INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, OCTOBER 6, 2025 6:00 P.M. – VMCC Community Room #3,
8055 BARBARA AVENUE

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, October 6, 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, Utility Superintendent Kramer, Parks and Recreation Director Lares, Club House Superintendent Moynihan, Golf Course Superintendent Metz, Assistant Finance Director Ellison, Communications Manager Looze, and Deputy City Clerk Malott.

3. APPROVAL OF AGENDA:

Motion to Approve the Agenda with postponement of Item G. CLOSED SESSION: City Administrator Annual Performance Evaluation by Gliva, Second by Scales.
Ayes: 5
Nays: 0 Motion carried.

4. DISCUSSION ITEMS:

A. Northern Dakota County Cable Communications Commission (NDC4) Update

Beth Baumann, Executive Director of Town Square Television, provided an overview of the Northern Dakota County Cable Communications Commission (NDC4) and its current challenges, benefits, and future.

NDC4 negotiates and manages cable television franchises on behalf of its member cities, offering expertise in cable and telecommunications regulation and compliance. It addresses broadband-related topics and strengthens the negotiating power of cities through a consortium structure. NDC4 also pools resources for community programming, provides communications tools for cities, and maintains a central studio and facilities accessible to citizens. The organization operates a local customer service office for cable subscribers and advocates at the Federal and State levels, including the FCC, Congress, and the Legislature.

NDC4 produces government programming, including coverage of City Council meetings, boards, commissions, parks, police, fire, and local events. It also manages election coverage, candidate forums, and "Meet the Candidates" programs. In 2024, 150 hours were devoted to the production of the State of the City. Educational programming is provided for local K-12 schools and colleges, featuring meetings, graduations, scholarships, music, arts, and sports. The organization produces the *INSIGHT 7* Local News Magazine, which included nine stories related to Inver Grove Heights, and covers sports, multi-faith programming, and City festivals (Prayer Breakfast). Public access and podcasting training, as well as IT/technical support for City staff.

Financially, NDC4 is facing challenges as cable subscribers continue to decline. Legislative efforts in 2025 to authorize cities to charge franchise fees to broadband providers were unsuccessful. Additionally, new Web Content Accessibility Guidelines (WCAG) are mandated for compliance by

April 2026, requiring captioning, descriptive text for all meaningful images, and full keyboard navigation. There are rising costs associated with enhanced web streaming and expanded technical support for cities' video and streaming needs. Expectations for programming, livestreaming, and program downloads from member communities have also increased.

A review of NDC4's finances shows that franchise fee revenue has decreased steadily from $1,025,357 in 2020 to $830,000 in 2025. Total annual revenues declined from $1,076,313 in 2020 to $851,980 in 2025. Expenses for personnel and operations increased over this period, leading to a projected operating net loss of $213,211 in 2025. The 2024 total Comcast franchise fees amounted to $935,260, while 2025 fees were budgeted at $830,000. The City of Inver Grove Heights held the largest subscriber share at 39.80%, receiving $48,044 in 2025 and a projected $20,646 in 2026.

NDC4 requested that its member cities approve a memorandum of understanding for fiscal years 2027 through 2030. The proposal includes reducing the City's negotiated franchise fee share from 6.5% to 5% for fiscal year 2026, with NDC4 retaining 95% for operations and reserves. For the subsequent years, 2027 through 2030, the City's share of franchise fees would be reduced to zero, allowing NDC4 to maintain financial stability.

To address the funding gap, NDC4 and Town Square Television plan to focus on generating primary nonprofit funding through grants, sponsorships, donations, and memberships, along with promoting standalone video production services. They are evaluating expenses and implementing cuts when necessary, collaborating with other PEG - community television organizations, and supporting legislative efforts to modernize funding for ROW and PEG programming.

The next steps include sending the revised memorandum of understanding to the Council for approval, conducting a Town Square Television "Road Show" presentation at a Council meeting, and continuing communication on new initiatives and funding progress.

Mayor Dietrich said that the City looks forward to expanding its relationship with Town Square Television, particularly in communications and related initiatives. She asked whether these efforts represent the organization's goal for the upcoming year or a five-year objective, noting that the business model appears to be evolving significantly.

Ms. Baumann said the plan reflects immediate goals through 2030. She stated her priority is to keep Town Square Television open and staff employed, noting their excellent work. She added that without a new franchise fee option, the organization may need to close or merge, but her goal remains to continue telling the stories and news of Northern Dakota County Cities.

Mayor Dietrich said that she knows NDC4 and Town Square Television have received numerous awards, including several as recently as last year, and asked Ms. Baumann to highlight some of those achievements.

Ms. Baumann said Town Square Television has received seven national NTOA awards, including four Awards of Distinction and three Awards of Honor, and is nominated for seven regional Emmy Awards to be announced October 17. She added that *INSIGHT 7* is regularly nominated for both national and regional awards and commended Mr. Rafftery for his excellent work.

Council Member Scales thanked Town Square Television for their work on the State of the City production, noting the extensive effort involved and expressing appreciation to the team for their support.

Council Member Gliva said that she appreciated the mention of podcasts and asked whether there might be opportunities to generate revenue through fee-based classes or similar offerings.

Ms. Baumann said that fee-generating options are possible but noted that there are rules on the NDC4 side due to their quasi-governmental structure. She added that such activities would need to be managed through Town Square Television, with attention to applicable tax and accounting regulations.

Council Member Murphy said that he had no issues with the proposal.

Mayor Dietrich asked if the Council agreed with proceeding on the revised memorandum of understanding.

All Council Members agreed with proceeding.

Ms. Baumann reminded everyone that Ms. Jodie Miller's farewell party will be held on October 14th and asked those planning to attend to RSVP.

B. Convention & Visitors Bureau Budget & Update

City Administrator Wilson stated that the discussion would address two items regarding the Convention and Visitors Bureau (CVB): the annual presentation by Director LillyAnna Miller, including a recap of marketing activities and a budget request for the coming year, and a discussion on the future structure of the Bureau. She noted that City staff, in collaboration with the Chamber of Commerce, are developing a preliminary concept and seeking Council feedback before moving forward.

Director Miller said that quality is one of the organization's core values. Mayor Dietrich agreed, stating that this commitment to quality is evident and reflected in their social media presence.

Director Miller added that META recently notified them that their content is being shown to a larger audience because of its high quality.

Director Miller presented the 2026 Budget and Lodging Tax overview for the CVB. The mission of the CVB is to market and promote Inver Grove Heights to visitors to stimulate the community's economic vitality by building upon our connection to the river and parks, fun experiences, local businesses, and regional attractions.

The organization's core values include collaboration, service, integrity, change, and fun. Collaboration reflects the CVB's approach with partners. Service underscores its dedication to the community, while integrity ensures all actions are conducted with integrity. The CVB embraces change to focus on future growth and encourages enjoyment through its mission that "fun happens here."

The CVB Board of Directors includes Chair Kim Koenig from Microtel Hotel, Vice Chair Amy Buskerud from Holiday Inn Express, Treasurer Joe Harms from Mississippi Pub and River Heights Marina, along with Amy Looze from the City of Inver Grove Heights, Jolanta Young from Jolanta Young Photography & Design, and Nicole Ross from Nowhere Entertainment. On September 25, 2025, the CVB Board reviewed and approved the 2026 draft budget.

Recent accomplishments include the release of a new Visit Inver Grove Heights Visitors Guide, which highlights area hotels, local attractions, dining options, and the City's proximity to the Twin Cities, and more. Another highlight is the Holiday in the Heights Home Lights Competition, hosted for the second consecutive year. This event features 38 homes, 4 hotels, 3 attractions, and 1 restaurant marked on the community map. The related website will launch on November 1 at VisitIGH.com, with home registrations opening on November 15. Prizes will mirror the previous year's awards: $250 for first place, $150 for second, and $100 for third.

A new initiative, the Inver Grove Heights Local Savings Pass, is being developed to encourage local spending and attract visitors. Looking ahead, the CVB's 2026 focus areas include strengthening partnerships with community and regional stakeholders through collaboration, enhancing and expanding the Visit IGH social media presence, attracting more overnight group business by attracting tournaments, conferences, and meetings, and transitioning to a nonprofit entity. These priorities align with the 2025–2027 Strategic Plan.

A hotel rate comparison study was conducted to assess competitiveness within the metro area. As of September 27, 2025, hotel rates in Inver Grove Heights ranged from $93 to $127 per night. Comparable rates in surrounding cities included Apple Valley ($70–$132), Burnsville ($59–$110), Eagan ($62–$310), and Woodbury ($70–$201). These figures were measured using Google Maps on September 27, 2025. Dates measured include Friday through Sunday of the MEA weekend, a popular family travel weekend in October.

