INVER GROVE HEIGHTS CITY COUNCIL BUDGET WORK SESSION
MONDAY, AUGUST 4 6:00 P.M. – 8150 BARBARA AVENUE

1. CALL TO ORDER:
The City Council of Inver Grove Heights met in regular session on Monday, August 4, 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, and T'Kach.
Absent: Council Member Murphy
Staff In Attendance: City Administrator Wilson, Finance Director Hove, Public Works Director Connolly, Community Development Director Ziemer, Chief Chiodo, Parks and Recreation Director Lares, Parks and Rec Superintendent Dorshak, Facilities Maintenance Superintendent Fitzloff, Community Center Superintendent Muscha, Assistant Finance Director Ellison, Technology Manager Gade, and Deputy City Clerk Malott

3. APPROVAL OF AGENDA:

Motion to approve Agenda by Scales, second by T'Kach.
Ayes: 4
Nays: 0 Motion carried.

4. DISCUSSION ITEMS:

A. 2026 Non-General Fund Budgets

City Administrator Wilson said the budget discussion will focus on Non-General Funds, including Special Revenue, Internal Service, and Pavement Management Funds. The General Fund was reviewed earlier, and Enterprise Funds will be presented in October. She noted the process emphasizes items affecting the property tax levy, with the preliminary 2026 levy set in September.

Pavement Management

Public Works Director Connolly presented the proposed 2026 Pavement Management Fund Budget.

The Pavement Management Fund includes City-dedicated funding sources for 2026, totaling $5,233,598. This is composed of a tax levy of $3,081,488, franchise fees of $1,122,110, State Aid for maintenance of $550,000, $100,000 from the Transportation Advancement Aid Program introduced in 2024, and $380,000 in interest revenue. No transfers from the Host Community Fund are anticipated. The distribution of this funding is 59% from the tax levy, 21% from franchise fees, 7% from State aid, and 13% from interest.

Additional project-specific funding projected for 2026 totals $13,951,636. This includes $3,822,398 from special assessment collections, $4,975,651 in bond proceeds, $1,766,459 from State aid for construction, $2,867,996 in transfers from Utility Funds, and $519,132 in reimbursements from partner agencies such as Dakota County and the City of Eagan. The funding breakdown is 27% from special assessments, 36% from bonds, 13% from State aid, 20% from transfers from other funds, and 4% from reimbursements.

When combined, the total Pavement Management Fund revenue for 2026 is projected at $19,185,234. Of this, $5,233,598 will come from City-dedicated sources and $13,951,636 from project-specific funding, representing 27% and 73% of the total, respectively.

For 2026 projects, the local streets program includes $20,100,022 in annual Pavement Management initiative projects. Additional allocations include $240,000 for broad area patching, $150,000 for crack sealing and pavement rejuvenation, $30,000 for traffic calming and safety improvements, and $1,000,000 for ultra-thin maintenance overlays. The total for local street projects is $21,520,022, funded from multiple sources including assessments, utility funds, MSA, etc.

Partnership projects for 2026 total $660,000. This amount includes $450,000 for right-of-way acquisition on 70th Street from TH 3 to Cahill Avenue, based on Dakota County's most recent estimates of the City's 15% cost share. The preliminary CIP presented on July 21, 2025, had estimated this cost at $195,000 for the same segment. In addition, $210,000 is allocated for construction of the Barbara Avenue noise wall.

The expenditure budget for 2026 totals $22,326,822. This includes $21,520,022 in local project costs, $450,000 in transfers to partnership projects, $57,500 in additional operational costs for division software, ICON pavement ratings, special assessment fees, and professional services to support financial modeling, as well as $299,300 in assumed principal and interest on 2025 S/A debt. With revenues projected at $19,185,234, the net project fund proceeds at the end of 2026 is expected to show a deficit of $3,141,588.

The Pavement Management initiative outlines a five-year projection of work. In 2026, 7.1 miles of streets are planned at an inflation-adjusted cost of $15,726,000. The following years include 6.6 miles at $11,849,000 in 2027, 6.8 miles at $12,468,000 in 2028, 5.9 miles at $10,305,000 in 2029, and 7.7 miles at $10,346,000 in 2030. In total, 34.1 miles are scheduled at a cost of $60,694,000.

Assessment budgeting is a moving target. Assessments vary by construction type, whether reconstruction, reclamation, or overlay, and typically cover 35 to 80% of pavement costs. They are capped by the special benefit received. Modifications are available with assessment payback periods of 5, 10, or 15 years depending on cost. Current rates are nearing the limit of the special benefit, and most reconstruction projects result in capped assessments. This shifts an increased percentage of funding requirements to the Pavement Management-Local Fund.

Looking ahead, financing models within the CIP will be discussed at a future work session. These models will incorporate the projects outlined within the current Public Works CIP draft and as included in project estimates. Separate models will be prepared for Local Streets and Partnership projects and will include updated bonding recommendations based on annual cash balances in the Local Streets Fund.

Mayor Dietrich acknowledged this is a smaller portion of the budget but asked for clarification on the additional operating costs. For the benefit of the public, she specifically inquired whether items like the division software are contracted annually and requested more detail on those expenses.

Director Connolly explained that the division software, RT Vision or One Office, is the City's project management tool mainly used for Pavement Management projects. The $3,000 annual licensing fee is funded through the Pavement Management Fund and allows coordination with other cities, the County, and the State. He added that pavement ratings are contracted as a professional service, with all streets rated about once every three years. He noted he would defer to Finance Director Hove regarding special assessment fees and related professional services, which include consultant support for modeling.

Director Hove explained that the special assessment fees in the Pavement Management budget are charges from Dakota County for each assessment roll and parcel. The County applies these fees for handling the work and including the assessments on tax statements.

Mayor Dietrich noted that the Council had received a few emails from residents and asked if there were any comparison numbers from this year or prior years that would be relevant.

Director Connolly explained that the numbers vary from year to year, so comparisons between projects are not truly comparable. He added that while the data exists, it was not available to present to the Council.

Mayor Dietrich asked if comparing similar projects, such as two miles of full-depth reclamation in both years, would be considered relevant or not.

Director Connolly explained that the projects are not directly comparable, noting this year's work covers just over 3 miles while 2025 includes 7.1 miles, and the project types also differ, with no reclamation project this year.

Council Member Scales noted that the estimates show 7.7 miles in 2030 at a cost of $10 million and asked if that difference is due to the mix of projects.

Director Connolly confirmed that the difference is likely due to those projects being more mill and overlay or reclamation rather than full reconstruction.

Council Member Gliva asked about the recent update from Dakota County regarding 70th Street, confirming whether the City's cost share estimate increased from $195,000 to $450,000.

Director Connolly explained that the draft CIP showed $195,000 for right-of-way, but Dakota County later provided final numbers, with the updated estimate reflecting the City's 15% cost share.

