Inver Grove Heights City Council

Monday, August 4, 2025 at 6:00 PM

City Hall - Council Chambers
8150 Barbara Ave, Inver Grove Heights, MN 55077

AGENDA

NOTICE TO RESIDENTS: Individuals may submit written public comments in advance of the meeting by emailing comments to Rebecca Kiernan (rkiernan@ighmn.gov). Comments received prior to 12:00 p.m. on Monday, August 4, 2025, will be provided to the Council at or before the August 4, 2025 meeting.

1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Discussion Items**
   A. 2026 Budget - Non-General Fund Budgets
5. **Adjourn**

This document is available upon a three (3) business day request in alternate formats such as braille, large print, audio recording, etc. Please contact Rebecca Kiernan, City Clerk, at 651.450.2513 or rkiernan@ighmn.gov.

Agenda Item 4.A.

Request for Council Action

SUBJECT: 2026 Budget - Non-General Fund Budgets

MEETING DATE: August 4, 2025
ITEM TYPE: Discussion Items
CONTACT: Kris Wilson, City Administrator, 651.450.2511
Amy Hove, Finance Director, 651.450.2521

ACTION REQUESTED

The Council is asked to continue its review and discussion of the City's proposed 2026 budget, with initial presentations on Special Revenue Fund budgets, Debt Service budgets and corresponding tax levies, Pavement Management Fund budgets, and Internal Service Fund budgets and provide any initial feedback or direction it wishes to.

BACKGROUND

At the July 21, 2025 work session, staff provided the Council with an overview of the City's budget components and timelines, summary assumptions utilized, and the challenges and priorities informing development of the 2026 budget. The Council also received a draft of the General Fund budget and levy as they currently stood at that time. This was the first of several budget discussions leading up to the adoption of a preliminary 2026 tax levy in mid-September.

This next budget work session focuses on the budgets for the City's special revenue funds, debt service funds, capital project funds, and internal service funds:

- Capital Project Funds: Pavement Management - Local Streets and Pavement Management - Partnership Projects
- Special Revenue Funds: Economic Development Authority (EDA), Veteran's Memorial Community Center (VMCC), Host Community Fund (HCF)
- Public Safety Small Equipment Fund
- Debt Service Funds: Debt budgets and tax levies for the City's four funds related to levy-supported debt on street projects and two funds related to levy-supported debt on Fire Station #2
- Internal Service Funds: Technology, City Facilities, Risk Management (Insurance), and Central Equipment

Individual presentations for each of the above budgets are attached. As was the case at the July work session, staff will be fielding questions and requesting input and feedback from the Council on these draft budgets.

Budget presentations on the City's remaining funds: Utility Funds, Golf Course Funds, and the Convention & Visitor's Bureau are scheduled for the October 6 work session.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. 2026 Budget-Pavement Management Funds
2. 2026 Budget-EDA Fund
3. 2026 Budget-Community Center (VMCC) Funds
4. 2026 Budget-Host Community Fund
5. 2026 Budget-Debt Service Funds
6. 2026 Budget-Public Safety Small Equipment Fund
7. 2026 Budget-Internal Service Funds

Proposed 2026 Budget

Pavement Management

City Council Work Session, August 4, 2025

Brian Connolly, Public Works Director

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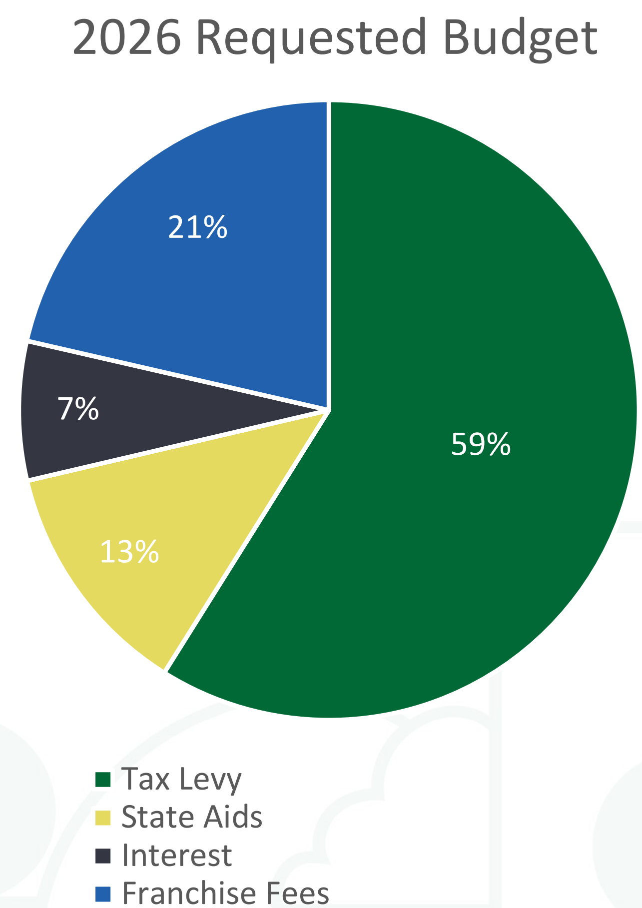
Pavement Management Fund

Proposed City-Dedicated Funding for 2026

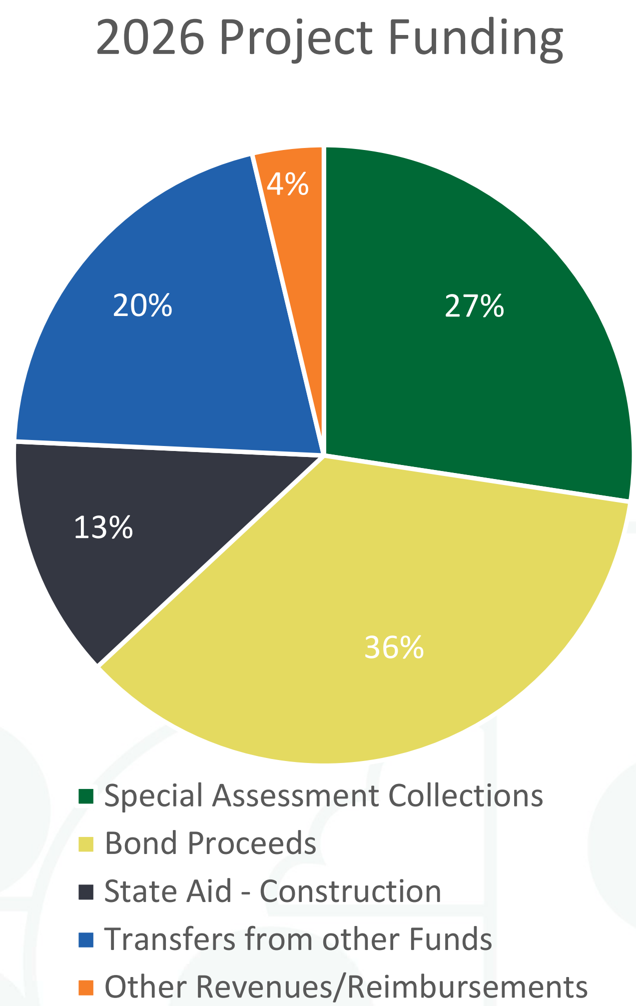
City Funding Source	2026 Requested
Tax Levy	$ 3,081,488
Franchise Fees	1,122,110
State Aid – Maintenance	550,000
NEW in 2024: Transportation Advancement Aid (TAA)	100,000
Interest	380,000
Transfers In – Host Community	0
TOTAL City PM Funding	**$ 5,233,598**



