

**INVER GROVE HEIGHTS CITY COUNCIL BUDGET WORK SESSION  
MONDAY, JULY 21 6:00 P.M. - 8150 BARBARA AVENUE**

**1. CALL TO ORDER:**

The City Council of Inver Grove Heights met in regular session on Monday, July 21, 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, Murphy, Scales, and T’Kach

Staff In Attendance: City Administrator Wilson, Finance Director Hove, Public Works Director Connolly, Community Development Director Ziemer, Chief Chiodo, Parks and Recreation Director Lares, Fire Chief Thill, Parks and Recreation Superintendent Dorshak, Facilities Maintenance Superintendent Fitzloff, Commander Haugland, Club House Superintendent Moynihan, Golf Course Superintendent Metz, Fire Marshall Oswald, and Deputy City Clerk Malott

**3. APPROVAL OF AGENDA:**

**Motion to approve Agenda by T’Kach, second by Scales.**

**Ayes: 5**

**Nays: 0          Motion carried.**

**4. DISCUSSION ITEMS:**

**A. 2026 General Fund Budgets & Tax Levy - First Look**

City Administrator Wilson provided an overview of the 2026 General Fund Budget and Tax Levy, focusing on key topics including timelines, foundational information, current drafts of the General Fund and Tax Levies, and staffing requests.

Minnesota statutes require cities to adopt a preliminary property tax levy for 2026 by September 30, with the City's goal to adopt the preliminary levy at the September 8 Council Meeting. Once this preliminary levy is adopted, it can be reduced but not increased prior to adoption of the final levy. Proposed property tax notices will be mailed to property owners between November 11 and November 24. Cities must then hold a public meeting to discuss the budget and levy, referred to as the Truth-in-Taxation (TNT) meeting, during which public input is received. The proposed date for this meeting is December 8. The final 2026 tax levy must be adopted by December 28, with the City targeting the December 15 Council Meeting for that adoption.

The 2025 expenditure budget totals \$89.9 million. Of that amount, 39% is attributed to the General Fund. Pavement management comprises the second largest portion of spending. Enterprise Funds account for 23% of the budget and include the City's three utility funds, which are Water, Sewer, and Stormwater, as well as Golf Course operations. Special revenue funds, including the Community Center, Convention and Visitors Bureau, Host Community fund, and the EDA-Operating fund, represent approximately 10% of total expenditures. Debt service makes up about 4% of the overall budget. Internal Service Fund budgets are excluded from this breakdown because the other funds contribute to these Internal Service funds.

The General Fund includes funding for Administration, Mayor and Council, Human Resources, City Clerk and Elections, Communications, Finance, Community Development, Planning, Inspections, Police, Fire, Engineering, Streets and Street Lighting, Parks and Recreation, and transfers to the EDA and Parks Capital. It does not include Community Center Funds, Golf Course, Pavement Management, EDA, Utilities, Debt Service Funds, Convention and Visitors Bureau, or the Host Community Fund.

Known increases in the 2026 General Fund budget include \$151,900 for the Minnesota Paid Family and Medical Leave, \$734,044 for other personnel changes, \$235,000 for the Fire-SAFER savings plan, \$209,300 for Fire-phase in of three 2025 hires, \$24,120 for an additional AFLAC benefit for Fire, and \$101,500 for Police-phase in of three 2025 hires. These increases amount to \$1.45 million, representing a 4.26% increase to the levy. In total, the requested General Fund expenditure increase is 5.6%, which includes an additional \$460,000 beyond the identified increases.

Additional budget assumptions for 2026 include a \$24,000 reduction in revenue from the NDC4, a 5% increase to both the Pavement Management and Parks Capital Replacement levies, and the use of past years' Police savings within the Central Equipment Fund to cover the 2025 vehicle outfitting costs on leased vehicles. The City also plans to use \$500,000 from the City Facilities Fund for City facility capital needs in 2026 and aims to revise the allocation formula in a future year. A planned \$100,000 General Fund transfer to help replace the City Facilities Fund has not yet been included.

Finance Director Hove presented a comparison between the 2025 budget and the proposed 2026 draft budget. The 2026 draft General Fund budget projects a total of \$6.05 million in non-property tax revenues, reflecting a \$195,515 decrease from 2025. Revenues from taxes other than property taxes are expected to decline by \$23,000. Licenses and permits will generate slightly more revenue, increasing by \$52,350. Grants and State Aid will drop significantly by \$175,340, while charges for services are expected to increase by \$103,799. Fines and forfeits will decrease by \$10,000. Other revenues and reimbursements will rise by \$105,975. Transfers in are projected to decrease by \$64,299. Finally, the City plans to use \$340,000 from the SAFER fund balance, \$185,000 less than in 2025.

General government spending is projected to increase by \$364,131 in 2026, bringing the total to \$3.82 million. Modest increases are anticipated for the Mayor and Council budget, up \$2,600, and Administration, up \$9,100. Human Resources will see a larger increase of \$73,250, while the City Clerk's office will rise by \$88,308. Election-related expenses are expected to grow by \$41,744, and Communications by \$20,099. The Finance Department will see the largest increase in this category, up \$129,030. Overall, general government will make up 10.3% of the General Fund, compared to 9.9% in 2025.

Council Member Murphy inquired whether more than one study was being proposed for the upcoming year.