All CVB's in the metro area collect a minimum 3% lodging tax, and 96% of all communities in the State of Minnesota have adopted the same rate. The lodging tax is not a resident tax. For 2025 and 2026, the projected lodging tax revenue is $215,000 annually. Interest income remains steady at $4,000, while grant funding decreases from $8,000 in 2025 to zero in 2026. Total revenues are projected to decline by 3.52%, from $227,000 in 2025 to $219,000 in 2026.

The 2026 expenditure plan mirrors this total, balancing the budget at $219,000. Professional services and contracts remain the largest expenditure at $86,600, followed by advertising, notices, and publications at $102,543. Rentals and leases are budgeted at $7,200, while smaller expenses include telephone at $900, printed materials at $500, postage at $2,500, dues and subscriptions at $2,532, and training and travel at $3,475. Office and other supplies total $2,000 combined, and administrative charges at $10,750. The total expenditures reflect a 3.52% decrease consistent with revenues, maintaining a balanced budget for 2026.

Mayor Dietrich thanked Director Miller and congratulated her on the increased viewership and growing number of followers.

Administrator Wilson presented the CVB's structure and governance for the City.

The City has operated under a long-term but unwritten agreement with the River Heights Chamber of Commerce. Under this arrangement, the City reimburses the Chamber for office space, administrative costs, and personnel costs, and pays all other CVB invoices directly. The City Code requires the CVB Board to be appointed by the Council, but this is not occurring under current practice.

The proposed agreement would have the Chamber operate the CVB under contract with the City. Each year the Chamber would present a proposed budget and workplan to the Council. Governance would be provided by a seven-member Board of Advisors consisting of two individuals appointed by the Council, one staff member and one elected official, and five individuals appointed by the Chamber's Board of Directors, including at least one member of the Chamber's Executive Board and at least two individuals representing the lodging industry in Inver Grove Heights.

The City would convey 95% percent of lodging tax revenues to the Chamber each month. The Chamber would maintain CVB funds in a separate account from Chamber funds and provide quarterly budget reports to the City. No more than 50% of the budget could be spent on administrative costs as defined in the appendix, and CVB activities could not favor Chamber members.

Administrator Wilson explained that the agreement serves two main purposes: to formalize a written arrangement in place of the current informal one, and to address challenges of operating as a government entity, such as restrictions by the State Auditor on certain purchases. The change will provide the CVB with greater autonomy in daily operations and eliminate City reimbursements for office expenses, while maintaining oversight through Board representation, quarterly financial reports, and an annual presentation to the Council.

Director Miller said that she is excited for the opportunity to discuss the proposal and clarify how the organizations are connected. She emphasized the importance of establishing a clear structure so the work can proceed effectively.

Administrator Wilson added that the CVB considered becoming an independent nonprofit, but the overhead would have significantly reduced funds available for marketing given its modest budget and single staff member. After review, the recommendation returned to a model used by several metro area cities, including Hastings and Shakopee, in which the City contracts with the Chamber of Commerce to provide marketing and tourism services.

Mayor Dietrich said that providing the CVB with greater autonomy is a good idea. She noted that some current practices appear outdated and that modern tools, such as the use of gift cards, are now more relevant. She expressed support for including one staff member and one elected official on the Board, emphasizing that all parties are connected and that this structure would help ensure alignment in pursuing shared goals.

Council Member Murphy stated that he was in support of the proposal.

Council Member Gliva said that the proposal would likely save administrative time for both the City's Finance Staff and Director Miller, reducing unnecessary busy work and allowing time to be used more productively. She expressed support for the proposal.

Council Member Scales stated that he was in support of the proposal and asked whether Director Miller was comfortable with the 50% limit on administrative costs, emphasizing the importance of maintaining that balance.

Director Miller said she was comfortable with the 50% limit, stating that it is reasonable and that maintaining at least half of the budget for marketing is vital to their mission. She added that reducing administrative costs would be advantageous and that partnering with the Chamber could enhance long-term efficiency.

Council Member Scales asked, if only two individuals were appointed by the Council, which option would be most advantageous, having an elected official or a City staff member serve.

Administrator Wilson said that the Community Development Director previously served as the liaison to the CVB, but the Communications Manager now fills that role. She stated she has no strong preference if representation were reduced to one seat and noted that other Boards, such as NDC4 and Dakota 911, have varied forms of representation.

Director Miller said that during her time at Visit Grand Rapids, representation alternated between the City and County as terms expired. She suggested implementing a similar rotation between a Council member and City staff for future terms.

Council Member Scales clarified that he was not advocating for a Council member to serve on the Board, noting that Council members already serve on multiple committees, but stated he would have no objection if one were appointed.

Administrator Wilson noted that Board meetings are typically held during regular work hours, which may make it more practical for a City staff member to participate.

Council Member T'Kach said she preferred having one staff member and one elected official serve on the Board but could support either option. She would not be volunteering for the role. She suggested it could begin with a staff member and inquired about the proposed contract duration.

Administrator Wilson stated that if the proposed agreement is adopted this fall, it would take effect on January 1 and run through calendar years 2026, 2027, and 2028.

Council Member T'Kach said that without seeing the budget details, it is difficult to determine what the 50% administrative cost represents. She suggested tying staffing costs to specific projects and deliverables to provide a clearer picture of cost effectiveness and program value.

Administrator Wilson said that the draft agreement defines and distinguishes administrative and marketing expenses in alignment with the budget. Administrative expenses include staff-related costs, office operations, and professional services, while marketing expenses cover advertising, promotional materials, digital content, and related outreach activities.

Council Member T'Kach said the information does not clearly reflect total project costs, including staff time. She suggested allocating time and expenses by project to provide a more accurate understanding of overall and long-term costs.

Administrator Wilson said that City staff time is not typically allocated by project because all work performed is for the City, unlike contracted services such as the City Attorney, where time tracking is necessary. She explained that the CVB have one dedicated staff member and dividing that time into smaller project-based allocations has not been the standard practice but could be considered if desired.

Council Member Gliva said that detailed project-based accounting seemed unnecessary given the size of the operation, noting that with only one staff member, specific project costs could be reviewed as needed.

Director Miller said that the CVB follows a strategic plan outlining priorities over several years, with specific initiatives emphasized annually. She explained that her role includes managing timelines and coordinating external design work while developing and producing all written and visual content. She added that results will be monitored through distribution and online engagement metrics, allowing adjustments to spending if needed in future years.

Council Member T'Kach said that while the distinction may be largely semantic, understanding how staff time is allocated to specific projects helps evaluate their effectiveness. She noted that identifying where time yields the greatest results could guide future investment decisions but added that it was not a critical issue.

Mayor Dietrich commended Director Miller for her exceptional work, noting that the results and return on investment clearly demonstrate her effectiveness. She expressed full support for providing greater operational autonomy.

Administrator Wilson stated that the agreement would be reviewed with the Chamber and then brought back to the Council for consideration later this month or in early November.

C. 2026 Budget - Inver Wood Golf Course

Golf Clubhouse Superintendent Moynihan explained that the Golf Course accounts were restructured to streamline and simplify revenue reporting. When he and Golf Course Superintendent

Metz began, there were six separate departments under the Golf Course, but the structure has since been consolidated into two primary areas: Clubhouse Operations, overseen by Superintendent. Moynihan, and Maintenance, managed by Superintendent Metz. He emphasized that this restructuring was a collaborative effort aimed at improving budget forecasting and making the financial reporting process more efficient and easier to interpret.

The 2025 Golf Course Operating Fund includes total revenues of $2,776,465, while the proposed 2026 budget projects an increase to $2,874,000. Green Fees are expected to remain unchanged at $900,000, while Golf Cart Rentals are projected to increase from $578,000 in 2025 to $600,000 in 2026. Anniversary Memberships show the most significant gain, rising from $634,300 to $696,500. Practice Center Ball Sales are anticipated to grow from $215,000 to $240,000, and Golf Lessons are expected to see a slight increase from $26,800 to $27,000. Golf Shop Sales are projected to rise from $75,915 to $83,000. Food and Beverage Sales are forecasted to decline slightly from $97,400 to $96,000, and Alcohol Sales are expected to decrease from $153,500 to $150,000. Other Charges and Revenues are projected to drop from $95,550 in 2025 to $81,500 in 2026, reflecting anticipated year-end audit adjustments related to gain/loss on investment valuations and pension valuation changes that will fluctuate from year to year.

