

**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, JANUARY 13, 2025 - 6:00 P.M. - 8150 BARBARA AVENUE**

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, January 13, 2025, in person. Mayor Dietrich called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. ROLL CALL:

Present In-Person: Mayor Dietrich; Council Members: Gliva, Scales, Murphy and T’Kach; City Administrator Wilson, City Attorney Nason, Public Works Director Connolly, and Deputy Clerk Malott.

3. APPROVAL OF AGENDA:

Motion to Approve by Gliva, Second by T’Kach.

Ayes: 4

Nays: 0 Motion carried.

4. DISCUSSION ITEMS

A. Stormwater Utility Rate Study (City Project 2024-11)

Director Connolly presented this item.

Review Topics:

- Stormwater Utility Rate History
- Peer Community Revenues/Comparison to IGH
- Scope of Stormwater Utility Rate Study
- Focus Group Establishment
- Soliciting Proposals
- Rate Study Schedule

Stormwater Utility Rate History:

Stormwater Utility Established in 2007 via Ordinance No. 1155

- City Code Section 8-7
- No user fee structure established
- Platting/Connection Fees established in NWA Only

Rate Structure/Fee Schedule implemented in 2012

- Initial rates established to fund 50% of stormwater needs
- Remaining 50% from other sources (primarily General Fund via Pavement Management funding and special assessments)
- Anticipated annual increases to stormwater utility rates over time to meet 100% of stormwater needs

Director Connolly said the stormwater needs in 2012 were about \$1.5 million per year.

Summary of Annual Rate Increases:

- 2013-2017 - No Rate Increases (0%)

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- 2018 - 45% (all rates)
- 2019-2022 - 5% increase per year (all rates)
- 2023-2025 - 5% on NWA rates, 25% on Rural & Urban Rates
 - Goal is to bring Urban and NWA rates together by 2027
 - Added non-NWA Stormwater Plat Connection Fees in 2023

Stormwater Needs Out space Revenue:

- Stormwater Rates and Development Revenue Covers:
 - 68% of Expenses for Stormwater (2020-2024)
 - 55% of Expenses for Stormwater (2025-2029 - Projected)

Supplement Revenue through Non-Utility Sources

- Special Assessments (PMI Projects)
- Host Community Fund

Director Connolly said every year the costs have been higher than the revenue brought in. In 2020, the revenue was 51.5% of the expenses. For 2025-2027, revenue will be less than 50% of the expenses.

Current Rate Structure Challenges:

- 15 Rate Categories based on Land Use/Zoning
- 3 Rate Classifications based on Location
 - Rural
 - Urban (non-NWA)
 - NWA
 - Results in 45 different rate classifications
- Difficult to consistently administer/audit
- Designed in 2007 based on a Residential Equivalency Factor - REF
 - 2012 implementation did not adhere to REF recommendations (ex: reduced rural fees and added/inflated NWA fees)
 - Property-by-property fee adjustments at staff level further skewed equality in fee structure

2025 Stormwater Utility Rates

Stormwater Utility Group		Per Lot (L) or Acre (A)	Rural (Base Fee)	Urban (Base + Surcharge)	NWA Developed (Base + Surcharge)
			Monthly	Monthly	Monthly
Single Family Residential	R-1A	L	\$3.76	\$10.95	\$16.37
	R-1B	L	2.43	7.04	10.51
	R-1C	L	2.08	5.18	7.80
	Estate (5 AC Cap)	A	2.73	7.83	11.67
Multi-Family	R-2 (Duplex/Townhome)	A	5.95	17.20	25.73
	R-3 (6+ Units/Acre)	A	7.04	20.39	30.42

Residential	R-4 (Manufactured Home Park)	A	8.11	23.51	35.10
Other	Agricultural/Open Space (10 Ac cap)	A	1.64	4.70	1.64
	Business District	A	11.89	34.44	51.47
	General Business	A	15.70	45.41	67.84
	Shopping Center	A	13.54	39.14	58.50
	Industrial	A	11.34	32.88	49.14
Public/ Institutional	Schools/Churches/Other	A	7.04	20.39	30.42
	Golf Courses/Cemeteries/Parks	A	1.64	4.70	7.02
	City Facilities	A	11.89	34.44	51.47

Director Connolly said that the rate structure is difficult to manage and challenging to explain to residents. Staff is looking to simplify utility rates and build better equity and equality into the system.