Director Hove stated that Human Resources is leading a City-wide compensation study, and the City Clerk is managing a recodification of the City Code. These separate initiatives are estimated to cost \$65,000 and \$60,000, respectively.

Council Member Gliva asked if the ordinance work done over the past few years will be useful in the upcoming recodification.

Administrator Wilson stated that past efforts were valuable, addressing the most urgent code issues. She explained that recodification is a best practice typically done every 15 years to clean up inconsistencies from ongoing amendments. While the City is slightly overdue, she noted the project requires significant involvement from the City Clerk and City Attorney, and it may be better to delay until after the election year. This will be considered during upcoming budget discussions.

Council Member Gliva asked whether the goal of the recodification is to create a living document that is clear, concise, and easy for the public to read. She also wondered if AI could be used to assist with the task.

Administrator Wilson said AI may have a role but emphasized the need for staff and City Attorney review to ensure clarity and legal protection. While not required in 2026, further delays could lead to increasing complications. She stated that recodification is necessary to maintain the effectiveness and organization of the City's code.

Council Member Gliva asked whether the compensation study is something the City is obligated to complete this year or if it could be deferred.

Administrator Wilson explained that the City is obligated to complete the compensation study as part of an agreement with the AFSCME Union. The study must be done before the current Collective Bargaining Agreement expires on December 31, 2026.

Council Member Gliva asked whether the City works with a consultant on the compensation study or how the process is typically handled.

Administrator Wilson explained that the City would begin the compensation study process by issuing a Request for Proposals. The consultant who completed the last classification study may submit a proposal, but the City will also use this as an opportunity to find a consultant whose approach aligns with the City's philosophy as an employer.

Council Member T'Kach asked if there is a trend line showing how actual year-end spending compares to the approved budget and whether unspent funds are carried over or lost.

Administrator Wilson noted that while there is not currently a graphic trend line, one could be created. Departments receive prior year budget and spending data when submitting requests, which are closely reviewed for inconsistencies. Unspent General Fund dollars typically go into the City's General Fund balance, which serves as its savings, unless a carryover is requested and approved by the Council. Maintaining a healthy fund balance, targeted at 40% to 45% of annual expenditures, is essential for financial stability and to support cash flow, as property tax revenue is received only twice a year.

Mayor Dietrich noted that many cities, both similar in size and larger, bring in an outside facilitator for their retreat planning to make the process more effective. While those cities typically do this annually, she suggested the City consider trying it next year instead of handling the retreat in-house and asked if that would impact the budget for general government.

Administrator Wilson stated that the cost is included in the overall budget. Some funds may need to be shifted more directly into the Mayor and Council division, but she recently received consultant quotes and confirmed that the expense is already accounted for.

Director Hove stated that Public Safety, which includes the Police and Fire Departments, accounts for \$20.73 million in the 2026 draft budget. This is an increase of \$1.15 million, with \$572,782 allocated to the Police Department and \$576,329 to the Fire Department. Public Safety will continue to represent more than half of the General Fund, rising slightly from 56.0% to 56.1%.

Public Works, which includes Engineering, Street Maintenance, and Street Lighting, had expenditures of \$5.01 million in 2025 and is projected to increase slightly by \$62,710 to \$5.08 million in 2026. Engineering will increase by \$45,370; Street Maintenance will remain nearly flat with an increase of \$2,940, and Street Lighting is projected to rise by \$14,400. As a percentage of the General Fund, Public Works will decrease slightly from 14.3% to 13.7%.

Council Member T'Kach asked whether the budgets being reviewed include ancillary items such as fleet, equipment, and similar expenses for the various departments.

Director Hove confirmed that the 2026 budget requests include updated figures for all Internal Service Fund charges, such as central equipment and City facilities. She noted that these costs remain mostly flat, with a net increase of about \$60,000. Some funds are up, some down, and potential savings may come from an upcoming insurance renewal.

Parks and Recreation includes the Parks Maintenance Department, the Recreation Department, and a transfer to the Parks Capital Fund. Previously, funding for parks parking lot and trail projects came from an annual transfer from the Pavement Management Fund. In 2025, that \$262,500 transfer was shifted to the General Fund. The total 2025 budget was just over \$4.2 million, accounting for 12.1% of the General Fund, and is projected to rise to \$4.45 million in 2026, maintaining the same proportion of the General Fund.

Community Development includes three departments, a transfer out, and tax abatement activities. In 2025, the total budget was just under \$2.7 million accounting for 7.7% of the General Fund. In 2026, the budget will increase by \$146,079 to \$2.8 million, representing 7.8% of the General Fund. The Community Development category will increase by \$84,000; Inspections will rise by \$60,032; Planning will decrease by \$6,586.

Mayor Dietrich asked about the increase in the Inspections.

Director Hove stated that the increase in the Inspections budget is due to normal health insurance and personnel costs, with no significant one-time expenses included.

The transfer to the EDA will increase by \$8,900, and the tax abatement for The Crossings will decrease by \$300.

Director Hove explained that the 2026 General Fund tax levy is based on total proposed expenditures of \$35.93 million. With the addition of transfers to the EDA and Parks Capital Fund, total proposed General Fund expenditures increase to \$36.74 million. After subtracting non-property tax revenues of \$6.05 million, the resulting proposed General Fund levy is \$30.68 million, reflecting a 7.5% increase. The tax abatement levy is proposed to remain flat, with minimal impact on the total levy.