Pavement Management Fund

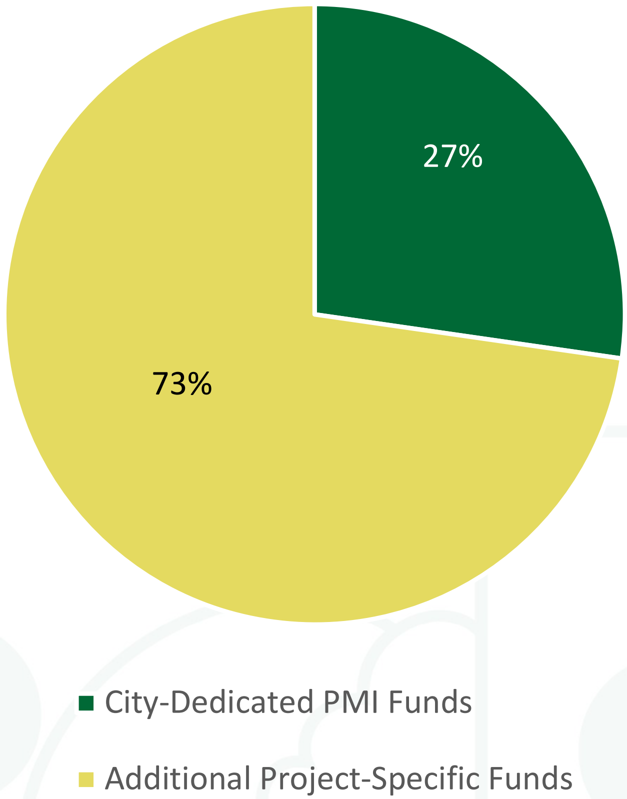
Additional Project-Specific Funding for 2026

City Funding Source	2026 Projected
Special Assessment Collections	$3,822,398
Bond Proceeds	4,975,651
State Aid – Construction	1,766,459
Transfers In from Utility Funds	2,867,996
Reimbursements from Partner Agencies (Dakota County, City of Eagan, etc.)	519,132
TOTAL Project-Specific Funding	**$ 13,951,636**



Pavement Management Fund
Combined Funding for 2026

City Funding Source	2026 Requested
City-Dedicated PMI Fund (Requested)	$ 5,233,598
Additional Project-Specific Funds (Projected)	13,951,636
TOTAL PM Fund Revenue	**$19,185,234**



Pavement Management – Local Streets 2026 Projects

Project	Amount
Annual PMI Projects	$20,100,022*
Broad Area Patching	240,000
Crack Sealing & Pavement Rejuvenation	150,000
Traffic Calming & Safety Improvements	30,000
Ultra-Thin Maintenance Overlay (UTBWC)	1,000,000
Total Projects	**$ 21,520,022**

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

Pavement Management – Partnership Projects 2026 Projects

Project	Amount*
70th Street – TH 3 to Cahill Ave – ROW	450,000*
Barbara Ave. Noise Wall (Construction)	210,000
Total Projects	**$ 660,000**

** This figure was updated 7.24.2025 to reflect most recent Dakota County estimates for city's 15% cost share for ROW acquisition. Preliminary CIP presented 7.21.2025 was estimated at $195,000 for 70th St. from TH 3 to Cahill Ave.*

Pavement Management Fund

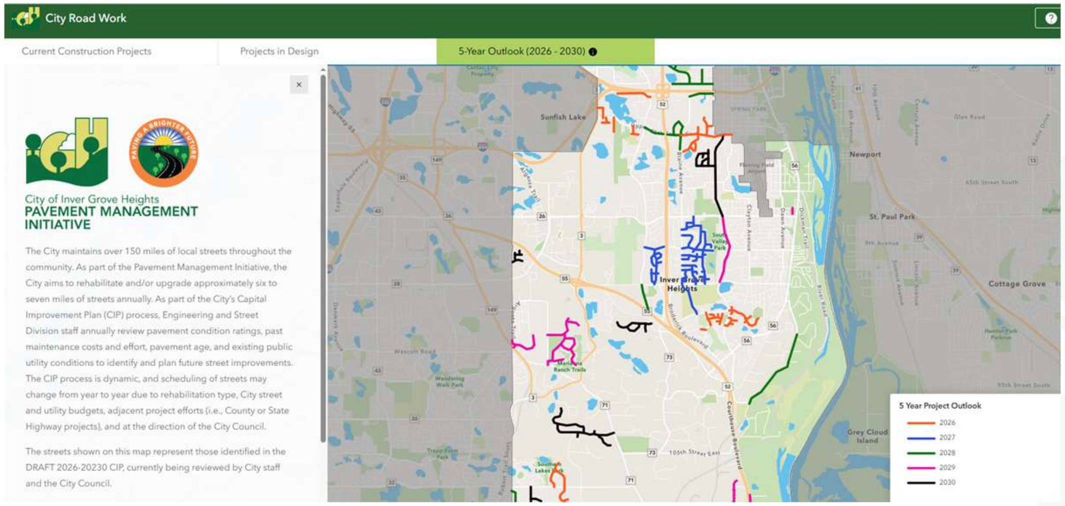
Expenditure Budget for 2026

- Project Costs - $21,520,022
- Transfers to Partnership Projects - $450,000
- Additional Operational Costs - $57,500
  - Division Software
  - ICON Pavement Ratings
  - Special Assessment Fees
  - Professional Services – support for financial modeling
- Assumed Principal/Interest on 2025 S/A Debt - $299,300
- Total 2026 Expenditures: **$22,326,822**

- 2026 Revenues: $19,185,234
- Net Project Fund Proceeds (end of 2026): <u>-$3,141,588</u>

Pavement Management Initiative (PMI)

Year	Miles	Estimated Cost (Street Only) (Inflation-Adj.)
2026	7.1	$15,726,000
2027	6.6	$11,849,000
2028	6.8	$12,468,000
2029	5.9	$10,305,000
2030	7.7	$10,346,000
Total	**34.1**	**$60,694,000**



[Link to GIS Webmap]

Assessment Budgeting:
A Moving Target

- Assessments Vary by Construction Type
  - Reconstruction, Reclamation, Overlay
  - 35% to 80% of pavement costs
  - Capped by special benefit received (see below)