Noteworthy revenues for 2026 are expected to rise by 3.5% compared to the 2025 adopted budget. This increase assumes a 10% rise in Anniversary Membership revenue due to the current two-year membership drive, with revenues recognized in the 2026 and 2027 budgets. This 10% increase will depend on actual sales matching projections. The membership drive will conclude prior to final budget adoption, allowing adjustments if needed.

The proposed 2026 Green Fee schedule reflects a 4% across-the-board rate increase to align with rising operational expenses. Regular weekday 18-hole rounds would increase from $49 to $51, while weekday senior and junior rates would each rise from $35 to $36. The 9-hole weekday rate would increase from $27 to $28, with senior and junior 9-hole rates moving from $20 to $21. Weekend 18-hole rates are proposed to rise from $58 to $60, and 9-hole weekend rates from $38 to $40. The evening twilight rate would increase from $37 to $38.

Clubhouse Operations expenditures for 2026 total $1,293,600, representing 60% personnel, 20% supplies, and 20% charges and services. Personnel costs are projected at $776,250, supplies at $257,950, and other charges and services at $259,400. Capital outlay expenses will now be reported in the new Golf Course Capital Fund (Fund 551) beginning in 2026. Grounds and Maintenance expenditures total $972,500, with 69% for personnel, 18% for supplies, and 13% for charges and services. Personnel expenses are projected at $668,300, supplies at $181,000, and other charges and services at $123,200.

For 2026, total expenditures for the Golf Course Operating Fund are projected at $2,386,100, compared to $3,348,530 in the 2025 adopted budget. Operating expenditures are proposed at $2,266,100, an increase from $2,227,250 in 2025, with 57% allocated to Clubhouse Operations and 43% to Grounds and Maintenance. Clubhouse Operations expenditures are projected to rise from $1,247,650 to $1,293,600, while Grounds and Maintenance expenses are expected to decrease slightly from $979,600 to $972,500. Depreciation remains steady at $120,000, consistent with the previous year, while there are no budgeted amounts for Capital Outlay, Transfers Out, or Interfund Loan Payments in 2026. The notable decrease in total expenditures from 2025 is primarily attributed to the completion of the final interfund loan repayment of $546,053 and the absence of the 2024 transfer of $1,166,933.

Key expenditure highlights include elevated costs in 2023 and 2025 due to membership marketing drives. The 2025 fiscal year marks the final payment on a 2016 interfund loan related to course improvements, completing a three-year accelerated repayment plan of $1.6 million. Annual depreciation of $120,000 is smaller than in prior years because several larger improvements have been fully depreciated. The 2024 fiscal year included a $1,166,933 transfer out to establish the new Golf Course Capital Fund (Fund 551) and meet the minimum cash reserve policy for the Golf Course Operating Fund. For 2026, net operating income is projected at $487,900, with $2,874,000 in operating revenues and $2,386,100 in expenditures.

Looking ahead, the Golf Course will evaluate results from the 2025 Golf Maintenance Facility Feasibility Study to inform future CIP priorities for potential improvements to maintenance operations, storage capacity, and working conditions. Additional plans include acquiring a new golf cart fleet for 2026 and launching the new Anniversary Membership for 2026/2027.

Mayor Dietrich asked if the Golf Course replaces its golf carts approximately every seven years.

Mr. Moynihan reported that the current golf cart fleet has been in use for nine years, surpassing its typical lifespan, and rising maintenance costs now justify replacement. He stated that bids are being sought from Yamaha, EZGO, and Club Car for both gas and electric options, noting that converting the facility to electric carts would cost about $100,000. He added that golf cart prices have increased while trade-in values have declined, and that COVID-19 accelerated wear on the fleet due to higher usage and single-rider restrictions.

Councilmember T'Kach noted that the new golf carts include more advanced technology, which is something players increasingly expect and appreciate.

Mr. Moynihan explained that the new golf carts with GPS and geofencing would improve safety and operations by restricting access to certain areas, reducing risk and liability while allowing use in wet conditions to sustain revenue. He added that the system includes marketing and communication features such as in-cart ads, beverage ordering, and player alerts, which could lessen the need for rangers. Though the upgrades add cost, they offer notable safety, efficiency, and customer service benefits.

The newly established Golf Course Capital Fund (Fund 551) will handle all capital-related activities beginning in 2026. For that year, total revenues are projected at $160,000, including $40,000 in interest earnings and a transfer in-depreciation of $120,000. Expenditures include $635,000 for Golf Course Capital Projects and $43,000 for Facility Projects, resulting in a $518,000 decrease in the fund balance. The 2025 estimates included $367,500 in increases due to transfers from operating funds and membership-related revenues.

The 2026 Capital Projects list totals $678,000 and includes multiple improvements. These projects include step replacements for $15,000, an AC/furnace unit for $18,000, exterior tuckpointing for $25,000, front-end landscaping and retaining wall improvements for $100,000, and updated costs for golf cart replacements at $400,000 and the replacement of two triplex tee mowers at $110,000. A $10,000 purchase of a used Public Works truck was also added to the 2026–2030 draft CIP after presentation to the Council.

Mayor Dietrich asked if the step replacement is scheduled to be completed this year.

Superintendent Metz explained that while stone had been considered for the step replacement due to its durability, it is not the most practical option. He noted that golfers using two- or three-wheel carts rely on the built-in side ramps along the steps, allowing them to walk down while their trolleys roll beside them. Because stone would not accommodate this design and would be difficult to install along such a long stretch, the steps will likely remain constructed of treated cedar.

In 2026, the Golf Course Capital Fund (Fund 551) begins with a balance of $1,534,433. Revenues are projected at $40,000, supported by a $120,000 transfer from depreciation, resulting in total available funds before expenditures of $1,694,433. Planned capital spending includes $635,000 for Golf Course Capital Projects and $43,000 for Facility Projects, leaving an ending balance of $1,016,433. In 2027, the beginning balance of $1,016,433 grows through $30,493 in revenues, a $120,000 depreciation transfer, and an additional $1,328,500 operating transfer linked to the Anniversary Membership drive. After $240,000 in capital project expenditures, the year ends with $2,255,426. For 2028, starting with $2,255,426, revenues of $67,663 and the standard $120,000 depreciation transfer are offset by $125,000 in capital projects, ending with $2,318,089.

The 2029 projections show continued growth, beginning with $2,318,089, supplemented by $69,543 in revenues, a $120,000 depreciation transfer, and an additional $1,380,000 operating transfer from the next membership drive. After $175,000 in capital projects, the ending balance is projected at $3,712,631. In 2030, the beginning balance of $3,712,631 increases by $111,379 in revenues and a $120,000 depreciation transfer, with $580,000 allocated for capital projects, resulting in an ending balance of $3,364,010. The financial model illustrates that in years when the City conducts its Anniversary Membership drive, additional operating transfers are made to capture related cost collections, ensuring the fund remains strong and adequately financed for future capital needs.

Mayor Dietrich asked when the golf season is anticipated to end this year.

Superintendent Metz stated that it is difficult to predict the exact end of the golf season but based on historical weather data the course typically closes during the first week of November. He explained that staff closely monitor conditions each year to allow about one week to ten days to properly prepare and secure the course before snowfall. He added that the course generally aims to close before Veterans Day, with November 7 likely being the latest possible date if weather conditions remain favorable.

D. 2026 Budget Discussion – Utility Funds

Public Works Director Connolly presented the 2026 Budget for the Utility Operating and Capital Funds, providing a comprehensive financial overview of the City's Water, Sewer, and Stormwater Funds. The budget outlines proposed rate adjustments, summarizes key expenditures, and includes long-term financial projections to maintain fiscal responsibility while ensuring the continued maintenance and improvement of the City's essential utility infrastructure.

The 2026 budget for the Water Operating Fund includes a proposed 10% increase in both fixed and volumetric water rates. This adjustment follows the projections outlined in the rate study, which estimated 10% annual increases through 2029, then a decrease to 8% for fixed rates and 3.5% for volumetric rates beginning in 2030.

The Water Operating Fund expenditures for 2026 reflect several key adjustments. Personnel costs are projected to increase by 8% over 2025 due to additional overtime needs, higher health insurance premiums, and the implementation of new paid family and medical leave benefits. Professional services and contracts are expected to rise by 37%, primarily to fund the second phase of the Lead Service Line Inventory mandated by Phase 2 of the Minnesota Department of Health and to complete the required Wellhead Protection Plan update due by early 2027. The depreciation assumption is based on the AE2S rate model established in the most recent utility rate study.