Director Connolly said he polled mostly Dakota county communities from a public works and engineering group that he participates in, a Coalition of Northern Dakota County Communities. There are 15 to 16 cities that are in the group but 8 of the communities completed the poll completely.

Peer Community Stormwater - Revenue Reviews:

Feedback from 8 South-Suburban Communities

- All communities have a stormwater utility
- Two communities subsidize capital costs with other funding on an as-needed basis:
 - Bonding
 - General Fund/Tax Levy
 - Special Assessments
- No communities do special taxing districts for stormwater
 - It was a past approach used by Inver Grove Heights prior to establishing a stormwater utility (and still in City Code).

Director Connolly said Inver Grove Heights is supplementing the stormwater needs from other sources without paying the other sources back. The City currently has special tax districts that will expire within the next two to three years. Special taxing districts still exist within the City Code, but Staff is not recommending this option now, but it could be utilized depending on the stormwater rate study and what Council decides.

Inver Grove Heights takes in approximately \$1 million in stormwater rate revenue per year. The eight communities ranged between \$475 million to \$600,000 per year in annual stormwater rate revenue. Most of the communities take in more revenue per capita than Inver Grove Heights, ranging from \$75 to \$28. Inver Grove Heights revenue per capita is approximately \$29. Rosemount and Savage are the two closest peer communities in terms of number of residents. Rosemount’s Stormwater Rate Revenue per capita is approximately double the revenue and Savage is approximately 50% more revenue than Inver Grove Heights. Director Connolly said he also reviewed the revenue collected per square mile

and Inver Grove Heights collects the least revenue per square mile when compared to the other eight communities.

Director Connolly said the information was collected for a three year time frame and it does show that Inver Grove Heights' revenue is at the low end of what is collected by neighboring cities. The needs of the City are not any less than these other communities, but they may be different. They need to make sure they meet the MS4 requirements and that they are doing pollution prevention and control.

Director Connolly said the Stormwater Rate Study was in the CIP and it was intended to start in 2024. Due to other priorities, it was delayed until the first quarter of 2025. Staff is ready to start the process for the study if Council permits.

Stormwater Rate Study Scope:

- Analyze the City's stormwater utility needs for a 15-year time horizon.
- Develop options for a rate structure that is:
 - Fair
 - Equitable
 - Reasonable to Administer
 - Sufficient to fund the City's stormwater operation and capital needs

Stormwater Rate Study Deliverables:

- Rate study summary, recommendations, and key components:
 - Review existing rate structure
 - Revenue forecasting/needs (15 years)
 - Review alternative rate structures/options
 - Provide a recommended rate structure
 - Review revenue adequacy and any "stop gap" funding options
 - Identify billing impacts and benchmarking against current rate structure and peer communities
- Develop stormwater rate model for future budget development
- Public communications/engagement materials based on recommended changes to the current rate structure (i.e., need for changes, billing impacts, etc.)

Stormwater Rate Study Scope:

- Anticipate three City Council engagements
 - Work Session #1 - Progress update after rate structure options are developed.
 - Work Session #2 - Review draft report and recommendations
 - City Council Meeting - Final report presentation/adoption

Mayor Dietrich asked where the Stormwater modeling would be in the planning process.

Director Connolly said the model would likely be developed with the different rate structure options. They would have a baseline model but depending on what rate structure was chosen it would get put into the model. It would likely be planned somewhere between the second work session and the final City Council meeting.

Council Member T'Kach asked if community input, outside of a formal Council meeting, would be asked for prior to adopting a structure.

Director Connolly said yes, they will be asking for input from the community outside of a formal Council meeting.