Council Member Gliva asked if, since more is being paid for right of way, which is why the City's 15% cost share increased.

Director Connolly explained that at the time the CIP was presented, they were still relying on an old estimate because, despite requesting updated information from the County, it had not yet been provided.

EDA Fund

Community Development Director Ziemer introduced Liz Kramer, a new Environmental Specialist, noting she is already in demand and will be attending a neighborhood meeting during National Night Out.

Mayor Dietrich thanked her for meeting with residents during National Night Out and for choosing Inver Grove Heights.

Director Ziemer presented the proposed 2026 Economic Development Authority (EDA) Fund Budget.

He reported that proposed expenditures for 2026 total $244,985, an increase from $208,815 in 2025. This includes $22,000 for 10% of the Community Development Director's salary and benefits along with part-time EDA Recording Secretary wages, $143,500 for additional staffing or consultant services, and

$63,000 for legal and professional services, up from $46,000 in 2025. These staffing and professional services result in a subtotal of $228,500. Other expenditures include $6,000 for supplies and printed materials, $4,135 for dues, licenses, and subscriptions, $2,600 for training and travel, $3,000 for Stormwater charges related to EDA parcels, and $750 for insurance and facility allocations, for a subtotal of $16,485.

Funding sources proposed for 2026 include a $186,890 transfer from the General Fund levy, reflecting a 5% increase, $10,500 in interest earnings, and $47,595 from the Use of Fund balance, equaling the total expenditures of $244,985. The EDA Fund balance as of December 31, 2024, was $363,967. After budgeting $24,825 for use in 2025 and $47,595 for proposed use in 2026, the projected remainder will be $291,547.

The EDA is currently funded through a transfer from the General Fund levy but could be supported by a distinct EDA levy. Such a levy may provide greater transparency and would be paid by the same property owners as the City's levy.

Work plan priorities for 2025 and 2026 include the development of an EDA Strategic Plan, which will help guide and inform resource needs in future years, and increasing involvement and visibility in the economic development community through memberships, event participation, sponsorships, and materials.

The comparison between a full-time City staff position and the use of consultants highlighted distinct benefits. A full-time staff member would ensure day-to-day contact and responsiveness, actively pursue opportunities to showcase Inver Grove Heights, engage with the business community and partners, provide focused project management, coordinate and maximize local use of existing programs offered by agency partners, and manage grant applications and reporting. Consultants would continue to be utilized for topic or project-specific services, with certain specialized professional services such as legal, appraisal, or surveying still required. The full-time staff position is already funded within the existing EDA budget, would not result in an increase to the levy, and was identified as the greatest need to effectively implement the priorities expressed by the EDA.

Mayor Dietrich asked for a synopsis of what the EDA does, noting how one might explain it if asked during Night to Unite.

Director Ziemer explained that the Council's role is broad, including setting legislation, policy, budgets, and making major decisions such as capital improvements. The EDA, by contrast, has a more focused role centered on economic development, including business attraction, retention, expansion, and redevelopment. The EDA also has statutory authority to own, lease, or sell land, provide financial resources, and connect businesses with organizations such as Open to Business. He noted that the EDA was created in 1992 and amended in 2011.

Mayor Dietrich asked who is currently handling the day-to-day management of grant applications, reporting, and related tasks.

Director Ziemer said that responsibility currently falls to him. He noted that one planning staff member helps coordinate the information, but he is handling most of the filing and preparation himself.

Mayor Dietrich asked where the number is shown for wages, particularly for the additional staff or consultant, noting that a consultant was used in 2025.

Director Ziemer explained that funds set aside for an additional staff position were used in 2024 to pay for a consultant, which is why the budget notes it as staff or consultant.

Administrator Wilson said you would compare the $157,100 in 2025 to the sum of $22,000 and $143,500 in 2026.

Mayor Dietrich inquired whether the contract with the consultant remains in effect and requested clarification on its expiration date.

Director Ziemer stated that the contract expired on July 31.

Council Member Gliva said she knows MNCAR is planned and asked if there are any other high-visibility sponsorships in mind that would be a good fit.

Director Ziemer said there may be opportunities with the Minnesota Retail Shopping Center Association, as well as with the Local Chamber and the Convention and Visitors Bureau. He also mentioned groups like the Minnesota Chamber and emphasized increasing visibility with Greater MSP and DEED to connect with site selection efforts. He noted the goal is to raise awareness and position Inver Grove Heights as a strong option for business growth and expansion in Minnesota.

Council Member Gliva said there may be more opportunities for partnering with Visit IGH and the Local Chamber. She noted that Visit IGH has gained increased visibility under its new leadership and suggested exploring this further.

Council Member T'Kach asked whether the EDA operates as a levy-supported fund in the budget.

Administrator Wilson stated that the EDA is funded through a transfer from the General Fund levy.

Council Member T'Kach asked how the City would fund efforts such as supporting a business with land acquisition or assisting the Dakota County Community Development Agency with a housing project. She questioned if, in the absence of DEED or other grant funds, money for such purposes should be built into the 2026 budget, noting that no allocation currently appears in the plan.

Director Ziemer said that such efforts involve considering the use of an EDA levy, an HRA levy, or both, as these provide a larger pool of financial resources for specific outcomes such as business or housing growth. He explained that while a levy still has an effect, the goal is to direct those dollars toward targeted results. He added that it is also important to leverage State LAHA dollars, Dakota County CDA programs, and other State resources to align with the EDA's strategic goals and desired outcomes.

Council Member T'Kach asked whether Dakota County programs for income-qualified homeowners, such as facade, energy, or roofing improvements, are supported through the EDA or funded by the general levy.

Director Ziemer said the City receives community development block grant dollars that are reallocated to the County CDA for housing programs. He added that the City also receives State LAHA dollars for affordable housing, which last year were fully allocated to the CDA for programs such as radon mitigation and home improvements to help maintain property values. He noted that residents are typically referred to the CDA for assistance and emphasized that these funds are focused on housing, not business.

Council Member T'Kach asked if the EDA is engaged in the process by transferring the funds over.

Administrator Wilson explained that the funds come to the City as Federal and State dollars. The City Council then transfers those funds to the Dakota County CDA for management and administration.

Council Member T'Kach asked if the budget provides funding to hire someone to lead an EDA strategic plan, noting the need to determine whether to pursue a levy or focus on business and housing assistance, and if outside support would be necessary.

Director Ziemer said the budget includes funding to evaluate developing an EDA Strategic Plan. He noted that he has experience in this area and intended to work with the EDA and staff to lead the process, beginning with a work session to discuss priorities. He added that if the EDA preferred outside facilitation, they could consider that option and determine funding either through the budget or reserves.

Council Member T'Kach asked if it would be too late to decide in March or April to add funding since the budget will already be set.