The Water Operating Fund expenditures demonstrate consistent growth in all major categories between 2024 and 2026. Personnel expenses increase from $851,617 in 2024 to $945,400 in 2025 and $1,020,700 in 2026. Supplies rise from $240,409 in 2024 to $316,675 in 2025 and $318,713 in

2026, while other charges and services grow from $1,614,463 in 2024 to $1,825,535 in 2025 and $1,826,050 in 2026. The subtotal for operating expenditures increases from $2,706,489 in 2024 to $3,087,610 in 2025 and $3,165,463 in 2026. Depreciation, which was not included in 2024, is budgeted at $1,157,205 in 2025 and $1,191,921 in 2026. The audit-reporting period adjustment of $(288,837) in 2024 is no longer applicable in 2025 or 2026. Transfers out totaled $1,646,426 in 2024 but are not included in either 2025 or 2026. Overall, total expenditures for the Water Operating Fund increase from $4,064,078 in 2024 to $4,244,815 in 2025 and $4,357,384 in 2026, ensuring continued operational stability and alignment with long-term financial planning. With the creation of a new Water Capital Fund in 2023, and minimum cash reserve policy, depreciation is budgeted within the Operating Fund but occurs within the Capital Fund; and this depreciation figure is assumed to be equivalent to the minimum cash transfer available.

The 2026 Water Operating Fund (Fund 510) reflects stable financial performance with modest growth in both revenues and expenditures. Revenues are projected to increase from $4,179,500 in 2025 to $4,411,500 in 2026.Total operating expenditures are projected to rise slightly from $3,087,610 in 2025 to $3,165,463 in 2026, while depreciation expenses increase from $(1,157,205) to $(1,191,921). After accounting for these expenses, the fund is expected to generate an addition of $54,116 to the fund balance in 2026, compared to a reduction of $65,315 in 2025. Depreciation continues to serve as the minimum cash transfer required to support future Water Capital improvements. In 2024, the cash reserve transfer from the Water Operating Fund to the Water Capital Fund totaled $1,084,676.

The Water Capital Fund (Fund 511) revenues for 2026 are projected at $620,000 from development fees and interest, compared to $1,283,370 in 2025. Additional funding sources include PFAS settlement funds, which totaled $380,263 in 2025 with additional amounts to be determined for 2026, and a $1,191,921 transfer from depreciation, slightly higher than the $1,157,205 transferred in 2025. The 2025 budget also included a one-time $600,000 transfer from Monopole revenue and a $2,165,171 PFAS water loan, neither of which are included in the 2026 budget.

Total expenditures for 2026 are projected at $(2,703,000) for Water Capital projects, a reduction from $(4,904,874) in 2025, PFAS loan payments increase from $(36,171) in 2025 to $(120,640) in 2026 and transfers out to Street projects decrease significantly from $(1,950,835) to $(455,879). Overall, the fund is expected to experience a reduction in its Capital Fund balance of $(1,467,598) in 2026, compared to a decrease of $(1,305,871) in 2025.

Council Member Gliva asked whether the developer fees and interest amounts for 2024 were known, noting that the current figure appears to be roughly half of last year's total.

Administrator Wilson explained that the City budgets conservatively for development-related fees, as their timing and amounts are beyond the City's control. She noted that while some years may yield higher revenues, others may be significantly lower, reinforcing the need for a cautious budgeting approach.

Finance Director Hove noted that the amount for 2024 appears to be under $500,000.

Council Member T'Kach asked whether the development fees and interest represent amounts due to the City based on differences between the Northwest Area and other parts of the City. She inquired how the figure is calculated and whether there is a formula used to project where development is likely to occur.

Administrator Wilson explained that development fees are collected when projects reach the final plat stage and again when building permits are issued, with revenues sometimes spanning multiple years. She added that the interest represents earnings on the fund balance.

The City began receiving PFAS settlement funds in 2025, with $380,263 received to date from the 3M settlement and the possibility of additional payments in 2025 or 2026, with the total amount yet to be determined. These funds are deposited into the Water Capital Fund under a dedicated revenue account (4671). Staff recommend that all PFAS settlement funds be reserved for potential future PFAS remediation, as legal settlements currently represent the only funding source available for such efforts. Although the City does not currently have a PFAS remediation need, it is anticipated that future Environmental Protection Agency and Minnesota Department of Health regulations may become more stringent, potentially requiring remediation activities. Maintaining these funds in reserve will be important for future planning and compliance. The City can re-evaluate separate PFAS funding account in the future as more settlement money is received, or clarity on future EPA and MDH treatment requirements is provided.

The Water Capital Fund expenditures show a significant increase from $2,736,737 in 2025 to $3,158,879 in 2026. Funding for well pump and service rehabilitations increases from $30,000 in 2025 to $75,000 in 2026. The Water Treatment Plant rooftop unit allocation of $20,000 in 2025 is not included in 2026, while a new $13,000 expense is added for a treatment plant exhaust unit. The sludge pump replacement budget grows from $35,000 to $50,000, and the high-service pump rehabilitation decreases slightly from $50,000 to $45,000. The largest expenditure in 2026 is $1,750,000 for automated metering infrastructure and meter replacements or upgrades, up from $200,000 in 2025. Additional 2026 projects include $100,000 for Northside Water Tower painting design, $50,000 for Water Tower tank mixers, and $20,000 for programmable logic controller improvements (wells). A new $600,000 allocation is also added for the Monopole project. Transfers out to Street projects decrease significantly from $2,381,737 in 2025 to $455,879 in 2026.

The Water Capital Fund (Fund 511) financial model from 2026 through 2030 reflects stable management of revenues, expenditures, and reserves over the five-year period. The beginning cash balance is $16,233,937 in 2026, decreasing to $14,766,339 in 2027, $11,434,177 in 2028, $8,884,244 in 2029, and $7,933,746 in 2030. Annual revenues are projected at $620,000 in 2026, $595,000 in 2027, $570,000 in 2028, and $520,000 in both 2029 and 2030. Transfers in from depreciation gradually increase each year, starting at $1,191,921 in 2026, rising to $1,227,679 in 2027, $1,264,509 in 2028, $1,302,444 in 2029, and $1,341,518 in 2030.

Capital project expenditures are forecast at $(2,703,000) in 2026, $(3,925,000) in 2027, $(2,180,000) in 2028, $(855,000) in 2029, and $(250,000) in 2030. Additional PMP capital projects total $(455,879) in 2026, $(1,091,944) in 2027, $(2,066,570) in 2028, $(1,780,139) in 2029, and $(561,185) in 2030. Debt payments remain relatively consistent, with $(120,640) in 2026, $(137,897) in 2027, $(137,872) in 2028, $(137,803) in 2029, and $(137,691) in 2030.

After accounting for all revenues, transfers, and expenditures, the ending cash balances are projected at $14,766,339 in 2026, $11,434,177 in 2027, $8,884,244 in 2028, $7,933,746 in 2029, and $8,846,388 in 2030. When the reserved PFAS settlement funds of $(380,263) are subtracted each year, the available cash balances are $14,386,076 in 2026, $11,053,914 in 2027, $8,503,981 in 2028, $7,553,483 in 2029, and $8,466,125 in 2030.

The 2026 Sewer Operating Fund revenue plan includes a 5% increase in the fixed sewer rate and a 3% increase in the volumetric rate. The rate study outlines forecasted increases for the fixed rate of 7% in 2025, 5% in 2026 and 2027, 4% annually from 2028 through 2031, and 3% in 2032. The volumetric rate is projected to rise by 6% in 2025, 3% in 2026, and 2% annually from 2027 through 2032. These rate projections are heavily dependent on Metropolitan Council treatment charges – 2026 has a lower rate increase than originally projected, but that could go back up in future years and require larger City rate increases to match. The current proposed rates will keep pace with Metropolitan Council rate increase plus help cover debt payments.

The Sewer Operating Fund expenditure overview highlights two key adjustments for 2026. The Metropolitan Council Sewer Services (5373) charge is forecasted to increase by 1.56% over 2025 costs. Historically, regional increases were 5.50% in 2023, 6.80% in 2024, 5.60% in 2025, and are projected at 5.8% in 2026, while Inver Grove Heights experienced corresponding increases of 6.29% in 2023, 7.40% in 2024, 4.05% in 2025, and an anticipated 1.56% in 2026. In addition, the depreciation assumption (5495) is increasing from $800,000 to $900,000, consistent with the prior year's budgeted value.