The Crossing tax abatement levy is based on new value added to the City's tax base, with taxes generated from that value reimbursed to the developer. The abatement began in 2023 with a

payment of \$30,780, reflecting only a partial capture of the project's market value that year. In 2024, the abatement increased to \$187,818, with payments due on August 1, 2024, and February 1, 2025. The 2025 abatement is \$186,063, slightly above the budgeted amount of \$183,300, with payments scheduled for August 1, 2025, and February 1, 2026. The 2026 budget estimate is \$183,000 and will be revised in the fall based on updated market values from Dakota County. The abatement is limited to 10 years or less, with a maximum cap of \$1.6 million. Each annual abatement is treated as a separate levy.

Council Member T'Kach questioned the accuracy of the draft figures for Community Development expenditures, pointing out that if the 2025 total was \$2.69 million and the following year is nearly the same, the stated difference of \$146,000 appeared to be incorrect.

Director Hove agreed with Council Member T'Kach's observation, noting that the figure appeared incorrect and confirmed that the total will be reviewed and corrected.

The City's 2026 debt service levy, which includes four street-related general obligation bonds and two bonds for the Fire Station, will total \$2.55 million, reflecting a marginal increase from 2025. Street-related bond payments include \$633,255 for the 2015A bonds, \$728,923 for the 2016A bonds, and \$261,765 for the 2017B bonds. The 2020A bonds were paid off early in 2024 and are no longer included in the budget. Fire Station debt payments include \$737,189 for the 2018A bonds and \$189,525 for the 2019A bonds.

Director Hove explained that when combining all components, including the General Fund levy, Tax Abatement, Debt levies, and Pavement Management levies, the total tax levy for 2025 was \$34.21 million. The preliminary total levy for 2026 is \$36.50 million, an increase of \$2.29 million or 6.7%. The General Fund levy will increase by 7.5% to \$30.68 million. The Tax Abatement levy will remain steady at \$183,000. The Pavement Management Fund will increase by \$146,738, while Debt Service will remain flat at approximately \$2.55 million.

The five-year historical summary of the City's tax levy from 2021 to 2025 shows an average annual increase of 6.7%. The total Citywide tax levy rose from \$26.1 million in 2021 to \$34.2 million in 2025. The General Fund increased steadily, reaching \$28.5 million in 2025, with the largest year-over-year increase occurring between 2021 and 2022. The Tax Abatement Levy began in 2023 and rose to \$183,300 by 2025. The Pavement Management Fund peaked at \$3.05 million in 2024 before slightly declining to \$2.9 million in 2025, while the Debt Service Funds remained relatively stable. Annual levy increases were 5.6% in 2021, 7.1% in 2022, 8.4% in 2023, 7.9% in 2024, and 4.5% in 2025.

Council Member T'Kach said the information was helpful and confirmed it answered her earlier questions about General Fund allocations by department.

Administrator Wilson reviewed the General Fund staffing requests, which include reclassifications, increased hours for part-time staff, and new positions. Reclassifications are intended to better align job titles or pay grades with evolving duties, support fairness in compensation, and assist with recruitment and retention. These requests result from restructuring, retirements, or changes in responsibilities, and this year come from the Police, Fire, Inspections, and Engineering departments. Some requests may be delayed until the classification and compensation study is completed.

Proposed staffing changes include increasing hours for the A/R Accounting Technician from 20 to 30 per week and for the Parks and Recreation Communications Specialist from 25 to 40. New position requests include a 60% FTE for Parks Maintenance during warmer months. An additional full-time position is also requested in Communications, prompted by growing workload demands and a new Federal requirement for ADA Compliance on the City website by 2027.

Mayor Dietrich asked if the ADA website compliance requirement was a State mandate.

Administrator Wilson said the ADA website compliance is a Federal mandate taking effect in 2026 for cities over 50,000. The City will monitor larger neighbors and use training from the League of Minnesota Cities to prepare.

Additional new position requests include an Assistant City Administrator or added HR support, a Fleet and Equipment Manager, an Assistant Planner, and a second School Resource Officer. The School Resource Officer position will not impact the tax levy.

Next steps include finalizing and presenting recommendations, prioritizing staffing requests, exploring alternative funding sources, and reviewing budgets outside the General Fund.

Future meetings include an August 4 Work Session to review budgets for the Community Center, Host Community Fund, Pavement Management, EDA, Debt Service, and Internal Service Funds.

Mayor Dietrich asked about the Sewer and Water Funds.

Administrator Wilson explained that support for the Sewer and Water Funds will come through multiple channels. The upcoming Host Community Fund budget will include staff recommendations to allocate resources to assist these funds.

A September 2 Work Session will recap the General Fund and Tax Levy. The September 8 Council Meeting will adopt Preliminary Tax Levies and Budgets.

The October 6 Work Session will review budgets for Inver Wood Golf Course, Water, Sewer, Stormwater, and the Convention and Visitors Bureau. Additional budget discussions are scheduled as needed during the November 3 Work Session, with the final presentation of the 5-Year Capital Improvement Plan.