Director Ziemer said developing a strategic plan is not a one- or two-month process but will take time to complete, approve, and adopt. He explained that the work will help define what 2026 and beyond will look like, with the next year focused on becoming more active and building a framework for the EDA's direction. He noted the City's initial participation in the MNCAR Fall Expo will provide learning opportunities, with funding in the budget to continue that effort and maintain a presence. He added that by the time the strategic plan is completed, it will align with discussions for the 2026 budget.

Council Member T'Kach asked if MNCAR could be explained for the benefit of residents.

Director Ziemer explained that MNCAR is the Minnesota State Real Estate Association, which includes agents, brokers, developers, and cities. He said being part of the group helps the City stay informed on real estate activity and build relationships, creating opportunities when clients are looking to start businesses.

Council Member Scales said he is not sure he supports hiring full-time staff and prefers the idea of using a consultant for more focused work. He noted that a consultant can be directed to specific needs, which he feels may be more effective, though he is open to further discussion.

Mayor Dietrich asked if the EDA plans to address the expired retail consultant contract at the next meeting, emphasizing that retail development and returning City-owned parcels to the tax roll are Council priorities.

Director Ziemer said the retail consultant discussion was not initially planned for the August work session due to time constraints but noted it could be added to that meeting or a future one if the Council desires.

Mayor Dietrich stated that the issue is a priority and should not be allowed to lapse, adding that it ought to have been discussed prior to August 11.

Council Member T'Kach asked if the focus is solely on retail or if it is broader commercial development that could bring more and different types of jobs into the City.

Council Member Scales said he would like to see the item placed back on the agenda.

Mayor Dietrich said the discussion should be added to ensure continued progress, stressing that the limited time previously devoted to EDA work is insufficient to achieve the City's goals and highlighting the need for additional consultant support soon.

Council Member T'Kach noted that the figure for salary allocation was 10%.

Director Ziemer said that being new to the role and now having a full staff allows him to refocus on priorities and the direction the City wants to take. He acknowledged Council Member Scales' concerns about staffing, noting there is no proposal to hire at this time, but emphasized it will remain part of ongoing discussions as future goals are considered.

Council Member T'Kach said the EDA should determine whether to expand its focus beyond retail to include areas such as light industrial or mixed-use zoning.

Mayor Dietrich stated that the next meeting would be an appropriate time to discuss the matter.

Veterans Memorial Community Center Fund

Community Center Manager Muscha presented the proposed 2026 Veteran's Memorial Community Center (VMCC) Budget.

The Veteran's Memorial Community Center (VMCC) encompasses 153,000 square feet of facilities, which include an aquatics center, fitness center, ice arena, senior center, community rooms, and the National Guard Armory gym. The hours of operation averaged 15 hours per day for fitness, aquatics, and gym activities, and 16.5 hours per day for the arena. In 2024, members totaled 4,391, representing a 24% increase, and admissions reached 233,979, a 41% increase. Overall annual attendance across all facilities exceeded 500,000.

Staffing from January through February 2025 included 14.25 full-time equivalents, distributed among operations and maintenance, programming, guest services, and administrative. Beginning March 2025, staffing increased to 15.25 full-time equivalents with the addition of two new part-time specialists, along with 100 to 150 part-time non-benefited staff across all divisions.

The operating budget is divided into several departments: common administration and general operations, aquatics, fitness, arenas, and community rooms including rentals, Kids Rock, and seniors. The 2026 requested expenditure budgets allocate 31% to aquatics, 20% to fitness, 14% to arenas, 13% to community rooms and related services, and 22% to common operations. The overall 2026 requested budget totals $4,635,810, with personnel at $3,031,200, supplies at $212,410, and services and charges at $1,392,200. This reflects an increase over the 2025 budget of $4,326,110. The 2026 personnel figures do not include additional staffing requests being considered.

Revenues in 2026 are projected at $3,841,356 compared to expenditures of $4,635,810, creating a shortfall of $794,454. Revenue distribution by department shows common at $178,380, aquatics at $1,133,838, fitness at $1,167,510, arenas at $877,778, and community rooms and related services at $483,850. Membership revenue is split with 10% to common, 20% to aquatics, and 70% to fitness. Admission revenue is divided as 10% to common, 70% to aquatics, and 20% to fitness.

Staffing structure changes have introduced new positions including a membership specialist, lead operations worker, and fitness and aquatics specialists. Part-time staffing costs are increasing due to steps and competitive wages. A new facility scheduling and registration software is under review for implementation in 2026, while a new indoor playground is scheduled to open in 2026 but is not included in the 2026 budget request. The exceptional results in 2024 are being monitored to determine if they represent a trend.

Council Member Scales asked if there is an estimate yet for the revenue expected from the new indoor playground.

Manager Muscha stated that no additional information is available beyond what was presented at the workshop, noting that design work is ongoing and Director Lares will provide further updates.

Additional staffing requests for 2026 amount to $75,105, with partial impacts on the General Fund These requests include adjustments to customer service specialist hours with some offsetting reductions totaling $10,435, part-time staffing adjustments of $55,670 which provide wage increases for aquatics and Kids Rock staff, the addition of a behavior and wellness specialist for Kids Rock, and an increase in the Parks and Recreation communications specialist position to full-time at $38,700. Reductions were made to fitness costs, operations and maintenance. Of the total, $9,000 impacts the Community Center Fund, $19,500 impacts the General Fund, and $10,200 impacts the Golf Course.

Operating revenues are projected to rise to $3,841,356 in 2026, an increase of $422,921 from the 2025 budget. This increase is supported by a 3% membership fee increase effective January 1, anticipated growth in admissions, increased fees for swim lessons and Kids Rock, more birthday party bookings, and an overall increase in ice, gym, and room rentals. The increase also reflects broader program offerings and greater participation.

Mayor Dietrich asked if Kids Rock was completely full this year.

Manager Muscha said the program is in very high demand and typically fills within a few days of opening, noting it has been very successful.

Mayor Dietrich said it makes sense to raise the fees and asked when the membership fees were last increased.

Manager Muscha stated that membership fees have not increased in at least two years, with no increase in 2025 and likely none in 2024. The proposed 3% increase would amount to approximately $1 to $3 per month, depending on the membership type.

Council Member Gliva asked if there is any indication of how 2025 revenue will end, noting the budget is $3.4 million and questioning whether it may be better than projected.

Manager Muscha said revenue is projected to be on track for this year. She noted that 2024 exceeded revenue goals and that for 2025, the budget includes $1.2 million for membership revenue and $307,000 for admissions. She added that membership revenue is currently at $627,000, a little over halfway through the year.

Council Member Gliva asked if that would equate to total operating revenues of about $3.4 million for 2025.

Manager Muscha stated that she did not have the information immediately available but would provide it afterward. She noted that revenues are trending like 2023, with expectations to meet but not significantly exceed the 2025 revenue goals.

Council Member T'Kach asked about the current wage range for Kids Rock staff, noting that staffing adjustments had been made in recent years and requesting an update on where wages now stand for the program.