Citizen Focus Group:

- Similar to Citizen Task Force for Pavement Management
- Targeted focus on providing public feedback for key stormwater utility items:
 - Education: Review current stormwater rate structure and understand its purpose and effectiveness (and shortcomings).
 - Options: Review alternative rate structure options and provide feedback on preferred alternatives with respect to fairness, equity, and fiscal sustainability (including comparison to peer communities).
 - Public Perception: Provide feedback on messaging to the public regarding need for utility rate structure changes.

Staff, Council, and Consultants can take feedback from the Focus Group and implement that feedback into the rate study effort.

Council Member T’Kach said she thinks Staff is on the right track with a focus group but said she is concerned that there will be a limited number of people participating. With the Pavement Management Taskforce, residents appreciated the City committing to certain items like completing a certain number of miles per year. As Pavement Management projects moved forward and affected residents, it seemed that other issues surfaced that could have been discussed more thoroughly with the taskforce. Council Member T’Kach said she is having a public meeting during the middle of the process which might help to provide information which may help bring forward additional concerns and the more engagement they can have with a broad group, the better.

Director Connolly said if Council would like to see more public input, Staff can do that. There can be additional challenges in getting through problems when the group is larger. It is a citizen-run government and Council is elected to make these types of decisions. If Council would like a greater outreach or has other specific ideas, Staff can look to integrate them at some point. Director Connolly said he is trying to remain aware of the time that they have to complete the report and not continue to push it further out. It is important to have the information given to the public. Staff’s goal is to have a focus group that is working alongside the process when they are putting the study together. They do not want to put a finished project together without community input. The focus group is part of the scope of work for the utility rate study to have engagement during the process.

- 8-12 Members
 - Residential Property Owners (both rural and urban property types)
 - Commercial/Industrial Property Representatives
 - Professionals with stormwater management or finance backgrounds
 - Two City Council members
- Solicit interested candidates in March (Insights newsletter in April)
- Select candidates by May 2025
- Approximately 7-8 meetings between May and September
- Led by Consultant (part of study work scope)

Focus Group summary would be included with rate study report.

- Advisory Body - No voting authority or ability to direct policy
- Benefits:
 - Provides transparent, public feedback on a historically challenging issue to staff, consultants, and Council in real-time.
 - Provides a litmus test for Council as it relates to community support for modifications to the City’s stormwater utility rate structure.
 - Provides guidance and feedback on messaging a very technical issue in layman’s terms.

- May result in smoother implementation of changes
- Drawbacks:
 - May not garner consensus among Focus Group members.
 - Time and cost for staff and consultant to coordinate meetings, meeting materials, responding to inquiries, and addressing questions.
 - Tangents and rabbit holes

Consultant Solicitation:

Staff Recommend Direct-Soliciting to AE2S

- AE2S successfully performed sewer and water rate study analysis in 2022-2023.
- AE2S continues to work positively with City Finance staff on sewer and water model updates and provide tutorial services for modifying these rate models.
- AE2S already completed a baseline analysis of our stormwater infrastructure and rate revenue in 2023; cost-savings to not have to “re-do” this work with another consultant.
- AE2S is in the City’s Engineering Consultant Pool and is qualified for this type of study work (Municipal Utilities Category).

\$65,000 in 2024 Budget (carryover) plus \$25,000 in 2025 Budget.

Director Connolly said in 2023 Staff received a quote from AE2S for the Stormwater Rate Study that was \$50,000. The quote did not include the task force component and some other deep dive information that they have been working on. AE2S and Staff believe the study can be completed for \$90,000 or less. If Council accepts the recommendation, Staff will finish the work scope and submit it to AE2S for a formal quote.

Council Member Murphy said he supports the recommendation and thinks the structure is good with the right size group. Attendance at the focus group meetings is important because they cannot continue to review previous meeting items and do not cause members lack of attendance.

Council Member T’Kach asked if AE2S has experience managing focus groups either for Inver Grove Heights or other projects.