- Special Assessment Payment Modifications
  - Assessment Payback period based on assessment cost
    Payback ranges from 5, 10, or 15 years

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

Capital Improvement Plan

Financing Models – FUTURE presentation

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

Questions / Discussion

Proposed 2026 Budget

Economic Development Authority (EDA) Fund

City Council Work Session, August 4, 2025

Jason Ziemer, Community Development Director

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2026 EDA Budget PROPOSED EXPENDITURES	2025 Budget	2026 Proposed
10% of Com Dev Dir salary & benefits + part-time EDA Recording Secretary wages	$157,100	$22,000
Additional Staff or Consultant		$143,500
Legal & Professional Services	$46,000	$63,000
SUBTOTAL	***$203,100***	***$228,500***
OTHER EXPENDITURES		
Supplies & Printed Materials	$500	$6,000
Dues, Licenses & Subscriptions	$1,000	$4,135
Training & Travel	$3,500	$2,600
Stormwater Charges – EDA parcels	$0	$3,000
Insurance & Facility Allocations	$715	$750
SUBTOTAL	***$5,715***	***$16,485***
TOTAL PROPOSED EXPENDITURES	**$208,815**	**$244,985**

Proposed 2026 EDA Budget

PROPSED FUNDING SOURCES	2025	2026	Dif.
Transfer from General Fund Levy	$177,990	$186,890	+ 5%
Interest Earnings	$6,000	$10,500	
Use of Fund Balance	$24,825	$47,595	
TOTAL FUNDING	**$208,815**	**$244,985**	

EDA FUND BALANCE	
As of Dec. 31, 2024	$363,967
Budgeted for Use in 2025	-$24,825
Proposed for Use in 2026	-$47,595
PROJECTED REMAINDER	**$291,547**

EDA Funding

- Currently funded by a transfer from the General Fund Levy
- Could have a distinct EDA Levy
  - May provide more transparency
  - Would be paid by the same property owners as the City's levy

2025-26 Work Plan Priorities

1.) Develop EDA Strategic Plan

- ➢ *would help guide/inform resources needed in future years*

2.) Increase involvement / visibility in the econ dev community

- ➢ *memberships, event attendance/booths, sponsorships, materials*

Staff vs. Consultant

- Full-time City Staff Person
  - Day-to-day contact & responsiveness
  - Seeking out & preparing for opportunities to showcase IGH
  - Engage business community & partners
  - Focused project management
  - Coordinate & maximize local use of existing programs offered by agency partners
  - Grant applications, management and reporting
- Consultant
  - Topic or project specific
- Will still need certain specialized professional services
  - Legal, appraisal, surveying, etc.

Staff ~~vs. Consultant~~

- Full-time City Staff Person
  - Day-to-day contact & responsiveness
  - Seeking out & preparing for opportunities to showcase IGH
  - Engage business community & partners
  - Coordinate & maximize local use of existing programs offered by agency partners
  - Grant applications, management and reporting

✓ **Already funded in existing EDA budget – would not be an increase to the levy**

✓ **Greatest need to better carry out what EDA has expressed as priorities**

Questions & Discussion

Proposed 2026 Budget
Veteran's Memorial Community Center (VMCC)

Work Session, August 4, 2025

Jamie Muscha, Community Center Manager

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Community Center Overview

- 153,000 sq. ft. plus facility
  - Aquatics Center
  - Fitness Center
  - Ice Arena/Senior Center/Community Rooms
  - National Guard Armory Gym
- Annual Hours of Operation
  - 5366 hours (avg. 15hr/day) Fitness, Aquatics, Gym
  - 5980 hours (avg. 16.5/day) Arena
- 4,391 - Members in 2024 (Increase of 24%)
- 233,979 - Admissions in 2024 (Increase of 41%)
- Over 500,000 attendees annually (Arena, Sr. Center, Gym, etc.)

Community Center Overview

January 1, 2025 - February 28, 2025

- 14.25 FTE's
  - Operation & Maintenance = 5.5
  - Programming =3.5
  - Guest Services = 3.5
  - Administrative = 1.75

March 1, 2025

- 15.25 FTE's (Added two new PT Specialists positions)
  - Operation & Maintenance = 5.5
  - Programming = 4.5
  - Guest Services = 3.5
  - Administrative = 1.75

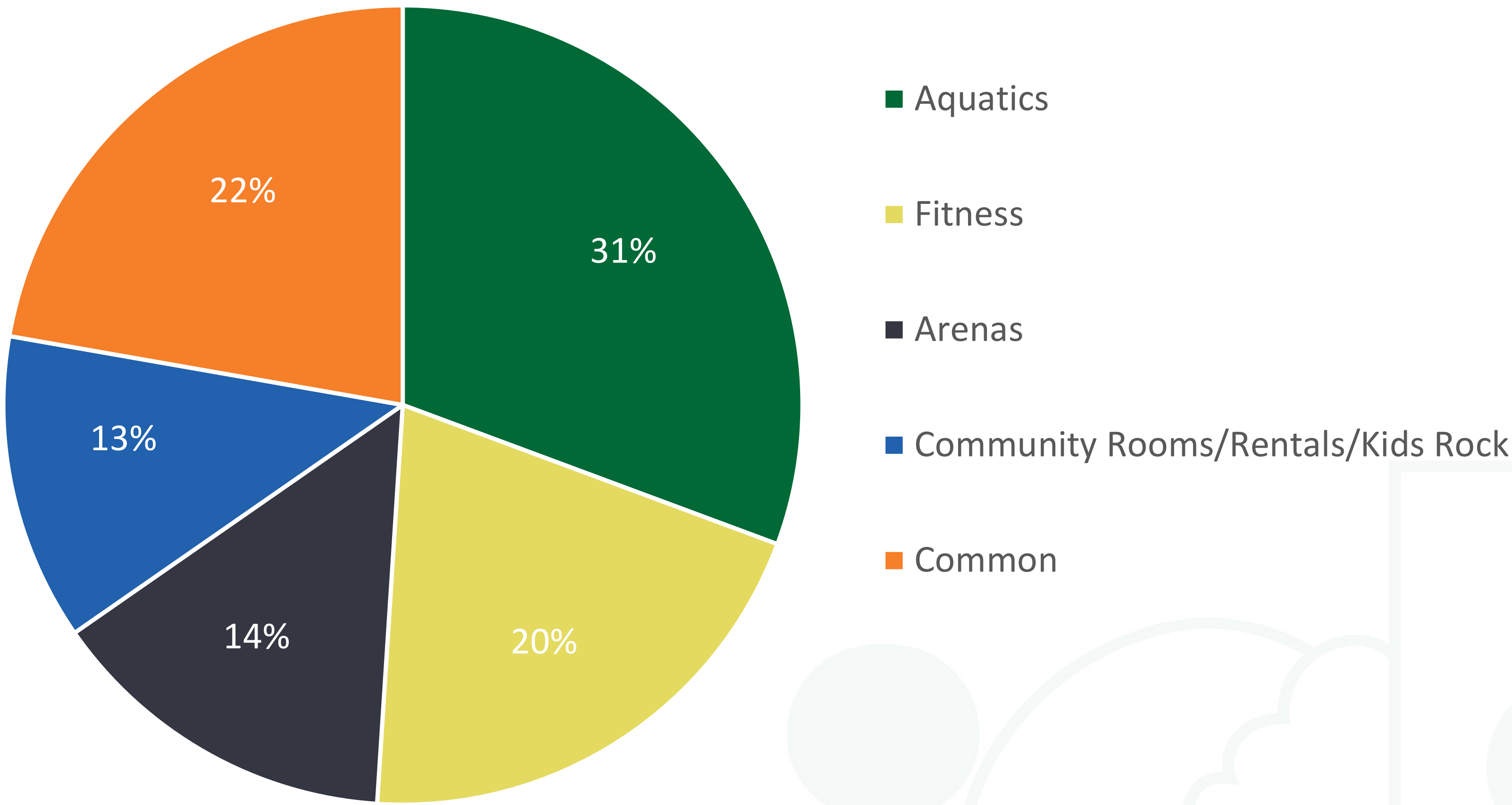
- 100-150 Part-time Non-benefited staff
  - Across all divisions