Recreation Superintendent Dorshak said staffing for Kids Rock increased by about 1,000 hours compared to 2024. She explained that approximately 350 of those hours were added to the camp specialist position at about $23 per hour, resulting in an increase of roughly $9,000.

Council Member T'Kach asked about the other positions in Kids Rock, noting there are assistants.

Superintendent Dorshak said the rate of pay was increased by about $1.40 per hour.

Total operating expenditures for 2026 are projected at $4,635,810, with revenues estimated at $3,841,356, leaving a shortfall of $794,454. This gap, representing 17.1% of operating costs not covered by revenue and will require a transfer from the Host Community Fund. In comparison, the transfer was $712,110 (18.2%) in 2023 and $348,114 (8.8%) in 2024 when revenues exceeded expectations. For 2025, the budget includes a $907,657 transfer (21%). While 2026 is budgeted at 17.1%, the goal is to perform better so the actual transfer may be lower. Actual transfers are often calculated before finalizing the year-end audit, so audited amounts may differ slightly, with small adjustments increasing or decreasing the Community Center Fund balance.

Council Member Gliva said that while 2024 was considered an anomaly, she would like future years to be closer to that result. She noted that from 2024 to 2026 operating expenditures are projected to rise about 17% while revenues increase only 6.5%, creating too wide a gap. She pointed out the significant increase in personnel costs and asked for examples of major items included in account 4410, which totals $1,031,240.

Manager Muscha noted that the largest costs in account 4410 are full-time staff wages and technology expenses for computers, phones, and infrastructure. Staff salaries are allocated across divisions, with more going to arenas and rentals than aquatics and fitness. She added that refining these allocations is ongoing but staffing and technology remain the biggest cost drivers.

Council Member Gliva asked whether technology expenses are allocated within each division's budget or if they are grouped under Common.

Manager Muscha explained that technology in 4410 is budgeted at $137,200 for 2026, an increase of about $20,000 from the 2025 budget, and noted this amount is included in 4410 Common.

In response to the earlier question, Manager Muscha explained that the primary driver of the 2026 increase is the full inclusion of salaries and staffing changes. She noted that membership and admissions revenue is projected to rise by 6.5% due to the membership fee increase and changes in credit card processing. She added that while the membership base continues to grow, it is uncertain when capacity will be reached. The membership budget is $1.2 million for 2025 and increases to $1.35 million for memberships in 2026.

Council Member Gliva remarked that with expenses increasing significantly compared to revenues, it raises concerns and makes her cautious about considering any additional staffing increases.

Superintendent Dorshak stated that the 2024 results were an anomaly, driven by two major staff vacancies that saved over $100,000 combined with a significant increase in revenues. While this produced favorable financial outcomes, she stated the staffing model was not sustainable, especially in aquatics where staffing was stretched thin. Pay increases were implemented to retain staff, and she emphasized that the unusual conditions of 2024 are unlikely to occur again.

Council Member T'Kach asked about account 4440 for arenas, noting it is not reflected in the memberships and admissions split. She questioned whether arena time is mainly used for hockey leagues, figure skating, and other organized activities, with limited individual memberships aside from possible increases in free skate time.

Manager Muscha explained that most of the arena revenue comes from contractual agreements with the school district and local hockey associations, along with other ice rentals. While some revenue is generated from developmental ice and open skate, most is tied to these long-term contracts.

Council Member T'Kach asked if there is any anticipated need to expand free skate hours or provide more opportunities for individuals not affiliated with an organization.

Manager Muscha stated that after contractual ice hours are met, any remaining time is either sold to other renters or used for open skate, developmental ice, or stick and puck. Her goal is to maximize the calendar by adding more of these opportunities, noting there is potential to expand time for members and guests compared to prior years.

Mayor Dietrich asked what types of behavior and wellness issues were experienced this past summer that may have prompted discussion about creating this position.

Manager Muscha explained that last summer she observed frequent misbehavior, including physical incidents, which often pulled staff away from other children. She noted staff lacked training to de-escalate situations and emphasized the value of having someone experienced in mental health and behavior management.

Mayor Dietrich asked for clarification, inquiring if there was someone more experienced in handling those behavioral and wellness challenges this year.

Manager Muscha confirmed that additional support was in place this year, which has led to significant improvement.

Mayor Dietrich asked how this results in an increase for 2026 if the position was already on staff this year.

Manager Muscha said the increase is likely due to higher wages needed to support those positions.

Mayor Dietrich asked if there is a policy in place for children who are not behaving well.

Manager Muscha explained that the Kids Rock program has a disciplinary action plan in place, which staff follow when addressing behavior issues.

Mayor Dietrich asked if the disciplinary plan includes requiring parents to come pick up their children.

Manager Muscha explained that the disciplinary plan includes steps such as verbal and written warnings, and at a certain level, parents are required to come pick up their children.

Mayor Dietrich stated that since youth are being prepared for school and a second resource officer will be considered, her preference would be not to have a behavior wellness staff member but instead to follow existing policies, so families learn early to take responsibility for their children's behavior and understand expectations as they move into middle and high school.

Council Member Gliva asked about the behavior wellness specialist, questioning whether the position is currently in place and if it was added last year.

Superintendent Dorshak explained that the program specialist position was revised this year to allow for two hires within the current staffing structure. One of these hires has been assisting with behavioral issues identified last summer, facilitating parent meetings, and ensuring practices align with those of the school district. This alignment has provided a more consistent and effective approach, with students experiencing similar expectations and responses as in the school setting.

Council Member T'Kach asked if the increase in children on the autism spectrum may be contributing to challenges, given younger staff may not be fully trained to support their needs in the Kids Rock program.

Superintendent Dorshak explained that while the causes of behaviors were not always clear, the presence of trained staff was important to ensure proper protocols were followed, parents were engaged at the right time, and a safe environment was maintained.

Council Member T'Kach stated that having trained staff helps reduce the City's risk in managing challenging situations and expressed support for maintaining such a position.

Council Member Gliva stated that the City provides park and recreation services, not school district functions, and emphasized that addressing issues should involve parents rather than hiring additional staff at taxpayer expense.

Capital projects are funded by a $700,000 annual transfer from the Host Community Fund, which is intended to provide consistent resources for managing repairs and replacements across varying years of need. An exception exists in 2029 with the east and west rink compressors, estimated at $4.5 million, of which $2.5 million is unfunded. All capital projects still require annual City Council approval.

Proposed 2025 capital projects total $750,200 and include $105,000 for fitness equipment replacements and center flooring, $80,000 for water park play structures in aquatics, and $32,000 for arena improvements such as painting team rooms and restrooms, adding volleyball poles and stands, and installing a card reader for the Parks and Recreation administrative office. Mechanical upgrades total $132,500 and include replacing ADA door openers, HVAC improvements in the daycare, and radiant heat for the west rink. The largest allocation of $400,700 is designated for Grove improvements, including the Brightside Room remodel, new benches, upgrades to the birthday party room and pool deck, and replacement of rear concrete stairs.