Director Connolly said yes, they are currently in the process of doing a focus group in Woodbury. The City’s water and sewer rate study scope did not include a focus group. Director Connolly said he has spoken to peers in other communities who have worked with AE2S, and they have said AE2S is fully capable of managing it.

Council Member T’Kach asked if it is more of a task force instead of a focus group because people will have to dig into the material and understand it.

Director Connolly said he did not call it a task force because he is not recommending as deep of a dive as they had previously done in Pavement Management. It is intended to be a higher level review in terms of getting feedback. Staff is wanting more about public perception from the focus group because they have a solid understanding of the stormwater needs. Pavement Management was a bigger challenge because Pavement Management has aspects that are directly affected by assessments and the types of projects the City had been doing historically, as well as the way Staff had presented the projects. The Pavement Management projects were larger projects that are disruptive to the community.

Council Member T’Kach said she thinks having the focus group not to be structured like the task force is beneficial because the focus group will be able to provide feedback and challenges on what is being presented to them.

Council Member Gliva said she supported the focus group and Stormwater Rate Study. Explaining 45 rates is not an easy task and is Staff time that could be spent elsewhere.

Council Member Scales said he supported the idea and likes the idea of having representatives from across the City. It is important the rural areas are also represented so that the City can better explain why the stormwater fee is needed.

Schedule:

Contract Approval	February 10, 2025
Complete Stormwater Data Collection/Review	April 2025
Citizen Focus Group Established	May 12, 2025
Citizen Focus Group Kickoff	May 20, 2025
Complete Rate Design & Financing Options	June 27, 2025
Citizen Focus Group Discussions	June - September 2025
Draft Report Presentation (Council Meeting)	September 2025
Final Report Presentation (Council Meeting)	October/November 2025

Mayor Dietrich asked what direction could be given to the Finance Director during budgeting time since that will start early summer.

Director Connolly said the proposed schedule gives Staff an opportunity to have something presented by the end of the year. Staff has talked to the Finance Director and Utility Billing Staff and the expectation is that this will not be implemented in 2026. There is likely to be a dramatic change that will take a while after the report implements it. The budget will assume that current rates will increase another 5% for the NWA and 25% for the remaining areas of the City in 2026 and work on implementing the study results in 2026. It is a fast timeline, and Staff wants to try to stay on schedule. They will work with the Finance Staff to develop budgets with the information they have ahead of them.

Mayor Dietrich said there are stormwater pipes in severe deterioration so she would welcome a midterm implementation or other options.

Director Connolly said Staff will vet options when they make recommendations to implement. Part of the study scope includes AE2S providing a quote and an understanding of how the City would implement the rates and how the consultants could help with implementation.

Director Connolly said they will send information to Council to solicit interest in participating in the focus group but will not likely put out a public request until March or April. The next step is to have AE2S provide a quote and get a contract started so they can start the process.

Council agreed to move forward with the next steps.

B. 2025-26 Board and Liaison Appointments for Councilmembers & Staff

Administrator Wilson presented this item.

Administrator Wilson said annually or biannually they need to decide which Council Member(s) and/or Staff members will represent Inver Grove Heights on various boards where the City has a voting seat or as a liaison to various groups. Administrator Wilson said she recommends making two-year

appointments that will cover 2025 through 2026 as being familiar with the topics and issue can be helpful when representing the City.

Requested Appointments:

- Annual - or biannual - action of the Council
- Appointments include:
 - Dakota 911 Board
 - Fire Relief Association
 - Municipal Legislative Commission (MLC)
 - River Heights Chamber - Local Issues
 - NDC4 Commission
 - LOGIS

Administrator Wilson said the Dakota 911 Board is a countywide joint powers agreement that manages the 911 emergency services in the City. The City pays a portion of the budget for the organization and has a voting seat on the Board of Directors.