Operating Budget

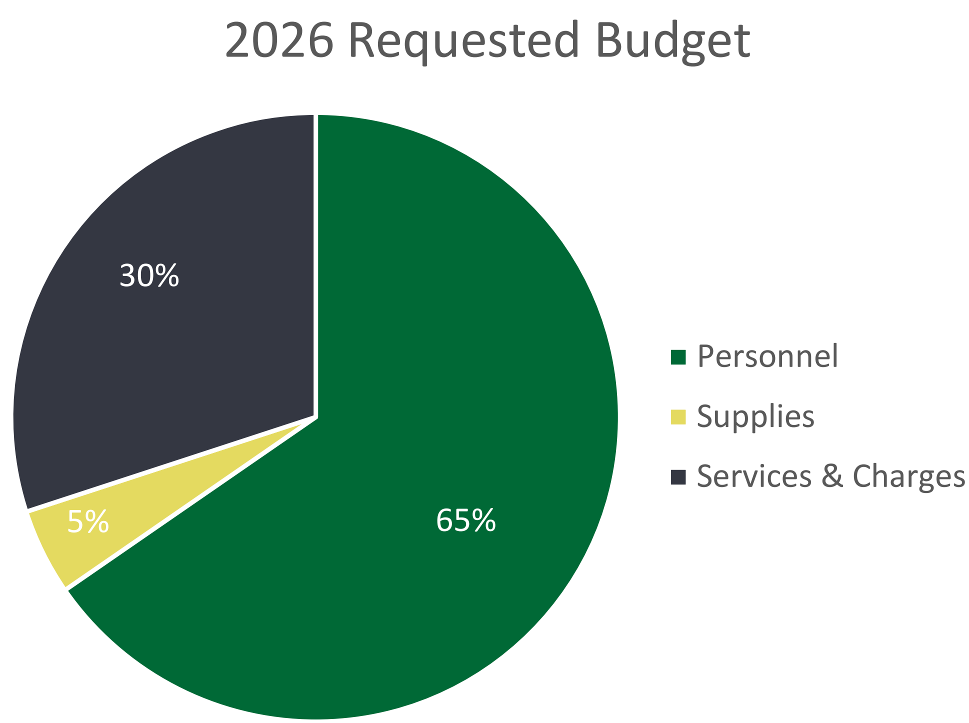
Community Center New Divisions in 2024

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

Community Center Divisions
2026 Requested Expenditure Budgets



Community Center Operating Summary



	2023 Activity	2024 Activity	2025 Budget	2026 Requested
Personnel *	$2,356,426	$2,438,698	$2,756,000	$3,031,200
Supplies	163,165	199,655	196,752	212,410
Services & Charges	1,388,538	1,317,057	1,373,358	1,392,200
Total	**$3,908,129**	**$3,955,410**	**$4,326,110**	**$4,635,810**

* The above 2026 Personnel figures do not reflect additional staff requests

Community Center Operating Summary

	Common Dept 4410	Aquatics Dept 4420	Fitness Dept 4430	Arenas Dept 4440	Community Rooms/Rentals/ Kids Rock Dept 4450	Total
Revenues	$ 178,380	$ 1,133,838	$ 1,167,510	$ 877,778	$ 483,850	$ 3,841,356
Expenditures	1,031,240	1,421,495	943,850	663,625	575,600	4,635,810
Difference	**($852,860)**	**($287,657)**	**$ 223,660**	**$ 214,153**	**($91,750)**	**($794,454)**

General Membership Revenue split:
- 10% Common
- 20% Aquatics
- 70% Fitness

Work in Progress

General Admission Revenue split:
- 10% Common
- 70% Aquatics
- 20% Fitness

Community Center – Noteworthy Items

- New staffing structure changes including Membership Specialist, Lead Operations Worker, Fitness and Aquatics Specialists.
- Increased PT staff costs for steps and competitive wages.
- Assessing new facility scheduling and registration software for implementation in 2026.
- New indoor playground scheduled for opening in 2026– not included in 2026 budget request.

2024 was an exceptional year, staff plan to watch for 3-year trend before anticipating similar results.

Community Center – $75,105 in Additional Requests
(with partial impact to General Fund & Golf Course)

- New staffing requests
  - Changes to Customer Service Specialist Hours, some offsetting reductions ($10,435)
  - PT Staffing Adjustments ($55,670)
    - Increased wages for Aquatics and Kids Rock staff
    - Reduction to fitness costs
    - Add behavior/wellness specialist to Kids Rock
    - Reductions to Operations/Maintenance

  - Increase P&R Communications Specialist to full-time ($38,700)
    - $9,000 impact to Community Center
    - $19,500 impact to General Fund
    - $10,200 impact to Golf Course

Revenue Projections

	2023 Activity	2024 Activity	2025 Budget	2026 Proposed
Total Operating Revenues	$3,196,020	$3,607,295	$3,418,435	$3,841,356
Increase (Decrease) from Previous Year	**$ 494,137**	**$ 411,275**	**($188,860)**	**$ 422,921**

- Increase membership fees by 3% beginning January 1
- Anticipate continued growth in admissions
- Increasing swim lesson and Kids Rock fees
- Increase in birthday party bookings
- Overall increase in ice, gym and room rentals
- Overall increases in program offerings and participation