The proposed 2026 Community Center projects total $485,500 and include $40,000 for fitness equipment replacement, $102,500 in aquatics upgrades such as water park grate replacement, lifeguard lockers, lifeguard room window/counter, ADA lift replacement, and slide repair, $256,000 in arena improvements for R-22 reserves and a new make-up unit in the east rink, $20,000 for common area updates, $55,000 to replace air handling unit #8 in mechanical systems, and $12,000 for a new door card reader at the Grove.

The Community Center Capital Fund (Fund 206) begins 2025 with a balance of $582,164. After accounting for transfers from the Host Community Fund, interest, other revenues, and project expenditures, the year-end balance is projected at $357,376 in 2025, $584,384 in 2026, $1,097,837 in 2027, and $1,611,261 in 2028. In 2029, the fund is projected to face a $1,224,345 deficit due to the compressor project, followed by a $1,183,345 deficit in 2030. The compressor project estimate has increased from $2.5 million in the 2025–2029 CIP to $4.5 million in the 2026–2030 plan, leaving $2.5 million unfunded even with a potential $1 million cost-share partnership.

Host Community Fund

City Administrator Wilson presented the proposed 2026 Host Community Fund Budget.

The fund is supported primarily from landfill host community fees, which include tonnage fees and fixed fees from Pine Bend, as well as a $25,000 annual fee from Frattalone/Dawn Way through 2027. Additional revenue comes from interest, transfers, and other sources. In 2026, total revenues are projected at $3,127,218, compared to $3,000,000 in 2025.

The Host Community Fund shall be used by the City for public purposes. These purposes may include General Fund purposes, hosting the landfill, the cost of providing firefighting services, and environmental review and monitoring. The fund may also be used for meeting and conferring with organizations such as BFIWSNA, Dakota County, the Minnesota Pollution Control Agency, the United States Environmental Protection Agency, the Metropolitan Council, the Office of Environmental Assistance, and any other body having jurisdiction over the landfill. In addition, it may cover the cost of sustainability projects and programs, the cost of green initiatives, the cost of participation in the GreenStep Cities Program, or other legal public purposes.

In recent years, the City has refined its approach to “core” and “temporary” uses of the fund. In 2023, these categories were first identified. In 2024, Stormwater Management was added as a core use, with a plan to transition $100,000 annually from the Pavement Management program to Stormwater. In 2025, this transition was accelerated, and new financial priorities were affirmed, establishing Stormwater and Sewer funding beginning in 2026. For 2026, the City proposes to reaffirm these priorities by allocating $500,000 to Stormwater and $1 million to Sewer to cover annual debt payments.

Expenses for 2026 include staff and consultant costs for landfill monitoring, legal costs related to enforcement of the Host Community agreement, and a transfer to cover the funding gap in the recycling program. Core uses include transfers to VMCC Operations, VMCC Capital, Stormwater Capital, and Sewer Capital beginning in 2026.

Expenditures in 2026 are projected at $3,220,154, consistent with 2025's estimate of $3,219,675 and followed by $3,270,912 in 2027. These include $860,654 for VMCC operations, $700,000 for VMCC capital, $5,000 for the balance of a recycling grant, $500,000 for Stormwater (moved to core use), and $1 million for Sewer. Short-term uses such as the boat launch, which was funded at $20,000 in 2025, are not included in 2026.

The approval of the Pine Bend expansion, allowing operations through 2042, provides confidence that revenues will remain steady. Forecasts over the next five years indicate that expenses will generally align with revenues, maintaining a stable fund balance of approximately $4 million each year. The City Council is asked to determine how to best apply the Host Community Fund to serve the City. Potential options include transferring funds to City Facilities for capital needs to ease or postpone property tax increases, using funds to cover the smallest debt service payment, which would eliminate $261,765 of the debt levy for 2026 and possibly beyond, or allocating a significant lump sum to reduce the borrowing required for construction of a new Central Maintenance Facility.

As of 2026, the projected beginning balance is $4,428,096, revenues total $3,127,218, expenditures total $3,220,154, and the projected ending balance is $4,335,160. By the end of 2030, the fund is estimated to hold $4,747,192.

Council Member T'Kach noted $1 million allocated annually for Sewer and asked if this extends to 2040 or beyond.

Administrator Wilson stated that the Sewer extends until 2036.

Council Member T'Kach stated that we could anticipate another six years beyond this projection and asked if that is also true for Stormwater.

Administrator Wilson stated that this will depend on the ongoing Stormwater study and on how the Council, now and in the future, chooses to set rates. She noted that Stormwater rates have historically covered only a fraction of capital improvement costs. The Council could adjust rates more assertively to generate sufficient revenue and eliminate subsidies or take a more conservative approach requiring continued subsidies. She emphasized that this is a policy decision and not as straightforward as Sewer debt, which has a defined debt schedule and payoff year.

Council Member T'Kach asked if the Sewer debt could be paid through the levy and whether that is a legally permissible option.

Administrator Wilson stated that while the levy could be used to retire the debt, this option has not been evaluated or pursued.

Council Member T'Kach stated that she would not want to assume for the next eleven years that $1 million will be allocated annually to Sewer debt.

Administrator Wilson stated that if the Council wishes to have an alternative modeled, it can certainly be provided.

Council Member Gliva stated that the Central Maintenance Facility is a top priority, noting the $58 to $61 million funding challenge and indicating it would be her first choice for funding.

Council Member Scales agreed, stating that costs must be reduced across the board in preparation for the upcoming building and that available resources should be used to best support residents.

Council Member T'Kach stated that more could be done with the Host Community Fund, suggesting support for initiatives such as the Green Step Cities program and fleet improvements. She noted that transitioning to more efficient vehicles could reduce operating costs and expressed interest in allocating funds to such programs.

Administrator Wilson stated that if the Council wishes to take that direction, staff can develop it. She explained that the modeling would be consistent with last year's approach and confirmed that staff will follow the Council's direction and conduct the necessary research and analysis.

Council Member Scales stated that he is not interested in funding new programs, noting that the City already has enough existing priorities to address. He emphasized that pursuing new, ongoing initiatives is not the right direction at this time.

Council Member T'Kach stated that the City should consider fleet and operational improvements, as well as energy reduction measures which would generate operational cost savings.

Council Member Scales stated that he would support programs with a sufficient return on investment but is not aware of any at this time that would provide meaningful benefits to residents.

Council Member T'Kach asked Council Member Scales if he would be opposed should such an opportunity become available.

Council Member Scales stated that if there is a reasonable return on investment, he is always willing to consider it.

Council Member T'Kach stated that it is important to explore this direction and suggested asking facilities staff about opportunities that are not currently being pursued.

Mayor Dietrich stated that while there does not appear to be a majority in support, she would like to allocate some funding toward the Central Maintenance Facility, Stormwater, and Sewer.