The December 8 Council Meeting will serve as the public meeting to discuss the budget and tax levy and receive public input. Final tax levies and budgets will be adopted at the December 15 Council Meeting.

Council Member Gliva asked when the City will receive information about health insurance and renewals, noting that this can sometimes have an impact.

Administrator Wilson stated that health insurance renewal information is expected by September 2. A 14% rate cap was secured last year through competitive bidding, which has been factored into the operating budgets reviewed, including departments such as Police and Fire.

Council Member T'Kach asked for a status update on the various Union contracts and what years they fall within.

Administrator Wilson shared that all non-Police union contracts are settled through 2026, covering Maintenance, Streets, Parks, Utilities, Facilities, Fleet, the IAFF Fire Union, and the AFSCME unit. Contracts for the three Police unions expire at the end of 2025 and will need to be negotiated in the coming months. A new Union for Fire department chief positions is also forming, and a contract will need to be established for that group.

Council Member T'Kach asked how the unsettled contracts might affect the information being presented, acknowledging the uncertainty involved.

Administrator Wilson explained that in public sector bargaining, patterns set by settled contracts play a key role. With four contracts already settled for 2026, those agreements were used to make assumptions for the remaining unsettled contracts.

Council Member Murphy asked if it would be possible to receive an example or executive summary of a compensation study, expressing interest in its results, purpose, and areas of focus.

Administrator Wilson said she can provide a sample compensation study from another City, noting the City's last study is about 10 years old. She explained that Minnesota's pay equity system assigns point values to positions to ensure fair and gender-equitable compensation. Cities must report compliance every three years, and these studies also support union negotiations.

Council Member Murphy asked if the compensation study includes comparisons between Inver Grove Heights and other cities.

Administrator Wilson confirmed that the study includes comparisons with other cities. The classification ranks positions internally by responsibility, while the compensation portion involves a market analysis. The City will work with a consultant to identify a group of comparable cities based on factors such as size, location, development stage, and services provided.

Council Member T'Kach noted that the five-year Capital Improvement Plan is being reviewed this evening and asked whether the next review is scheduled for the November 3 work session when the final presentation is expected.

Administrator Wilson explained that future discussion depends on follow-up questions from this evening. Staff will continue refining figures and await more details from the County, as their projects in Inver Grove Heights often require local cost sharing. The CIP is typically presented in July and November, and follow-up will occur as soon as staff can provide responses.

Council Member Scales asked if the City has ever issued RFPs for outsourcing services such as lawn care or facility maintenance, noting that janitorial work is already outsourced.

Administrator Wilson stated that some lawn care is contracted through the park's maintenance budget, especially for EDA-owned lots. However, she is not aware of any recent RFPs for facilities maintenance or lawn care.

Council Member Scales noted that many cities are starting to do that more frequently now.

Administrator Wilson stated that staff will continue to monitor and evaluate those opportunities.

**B. Proposed 5-Year Capital Improvement Plan (2026-2030)**

Finance Director Hove explained that the Capital Improvement Plan is a community planning and financial management tool used to coordinate the location, timing, and funding of capital improvements over multiple years. Its purposes include preserving the City's existing assets and infrastructure, planning for long-term asset needs, supporting the development of budgets, and balancing community goals and priorities.

This year's CIP does not include several significant items. Excluded are major facility remodels, repairs, or replacements such as a new Central Maintenance Facility. A public hearing is scheduled for July 28 to consider a standalone bond CIP for that project. The plan also omits updates to Fire Station 3 beyond basic repairs and maintenance and does not address the potential Police Training Facility. Maintenance needs for the City's parking lots and trails are not included. The 117th Street project is also excluded, as the City is waiting for updated figures from Dakota County; it was originally planned for 2025. In addition, the plan does not include central equipment, which continues to be tracked through a separate Excel-based replacement schedule.

The proposed CIP includes approximately \$125 million in projects over the next five years, separated between Parks and Recreation and Public Works. Within Parks and Recreation, the Community Center has the largest share at just under \$6.2 million or 41%, followed by City Facilities at \$4.0 million, Parks at \$3.2 million, and the Golf Course at \$1.4 million. The total cost of Public Works projects is \$85.27 million. Of that, \$73.4 million is allocated to Pavement Management, including \$65.27 million for Local Streets and \$8.2 million for Pavement Management Partnership projects. Utility-related projects include \$3.59 million for Sewer, \$3.62 million for Stormwater, and \$9.31 million for Water infrastructure improvements.

The CIP funding source summary identifies 15 different funding sources along with one project that remains partially unfunded. From 2026 through 2030, the City anticipates approximately \$124.87 million in Capital Funding. The City Facilities Fund will contribute \$3.4 million, while the Community Center Capital Fund provides \$3.67 million. The County-Cost Share and General Fund each allocate \$600,000. The Golf Course Capital Fund accounts for \$1.47 million, and Other Jurisdictions/Agencies contribute \$519,132. The Park Capital Replacement Fund totals \$3.25 million. The Pavement Management Fund is a major source, with \$33.69 million, followed by \$6.56 million from the Sewer Capital Fund. Special Assessments represent the largest single source at \$35.69 million. Additional funding includes \$1.49 million from the State-MN DOT and \$1.35 million from State-Other Grants & Aid. State-State Aid (MSA) will provide \$7.47 million, and the Stormwater Capital Fund adds \$7.35 million. An unfunded amount of \$2.5 million remains, while the Water Capital Fund will contribute \$15.27 million.