The 2026 Sewer Operating Fund (Fund 520) shows continued financial stability with growth in both revenues and fund balance. Revenues are projected to increase from $5,141,000 in 2025 to $5,676,000 in 2026. Operating expenditures are expected to rise modestly from $(3,907,095) in 2025 to $(3,941,769) in 2026, while depreciation expenses increase from $(800,000) to $(900,000). After accounting for these expenditures, the fund is projected to generate an addition of $834,231 to the fund balance in 2026, compared to $433,905 in 2025. Depreciation is assumed to be equivalent to the transfer needed to fund future Sewer Capital improvements; additional funds are also needed to cover debt service payments. In 2024, the cash reserve transfer from Sewer Operating to Sewer Capital was $1,397,984.

The Sewer Capital Fund (Fund 521) for 2026 reflects a strong financial position supported by stable revenues and reduced expenditures compared to the prior year. Total revenues are projected at $485,500 from development fees, interest, and other sources, down from $812,456 in 2025. Transfers in include $900,000 from depreciation, up from $800,000 in 2025; $750,000 in additional operating transfers, an increase from $667,883 in 2025; and $500,000 from the Host Community Fund, which was not included in 2025. The 2025 budget also reflected a one-time transfer of $1,045,756 from a Closed Bond Fund, which is not included in 2026.

On the expenditure side, Sewer Capital Projects total $(390,000) in 2026, reduced from $(650,000) in 2025. Debt payments remain consistent at $(1,040,581), only slightly below the $(1,045,756) in 2025. Transfers out to Street Projects decrease significantly from $(1,858,837) in 2025 to $(754,409) in 2026. Overall, the fund shows a positive change in its balance of $450,510 for 2026, compared to a decrease of $(228,498) in 2025.

The Sewer Capital Fund expenditures for 2026 total $2,184,990, representing a decrease from the 2025 original budget of $3,570,333. Funding for sanitary sewer cleaning and televising increases slightly from $370,000 in 2025 to $390,000 in 2026. The 2025 allocation of $270,000 for sanitary sewer rehabilitation and $10,000 for a programmable logic controller at the Pine Bend Lift Station are not included in the 2026 budget. Debt payments and related fees remain stable at $1,040,581, compared to $1,045,756 in 2025. Transfers out to Street Projects are significantly reduced from $1,874,577 in 2025 to $754,409 in 2026.

The Sewer Capital Fund (Fund 521) modeling for 2026 through 2030 reflects a stable and well-managed financial outlook, supported by steady revenues, consistent transfers, and strategic adjustments to capital spending. The beginning balance is $6,056,410 in 2026, increasing to $6,506,920 in 2027, before fluctuating slightly to $5,823,743 in 2028, $6,252,823 in 2029, and $5,071,034 in 2030. Annual revenues remain consistent, with $485,500 in 2026, $499,708 in 2027, $479,212 in 2028, $492,085 in 2029, and $456,631 in 2030. Transfers in include $900,000 per year from depreciation and $750,000 per year from additional operating sources. A one-time $500,000 transfer from the Host Community Fund is included in 2026, but no additional transfers are projected in subsequent years.

Capital expenditures, with $(390,000) budgeted for 2026, $(1,065,000) for 2027, $(430,000) for 2028, $(1,225,000) for 2029, and $(475,000) for 2030. Pavement Management Program (PMP) capital projects are estimated at $(754,409) in 2026, $(723,209) in 2027, $(225,670) in 2028, $(1,045,499) in 2029, and $(223,955) in 2030. Debt payments remain relatively consistent, totaling $(1,040,581) in 2026, $(1,044,675) in 2027, $(1,044,463) in 2028, $(1,053,375) in 2029, and $(1,046,488) in 2030. The Sewer Capital Fund's ending cash balance is projected at $6,506,920 in 2026, $5,823,743 in 2027, $6,252,823 in 2028, $5,071,034 in 2029, and $5,432,222 in 2030.

Based on long-range forecasting, the Sewer Capital Fund is projected to dip just below $5 million in 2037. The previous year's fund modeling proposed a $1 million transfer from the Host Community Fund beginning in 2026 and running through the expiration of the existing sewer debt. However, due to healthier revenues and lower CIP costs, staff are now recommending that this transfer be reduced to $500,000 for 2026, with the need to be evaluated annually moving forward. In 2025, the City transferred just over $1 million from the Closed Bond Fund to help offset the 2025 debt payments.

The Stormwater Operating Fund (Fund 530) revenue plan for 2026 includes a proposed 25% rate increase for non-NWA residents and a 5% increase for NWA residents. These adjustments are part of the City's long-term goal to align or converge the rate structures between the two areas as NWA residents currently pay higher rates. The findings of this study are scheduled for discussion at the November 3 Council Work Session; however, the study will not be completed in time for implementation at the start of 2026.

The Stormwater Operating Fund expenditure overview for 2026 highlights several noteworthy adjustments. Dues and Subscriptions (5335) are increasing by 14% over 2025 levels to cover higher contributions to the Lower Mississippi River Watershed Management Organization (LMRWMO) and the Eagan-Inver Grove Heights Watershed Management Organization (EIGHWMO). Repair and Maintenance (5420) is also increasing by 14% over 2025, reflecting systematic and planned annual increases in preventative maintenance to address ongoing maintenance needs. This includes culvert repairs, pond and drainage basin tree removal, erosion restoration, and general storm structure and casting repairs. The Transfer for Street Sweeping (5990) is increasing by 25% over 2025, with the Stormwater Fund continuing to pay 50% of the City's total street sweeping costs.

The Stormwater Operating Fund expenditures show a moderate increase across most categories between 2024 and 2026. Personnel costs rise from $271,156 in 2024 to $305,400 in 2025 and $316,500 in 2026. Supplies total $3,915 in 2024, decrease to $150 in 2025, and rise again to $3,300 in 2026. Other Charges and Services increase from $245,362 in 2024 to $405,470 in 2025 and $425,815 in 2026. The subtotal for operating expenditures grows from $520,433 in 2024 to $711,020 in 2025 and $745,615 in 2026. Depreciation is budgeted at $255,000 in 2026, up from $245,000 in 2025. An audit-reporting period adjustment of $227,646 occurred in 2024 but is not applicable in later years. Transfers out total $601,249 in 2024, decrease to $64,000 in 2025, and increase to $80,000 in 2026. Overall, total expenditures decrease from $1,349,328 in 2024 to $1,020,020 in 2025, then rise slightly to $1,080,615 in 2026.

The 2026 Stormwater Operating Fund (Fund 530) revenues are projected to increase from $1,155,515 in 2025 to $1,555,615 in 2026. Total operating expenditures are expected to rise from $(711,020) in 2025 to $(745,615) in 2026, while the transfer out for 50% of the City's street sweeping costs increases from $(64,000) to $(80,000). Depreciation expenses are increasing from $(245,000) in 2025 to $(255,000) in 2026. After accounting for these expenditures, the fund is projected to add $475,000 to its balance in 2026, compared to $135,495 in 2025. Depreciation, which is a non-cash transaction, represents the minimum amount designated to fund future Storm Water Capital improvements. In 2024, the cash reserve transfer from Stormwater Operating to Stormwater Capital was $369,331.

The 2026 Stormwater Capital Fund (Fund 531) revenues are projected at $350,000 from development fees, interest, and other sources, compared to $309,521 in 2025. Transfers into the fund include $255,000 from depreciation, up from $245,000 in 2025; $157,300 from additional operating transfers, up from $143,000; and $500,000 from the Host Community Fund, which is a reduction from $1,500,000 in 2025.

Director Connolly asked Director Hove to confirm whether there are any planned transfers from the Host Community Fund beyond the current year.

Director Hove stated that the plan is to maintain a consistent transfer of $500,000 until rates and rate revenue are sufficient to cover capital needs.

Expenditures for 2026 include $(960,000) for Stormwater Capital projects, a significant increase from $(270,000) in 2025, and $(1,657,708) for transfers out to Street Projects, compared to $(1,423,025) in the prior year. Overall, the fund is projected to experience a decrease in its Capital Fund balance of $(1,355,408) in 2026, following a positive increase of $504,496 in 2025.

Mayor Dietrich asked how the $1 million shortfall will be covered.

Director Connolly clarified that the amount represents a decrease to the fund balance rather than a true shortfall. He explained that fund balances fluctuate based on capital expenditures, noting that 2025 reflects a lower expenditure year with an increase to the fund balance, while 2026 shows higher expenditures resulting in a reduction.