Community Center Operating Transfer Needed

	2023 Activity	2024 Activity	2025 Budget	2026 Requested
Total Operating Expenditures	$3,908,130	$3,955,409	$4,326,110	$4,635,810
Total Operating Revenues	$3,196,020	$3,607,295	$3,418,435	$3,841,356
Transfer Needed from Host Community Fund (per audited financials)	**$712,110**	**$348,114**	**$907,675**	**$794,454**
Operating Costs Not Covered by Revenue	**18.2%**	**8.8%**	**21.0%**	**17.1%**
Actual Transfer from Host Community Fund *	**$725,621**	**$348,115**		
Difference	**$13,511**	**$1**		

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

Capital Budget

Community Center Capital

- Funded by a transfer from the Host Community Fund
- Scheduled for $700,000/annually
- Consistent funding should allow the city to manage capital repairs and replacements for varying years of high and low capital needs.
  - *Exception: East/West Rink Compressors (2029 Project) – estimated at $4.5 million ($2.5 million unfunded)*
- Individual projects still require annual City Council approval

Community Center – Proposed 2025 Projects

Area	Project	Amount
Fitness	Equipment Replacements, Center Flooring	$105,000
Aquatics	Water Park Play Structures	80,000
Arena	Paint Team Rooms & Restrooms, Volleyball Poles/Stands, Card Reader for P & R Admin Office	32,000
Mechanical	Replace ADA Door Openers, HVAC (Daycare), Radiant Heat West Rink	132,500
Grove	Brightside Room Remodel, Benches, Birthday Party Room, Pool Deck, Rear Concrete Stairs	400,700
	Total Projects	$ 750,200

Community Center – Proposed 2026 Projects

Area	Project	Amount
Fitness	Equipment Replacement	$ 40,000
Aquatics	Water Park Grate Replacement, Lifeguard Lockers, Lifeguard Room Window/Counter - Replace ADA Lift, Water Park Slide Repair	102,500
Arena	R-22 Reserves, Replace Make Up Unit in East Rink	256,000
Common	Common Area Updates	20,000
Mechanical	Replace AHU #8	55,000
Grove	Door Card Reader	12,000
	Total Projects	$ 485,500

Community Center Capital Fund (Fund 206)

	2025 Budget	2026 Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected
Beginning Balance	$582,164	$357,376	$584,384	$1,097,837	$1,611,261	**-$1,224,345**
Revenue In						
Transfer from Host Community Fund	700,000	700,000	700,000	700,000	700,000	700,000
Interest & Other Rev	22,070	12,508	20,453	38,424	1,056,394	0
Expenses Out						
VMCC Capital Projects (from 2026-2030 CIP)	(946,858)	(485,500)	(207,000)	(225,000)	(4,592,000)	(659,000)
Year-End Balance	**$357,376**	**$584,384**	**$1,097,837**	**$1,611,261**	**-$1,224,345**	**-$1,183,345**

- *2025-2029 CIP had East/West Compressor Project estimated at $2.5 million*
- *2026-2030 CIP has new project estimates at $4.5 million*
  - *$1.0 million assumed potential cost-share partnership agreement*
  - *$2.5 million unfunded*

Questions / Discussion

Proposed 2026 Budget

Host Community Fund

City Council Work Session, August 4, 2025

Kris Wilson, City Administrator
Amy Hove, Finance Director

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Host Community Fund - Revenues

- Revenue comes from landfill host community fees
  - Tonnage Fees from Pine Bend
  - Fixed Fees from Pine Bend
  - $25,000 from Frattalone / Dawn Way (*through 2027*)

Host Community Fund – 2026 Budget

REVENUES	2023 Actual	2024 Actual	2025 Estimate	2026 Budget
Pine Bend - Tonnage Fees*	$2,078,082	$2,219,064	$2,630,000	$2,709,718
Pine Bend – Fixed Fees*	225,000	225,000	250,000	257,500
Dawn Way – Fixed Fee	25,000	25,000	25,000	25,000
Interest, Transfers & Other	393,584	207,744	95,000	135,000
TOTAL	**$2,721,666**	**$2,676,808**	**$3,000,000**	**$3,127,218**

Host Community Fund - Uses

Council has broad discretion on how Fund is used

*“**7.06 Use of Fee.** The HCF shall be used by the City for public purposes. Such purposes may include, among others: general fund purposes; hosting the Landfill; the cost of providing firefighting services; environmental review and monitoring; and meeting and conferring with, among others, BFIWSNA, Dakota County, the MPCA, the United States Environmental Protection Agency, the Metropolitan Council, the Office of Environmental Assistance, and any other body having jurisdiction over the Landfill; the cost of sustainability projects and programs; the cost of "green initiatives"; the cost of GreenStep Cities Program; or other legal public purposes.”*

Host Community Fund

- 2023 identified “core uses” and “temporary uses”
- 2024 modified core uses to include Stormwater which included a plan to transition current PMP dollars to Stormwater ($100,000/year)
- 2025 accelerated that transition and affirmed new financial priorities (Stormwater & Sewer beginning in 2026)
- 2026 seeks to reaffirm those financial priorities:
  - $500,000 Stormwater
  - $1 million Sewer (to cover annual debt payments)

Host Community Fund
2026 Expenses & Planned Uses

Expenses	- Staff & consultants for landfill monitoring - Legal costs associated with enforcing current Host Community Agreement - Transfer to cover funding gap in Recycling Program
Core Uses	- Transfer to VMCC Operations - Transfer to VMCC Capital - Transfer to Stormwater Capital - Transfer to Sewer Capital (beginning in 2026)

Host Community Fund – 2026 Budget

EXPENDITURES	2025 Estimate	2026	2027
Expenses	**$87,000**	**$154,500**	**$162,225**
“CORE” Uses			
VMCC Operations	$907,675 budgeted	**$860,654**	$903,687
VMCC Capital	$700,000	**$700,000**	$700,000
Balance of Recycling Grant	$5,000	**$5,000**	$5,000
Storm Water (moved to core use)	$1,500,000	**$500,000**	$500,000
Sewer	$0	**$1,000,000**	$1,000,000
“Short-Term” Uses			
Boat Launch	$20,000	**$0**	$0
TOTAL	**$3,219,675**	**$3,220,154**	**$3,270,912**

Host Community Fund

- Approval of Pine Bend expansion and continued operation until 2042 provides reasonable expectation revenues will continue
- Modeling out the next 5 years shows expenses generally balanced with revenues
- Modeling shows a relatively stable fund balance of approximately $4 million year after year
- How does the Council want to put that to work for the City?
  - Transfer some amount to City Facilities for capital needs? Would moderate or alleviate need to increase property tax levy for this purpose for several years.
  - Use it to make smallest debt service payment out of current debt? Would allow us to cancel $261,765 of debt levy for 2026 and possibly beyond.
  - Spend a large, lump sum to reduce the amount of borrowing needed for a new Central Maintenance Facility?