Council Member Gliva asked why the General Fund shows \$600,000 allocated in 2026, but no amounts listed for the subsequent years.

Director Hove explained that capital projects are not typically funded through the General Fund, but the \$600,000 in 2026 is earmarked for a proposed monopole project. Although managed by the Water Fund, it is not the Water Department's responsibility. The project is still under review and not yet approved, but funds were set aside to ensure availability if it moves forward.

Council Member Scales asked where the revenue generated by the monopole project would be allocated.

Director Hove explained that while there is currently no monopole, revenue from equipment on water towers is directed to the General Fund. She confirmed that this revenue is included in the City's non-property tax revenue.

Director Hove asked the Council to consider whether staff are proposing the right projects, if the projects seem prioritized properly, and whether the timelines appear appropriate. She also requested feedback on whether there are any projects missing from the 5-year plan that Council would like added, or any existing projects that Council would like removed. She said that tonight's primary focus would be on Year 2 of the CIP (2027), as those projects are typically developed and communicated to residents in 2025 and 2026.

The CIP reports include several key components to help explain the proposed projects. The department summary identifies which department is responsible for managing each project, while the funding source summary outlines how the projects are proposed to be funded. A new addition is the projects and funding sources by department, which lists each project by its managing department along with the funding sources for the projects planned each year. Lastly, the project details section provides a brief narrative for each project, including the planned year, managing department, and funding source.

Parks and Recreation Director Lares presented the Capital Improvement Plan for 2026-2030.

City Facilities Projects for 2026 include several improvements across City Hall and Fire Stations. At City Hall, planned projects are breakroom furniture replacement at \$28,000, lower-level carpet replacement at \$20,000, heat pump replacements for \$150,000, and a retaining wall replacement for \$20,000. The lower-level breakroom floor shared by City Hall and the Police Department will also be replaced for \$15,000.

For Fire Station #1, a generator study is planned at a cost of \$20,000, along with ADA updates for \$13,000 and installation of radiant heaters in the apparatus bay for \$70,000. At Fire Station #3, exterior building painting is budgeted at \$12,000, replacement of the water heater at \$6,000, and roof exhaust fans at \$6,000.

Fire Station #3 will undergo additional roof repairs at a cost of \$140,000. At the Golf Course, AC/Furnace Unit #1 will be replaced for \$18,000, and exterior tuckpointing will be completed for \$25,000. The Water Treatment Plant will receive a replacement for exhaust unit #2 at a cost of \$13,000. The total cost for these projects is \$556,000, funded by the City Facilities Fund (\$500,000), the Golf Course Capital Fund (\$43,000), and the Water Capital Fund (\$13,000).

Projects for 2027 include replacing heat pumps at City Hall for \$150,000 and several improvements at Fire Station #1, including roof replacement for \$410,000, installation of four exhaust fans for \$20,000, and exterior building repairs for \$25,000. The total project cost is \$605,000, fully funded by the City Facilities Fund.

Council Member Scales asked for clarification on the heat pump and whether each unit in the building is different.

Facilities Maintenance Superintendent Fitzloff explained that while most of the heat pumps in the building are similar in size, some larger units are in the penthouse and mechanical rooms to serve

bigger areas. He estimated there are about eight to ten larger units, noting that the size of the heat pumps varies depending on the area they serve.

Council Member Scales asked whether there are not enough similar heat pump units in the building to rotate and rebuild them for reuse, as this method typically results in significant cost savings.

Superintendent Fitzloff stated that a full inventory of the heat pumps has not yet been completed but is planned as part of the process.

Council Member Scales expressed interest in knowing the number and types of heat pumps in the building, noting that in a previous facility with approximately 2,000 units, they were able to rotate and rebuild them for cost savings rather than purchasing new ones.

Superintendent Fitzloff confirmed that rebuilding and rotating heat pumps is an option.

Council Member T'Kach asked how the additional \$105,000 needed in 2027 would be funded, given that the City Facilities Fund typically receives an average annual allocation of \$500,000.

Director Lares stated that the City must reevaluate the current funding formula for the Capital Fund to include future capital costs. He suggested increasing departmental allocations and exploring additional funding sources and closeout accounts.

Mayor Dietrich inquired whether Public Works has received new break room furniture, citing previous concerns about the use of discarded items. She emphasized the importance of the issue and requested confirmation. Staff indicated they would follow up.

Projects planned for 2028 and beyond include improvements to City facilities such as a generator, four rooftop units, and locker upgrades at Fire Station 1. The Water Treatment Plant roof is scheduled for replacement in 2029 at an estimated cost of \$550,000, funded through the Water Capital Fund. In 2030, the City Hall and Police Station roof is expected to be replaced at an estimated cost of \$1.5 million. Cost estimates for parking lot improvements at City facilities have not yet been determined or included.

Community Center projects for 2026 include fitness equipment replacement for \$40,000, aquatics improvements for \$102,500, including water park grate replacement, lifeguard lockers, lifeguard room window and counter, ADA lift replacement, and water park slide repair, and arena upgrades for \$256,000, which include R-22 refrigerant reserves and replacement of the makeup unit in the east rink. Additional improvements include common area updates for \$20,000, replacement of AHU #8 in the mechanical area for \$55,000, and installation of a door card reader at the Grove for \$12,000. The total project cost is \$485,500, fully funded by the Community Center Capital Fund.