The Stormwater Capital Fund expenditures increase from $1,637,025 in the 2025 original budget to $2,617,708 in the 2026 proposed budget. Funding for minor drainage improvements remains unchanged at $85,000 in both years. New allocations for 2026 include $20,000 for raingarden inlet rehabilitation, $20,000 for MS4 program implementation efforts, $620,000 for the 64th Street outfall replacement project, and $150,000 for the Marcott Woods Park Ravine restoration. The original 2026–2030 CIP estimated the 64th Street outfall replacement at $750,000. Projects included in 2025, such as $75,000 for the Dickman Trail outfall culvert replacement and $50,000 for the Pond JP-1 outlet skimmer, are not included in the 2026 plan. Sewer and storm televising costs increase slightly from $60,000 in 2025 to $65,000 in 2026. Transfers out to street projects grow from $1,367,025 in 2025 to $1,657,708 in 2026.

The Stormwater Capital Fund (Fund 531) modeling for 2026 through 2030 demonstrates a stable financial outlook, supported by consistent funding transfers and planned capital investment. The beginning balance is $5,491,582 in 2026, decreasing to $4,136,174 in 2027, $4,563,209 in 2028, $4,483,335 in 2029, and $3,931,918 in 2030. Annual revenues total $350,000 in 2026, increase to $1,674,085 in 2027 due to the inclusion of $1.35 million in anticipated State grant funding for the Gisch Pond Rehabilitation Project, and then moderate to $336,896 in 2028, $334,500 in 2029, and $317,958 in 2030. Transfers in from depreciation remain steady at $255,000 in 2026 and 2027, increasing gradually to $260,000 in both 2028 and 2029, and $265,000 in 2030. Transfers in from additional operating sources grow annually from $157,300 in 2026 to $173,030 in 2027, $190,333 in 2028, $209,366 in 2029, and $230,303 in 2030.

The Host Community Fund continues to provide strong support, contributing $500,000 annually from 2026 through 2030. This amount reflects a reduction from prior years, which included transfers of $1 million in 2023, $1.1 million in 2024, and $1.5 million in 2025. Capital project expenditures fluctuate significantly over the five-year period, with $960,000 in 2026, $1,690,000 in 2027, $395,000 in 2028, $200,000 in 2029, and $245,000 in 2030. Capital Project-PMP expenses are projected at $1,657,708 in 2026, $485,080 in 2027, $972,104 in 2028, $1,655,283 in 2029, and $326,726 in 2030. The ending cash balances for each year are projected at $4,136,174 in 2026, $4,563,209 in 2027, $4,483,335 in 2028, $3,931,918 in 2029, and $4,673,452 in 2030.

Council Member T'Kach asked whether the transfer from the Host Community Fund could be reduced more quickly and how that might impact the ending cash balance. She also inquired what level would be considered a comfortable balance.

Director Connolly stated that the question could be further addressed during the rate study discussion with the full Council. He explained that reducing reliance on Host Community Funds would require additional rate-generated revenue. He noted that stormwater projects are limited by available funding, with an estimated $20–25 million backlog, and that no formal cash balance policy exists for capital funds. The goal is to maintain year-over-year stability while preparing for future large projects.

Mayor Dietrich expressed appreciation for the transparency and efforts to address the inherited shortfall.

Administrator Wilson clarified that while the table reflects a 25% rate increase for stormwater fees, the actual dollar amounts are relatively modest. She explained that the fees vary by zoning classification, noting that in 2024, R1C properties paid $4.14 per month, which increased to $5.18, and R1A properties paid $8.76 per month, which increased to $10.95. She emphasized that although the percentage appears significant, the monetary impact is comparatively small.

Mayor Dietrich asked whether there was any specific input or direction needed from the Council.

Administrator Wilson stated that staff will return for budget adoption and present rate structure resolutions aligning next year's rates with the proposed percentages. She asked Council to inform staff if any additional information is needed before considering the rate resolutions, likely at the last meeting in November. Otherwise, staff will present rates consistent with the budgets and percentages discussed.

E. Central Maintenance Facility

Administrator Wilson provided an overview of the New Central Maintenance Facility next steps. It focuses on the operational needs of the City, specifically for the Streets, Fleet, Parks, and Utilities divisions. These needs include providing functional and safe spaces to work, ensuring the security and lifespan of the City's fleet and equipment, and promoting operational effectiveness and efficiency. Public engagement is emphasized, raising questions about how to inform, educate, and involve residents and taxpayers, to what level they should be involved, and in what role. Timing is highlighted as a critical consideration since the more time that passes, the higher the construction cost will become.

The next step focuses on determining whether the Council still sees a need for a new or expanded Central Maintenance Facility as outlined in the Needs Analysis.

The scope of the project seeks to confirm whether the Council continues to support the key needs and priorities identified in the Needs Analysis. These priorities include larger mechanics spaces with maintenance bays capable of accommodating all vehicles, additional vehicle storage, and adequate storage for parts, materials, and hazardous waste. Identified workshop needs include a woodshop, metal and welding shop, sign shop, and small tool repair spaces. The analysis also highlights the need for expanded staff support areas, such as locker rooms, break rooms, additional offices, training rooms, and meeting rooms, as well as increased sheltered storage capacity.

The discussion items for Council included whether to proceed with the design and construction of the proposed stand-alone facility or explore a reduced scope and identify priority needs. The Council should also consider establishing consensus on parameters such as cost, size, and overall project goals and priorities, along with determining next steps for staff and the desired implementation timeline.

Mayor Dietrich noted that the Central Maintenance Facility was identified as a need 15 years ago but has been repeatedly deferred. She emphasized the importance of addressing the issue transparently and acknowledged the challenges faced by Public Works employees who have continued operating under inadequate conditions. She stated her belief that there remains a clear need for a new or expanded facility.

Council Member Scales stated that he agreed, emphasizing that the City still needs a new and expanded facility. He suggested there may be an interim or phased approach to consider but stressed that the project cannot be delayed any longer.

Council Member Murphy stated that the facility is a critical need, noting it is nearly unusable and unable to support timely fleet repairs. He warned that equipment failures during major snow events would underscore the urgency. While recognizing the high cost, he said the estimates reflect real needs and that the Council lacks the expertise to identify reductions. He concluded the project should proceed and be presented to voters.

Council Member Gliva agreed there is a clear need for a new facility, as shown by the needs analysis. She said the specifics should be determined by experts but shared residents' concerns about the high cost. While hoping for some cost reductions, she cautioned that delaying the project could increase expenses.

Council Member T'Kach suggested revisiting the study that evaluated rehabbing or expanding the existing maintenance facility as one possible approach. She said additional information from consultants would be helpful and encouraged exploring a phased plan that allows for future expansion rather than completing everything at once. She also recommended reviewing practices from other cities for guidance.

She discussed the potential to contract out maintenance for some larger vehicles to reduce the need for additional space and emphasized distinguishing between wants and needs. She noted mixed feedback from residents, with some support but concerned about the cost and others opposed altogether. She suggested increasing public engagement through tours and discussions and exploring financing options that extend beyond property taxes to distribute costs more broadly.

Council Member Scales asked Council Member T'Kach for clarification, stating that the main question is whether there is a need for the facility, noting that design considerations can be addressed later.

Mayor Dietrich acknowledged Council Member T'Kach's comments, noting they were good questions, but reminded the Council to focus on the questions presented by staff and asked her to weigh in on that topic.

Council Member T'Kach stated that she believes there is a need for facility improvements and asked staff to clarify what specific benefits the project would provide.

Administrator Wilson stated that she would review how to assign a dollar value to potential efficiencies and noted that the needs analysis included options for expanding the existing building, which staff could revisit for further discussion.

Mayor Dietrich recalled that the Council had already reviewed all options and unanimously voted to move forward in the current direction. She stated that if the matter were to return to the Council, it should be for specific reasons rather than revisiting the entire discussion.

Administrator Wilson stated that staff could provide the Council with specific sections of the report to review individually or ensure they are available on the City's project webpage for public access.

Administrator Wilson explained that the Council could choose to prioritize certain elements of the new facility, such as mechanic space or compliance-related areas, over sheltered storage. In response to Council Member T'Kach, she noted that theft has not been an issue, and the main concerns are equipment efficiency and lifespan due to exposure and limited storage, not vandalism.

Mayor Dietrich noted that personnel is the City's greatest expense and that inefficiencies from poor storage waste valuable staff time. She added that proper vehicle storage is essential during snow events, as warmed diesel engines ensure timely response and clear return on investment.

