storm water, when there is a big storm and a lot of waterfalls, they have to have systems in place in an urbanized setting like ours for the water to go.
2. Protect water quality. As the water comes down and hits impervious surfaces such as city roads, driveways, and roofs, it carries pollutants into the system. Left untreated to naturally flow, all of those pollutants such as oil off of the driveway or leftover treatment from winter snowplowing, would flow into our natural lakes and river. They are doing things with the storm water to filter those pollutants out of the runoff before that water hits our natural water bodies.

Storm Water Utility - Challenges:

1. There is significant deferred maintenance. They are behind where they would like to be. 2017 Inventory identified \$17 million dollars in needed rehabilitation and upgrades to the system.
2. Increasing regulations from the State and Federal level, increased standards for obtaining the Permit required to have.

Both are behind. The goalposts are getting further and further away.

Storm Water Utility Rates:

- Current storm water utility rates raise about \$500,000 per year, total.
- Much smaller utility than water and sanitary sewer utilities.
- It is not the same principle that 1,000 gallons is 1,000 gallons.
- It is based not on use, but on estimates of runoff.
 - Use parcel size and land use type.

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- Larger parcels and parcels with more hard surface/impervious surface pay larger fees. Smaller parcels are parcels with a lot of open space where the stormwater can infiltrate back down into the ground. They pay the lowest rates.
- Established a two-tier system:
 - Northwest area of the city has a higher rate.
 - Rates outside of the northwest area are much lower than the northwest area and much lower than they are seeing in other metro cities.
- As a result of this they are not bringing in enough money to the Stormwater Utility. When doing stormwater projects, it is often, but not always, associated with road projects. They are covering the stormwater portions of those costs out of PMP Funds because there are not sufficient funds in the Stormwater Utility to transfer in and cover those.
 - When spending PMP Funds on stormwater portions of projects, that limits how far PMP Funds can go on the actual road surface.

A chart was displayed on the Stormwater Utility Comparison (2020 rates) which was previously shared with the Council by Interim Public Works Director Eckles on October 4th. It shows how the base rate compares and shows rates outside of the northwest area.

- Urban single-family homes on standard size lots are paying about \$24.24 total. If adding up the stormwater portion of their quarterly bill each quarter, in 2020 that would have totaled \$24.24.
- Similar sized lot comparisons were shown in other communities around the metro area.
- While we have unique features, we are subject to the same Permit requirements and regulations as other cities. There are definitely similarities in what we are trying to achieve as to what they are trying to achieve.

Stormwater Utility Comparison (2020 rates) inside of the Northwest Area:

- Those properties are paying \$73.32 inside the northwest area.
- Outside the northwest area: \$24.24.

Storm Water Operating Fund - 2022 Overview:

- Brought in about \$500,000 in Revenue in 2021. This figure may also include interest to bring it to \$542,200.
- For 2022 requesting the Council establish rates that would bring in closer to \$695,000 in revenue.
- This fund would generate a surplus next year. Caution: They are not budgeting for any depreciation in the Storm Water Fund.
 - They are falling short in Water and Sanitary Sewer on budgeting for depreciation. They are not doing it at all in this fund.
 - The Rate Study would give some depreciation targets to be aiming for as they set future rates. They would be correcting this before they stand before the Council a year from now. At this point they just do not have a good number.

2022 Storm Water Expenditures:

- Primary Increase comes in the Professional/Technical area.
 - That is money set aside for Storm Water modeling. To give more information about the investments that are needed in the system and where that storm water is coming from so, they can maintain a rate structure that is fair and reasonable.
- Street Sweeping is a transfer out.
 - It is one of the major ways they try to keep pollutants out of storm water runoff by getting streets swept on a regular basis.
 - They do transfer some of the funding to the Street Maintenance Budget to support the time and equipment used in street sweeping.

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Councilmember Piekarski Krech asked what they were losing in Other Expenditures in the amount of \$62,000 to \$600.00. Finance Director Hove responded it was a duplication of a budget item. The item was budgeted into two accounts in 2021, it only should have been in one account. It has been corrected for 2022.

City Administrator Wilson stated there is a two-tiered system for storm water rates. They are proposing to continue having a two-tiered system, and also a two-tiered approach to increasing those rates. Staff is recommending a 5% increase inside of the northwest area, (a portion of the community that is already paying higher rates and is already much closer to that of other neighboring cities). And then a 25% increase for the remainder of the city. She said she realizes a 25% increase sounds like a high number, they are dealing with relatively modest dollar amounts here. For example, if in R-1A Zoning, your quarterly storm water bill would go from \$13.47 to \$16.83 for the quarter.

2022 Storm Water Rates:

She said they do have other storm water rates. For clarity, they establish rates for all of these different types of properties often based on expected runoff. For example:

- Agriculture and Open Space: Golf Courses, Cemeteries, and Parks have low rates because they tend to have very limited impervious surfaces. When the storm water comes down it absorbs into the ground and does not run off.
- Shopping Center. Between the roof of the shopping center and the parking lot used to support that shopping center, would have a fairly high amount of impervious surface. When the rain comes down it would all run off the site and need a system to collect it. They would see higher storm water rates for something like that.