Host Community Fund
Fund Balance Modeling

HOST COMMUNITY FUND 270	Actual 2023	Actual 2024	Estimated 2025	Budget 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
REVENUE								
Tonnage Fees from Pine Bend	2,078,082	2,219,064	2,630,000	2,709,718	2,818,378	2,960,995	3,107,007	3,263,207
Installment Payments from Pine Bend	225,000	225,000	250,000	257,500	265,225	275,834	286,867	301,211
HC Agreement with Frattalone Demo	25,000	25,000	25,000	25,000	25,000	-	-	-
Interest	349,627	168,613	85,000	100,000	132,843	130,055	129,171	130,451
Miscellaneous	43,957	39,131	10,000	35,000	-	-	-	-
TOTAL REVENUE	2,721,666	2,676,808	3,000,000	3,127,218	3,241,446	3,366,884	3,523,045	3,694,869
EXPENSE								
Staff Allocation - 80% Environmental Specialist		(94,413)	(35,000)	(104,500)	(109,725)	(115,211)	(120,972)	(127,020)
Other Charges - postage, recycling		(3,878)	(2,000)	-	-	-	-	-
Professional Services - Barr Engineering & Legal		(51,585)	(50,000)	(50,000)	(52,500)	(55,125)	(57,881)	(60,775)
HCF EXPENSES	(152,111)	(149,876)	(87,000)	(154,500)	(162,225)	(170,336)	(178,853)	(187,796)
Proposed "Core" Uses								
Transfers Out - Storm Water	(1,000,000)	(1,100,000)	(1,500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Transfers Out - Sewer			-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Transfers Out - Cover Balance of Recycling Grant		(4,757)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Transfers Out - Community Center (For Operations)	(766,987)	(348,115)	(907,675)	(860,654)	(903,687)	(948,871)	(996,315)	(1,046,130)
Transfers Out - Community Center (For Capital)	(718,200)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
SUBTOTAL - CORE USES	(2,485,187)	(2,152,872)	(3,112,675)	(3,065,654)	(3,108,687)	(3,153,871)	(3,201,315)	(3,251,130)
Past Uses - Now Discontinued								
Broadband/Fiber Investment	(71,544)							
TKDA-65th Street Small Area Plan	(37,332)	(8,574)						
Boat Launch		(9,051)	(20,000)					
Transfers Out - Pavement Management Program	(600,000)	(500,000)						
Transfers Out - Local Improvement Fund (PW Bldg)	(1,800,000)							
Transfers Out - Economic Development Fund	(25,000)							
SUBTOTAL - NON-CORE USES	(2,533,875)	(517,624)	(20,000)	-	-	-	-	-
TOTAL USES	(5,171,173)	(2,820,373)	(3,219,675)	(3,220,154)	(3,270,912)	(3,324,207)	(3,380,168)	(3,438,926)
1 ENDING FUND BALANCE	5,791,336	5,647,771	5,428,096	5,335,160	5,305,695	5,348,372	5,491,249	5,747,192
Less: Interfund Loan Receivable (EDA)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
ESTIMATED - CASH FUND BALANCE	4,791,336	4,647,771	4,428,096	4,335,160	4,305,695	4,348,372	4,491,249	4,747,192

<ins>Assumptions</ins>: 5% increase to VMCC Operating Transfer (2027-2030)
No increase to VMCC Capital Transfer - set at $700,000 annually (2026-2030)

Host Community Fund
2026 Fund Balance Estimate

	2025 – updated estimate	***2026***
Est. STARTING BALANCE	*$4,647,771*	*$4,428,096*
REVENUES	3,000,000	3,127,218
EXPENDITURES	3,219,675	3,220,154
Est. ENDING BALANCE	**$4,428,096**	**$4,335,160**

Estimated cash balance as of December 31, 2030 = $4,747,192

Questions / Discussion

Proposed 2026 Budget
Debt Service Funds

City Council Work Session

August 4, 2025

Amy Hove, Finance Director

CITY OF
INVER GROVE
HEIGHTS

Debt Levies

Amy Hove
Finance Director

DEBT SERVICE FUNDS

Street-Related Debt

- 2015A G.O. Improvement Bonds
- 2016A G.O. Improvement Bonds
- 2017B G.O. Improvement Bonds

Fire Station Debt

- 2018A G.O. Improvement Bonds
- 2019A G.O. Improvement Bonds

Debt Tax Levies

Bond Issuance	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Street-Related Debt				
2015A G.O. Bonds	637,301	633,210	634,055	633,255
2016A G.O. Bonds	718,134	718,292	723,227	728,923
2017B G.O. Bonds	263,125	262,882	267,731	261,765
2020A G.O. Bonds *	177,250	177,250	177,250	0
Use of Closed Bond Fund	-177,250	-177,250	-177,250	0
Fire Station Debt				
2018A G.O. Bonds	739,289	739,552	733,514	737,189
2019A G.O. Bonds	187,635	188,475	189,105	189,525
Total	**$2,545,484**	**$2,542,411**	**$2,547,632**	**$2,550,657**

** In December 2024, Council approved the early payoff of the City's 2020A Bonds using funds available in the Closed Bond Fund.*

2026 Debt Budgets

Bond Issuance	Debt Levy	Other Revenues	Total Revenues	Less: Principal + Interest, Other	Net
2015A G.O. Bonds	633,255	40,000	673,255	646,925	26,330
2016A G.O. Bonds	728,923	9,000	737,923	682,000	55,923
2017B G.O. Bonds	261,765	45,000	306,765	321,263	-14,498
2018A G.O. Bonds	737,189	5,000	742,189	688,335	53,854
2019A G.O. Bonds	189,525	1,200	190,725	178,300	12,425
Total	**$2,550,657**	**$100,200**	**$2,650,857**	**$2,516,823**	**$134,034**

Questions / Discussion

Proposed 2026 Budget

Public Safety Small Equipment Fund

City Council Work Session, August 4, 2025

Amy Hove, Finance Director

CITY OF INVER GROVE HEIGHTS

Public Safety Small Equipment Fund (Fund 102)

History

- 2023 Resolution approved the creation of this new fund
- Original funding of $121,700 came from a 2022 Dakota 911 rebate
  - Police – SRG expenses
  - Fire – new radios
- In 2023, the City received $1,564,124 in one-time public safety aid from State of MN
  - Aid was allocated to Police & Fire based on an average between these 2 variables:
    - Call Volume split (90% Police/10% Fire)
    - 2023 respective budgets (66% Police/34%Fire)
  - Police = $1,220,017
  - Fire = $344,107

One-time Public Safety Aid

Fire Department

Amount	Item Purchased
$243,750	Partial funding of replacement fire truck (ordered June 2023)
$35,744	New engines for boat
$64,613	New radios
$344,107	**TOTAL SPENT**

**** Beginning with the 2025 budget, the city started budgeting a $29,740 annual transfer out (expense) from the Fire Department and transfer in (revenue) to the Public Safety Small Equipment Fund to start saving for the future cost to replace the department's SCBA’s.*

One-time Public Safety Aid

Police Department

- 2024 New drone equip/program = $15,070
- 2025 Budget:
  - Phase-in cost of 3 new officers (w/ COPS grant) = $224,625
  - New K9 vehicle = $56,000
  - Honor Guard Uniforms & New Badges/Patches = $64,950
  - Officer Safety Items = $13,300
  - Blocker Locker/Evidence Preserve = $5,000
  - 2 Speed Signs & 2 Traffic Readers = $10,000
  - Handguns, body-worn cameras, radios = $80,000
  - Training Reporting Software = $5,000

One-time Public Safety Aid
Police Department

- 2026 Budget:
  - Phase-in cost of 3 new officers (w/ COPS grant) = $144,326
  - New Command Vehicle = $180,000
  - Additional emergency siren for NWA = $36,120
- 2027 & 2028 Budgets:
  - $166,885 to continue phasing in cost of 3 new officers
  - Costs fully transitioned to budget in 2029

- Balance of aid remaining (12/31/2028) = $218,741 (est.)