Council Member Scales stated that establishing project priorities would be beneficial and help guide the discussion.

Mayor Dietrich stated that staff should take the lead in setting priorities, noting that she does not work with the operations on a day-to-day basis.

Council Member Scales stated that it would be difficult to prioritize without more detailed information and suggested asking specific questions about certain areas, such as locker rooms and staffing needs. He noted that providing adequate space for women employees should be a high priority but said additional information is needed before ranking priorities.

Council Member Murphy stated that while he did not disagree, he emphasized that residents will ultimately vote on the project, and the City will live with the outcome. He questioned how effectively priorities can be set before the vote, noting that the facility's impact will extend over the next 20 years.

Administrator Wilson stated that the new facility would be expected to provide more than 50 years of service.

Mayor Dietrich suggested that the Council first determine how the project will be financed before engaging in further discussions about priorities, noting that decisions on whether it will go to a vote or proceed in another way will help clarify next steps.

Administrator Wilson explained that the Council could pursue financing the project through a voter-approved General Obligation Bond referendum within the next year, though she noted that similar referendums in Minnesota have failed, including one by a northern city where a $7 million proposal was rejected by 91% of voters. She stated that Public Works projects tend to receive less support than Police or Fire initiatives.

She outlined alternative funding options, including pursuing a local option sales tax, which would require legislative approval followed by a public vote. While rare, she cited examples from Oakdale and Golden Valley that successfully used this approach. A supporting study from the University of Minnesota Extension could estimate how much sales tax revenue would come from residents versus visitors, with the earliest possible timeline being a 2026 ballot measure.

She also discussed Lease Revenue Bonds as another option. Under this model, the EDA would issue bonds and lease the facility to the City, avoiding a referendum but likely prompting public debate. These bonds have a slightly lower credit rating and higher interest rate but similar overall cost to General Obligation Bonds.

She added that the City could continue design work to develop more precise cost estimates before revisiting bond options. She also suggested the Council could consider reducing the project scope, identifying cash funding to lessen borrowing needs, or structuring bond payments to gradually phase in tax impacts. She offered to prepare a more detailed report or analysis on any of the financing options, including specific interest rates and total project costs.

Council Member Scales stated that he would like to hear from the City's legislative representatives about the sales tax option, the process involved, and whether they would be likely to support it.

Council Member Gliva asked how long the sales tax remained in place, noting that such taxes often become permanent once implemented.

Administrator Wilson stated that this information would be included in a more comprehensive report. She explained that a local sales tax must be designated for capital projects and can fund up to five specified projects or one. The tax is approved for a defined period.

Council Member Gliva stated that determining the sales tax impact would likely require a detailed study. She noted that visible taxes in places like St. Paul can discourage spending, as residents often react negatively to multiple added taxes.

Mayor Dietrich asked Clerk Malott to read the quick facts about Oakdale's sales tax referendum. She noted that the City held an initial vote followed by another to extend it. If both were approved, the 0.5% local sales tax rate would remain the same, but the sunset date would extend from 2048 to 2053 to generate an additional $9 million. About 50% of Oakdale's sales tax revenue comes from nonresidents who shop in the community.

Administrator Wilson clarified that while Oakdale found that 50% of its sales tax revenue came from nonresidents, the same assumption cannot automatically be applied to Inver Grove Heights.

Council Member Scales stated that data shows more people leave the City each day than come into it.

Council Member T'Kach stated that while not moving away from the sales tax discussion, she supports providing more detailed information on what the project would deliver and increasing public engagement through presentations that show potential designs, benefits, and compliance with ADA and facility requirements. She said that although no design exists yet, the next question is whether to move forward with one.

She noted that many residents were surprised by the project and emphasized the need for clear communication about costs, design, and measurable benefits such as improved vehicle longevity or staff efficiency. She said residents appreciate current snow removal services and want to understand how the investment would enhance those operations. She added that the Council must clearly define the need for the project and demonstrate that all options have been considered, including earlier repair estimates ranging from $4 million to $15 million to extend the life of the existing building.

Administrator Wilson stated that repairing the existing facility would not be a long-term solution, as the City has already outgrown the space. She noted that while there was a cost estimate for deferred maintenance, even maintaining the building for a single division would still require a significant investment.

Council Member T'Kach stated that the City could explore options such as keeping and expanding the existing facility or constructing a smaller building on nearby flat land. She noted that while the project envisions a large space, designers and architects could help determine what could be achieved within a reduced footprint at 35,000 or 50,000 square feet.

Director Connolly emphasized that the needs analysis was a thorough, year-long process that identified existing deficiencies and space limitations rather than ranking priorities. He explained that the study examined options such as expanding the existing facility and included input from staff, consultants, and the Council. While the analysis could be revisited, he noted this would require the Council's agreement to pause design work and return to that stage, which he does not recommend since the work has already been completed.

He stated that the purpose of the current discussion is to confirm whether the Council still believes there is a need for the project and to determine which funding options, if any, warrant further exploration. He stressed the importance of clear direction and a shared vision from the Council, as staff needs to know whether to continue moving forward or return to reevaluate prior work.

Council Member Murphy stated that while he understood Administrator Wilson's findings about referendum challenges, he believes the City must still move forward with the project. No one wants higher taxes, but they are unavoidable in this case, and residents will accept the increase if the need is clearly demonstrated. He expressed confidence that the community trusts the Council and supports transparency but noted that communication must improve to show residents the project's value. He added that delaying the project could create future problems, such as reduced snowplow efficiency or inadequate facilities for female employees and said the City should obtain more information on tax options and proceed with construction.

Council Member Scales stated that it would be valuable to gather resident feedback on the financing options now that a sales tax is known to be possible. He said it would be helpful to understand which option residents prefer or if they support either before proceeding further. He added that if one option is unlikely to succeed, the City should avoid spending a year pursuing it only to later find that residents would have favored a different approach.

Administrator Wilson explained that cities and school districts often engage professional communications or polling firms, such as Morris Leatherman, before referendums to gauge public opinion and share information about projects. While taxpayer funds cannot be used for advocacy, they can fund education campaigns outlining project size, costs, impacts, and benefits. She said polling can help identify community preferences and support for different financing options, though it would add time to the process. Any public vote would likely delay the project by about a year, with November 2026 being the earliest practical date.

Council Member Scales agreed that conducting research would be more cost-effective than moving forward with design and engineering before confirming the best path forward.

Administrator Wilson explained that pursuing any option other than Lease Revenue Bonds would delay the project by at least a year. She noted that voter referendums for property or sales taxes can only occur on five specific days each year: the first Tuesday in February, the first Tuesday in April, the first Tuesday in May, the first Tuesday in August, or on General Election Day in November. Holding a special election in February, April, or May would be costly and draw limited voter turnout, so August or November would be preferable. Ballot questions must be finalized 84 days in advance, meaning an August 2026 election would require a decision by mid-May. However, since the Legislature would still be in session then, November would be the most feasible timeframe for a sales tax question.

Council Member T'Kach clarified that she had understood the discussion to be referring to Lease Revenue Bonds rather than a voter referendum.

Administrator Wilson explained that Lease Revenue Bonds do not require a referendum, while General Obligation Bonds or a legislatively approved sales tax would. In either case, a ballot question must be approved by the governing body at least 84 days before the election.

Council Member Murphy asked if both options could appear on the same ballot.

Administrator Wilson said it may be possible, but most cities choose one approach to avoid confusion.

Council Member Gliva noted that school referendums often contain multiple questions.

Administrator Wilson explained that while some cities use multiple referendum questions for related projects, proposing both property and sales tax questions simultaneously could create confusion. She noted that most cities select one option and focus on clearly communicating what a yes vote would accomplish.

Mayor Dietrich expressed concern about transparency, citing past residents' feedback that franchise fees were not clearly explained.

Council Member Murphy agreed, saying it could appear as though the City were acting behind residents' backs.

Council Member T'Kach emphasized the need to better communicate the project's purpose, costs, and benefits, suggesting clearer visuals, updated estimates, and public engagement to explain priorities and design options. She also suggested considering scalable design options to allow for future expansion.

Council Member Scales noted that downsizing would produce minimal savings and designing for expansion would increase costs. He cautioned against pursuing an approach unlikely to succeed and stressed the need to identify a viable path forward before investing further resources.

Council Member T'Kach asked if the City should consider hiring a polling firm, such as Morris Leatherman, to survey residents and gather input.