Council Member T'Kach asked whether the City is aiming to continue using R-22 refrigerant for the ice rinks until 2028. She further inquired, if the City still has reserves of R-22 at that time, whether it has the authority to sell the remaining stock and whether there are any restrictions on selling it to others.

Director Lares responded that he does not believe there are any restrictions on selling the City's recycled R-22. He explained that the City would likely work with a local vendor who reclaims the refrigerant and purchase it from them directly. Similarly, the City will have the ability to resell its own R-22 if it proceeds with converting the compressor system, unless regulations change.

Projects for 2027 include spa repairs in the aquatics area for \$25,000, replacement of east rink matting in the arena for \$45,000, and mechanical upgrades totaling \$137,000, which cover makeup air for the west rink, engineering for the generator and boilers, and fire system updates. The total project cost is \$207,000, fully funded by the Community Center Capital Fund.

Projects for 2028 and beyond include aquatic replacements at the Community Center such as 1-and 3-meter diving boards and stands, and lap lane lines. A major \$4.5 million compressor replacement project for the East and West Rinks is planned for 2029, with \$1 million funded by Community Center Capital Fund balances, \$1 million expected from outside partnerships, and \$2.5 million currently unfunded. In 2030, pool boilers and generator 1 of 2 are each estimated at \$300,000. Roof projects are still pending estimation and inclusion.

Golf Course projects for 2026 include clubhouse and front landscaping for \$100,000, golf cart replacement for \$250,000, step replacement for \$15,000, and the purchase of two triplex tee mowers for \$85,000. The total project cost is \$450,000, fully funded by the Golf Course Capital Fund.

Mayor Dietrich asked for additional details regarding the scope of the clubhouse project.

Golf Course Superintendent Metz stated the main expense is replacing the large, deteriorating keystone wall behind the clubhouse. Landscaping can be done in-house, but they need to find someone to rebuild the wall.

Mayor Dietrich asked if the full height of the wall is retaining.

Superintendent Metz confirmed it is a retaining wall that supports the golf cart parking area to the right of the clubhouse and faces the golf course. Additional retaining walls are located around the back and on both sides of the steps leading to the basement. He noted that all sections are deteriorating and falling apart.

Projects for 2027 include the purchase of a fairway mower for \$60,000, a deck rough mower for \$75,000, and course step replacement for \$15,000. The total project cost is \$150,000, fully funded by the Golf Course Capital Fund.

Projects for 2028 and beyond include interior clubhouse updates in 2029 for \$100,000 and a bunker renovation project in 2030 estimated at \$500,000.

Council Member T'Kach asked if there has been any recent discussion or value in expanding the clubhouse to better support golf activities.

Director Lares stated he is not aware of any clubhouse expansion during his tenure. He noted that while a nearby parcel previously considered for golf operations could have supported expansion, the current clubhouse layout meets present needs. Any future expansion would require a clear vision, business model, and market analysis in coordination with the Council.

Parks projects for 2026 include fiber installation at Groveland Park for \$30,000, parking lot improvements at Salem Hills Park for \$200,000, playground replacement at Sleepy Hollow Park for \$150,000, trail repairs at South Valley Park for \$50,000, and installation of security cameras in various parks for \$15,600. The total project cost is \$445,600, fully funded by the Park Capital Replacement Fund.

Projects for 2027 include playground replacements at Ernster Park for \$225,000 and Salem Hills Park for \$150,000, hockey rink board replacement at Groveland Park for \$80,000, and trail repairs at South Valley Park for \$50,000. The total project cost is \$505,000, fully funded by the Park Capital Replacement Fund.

Projects for 2028 and beyond include a planned investment of \$1.5 million between 2029 and 2031 for parking lot and trail improvements at Rich Valley. Funding will come from accumulated balances in the Park Capital Replacement Fund. Trail improvements under Project PKS 2029 03 are scheduled for 2029 at a cost of \$500,000. Project PKS 2030 02 includes replacing the first parking lot in 2030 and the second in 2031, with each estimated at \$500,000. Additionally, several playground structures will be replaced between 2028 and 2030, including those at Rich Valley Park, coordinated with the County Trail Head Project, and at Lions Park.

Council Member Scales asked when the preliminary County plan for Rich Valley is expected to be available.

Director Lares said the County is starting phase two of its trail project and will work with the City on master planning for the trailhead at Rich Valley. A proposed plaza location overlaps with the City's septic system, which may require relocation. Planning will involve a subcommittee of the Park and Recreation Advisory Commission, with discussions expected to begin this fall or early winter. The goal is to collaborate early before the County finalizes its plans.

Council Member Scales recommended the City present a plan to the County, noting it would be beneficial, and the County appears open to collaboration.

Director Lares stated that County staff understands the City's needs and requirements, particularly regarding the Park Maintenance Facility. He emphasized the importance of a collaborative approach with the County to explore cost-sharing opportunities for potential relocation. He also noted the City is actively considering how to preserve the schoolhouse on-site, including exploring external funding sources and identifying a possible relocation spot, pending further analysis and cost assessment.