Public Safety Small Equipment Fund

Budget Summary

	2025 Current Budget	2026 Requested Budget
REVENUES BY TYPE		
Interest	$ 30,000	$ 30,000
Transfer In-Fire Dept SCBA Savings	29,740	29,740
TOTAL REVENUES	***$ 59,740***	***$ 59,740***
EXPENDITURES BY TYPE		
Uniforms & Clothing	$ 64,950	$ 0
Small Equipment: officer safety items	28,300	0
Division Software to Track Officer Training	5,000	0
2025 Capital: K9 vehicle, body worn cameras/radios 2026 Capital: Command vehicle, emergency siren (NWA)	136,000	216,120
Transfer Out-PD Officer Phase-In Plan	224,625	144,326
TOTAL EXPENDITURES	***$ 458,875***	***$ 360,446***

Questions / Discussion

Proposed 2026 Budget Internal Service Funds

City Council Work Session

August 4, 2025

CITY OF INVER GROVE HEIGHTS

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Internal Service Funds & Allocations

- Technology
- City Facilities
- Risk Management
  - Property/Casualty Insurance
  - Workers Compensation Insurance
- Central Equipment

Summary of Allocations

Allocation Type	2025 Budget	2026 Budget	Difference	% Change
Workers Comp (5084)	754,700	573,700	(181,000)	-24.0%
Insurance (5450)	518,900	550,100	31,200	6.0%
Technology (5445)	1,269,500	1,412,500	143,000	11.3%
City Facilities (5455)	850,495	905,050	54,555	6.4%
Central Equipment (5460)	3,702,700	3,591,700	(111,000)	-3.0%
	7,096,295	7,033,050	(63,245)	-0.9%

Workers Comp (Risk Management) – League of MN Cities Insurance Trust lowered rates for certain employee categories (primarily public safety)

Technology – increased costs for citywide software, and telephone-related costs

Central Equipment - decrease primarily due to additional $100,000 in assumed interest revenue for 2026 and reductions in streets capital allocations (extended useful life on some trucks)

Technology Fund

Kris Wilson, City Administrator
Marc Gade, Technology Manager

CITY OF
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HEIGHTS

Technology (Fund 606)

The Technology Fund allocation paid by each Department (expense code 5445) and cover:

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

A Department's allocation is based on # of FTE's and device counts (computers, laptops, tablets)

- Technology Allocation proposed for 2026 is $1,412,500 (11.3% increase)

Technology Fund

Proposed Capital Expenditures for 2026

- $84,700 in capital expenditures included in proposed budget:
  - Workstation Devices ($16,700)
  - Switches/Firewall ($15,000)
  - Server/SQL Licenses ($20,000)
  - Fiber updates ($33,000)

- Budgets for these items show up in accounts:
  - 606.8600.000.5160 Small Tools & Minor Equipment
  - 606.8600.000.5610 Improvements Other Than Buildings
  - 606.8600.000.5615 Machinery & Equipment

Technology Fund – Budget Summary

	2025 Adopted Budget	2026 Requested Budget
Revenues By Type		
Departmental Allocations	$ 1,269,500	$ 1,412,500
Other Revenues	26,500	26,500
Total Revenues	**$ 1,296,000**	**$ 1,439,000**
Expenditures By Type		
Personnel	$ 826,600	$ 883,300
Supplies	62,250	24,800
Other Charges & Services	390,065	476,885
Capital Outlay – Machinery & Equip	174,000	68,000
Total Expenditures	**$ 1,452,915**	**$ 1,452,985**

2026 Budget Summary

$ 1,439,000	Revenues
- 1,452,985	Expenditures
($ 13,985)	Decrease to Fund Balance in 2026

Technology Fund had a cash balance of $948,545 as of Dec. 31, 2024. Adopted 2025 budget included a spend down of $156,915 in fund balance ($75,000 of which was a one-time use of funds for Fire Station#2 AV upgrades), which would leave $791,630.

Technology Fund – Cash Balances

Average balance = $982,4600

Questions?

City Facilities

Adam Lares, Parks & Recreation Director
Aaron Fitzloff, Facilities Superintendent

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INVER GROVE
HEIGHTS

City Facilities (Fund 605)

- Activities are funded by departmental allocations through expense code 5455:
  - Total City Facilities Allocation is $905,050 (6.4% increase)
- Up until 2022, this fund covered facility costs solely related to the operation of City Hall; currently in a <u>transition</u> phase
- Current Allocation is based on historical FTE's and square footage by department; formula has not been updated for years.
  - The allocation does <u>*not*</u> include a capital replacement component (like Central Equipment)
  - 2026 goal is to provide the fund with some type of direct transfer to help support the long-term capital needs as identified within the 5-year CIP
    - Current options include: General Fund Transfer, Host Community Fund Transfer

City Facilities – Budget Summary

	2025 Adopted Budget	2026 Requested Budget
Revenues By Type		
Departmental Allocations	$ 850,495	$ 905,050
Other Revenues	444,080	425,000
Total Revenues	**$1,294,575**	**$1,330,050**
Expenditures By Type		
Personnel	$ 349,500	$ 375,100
Supplies	42,200	49,000
Other Charges & Services	902,900	906,100
Operating Costs Subtotal	**$1,294,600**	**$1,330,200**
Capital Outlay – Buildings	338,500	500,000
Total Expenditures	**$1,633,100**	**$1,830,200**

City Facilities
Highlights & Additional Requests

- Loss of CJIN Rent Revenue - $14,080 in 2025
- Realigned preventive maintenance expenses from 5400 - Repair and Maintenance: Building/Structures to 5310 - Professional Services, reflecting a strategic shift.
- Additional $18,000 allocated for Architectural Services, Xcel Energy assessments, Preventive Maintenance for Building Management System, and CO_2/NO_2 Sensors.
- Other future preventive maintenance needs are currently being evaluated.