Councilmember Piekarski Krech mentioned they do not have breakdowns of all of the rates. City Administrator Wilson responded it is located in the Resolution information that was emailed out to the Council on Friday and reuploaded into the packet Friday afternoon.

City Administrator Wilson displayed the Resolution with the different categories.

Councilmember Piekarski Krech said it was difficult to figure those out. Constituents have called her to ask her how they were billed, it is not apples to apples, especially on open spaces. Anything over 5 acres is very difficult to comprehend what their figure is. City Administrator Wilson responded there are acreage caps. If single family residential, they have a 5-acre cap, if having 8 acres or 12 acres, you are charged at the 5-acre rate. If agriculturally zoned, there is a 10-acre cap. She said she would agree with Councilmember Piekarski Krech. The reason this came out on Friday instead of going out in the packet on Wednesday is due to the complexity of it. Staff felt they needed to check and double check their work because this system is more complicated than the water or sewer rates. She said whenever the Council receives calls, they are welcome to direct those to Staff. She said she would not respond to them herself; she would direct them to the Public Works Staff who knows the greater ins and outs.

City Administrator Wilson mentioned one of the questions before the Rate Study will not only be how much investment do, they anticipate the system is going to need in future years, but what a fair rate structure would be. What is a fair relationship between what an agricultural piece of property pays versus a single-family home, versus a commercial business? She questioned if the system was overly complex. Usually when trying to get down the continuum to be fairer, they end up adding up more things to the rate structure in the interest of being fair. That adds complexity and makes it harder to follow. Trying to find that right balance is one of the challenges and one of the things they would look at in the Rate Study and ask themselves if this is the right rate structure, not just the dollar amounts in it.

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Councilmember Piekarski Krech suggests in the Rate Study they look at charging by impervious surface so if people want to add impervious surface, there would be a cost to that. There is a cost to the city because the more impervious surface people add in areas, the more it taxes the storm water structure. She said she could have five acres and be maxed out on impervious surface and would pay the same as someone who only has one building on their five acres and is not even close to the allowable impervious surface. City Administrator Wilson responded that she understood. She said the challenge becomes if they have an individual charge for every parcel in town, which would be an administrative burden. There would be Staff costs of billing and maintaining that. She mentioned continuum and trying to find the sweet spot. She said she was sure it was one of the challenges that led to this set up. This utility has been in Inver Grove Heights for 10 years. She said it is time to take another look to see if there are new and better ways or best practices. They may come back to this structure and see if it is the best balance they can find. They would take a hard look at it before they stand in front of the Council a year from now looking at 2023 rates.

Councilmember Murphy summarized to make sure he has everything and stated the recommendation for water is 2% for all of Inver Grove Heights. Sewer is 5% for all of Inver Grove Heights. Stormwater is 5% in the northwest, 25% for the rest of Inver Grove Heights. City Administrator responded correct.

Mayor Bartholomew said the Resolution just shown is the one that is in the Council packets that they would vote on for Storm Water Resolution 2021-304. City Administrator Wilson responded that was correct. What she just displayed onscreen was what was emailed to the Council on Friday and was also uploaded to the public packet Friday afternoon. Councilmember Piekarski Krech said she downloaded her packet on Wednesday.

Mayor Bartholomew asked if there were any questions. He said they have explored this several times as stated, in Work Sessions. They understand the Rate Study is coming forward and would use that as their guiding document for the next year. For now, by Statute, they need to have these in place by the first of the year.

City Administrator Wilson said Statute requires the development fees. The connection fees by law have to be in place before January 1. She said she thought they could adopt these on a different cycle, but the city has always taken action at this time of year and applied them in January.

Mayor Bartholomew said it would be cumbersome and not what they have done historically if they do not. He said it would still be Staff's recommendation to move ahead and get these approved by January 1, with full knowledge that they have the Rate Study coming forward.

Councilmember Dietrich asked if these would be in the printed city newsletter. City Administrator Wilson responded Staff is working on the printed city newsletter that should reach resident's households around January 3rd or 4th, if they do not already have it in there. There was discussion about putting some of the storm water information in there because those are increasing the most. They can work in something around the other rates as well.

Councilmember Dietrich said she remembered that Councilmember Murphy had asked about the new meters and Interim Public Works Director Eckles said they only go slower, they would not be off the other way. She said her concern was that she did not know how far they would be off, but residents thinking "wow, this is more than I have ever paid." The additional cost and accuracy of the new meters may cause some excitement. City Administrator Wilson replied at this point they are not talking about a widespread meter replacement. The budget increase is just to keep up with the reality of what they are

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seeing. She said it was similar to when owning an older car and start to see repair bills climb. The meters out there are older, and they are starting to see a higher percentage of failure. She said they can note that and communicate that to people who are specifically getting new meters and a more general communication like the newsletter.