Council Member Scales stated that the priority should be providing the best value for the City's residents.

Council Member Gliva stated that, for now, that is the only action she would take.

Debt Service Funds

Finance Director Hove presented the proposed 2026 Debt Service Fund Budget.

The Debt Service Funds are comprised of street-related debt and fire station debt. Street-related debt includes the 2015A, 2016A, and 2017B General Obligation Improvement Bonds. Fire Station debt includes the 2018A and 2019A General Obligation Improvement Bonds.

Debt tax levies outline the allocations for each bond from 2023 through 2026. For street-related debt, the 2015A bonds levy decreases slightly from $637,301 in 2023 to $633,255 in 2026. The 2016A bonds levy rises from $718,134 in 2023 to $728,923 in 2026. The 2017B bonds levy declines from $263,125 in 2023 to $261,765 in 2026. The 2020A bonds levy remains at $177,250 annually from 2023 through 2025 but is eliminated in 2026 following the City Council's December 2024 decision to approve early payoff using closed Bond Fund resources.

For Fire Station debt, the 2018A bonds levy remained stable, at $739,289 in 2023 and $737,189 in 2026. The 2019A bonds levy increased slightly from $187,635 in 2023 to $189,525 in 2026. Overall, the total debt tax levies across all funds remained steady, from $2,545,484 in 2023 to $2,550,657 in 2026.

The 2026 debt budgets include both levies and other revenues. For the 2015A bonds, a levy of $633,255 and $40,000 in additional revenues total $673,255, with obligations of $646,925, leaving a net balance of $26,330. The 2016A bonds generate $728,923 from levies and $9,000 in other revenues, totaling $737,923, with obligations of $682,000 and a net of $55,923. The 2017B bonds levy $261,765 and add $45,000 in other revenues, for $306,765 in total revenues, but obligations of $321,263 result in a shortfall of $14,498. The 2018A bonds levy $737,189 with $5,000 in additional revenues, totaling $742,189, against obligations of $688,335, producing a net of $53,854. The 2019A bonds levy $189,525 and add $1,200 in other revenues, totaling $190,725, with obligations of $178,300, leaving a net of $12,425. In total, debt levies of $2,550,657 and other revenues of $100,200 result in $2,650,857 in revenues, with obligations of $2,516,823, producing an overall net of $134,034.

Council Member T'Kach asked what the interest rates are on some of the levies and whether paying them off would provide any benefit.

Director Hove stated that the City is currently benefiting from very favorable interest rates, as much of the debt was refinanced or issued before rates increased. Most bonds are between 2 and 3%, with some variable rates that may fluctuate slightly. The highest rates, around 3 to 3.5%, are on the 2018A and 2019A Fire Station bonds. She noted that these are strong rates, supported by the City's excellent debt rating, which makes its bonds a safe investment. However, she cautioned that the current interest rate environment is much higher, so issuing new debt would likely result in significantly higher rates.

Council Member T'Kach stated that a scenario could be run to consider Council Member Scales' comment on debt repayment, noting it may be preferable to reduce the $58 million Central Maintenance Facility bond rather than paying off lower-interest debt.

Director Hove stated that this would be a fair assessment. She explained that using Host Community funds to pay down existing bonds would provide short-term levy relief but less benefit in the future. Alternatively, applying those funds to reduce the debt or levy needed for the Central Maintenance Facility could help offset the higher interest rates expected, which will exceed the 2–3% on the current debt levy.

<u>Public Safety Small Equipment Fund</u>

Finance Director Hove presented the proposed 2026 Public Safety Small Equipment Fund Budget.

The Public Safety Small Equipment Fund, known as Fund 102, was created in 2023 through a City resolution. Its original funding of $121,700 came from a 2022 Dakota 911 rebate, which covered Police SRG expenses and Fire Department radios. In 2023, the City received a one-time public safety aid allocation from the State of Minnesota totaling $1,564,124. This aid was divided between Police and Fire using an average of call volume split, which was 90% Police and 10% Fire, and the 2023 budget allocations, which were 66% Police and 34% Fire. As a result, $1,220,017 was allocated to Police and $344,107 to Fire.

For the Fire Department, beginning with the 2025 budget, the City started an annual transfer of $29,740 from the Fire Department budget into the Public Safety Small Equipment Fund to save for future replacement of SCBAs. Fire used the one-time aid for several purchases, including $243,750 as partial funding for a replacement fire truck ordered in June 2023, $35,744 for new boat engines, and $64,613 for new radios. The total expenditures from the Fire allocation amounted to $344,107.

The Police Department utilized the one-time aid across multiple budget years. In 2024, $15,070 was spent on new drone equipment and programming. For the 2025 budget, expenditures included $224,625 for the phase-in cost of three new officers supported by a COPS grant, $56,000 for a new K9 vehicle, $64,950 for honor guard uniforms and new badges and patches, $13,300 for officer safety items, $5,000 for a blocker locker and evidence preserve, $10,000 for two speed signs and two traffic readers, $80,000 for handguns, body-worn cameras, and radios, and $5,000 for training reporting software.

In the 2026 budget, the Police allocation includes $144,326 to continue the phase-in cost of the three new officers under the COPS grant, $180,000 for a new command vehicle, and $36,120 for an additional emergency siren in the northwest area. The 2027 and 2028 budgets include $166,885 to continue phasing in the cost of three new officers, with the costs fully integrated into the regular Police budget beginning in 2029. By the end of 2028, an estimated balance of $218,741 from the one-time aid is projected to remain.

Council Member Gliva asked for a description of a command vehicle.

Chief Chiodo explained that the command vehicle is a full-size Ford van custom built with computers and monitors. It is not armored but designed for use at outdoor scenes, such as homicides or surveillance operations, allowing evidence processing and coordination on-site. She noted it would replace the current camper, which runs on a loud, smelly generator, with a quieter and more efficient vehicle. The camper would be sold to return funds to the budget, while the new van would be custom built to meet the department's needs.

Administrator Wilson asked Chief Chiodo to confirm that the estimated cost includes both the purchase of the vehicle and the complete interior outfitting.

Chief Chiodo confirmed that the estimate reflects the total package cost, including the purchase of the van and all necessary interior outfitting. She added that while they have seen higher-end models costing around $350,000, the department is working to be responsible with this larger purchase.

The Public Safety Small Equipment Fund budget summary shows projected revenues of $59,740 in both 2025 and 2026, with $30,000 from interest earnings and $29,740 transferred from the Fire Department for SCBA savings. Expenditures for 2025 totaled $458,875, including uniforms and clothing at $64,950, officer safety items at $28,300, software for officer training at $5,000, capital items of $136,000 including a K9 vehicle and body-worn cameras and radios, and $224,625 transferred for the officer phase-in plan. In 2026, expenditures are projected at $360,446, with no allocations for uniforms, clothing, or officer safety items, no division software, capital costs of $216,120 for the command vehicle and emergency siren, and $144,326 transferred for the officer phase-in plan.