2026 Budget Summary

$	1,330,050	Revenues
-	1,830,200	Expenditures
	($ 500,150)	Decrease to Fund Balance in 2026

City Facilities Fund had a cash balance of $1,935,286 as of Dec. 31, 2024. Adopted 2025 budget included a spend down of $338,525 in fund balance (for capital needs), which would leave $1,596,761.

City Facilities – 2026 Projects

Project	Amount
City Hall – Breakroom Funiture	$ 28,000
City Hall – Lower-Level Carpet	20,000
City Hall - Replace Heat Pumps	150,000
City Hall - Retaining Wall	20,000
City Hall/Police Dept. - Lower-Level Breakroom Floor	15,000
Fire Station #1 – Generator Study	20,000
Fire Station #1 – ADA Updates	13,000
Fire Station #1 – Radiant Heaters App Bay	70,000
Fire Station #3 – Exterior Building Painting	12,000
Fire Station #3 – Replace Water Heater	6,000
Fire Station #3 – Roof Exhaust Fans	6,000

City Facilities – 2026 Projects (continued)

Project	Amount
Fire Station #3 – Roof & Repair	$ 140,000
Golf – AC/Furnace Unit #1	18,000
Golf – Exterior Tuckpointing	25,000
Water Treatment Plant – Exhaust Unit #2	13,000
Total Projects	$ 556,000

Funding Source	Amount
City Facilities Fund	$ 500,000
Golf Course – Capital Fund	43,000
Water – Capital Fund	13,000
Total Funding Sources	$ 556,000

Cash Position - Historical

In 2021, $572,000 was transferred in after wrapping up the Fire Station Project.

In 2022, $652,300 was transferred in from the closure of the Central Stores Fund $226,029 was also transferred in when the ADA Fund was closed.

5-Year Capital Plan anticipates $4,046,000 in capital spending of which $3,400,000 (84%) falls under general City Facility dollars.

Cash Position – Estimate based on 5-Year CIP

2026 goal is to provide the fund with some type of direct transfer to help support the long-term capital needs as identified within the 5-year CIP

Current options include: General Fund Transfer, Host Community Fund Transfer

Questions?

Risk Management

(Property/Casualty & Workers Comp Insurance Activities)

Amy Hove, Finance Director

CITY OF
INVER GROVE
HEIGHTS

Risk Management (Fund 602)

<u>Overview</u>:

- League of MN Cities (LMCIT) insurance premiums
  - Property/Equipment/Liability/Auto/Bond
  - Workers Compensation
- Corporate charges for attorney representation in lawsuits
- Portion of finance personnel costs charged to fund
- Activities are funded by departmental allocations through expense codes:
  - Insurance Allocation (5450) - $550,100 (6.0% Increase)
  - Workers Compensation Allocation (5084) - $573,700 (24.0% Decrease)

Risk Management (Fund 602)

Overview & NEW:

- Covers deductible payments
  - Property/Casualty deductible has been $50,000 – with $1,000/claim after deductible has been met.
  - In 2023, the City added a $5,000 Workers Compensation deductible which resulted in premium savings; Workers Compensation premium went up considerably in 2023
    - Current renewal quote is scheduled for Council consideration August 11, 2025).
- Beginning in 2023 the City pays insurance agent fees directly to North Risk Partners (agent of record) rather than having those fees embedded within the property/casualty premium

Risk Management

Allocations

	2023	2024	2025	2025
Workers Compensation	$ 723,200	774,000	754,700	573,700
Insurance	501,400	479,600	518,900	550,100
Total Allocations to Fund	$ 1,224,600	$ 1,253,600	$ 1,273,600	$ 1,123,800
% Change	5.4%	2.4%	1.5%	-11.8%

Average cash balance = $1,120,520

2021 Property/Casualty Dividend = $100,846
2022 Property/Casualty Dividend = $66,765
2023 Property/Casualty Dividend = $19,810
2024 Property/Casualty Dividend = $19,967
2024 Work Comp Dividend (new) = $43,328

Risk Management - Summary

	2025 Adopted Budget	2026 Requested Budget
Revenues By Type		
Departmental Allocations	$ 1,271,400	$ 1,123,800
Other Revenues	32,000	60,000
Total Revenues	**$ 1,303,400**	**$ 1,183,800**
Expenditures By Type		
Personnel	$ 33,700	$ 36,000
Legal & Contracted Services	23,400	24,609
Repair/Maintenance/Deductibles/Other	80,200	80,668
Insurance Premiums	1,166,100	1,042,523
Total Expenditures	**$ 1,303,400**	**$ 1,183,800**

2026 Budget Summary

$	1,183,300	Revenues
-	1,183,300	Expenditures
	($ 0)	Change to Fund Balance in 2026

Questions?

Central Equipment

Brian Connolly, Public Works Director

CITY OF
INVER GROVE
HEIGHTS

Central Equipment (Fund 603)

- Vehicle maintenance & replacement
- Activities are funded by departmental allocations through expense code 5460:
  - Total Central Equipment Allocation proposed for 2026 is $3,591,700 – a 3.0% decrease from 2025
- The allocation is two-fold:
  - Operating Costs – based on a three-year average of fuel usage and repair parts/hours
  - Capital – based on a vehicle replacement schedule, specific to each department

Central Equipment

Departmental Allocations

	2023	2024	2025	2026
Operations	1,611,700	1,560,600	1,490,750	1,394,800
Capital Replacements	1,552,000	1,647,800	2,211,950	2,196,775
TOTAL	**$ 3,163,700**	**$ 3,208,400**	**$ 3,702,700**	**$ 3,591,700**

- Higher operational costs in 2022 and 2023 reflective of larger building repairs scheduled in those years
- Large increase to 2025 capital replacements allocation is due to updated replacement costs for some of the Fire Department's larger vehicles
- Decrease in 2026 operations allocation is due to higher interest revenue forecasts for the fund, and a decrease in capital allocations for streets (longer useful life for some vehicles)

Central Equipment – Budget Summary

	2025 Adopted Budget	2026 Proposed Budget
Revenues By Type		
Departmental Allocations	$ 3,702,700	$ 3,591,700
Interest & Other Reimbursements	225,000	325,000
Total Revenues	**$ 3,927,700**	**$ 3,916,700**
Expenditures By Type		
Personnel	$ 619,400	$ 675,800
Supplies	485,150	401,900
Other Charges & Services	611,200	642,100
Total Expenditures – Before Capital	$ 1,715,750	$ 1,719,800
Capital Outlay – Vehicles & Equipment	1,117,785	602,000
Total Expenditures – After Capital	**$ 2,833,535**	**$ 2,321,800**

PD Squad Outfitting and estimate for vehicle and equip replacements

Central Equipment

At the end of 2025, the only outstanding Interfund Loan will be for the VMCC's 2018 Rink Improvements = $186,070. Annual payments are received from the City of Rosemount (2018-2027 term).

Questions?