Council Member Scales stated he wants to ensure all aspects of the corner area are being considered

Public Works Director Connolly reviewed the Public Works portion of the CIP.

Pavement Management Local Streets projects for 2026 total \$21.52 million, including \$20.1 million for annual PMI Projects, \$240,000 for broad area patching, \$150,000 for crack sealing and pavement rejuvenation, \$30,000 for traffic calming and safety improvements, and \$1 million for ultra-thin maintenance overlay.

The total project funding of \$21.52 million is supported by multiple sources. The Pavement Management Fund contributes \$8.7 million, followed by \$519,132 from Other Jurisdictions and Agencies. Special Assessments account for \$7.6 million, while State Aid (MSA) provides \$1.7 million. The Sewer Capital Fund contributes \$754,409, the Stormwater Capital Fund adds \$1.6 million, and the Water Capital Fund provides \$455,879.

The PMI project selection is guided by factors such as pavement condition and quality index (PCI/PQI), age and original construction, annual maintenance costs, past prioritization (including the 2025-2029 CIP and carryover projects), public utility condition, and funding availability. Utility funds often serve as the limiting factor. The goal is to complete 6 to 7 miles of roadwork annually by grouping neighborhood streets into single projects and applying the most effective rehabilitation method, whether through pavement life extension (Mill and Overlay) or Full Replacement (Reclamation or Reconstruction).

The 2026 PMI projects span nine areas totaling 7.12 miles and include Full Depth Reclamation, Reconstruction, and Mill and Overlay work. Project locations include 52nd Street, Annette Avenue, Alta Avenue, Audrey Avenue, Upper 55th Street, Blackberry Trail, College Trail, and Alameda Avenue.

Mayor Dietrich asked whether other Minnesota cities have used the ultra-thin course and if there is any long-term data on its durability, especially in areas with harsher winters.

Director Connolly said few cities use ultra-thin overlay, but counties and MnDOT have seen strong results, with pavement lasting 12 to 20 years. After researching and visiting past project sites, staff found the performance reliable and costs lower than expected, supporting its use locally.

Mayor Dietrich thanked staff for implementing the project.

Council Member T'Kach asked if the ultra-thin overlay is considered maintenance and therefore not subject to assessments.

Director Connolly confirmed that is correct.

Projects for 2027 total \$15.4 million. This includes \$14.9 million for annual PMI Projects, \$250,000 for Broad Area Patching, \$160,000 for Crack Sealing and Pavement Rejuvenation, and \$30,000 for Traffic Calming and Safety Improvements. The Ultra-Thin Maintenance Overlay (UTBWC) is scheduled as an even-year project, with the next occurring in 2028. The PMI feasibility studies are scheduled to be ordered by July 28, 2025, with a goal to begin studies 18-24 months before construction start, which is planned for April or May 2027. Feasibility study work will occur from April to September 2025.

The 2027 projects are funded through a combination of sources totaling \$15.4 million. This includes \$5.9 million from the Pavement Management Fund, \$6.9 million from Special Assessments, \$353,018 from State Aid (MSA), \$698,209 from the Sewer Capital Fund, \$415,080 from the Stormwater Capital Fund, and \$1.06 million from the Water Capital Fund.

Projects for 2028 and beyond include PMI at 6 to 7 miles per year, Broad Area Patching and Ultra-Thin Maintenance Overlays, and the sunset of the Broad Area Patching program by 2029. South Grove sealcoat remediation is scheduled for completion by 2026, with new Ultra-Thin projects targeting other sealcoat stripping areas on even years. Additional work includes Crack Sealing and Pavement Rejuvenation, along with Traffic Calming and Safety Improvements.

The 2026 Pavement Management Partnership Projects include \$195,000 for right-of-way on 70th Street from TH 3 to Cahill Avenue and \$210,000 for construction of the Barbara Avenue soundwall. Funding includes \$195,000 from the Pavement Management Fund, \$1.49 million from MnDOT, and

\$210,000 in State Aid. As MnDOT is managing the project, the \$1.49 million will be excluded from future versions. The total project cost is \$405,000.

The 2027 projects include \$120,000 for Dakota County overlays and \$150,000 for design of the 80th Street and Cahill Avenue signal. Funding consists of \$75,000 from the Pavement Management Fund, \$75,000 in County cost share, \$25,000 each from the Sewer and Water Capital Funds, and \$70,000 from the Stormwater Capital Fund. The total project cost is \$270,000.

Projects planned for 2028 and beyond include several County road improvements. These include the construction of 70th Street from TH 3 to Cahill in 2028, the replacement of the traffic signal at 80th Street and Cahill Avenue in 2029, and the 70th Street at TH 52 west ramp intersection improvement, which will be led by MnDOT in 2028.

Sewer projects for 2026 total \$390,000 for annual sanitary sewer cleaning and televising, fully funded by the Sewer Capital Fund.

Projects for 2027 include bi-annual sanitary sewer rehabilitation at \$630,000, annual sanitary sewer cleaning and televising at \$410,000, and the Lift Station programmable logic controller at \$25,000, for total projects of \$1.07 million, fully funded by the Sewer Capital Fund.

Projects for 2028 and beyond include bi-annual sewer rehabilitation in odd years, Annual sewer cleaning and televising, and Lift Station upgrades involving controllers and pump replacements.