Council Member T'Kach inquired about the meaning of the acronym SCBA.

Administrator Wilson explained that SCBA stands for self-contained breathing apparatus, which is the tank and face mask firefighters wear to provide air at a scene.

Council Member T'Kach inquired about the cost of the new fire truck.

Director Hove stated that the cost of the new fire truck is approximately $1.5 to $1.75 million. She explained that the price was locked in at the time of order, so it will not increase year over year, though delivery may still take up to two years.

Council Member T'Kach inquired about how fire equipment is managed, noting that some is owned by the City while other equipment may be maintained by the Fleet Department.

Director Hove stated that the Fleet Department assists with maintenance, when possible, but some work must be outsourced.

Council Member T'Kach asked if there is a separate maintenance budget for the Fire vehicle fleet, noting it would likely depend on the age, size, and use of the vehicles, and inquired whether such costs are being budgeted.

Director Hove stated that the Central Equipment budget covers ongoing fleet maintenance, including fire truck repairs, with departmental charges based on historical spending to ensure fair allocation.

Council Member T'Kach asked for confirmation that departments are not currently billed individually for fuel purchases and whether a program such as Gasboy is used to track them.

Director Hove stated that the City uses a program to track gasoline usage, and a three-year average is used when billing allocations to the Central Equipment budget. She clarified that departments are not directly billed at the pump, but fuel usage is factored into the formula that determines each department's contribution to the Central Equipment operating budget.

In response to an earlier question, Administrator Wilson stated that the Council approved the purchase of a new fire engine on June 26, 2023, at a total cost of $1,174,882.29, with delivery anticipated in late 2026 or early 2027. She noted this represents a four-year wait time for an engine costing nearly $1.2 million.

Internal Service Fund

Director Hove outlined the proposed 2026 Budget for Internal Service Funds, which includes Technology, City Facilities, Risk Management with Property and Casualty Insurance and Workers' Compensation Insurance, as well as Central Equipment.

The allocations reflect a mix of decreases and increases driven by changes in insurance rates, technology expenses, and equipment funding adjustments. Workers' compensation decreased due to lower rates from the League of Minnesota Cities Insurance Trust for certain employee groups, primarily Public Safety. Technology costs increased with higher expenses for Citywide software and telephone systems. Central Equipment decreased largely because of added interest revenue and the extended use of some trucks. Workers' compensation dropped from $754,700 to $573,700. Insurance increased from $518,900 to $550,100. Technology rose from $1,269,500 to $1,412,500. City Facilities grew from $850,495 to $905,050. Central Equipment declined from $3,702,700 to $3,591,700. Overall, allocations decreased slightly by 0.9%.

Technology Director Gade explained that the Technology Fund internal allocation, charged to departments under expense code 5445, supports the operating costs of the IT Department. This includes IT staff wages, benefits, and training, along with printers, copiers, desktop and laptop computers, Citywide software, servers, and backup systems. Allocations are based on full-time equivalent employee counts and the number of devices. The 2026 allocation is $1,412,500, representing an 11.3% increase.

The 2026 Technology Fund includes $84,700 in proposed capital expenditures. These consist of $16,700 for workstation devices, $15,000 for switches and firewall, $20,000 for server and SQL licenses, and $33,000 for fiber updates. Funding for these items is budgeted in accounts 606.8600.000.5160 for small tools and minor equipment, 606.8600.000.5610 for improvements other than buildings, and 606.8600.000.5615 for machinery and equipment.

The overall budget reflects increases in both revenues and expenditures from 2025 to 2026. Revenues are expected to grow from $1,296,000 in 2025 to $1,439,000 in 2026, driven mainly by departmental allocations rising from $1,269,500 to $1,412,500. Other revenues remain unchanged at $26,500.

Expenditures also grew slightly, from $1,452,915 in 2025 to $1,452,985 in 2026. Personnel costs rise from $826,600 to $883,300, and other charges and services increase from $390,065 to $476,885. Supplies decrease from $62,250 to $24,800, and capital outlay for machinery and equipment drops significantly from $174,000 to $68,000.

Overall, the 2026 budget projects revenues of $1,439,000 and expenditures of $1,452,985, resulting in a decrease of $13,985 to the fund balance. As of December 31, 2024, the fund had a cash balance of $948,545. The adopted 2025 budget included a spend down of $156,915, which included a one-time use of $75,000 for Fire Station #2 AV upgrades, leaving a projected balance of $791,630.

The Technology Fund maintains a stable cash position, supported by an average balance of $982,460.

Mayor Dietrich expressed appreciation that the City has a strong firewall in place.

Council Member T'Kach asked if any major expenses are anticipated in the next three to five years, such as replacing several miles of fiber.

Director Gade explained that most core fiber buildout has been completed, with future projects coordinated with street work to reduce costs. He noted the next project is for Groveland Park and that recent expansions included South Valley Park and Rich Valley Park. He stated no major expenditures are anticipated.

Council Member T'Kach asked about related equipment or AI technology the City should be considering.

Director Gade replied that while there are no current plans to adopt AI, concerns remain about privacy and its implications, particularly for the Police Department. He noted that technology evolves quickly, and the City is monitoring developments.

Facilities Maintenance Superintendent Fitzloff explained that City Facilities activities are supported through departmental allocations under expense code 5455, totaling $905,050 in 2026, which reflects a 6.4% increase. Prior to 2022, this fund was limited to City Hall facility costs, but it has since transitioned to a broader scope. The allocation formula, based on historical FTEs and departmental square footage, has not been updated in years and does not include a capital replacement component. Looking ahead to 2026, the goal is to provide the fund with a direct transfer from either the General Fund or the Host Community Fund to support long-term capital needs identified in the 5-year CIP.

Revenues are projected to increase slightly from $1,294,575 in 2025 to $1,330,050 in 2026, driven by higher departmental allocations but offset by a decline in other revenues. Expenditures rise from $1,633,100 to $1,830,200, with operating costs increasing modestly and capital outlay for buildings jumping from $338,500 to $500,000.

Highlights include the loss of $14,080 loss in CJIN rent revenue and a strategic realignment of preventive maintenance expenses from Repair and Maintenance: Building/Structures to Professional Services. As part of this shift, an additional $18,000 has been allocated to cover architectural services, Xcel Energy building efficiency assessments, preventive maintenance for the building management system, and the installation and upkeep of CO2/NO2 sensors. These investments are intended to enhance building performance and safety through proactive maintenance. Other future preventive maintenance needs are still being evaluated.

Mayor Dietrich asked if the CO2 testing is performed in-house.

Superintendent Fitzloff clarified that the CO2 and NO2 sensors are serviced and calibrated by an outside HVAC technician or company.