Councilmember Piekarski Krech said it is tough that there has not been any publicity about this because people will have just received their tax statements and she has already received several calls. Now they are going to throw this on them. There are people who are trying to budget, this may come as quite a shock. She said it may not seem like very much looking at it here but adding it on to all of the other cost increases, and inflation, it could put some people in difficult situations. She said people should be aware of that and the city should communicate these kind of changes a little bit more openly.

Mayor Bartholomew commented it should be sooner. Councilmember Murphy commented often.

Councilmember Piekarski Krech said they have received no public input on this.

Kelly Kayser, 1953 59th Court East, said with storm water, she sees that as becoming a problem as time goes on much the way pavement management has. It is going to get more and more expensive. She said need to look ahead and storm water kind of works harmoniously with pavement management. As they are going through the Task Force process, they may be talking about it there. She said now is the time to start recouping some money to put into that system.

Mayor Bartholomew mentioned there is a request in front of the Council for three Resolutions regarding Water, Sewer, and Storm Water fees as outlined. They can be taken all at once or one at a time.

Councilmember Gliva said she thought they have discussed it many times. It looks like the Council needs to, in keeping up with what could be inflation on top of that, they should be moving forward.

Mayor Bartholomew agreed with Councilmember Gliva and said he thought the rates are reasonable given the environment they are in. Where each of the funds are he believes are reasonable, with full thought that they know they have a Rate Study coming forward that would help guide them in the future. He said he is in support of all three Resolutions.

Motion by Dietrich, second by Gliva, to approve Resolutions Adopting 2022 Utility Rates. Resolutions 2021-302 - Water, 2021-303 - Sewer, 2021-304 - Stormwater contained in the Council packets as discussed.

Ayes: 5

Nays: 0 Motion carried.

7. PUBLIC COMMENT:

There were no public comments.

8. MAYOR AND COUNCIL COMMENTS:

Councilmember Piekarski Krech gave an update on the DCC and said they are looking at Dakota County taking over some of the fix costs. Hopefully in the next year or two they would be able to not increase too much the DCC costs. The County is looking at the cost of the building and some of the

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upkeep. Those are fix costs that should be spread out over the County instead of each city paying proportionally more. She said the DCC calls go by the number of calls they have, and they pay per call. Some cities are paying significantly more, and some are paying very little. She said that is in the works.

Councilmember Dietrich mentioned they had their third Pavement Management Citizen's Task Force meeting last week. They had a colleague of Interim Public Works Director Klay Eckles, who has been in the business a long time give a lot of information from an Engineer point of view. They talked about some opposing views on chip sealing, types of pavement cracking and rehabilitation strategies, and different types of oil that bind asphalt products. She said it was kind of a continuation on 101, but they are getting into the meat of it and had a lot of participation. She said it was a great session.

Councilmember Murphy agreed with what Councilmember Dietrich said about the Task Force Meeting. He said it was good information. He was intrigued by the impact of vehicles other than cars on the roads. How one larger truck equates to how many cars surprised him.

Mayor Bartholomew said garbage trucks, delivery vehicles, lawn and landscaping businesses are up and down the road a lot.

Councilmember Murphy said they all received a copy of the wonderful letters that the kids from Pine Bend Elementary School wrote to our Mayor. They talked about the importance of trees and how they help us breathe and help protect animals. He said he was curious if there was something they might be able to do such as help the kids plant a tree in the spring, or before winter falls, which may be too late. He said it was something he wanted to mention to the Council and see if that might gain some momentum.

Mayor Bartholomew said he had a conversation with the teacher whose name eludes him at the moment. Councilmember Murphy replied her name was Patricia McCabe. Mayor Bartholomew said he asked her when a good time would be to meet with her and the students, she had suggested after Thanksgiving. He said he thought it would be a wonderful idea to get together to plant a tree or do something. He said he thought about involving the Police Department and bringing over the K9 because there was a thread about the protection of animals. He said he had just heard from the Teacher and there would be more to follow up with, more to come. Councilmember Murphy said it was another example that the Mayor gets all of the cool stuff.

Mayor Bartholomew said he was glad that the clerk was able to get that information out to the Council, they broke his heart when he was reading them.

Councilmember Murphy said maybe they all cannot be there because of the rules but somebody can. Mayor Bartholomew replied they would get something going.

Mayor Bartholomew wished everyone a pleasant Thanksgiving and to be careful and drive careful. He wished everyone the best on their visits. He thanked the Staff for a wonderful week and getting everything prepared for such a short week. He hoped Staff all have a good holiday.

9. ADJOURN:

Motion by Murphy, second by Dietrich, to adjourn the meeting at 7:20 p.m.

Ayes: 5

Nays: 0

Motion carried.

Minutes prepared by Recording Clerk Sheri Yourczek