Stormwater projects scheduled for 2026 include annual minor drainage improvements (\$85,000), bi-annual Raingarden Inlet rehabilitation (\$20,000), Marcott Woods Park Ravine restoration (\$150,000), storm sewer televising (\$65,000), 64th Street outfall replacement (\$750,000), and MS4 program implementation (\$20,000). The total cost of these projects is \$1.09 million, fully funded by the Stormwater Capital Fund.

Projects for 2027 include annual minor drainage improvements at \$90,000, storm sewer televising at \$70,000, Gisch Pond rehabilitation at \$1.5 million, and MS4 program implementation at \$30,000, for total projects of \$1.69 million. Funding sources include \$340,000 from the Stormwater Capital Fund and \$1.35 million from State - Other Grants and Aids, for total funding sources of \$1.69 million.

Projects for 2028 and beyond include annual minor drainage improvements with increased funding each year, Annual storm sewer televising, bi-annual Raingarden Inlet rehabilitation in even years, and Schmidt Lake outfall channel repairs scheduled for 2028.

Council Member T'Kach inquired whether the Schmidt Lake project could enhance development viability for nearby properties on Babcock Trail, given constraints such as stormwater setbacks and the Shoreland Overlay district.

Director Connolly clarified that the referenced project is located north of 494 and in a different area, so it is not expected to impact development near Schmidt Lake. He added that shoreline regulations are based on DNR definitions and the City's comprehensive plan, not lake conditions.

Council Member T'Kach asked when residents and property owners will begin receiving information about the 2026 and 2027 Pavement Management projects, specifically regarding the schedule for notices related to assessments.

Director Connolly stated that communication for the 2026 projects is already underway. For the 2027 projects, initial notices will be sent within a month of authorization, likely by September, along with a project website and potential surveys. Open houses will follow based on project scope. The 2027 work will be minimally invasive, primarily Mill and Overlay with some Full Depth Reclamation. Projects are initiated 18 to 24 months in advance to ensure residents are informed of assessments and impacts.

Water projects planned for 2026 total \$2.69 million and include annual Well Pump and Service Rehabilitation, Groundwater Wells PLCs, annual Water Treatment Plant Booster Pump Inspection, Water Treatment Plant Sludge Pump Replacement, Northside Booster Site Monopole Construction, Water Tower Mixers, Northside Water Tower Painting, and Automated Meter Infrastructure (AMI). Funding includes \$2.09 million from the Water Capital Fund and \$600,000 from the General Fund.

For 2027, water projects total \$3.93 million and are fully funded by the Water Capital Fund. These include annual Well Pump and Service Rehabilitation, Groundwater Wells PLCs, Water Treatment Plant Booster Pump Inspection, Water Treatment Plant Sludge Pump Replacement, a Comprehensive Water System Management Plan, Water Tower Mixers, Northside Water Tower Painting, and Automated Meter Infrastructure (AMI).

Projects for 2028 and beyond will continue annual Well Pump and Service Rehabilitation, Water Treatment Plant Sludge Pump Replacement through 2029, and Water Treatment Plant Booster Pump Inspection. The AMI project is expected to be completed in 2028. Northside Water Tower Repainting and Rehabilitation is scheduled for 2026-2027, and a SCADA System Upgrade is planned for 2028.

Director Hove emphasized that the CIP supports planning by setting work plans, with 2026 projects already in preparation and 2027 projects approaching. It aids in building budgets, setting levies if needed, and assessing the impact on user fees such as utility rates. The CIP also addresses unfunded projects and enhances transparency and communication with residents.

Still on the horizon are several unprogrammed and unfunded projects. These include larger facility needs and a Railroad Quiet Zone. There are also several street projects that remain unaddressed, such as improvements to 65th Street (TH 3 to Babcock Trail) and Akron Avenue from Rosemount to Cliff. Although the need for these projects remains, the Council has requested that the County consider a revised funding split or policy before these projects can advance.

In the area of utility projects, several stormwater needs remain unprogrammed. The City has already identified a funding deficit in this area. Specific unprogrammed stormwater projects include the Northwest Area (NWA) Stormwater Outfalls and the B-Line Lift Station, both of which are pending NWA development.

Director Hove requested Council input on whether staff are proposing the right projects, if priorities and timelines are appropriate, whether any projects should be added or removed from the five-year plan, and if the 2027 Pavement Management Initiative projects are acceptable, as feasibility studies and resident outreach will begin in Fall 2025.

Council Member T'Kach asked when the stormwater rate study is expected to be completed.

Director Hove stated that the study is expected to be completed by the end of the year.

Council Member T'Kach asked whether the study will provide enough information to determine if the City can afford upcoming stormwater work, or if the current rate structure will need to be maintained for another year.

Director Hove stated that depending on the study's findings, the City may continue with the current rate structure. However, the study could also propose a new model that may need to be phased in. She noted the results will likely not be available in time to inform next year's budget and rate planning.

Mayor Dietrich expressed support for the 2027 PMI projects and confirmed she is comfortable proceeding.

**ADJOURN:**

**Motion to Adjourn at 8:57 p.m. by Scales, second by Gliva.**

**Ayes: 5**

**Nays: 0      Motion carried.**

Minutes prepared by Recording Secretary Tammy Greenlee