Dakota 911 Board:

- 1 Board member and 1 Alternate
- Must be elected officials
- Thursday morning meetings, 8:00 - 10:00 a.m.
- Meeting Dates for 2025:
 - Feb. 20
 - May 15
 - Sept 18
 - Nov 20

Administrator Wilson said she serves on the Executive Committee and the City's Fire Chief and Police Chief serve at committees that look at specific areas. Council Member Murphy has represented the City for the past two years and they have not had an alternate. Council Member Murphy has expressed an interest to discontinue the role and Council Member Scales has expressed a willingness to serve on the board, but they still need an alternate.

Council Member Murphy said he would be the alternate.

Fire Relief Association:

- 1 elected official
- Finance Director Hove
- Fire Chief Thill
- Meetings are typically Sunday evenings.

Council Member Scales said he will fill the seat.

Municipal Legislative Commission (MLC):

- 1 elected official - typically the Mayor
- 1 staff person - typically City Administrator
- Meetings are typically mid-day Wednesdays and move around the metro area
- 2025 Meeting Dates:
 - March 5
 - June 4
 - Oct. 1

- Dec. 3

Administrator Wilson said the role is typically filled by the Mayor but Council Member T’Kach also expressed interest in the role.

Council Member Gliva said she thinks the Mayor should fill the Commission seat as the head of the City.

Mayor Dietrich said that Council Member Murphy is acting Mayor when she is away and asked if Council Member Murphy would continue to back up the role.

Council Member Murphy said yes, he would be an alternate in the Mayor’s absence.

Mayor Dietrich said she would continue the role with Council Member Murphy as an alternate.

River Heights Chamber - Local Issues

- 8:00 a.m. on the 2nd Thursday of the month

Administrator Wilson said this meeting is one of the slightly less formal appointments. It is an opportunity to share with school districts, the County, the City, and local business owners’ things that are going on in Inver Grove Heights organizations that might be of interest to one another. Usually either the Police Chief or Fire Chief attend the meeting as well as the Community Development Director or the Parks and Recreation Director. Historically they have had at least one Council Member that also commits to being a regular attendee. Council Members Gliva and Scales have been attending these meetings over the past two years.

Council Member Scales said he would like to continue attending the meetings.

Council Member Gliva said if another Council Member would like to participate, she can step back as she is still with the chamber and a member.

Council Member T’Kach said she would be interested in attending these meetings.

Administrator Wilson said the NDC4 is a two year appointment but in the Council packet it said that no new appointments were needed but that was incorrect.

Norther Dakota County Cable Communications Commission (NDC4):

- 1 elected official
- 1 resident
- Meetings are typically Wednesdays at 7:00 p.m.
- 2025 Meeting Dates:
 - Feb. 5
 - April 2
 - June 4
 - Aug. 6
 - Oct. 8
 - Dec. 3

Administrator Wilson said Council Member T’Kach currently serves as the elected official and Regina Barr is the resident appointee. Barr is willing to continue in the role but understands if the Council wishes to either advertise or give the opportunity to someone else.

Mayor Dietrich asked if the opportunity could be put on their social media to see if there are other residents that would like the opportunity.

Administrator Wilson said they can get it out on social media the following day and it is typically a really simple letter of interest.

Council Member T’Kach said she would be interested in continuing, and that Regina Barr has been a good advocate for the City and serving on the NDC4 Commission. It is fair to have someone new and it is more complicated at times.

Local Government Information Systems (LOGIS):

- Board Member & Alternate - both staff
- Current:
 - Board Member: Chief Chiodo
 - Alternate: Commander Josh Otis
- Proposed:
 - Board Member: Marc Gade, Technology Manager
 - Alternate: Kris Wilson, City Administrator

Administrator Wilson said LOGIS provides very large software packages to cities as well as support for things like the phone systems, emergency backups, fiber, etc. Historically the Police Department was one of the primary users of LOGIS and this is why Chief Chiodo and Commander Otis are the board member and alternate. The board has been getting into an increasing number of discussions that go beyond police and the police representatives have asked them to be replaced. Marc Gade, City Technology Manager, has agreed to be the Board Member and Administrator Wilson as the alternate. Administrator Wilson said she has previously served on this board in previous city government jobs, so she has some familiarity with the workings of LOGIS and the types of decisions their Board makes.