Council Member Gliva asked whether the City is charged by Xcel Energy for assessments or if they are provided free of cost.

Superintendent Fitzloff stated that there is a small fee per building, approximately $4,000, with the goal of improving efficiency. He noted that while many measures are already in place, the assessments will help identify smaller improvements to further enhance performance.

Overall, the 2026 budget reflects $1,330,050 in revenues against $1,830,200 in expenditures, resulting in a $500,150 decrease to the fund balance. The fund had a $1,935,286 cash balance at the end of 2024, with the 2025 budget planning a $338,525 spend down, leaving $1,596,761.

Planned 2026 projects total $556,000 and include City Hall breakroom furniture, lower-level carpet, heat pump replacement, retaining wall, and breakroom flooring. Fire Station #1 projects include a generator study, ADA updates, and radiant heaters, while Fire Station #3 projects include exterior painting, a new water heater, exhaust fans, and a roof repair. Additional projects include Golf Course HVAC and exterior tuckpointing, and a water treatment plant exhaust unit. Funding sources are $500,000 from the City Facilities Fund, $43,000 from the Golf Course Capital Fund, and $13,000 from the Water Capital Fund.

Historically, significant transfers strengthened the fund, including $572,000 in 2021 after completing the Fire Station project, $652,300 in 2022 from closing the Central Stores Fund, and $226,029 from closing the ADA Fund. The 5-year CIP anticipates $4,046,000 of capital spending, with $3,400,000 (84%) tied to general City facility needs.

The 2026 goal is to establish a direct transfer to the fund to support long-term capital needs outlined in the 5-year CIP, with potential sources including the General Fund or the Host Community Fund.

Mayor Dietrich asked when there would be a follow-up on the funding ideas.

Superintendent Fitzloff stated that he would defer to Director Hove on the timing but emphasized that he will be involved and would like the matter addressed sooner rather than later to ensure it remains on the radar.

Director Hove stated that the matter is a work in progress as they are still determining how to address the funding, noting it relates to discussions about the Host Community Fund.

Mayor Dietrich stated that as discussions continue regarding the Host Community Fund, she wants to ensure everything remains on the radar and does not fall off.

Director Hove explained that while the preliminary General Fund budget and tax levy had been considered, feedback suggested reducing rather than increasing the levy. As a result, a transfer from the General Fund may be taken off the table, with alternatives such as the Host Community Fund or future budget revisions being explored. She noted that key items, including health insurance, are still pending and emphasized that funding capital needs remains a top priority, as the five-year CIP shows insufficient resources to cover all planned projects.

Director Hove explained that the Risk Management Fund covers property, casualty, and workers' compensation insurance activities. It supports League of Minnesota Cities (LMCIT) insurance premiums for property, equipment, liability, auto, and bond coverage, along with workers' compensation. The fund also pays corporate legal charges related to lawsuits and a portion of finance personnel costs. Activities are funded through departmental allocations, with $550,100 budgeted for insurance, a 6.0% increase, and $573,700 for workers' compensation, a 24.0% decrease.

The fund also covers deductible payments. The property/casualty deductible is $50,000, with $1,000 per claim after that threshold. A $5,000 workers' compensation deductible was added in 2023, generating premium savings despite an overall rise in premiums that year. Insurance agent fees are now paid directly to North Risk Partners, rather than being embedded in premiums. The next renewal quote will be considered by Council on August 11, 2025.

Allocations for 2026 total $1,123,800, down from $1,273,600 in 2025, an 11.8% decrease. The fund maintains an average cash balance of $1,120,520. Dividend revenues include property/casualty payouts of $100,846 in 2021, $66,765 in 2022, $19,810 in 2023, and $19,967 in 2024, along with a new $43,328 workers' compensation dividend in 2024.

The 2026 budget projects $1,183,800 in revenues, including $1,123,800 from departmental allocations and $60,000 from other revenues. Expenditures are equal to revenues at $1,183,800, consisting of $36,000 for personnel, $24,609 for legal and contracted services, $80,668 for repairs, maintenance, deductibles, and other costs, and $1,042,523 for insurance premiums. This produces a balanced budget for 2026 with no change to the fund balance.

Public Works Director Connolly explained that the Central Equipment Fund, identified as Fund 603, is used for vehicle maintenance and replacement, with activities funded by departmental allocations under expense code 5460. The total Central Equipment allocation proposed for 2026 is $3,591,700, which represents a 3.0% decrease from 2025. Allocations are divided into two parts: operating costs, which are based on a three-year average of fuel usage and repair parts or hours, and capital allocations, which are determined by a vehicle replacement schedule specific to each department.

The departmental allocations indicate that operations decline from $1,611,700 in 2023 to $1,394,800 in 2026, while capital replacements increase from $1,552,000 to $2,196,775 over the same period. The higher operational costs in 2022 and 2023 were tied to significant building repairs. The increase in capital replacements in 2025 is attributed to updated costs for large Fire Department vehicles, and the 2026 operations decrease reflects higher interest revenue forecasts and extended use for certain vehicles.

The budget summary shows 2025 revenues of $3,927,700, with expenditures totaling $2,833,535 after capital outlay. In 2026, revenues slightly decrease to $3,916,700, while expenditures drop to $2,321,800. The reduction is due to lower capital outlay, which declines from $1,117,785 in 2025 to $602,000 in 2026, including $554,000 for vehicle replacements and $48,000 for Police Department squad outfitting.

At the end of 2025, the only outstanding interfund loan will be for the Veterans Memorial Community Center's 2018 rink improvements, with a balance of $186,070. Annual payments for this loan are received from the City of Rosemount, with a term from 2018 to 2027.

Council Member T'Kach asked whether the nearly $2 million projected for 2026 capital replacements is expected to remain at that level and grow, or if the annual capital replacements have been smoothed out. She questioned whether the figure reflects the timing of large past purchases that are now coming due, or if the trend has stabilized.

Director Connolly explained that capital replacements remain a work in progress, with no leveling of peaks and valleys. He noted efforts to extend replacement schedules in areas such as streets, utilities, and parks, but emphasized that costs will continue to fluctuate, with 2026 projected to be lower.

Council Member T'Kach observed that capital replacement costs appear to have increased since 2023.

Administrator Wilson explained that the $2.3 million represents total expenditures, including $1.719 million for personnel, supplies, and other charges and services, along with $602,000 in capital outlay for next year. She noted that the capital outlay for next year is less than half of this year's amount.

Director Connolly explained that capital replacement costs increased in 2025 because prior savings were insufficient, particularly for fire equipment. He stated that costs are reviewed annually to ensure proper adjustments, with allocations intended to remain generally level aside from inflationary increases. He acknowledged that further work is needed to ensure adequate funding for fire equipment replacements but expressed greater confidence in the projections for other divisions.

5. ADJOURN:

Motion to Adjourn at 8:09 p.m. by Gliva, second by Scales.
Ayes: 4
Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Tammy Greenlee