Mayor Dietrich asked if Administrator Wilson would have the time for this.

Administrator Wilson said yes, she would be the alternate and Technology Manager Gade would attend most of the time. If there was an important vote that the City wanted to have a voice in, Administrator Wilson would attend and have Technology Manager Gade help her prep.

Council agreed with the proposed change.

C. City of IGH 5-Year Capital Improvement Plan (2025-2029)

Administrator Wilson presented this item.

2025 MN Legislative Session:

- January 14 - May 19
- Both houses are very closely divided Republican / DFL
- Must adopt a two-year budget for the State
- May consider a bonding bill - requires a super majority, which means bipartisan support

Administrator Wilson said the MN Legislature worked on a bonding bill last year, but they could not reach a final agreement, so nothing was passed during the 2024 legislative session.

Proposed City Priorities & Positions:

- Streamlined compared to last few years
- Focus on local control - particularly as it relates to planning and zoning and funding City government
- Request \$2 million in state bonding for final phase of Heritage Village Park (same request as last year)

- Support the work and positions of the various associations the City belongs to:
 - League of MN Cities
 - Municipal Legislative Commission
 - Metro Cities

Items to watch for:

- Jan. 27 Consent Agenda:
 - Adoption of Attached Positions & Priorities Doc.
 - 2025 Contract with Katy Sen, Messerli & Kramer
- Return of "Legislative Updates" to weekly update

Related Upcoming Events:

- Friday, January 24 - Municipal Legislative Commission (MLC) at the VMCC
- Friday, January 31 - Dakota County Legislative Breakfast at Dakota Co. Western Service Center
 - IGH can send up to 3 representatives
 - Mayor Dietrich
 - Councilmember
 - City Administrator Wilson

Administrator Wilson said both Council Member Murphy and Scales have said they could attend the January 31st event, and Staff is asking for clarity on which Council member will attend.

Council Member Scales said that Council Member Murphy could attend.

Council Member Murphy said he would attend.

Administrator Wilson asked if Council had any questions, comments, concerns, or desired changes to the proposed City positions.

Council Member Murphy said the City Administrator brought House File 4009 to Council's attention instead of the lobbyist and at the time asked if it was part of the lobbyist's contract. The information given was that there are different contracts. Council Member Murphy asked if that was important to Staff and Council or if Administrator Wilson feels they are ok with where they are.

Administrator Wilson said she will include the contract for the lobbyist in the next Council packet, but she is comfortable with the contract. Many times, the lobbyist sends the information to the City Administrator and then the information is given to the Council. The City's direct lobbyist, Katy Sen, focuses on the City's bonding requests and keeps an eye on landfill matters because it is a unique concern to Inver Grove Heights. Sen also assists outside of the legislative session in integrating with the City's legislators and state agencies.

Council Member T'Kach said she is not proposing changes but would like to see more conversations around local control. Without knowing the details of the legislative session, there is some measure of local decision making that should be balanced with broader input and decisions from a wider range for issues that have potential for significant regional and statewide impacts. An example would be if a city wanted to make a decision that could have an impact on neighboring cities like a water bottling plant in Eagan that could impact Inver Grove Heights' groundwater. That may be a more regional decision. Local control is great, but it is not a blanket statement that they would agree with a specific decision. Council Member T'Kach asked if their lobbyist may say that they do not agree with the bill even though they are part of a group that does agree.

Administrator Wilson said it would likely be an issue that they would bring to Council's attention and discuss it. Inver Grove Heights as well as the League of Minnesota Cities and Metro Cities has a strong

respect for local control. If the City wanted to deviate from that, they would want to have a discussion. There is a process that the Metropolitan Council engages in on development of regional significance for really big developments like airports or the Mall of America.

The majority of Council agreed with the priorities and positions.

5. Adjourn

Motion to adjourn at 7:25 p.m. by Murphy, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sara Lyons.