Council Member Scales supported surveying residents to gather their input on whether a sales tax or bond would be the preferred financing approach.

Council Member T'Kach said a community survey would offer a clearer picture of resident opinions, noting that while some voiced opposition, others supported moving forward with construction.

Mayor Dietrich confirmed consensus to proceed and asked how the Council wished to move forward.

Council Member T'Kach said she would like to understand what the community wants before determining next steps.

Mayor Dietrich asked for clarification on what that process would entail.

Council Member T'Kach stated that to gather community input, the City should hire a professional polling firm or a similar organization to conduct a survey.

Mayor Dietrich noted that this would require additional taxpayer funding.

Administrator Wilson suggested that staff prepare a memo outlining two potential options: pursuing a sales tax, including the necessary research steps and estimated costs, and conducting a community poll with associated costs and timelines. She noted that these options could be pursued individually or together and that staff would provide additional details at a future meeting.

Council Member Scales stated that investing a small amount in research would be preferable to spending significant funds on planning and design efforts that may not result in progress.

Administrator Wilson stated that staff or the consultants could provide an update on the project's status, including how much of the architectural budget has been spent. She added that they can provide a clear estimate for proceeding to phase two of five and requested Council direction on whether to move forward.

Mayor Dietrich raised concerns about ensuring transparency, so residents remain informed.

Administrator Wilson said any research findings would be presented publicly at a future work session.

Mayor Dietrich added that some residents may still feel uninformed if they miss a single meeting and suggested more consistent outreach.

Administrator Wilson suggested creating a special issue of the Insights newsletter focused on the project but acknowledged that additional support would be needed due to limited staff capacity.

Mayor Dietrich recalled that despite past efforts, some residents still felt information was unclear.

Administrator Wilson clarified that the article previously published in Insights was intentionally placed on the front page to ensure visibility and transparency.

Mayor Dietrich stated that publishing the information on the front page of the Insights newsletter demonstrated the City's commitment to transparency.

Council Member T'Kach stated that the information did not clearly explain the individual cost to residents, which was a key concern for many.

Mayor Dietrich noted that some individuals who signed the petition were unaware of what they were signing and did so at the suggestion of neighbors, highlighting the spread of misinformation.

Council Member T'Kach stated that conducting a poll would likely provide a more accurate assessment of public opinion.

Council Member Murphy observed that residents also share responsibility to stay informed by reviewing agendas and attending meetings.

Council Member T'Kach requested to hear from the consultants.

Consultants from Wold Architects presented an overview of the proposed Central Maintenance Facility project, including the guiding principles, schematic site and floor plans, material concepts, elevations, renderings, cost estimates, and a detailed project schedule with identified next steps.

The project's guiding principles and objectives are to balance the utilitarian program while being mindful of public views from major thoroughfares or the broader City campus. Project phasing and staging should permit ongoing usage of the site by Public Works operations throughout the entirety of construction. The plan will prioritize accessibility and safety in the planning of mechanics spaces and provide spaces that facilitate inter-departmental collaboration but do not limit department-specific operations. It will include modern interior work environments with adequate staff support amenities. The site configuration should have ample space for current and future vehicle and equipment movement and parking while balancing the challenges and opportunities of the existing grades. The plan will also consider future Police Department needs in relation to training, gun range, parking, security, and site planning. Lastly, it will evaluate opportunities to incorporate sustainable strategies while being cost-effective with a long-term benefit for the City.

The Facility Site Plan includes updated office spaces located on the north side of the property, with clearly designated parking areas separating staff and public use. The public portion of the facility will remain accessible, while most of the site will be secured with gates and fencing. Maintenance and storage areas are positioned to the west, with entry and exit points for sheltered vehicle storage located to the south. A gravel boneyard area to the south provides flexible space for trailers and materials, and an access road runs down the hill with minimal retaining wall construction to maintain efficient vehicle movement. The plan utilizes the existing cold storage building for cost efficiency while constructing new operations facilities slightly uphill to accommodate daily activities.

The updated layout also includes a small office section with a lobby, conference rooms, and a new training room to support staff safety and operational meetings. Additional features include muster areas, four mechanic bays, larger pull-through bays for heavy vehicles, a wash bay, and a sign shop. These facilities will support maintenance for the entire City fleet, including Public Works, Fire, Police, and administrative vehicles.

The Facility Design Concept remains in its early development phase, aiming to create a durable, efficient structure that integrates seamlessly with surrounding City facilities such as City Hall and the Veterans Memorial Community Center. The design utilizes precast materials, brick tones, and metal panels to maintain visual cohesion while supporting the operational needs of Public Works. The layout includes designated office and public entry areas to the north, with warm vehicle storage, maintenance bays, and support spaces positioned behind for efficient workflow.

Building improvements prioritize staff safety, functionality, and sustainability. The design introduces greater access to natural light and modernized work areas, addressing the shortcomings of the current facility's limited exposure and space constraints. Increased window placement and energy-efficient materials will reduce the reliance on artificial lighting and improve overall working conditions. The concept reflects the project's guiding principles by balancing operational effectiveness with long-term energy and maintenance efficiency.

The project cost update compared the pre-design estimates from spring to the current schematic design phase, which provides a more detailed and accurate reflection of the facility's costs. The schematic design shows a reduction in total building square footage, largely due to revisions in cold and salt storage needs, which contributed to overall budget savings. Construction costs represent the direct building expenses, while soft costs include design, engineering, furniture, equipment, utility fees, and permits. Two key areas produced notable savings: first, site engineering efficiencies reduced the amount of grading and soil movement required; and second, reconfiguring the salt and material storage areas to include covered but movable outdoor bins and a hoop-style salt structure, rather than a hard-shell building, decreased costs further. The total projected construction cost for 2025 is approximately $49.2 million. Accounting for an estimated 4% annual inflation rate, the cost is expected to reach around $53 million by 2027. Overall, refinements throughout the design process have resulted in cost reductions and improved budget efficiency compared to earlier projections.

Council Member T'Kach asked whether the cost estimates included tariffs and similar factors or if those variables were too uncertain to account for at this stage, noting that materials such as steel can fluctuate significantly.

Jonathan Loose, consultant for Wold Architects and Engineers, explained that the current estimate reflects today's material costs, including all existing tariffs and taxes, but acknowledged that predicting future changes remains difficult. He added that between Wold and Kraus-Anderson, the project budget includes contingencies within the soft costs, along with an anticipated 4% inflation factor. These built-in buffers are intended to absorb typical market fluctuations. While extreme cost increases could require further discussion, he expressed confidence that the current budget structure should be able to withstand most pricing changes.

The project schedule extends from 2025 through spring 2028. Schematic design occurred from June to September 2025, followed by design development from September through December 2025, at which point another cost estimate will be completed for an updated market review. The construction document phase is planned for January through March 2026, with bidding scheduled for April 2026. Permitting and material procurement will take place between May and September 2026, leading to the start of construction in fall 2026. The construction phase will proceed in two parts: a 14-month period focused on the main building, followed by a smaller phase renovating the existing building for additional cold storage. The overall construction timeline is projected to run from fall 2026 through spring 2028.

Council Member Scales stated that the design development phase will be particularly important, noting that as the project advances, costs will become more refined and accurate. He added that it will be interesting to see if the current trend of cost adjustments continues as the design is narrowed down.

Mr. Loose explained that the design development phase is the most critical stage, as it involves obtaining detailed feedback from staff on each individual room. While schematic design focuses on the overall layout and space allocation of the building, design development examines every specific element, such as electrical outlets, equipment placement, and vehicle storage needs. This level of detail provides an important checkpoint for cost accuracy by identifying unforeseen requirements or overly conservative assumptions made in earlier phases.

Council Member Scales asked what percentage of cost accuracy the project team believed they had reached at the schematic design stage, noting that estimates are often expressed as a percentage range and inviting clarification if such a measure was still being used.

Mr. Loose explained that each cost estimate includes a built-in design contingency, which reserves a certain percentage of the budget to account for potential adjustments or unforeseen elements as the design progresses.

Council Member Scales noted that the contingency should decrease as the project advances through the design process.

Jonathan Loose, Wold explained that the design contingency was initially set at approximately 10% during the pre-design phase and has since been reduced to about 7.5%. As the design becomes more detailed, the contingency will continue to decrease.

Administrator Wilson explained that the contract with Wold covers five phases extending through construction. The schematic design phase has been completed at a cost of approximately $429,000.

Moving forward into design development would add an estimated $572,000 in costs. She reminded the Council that this phase of the project is being funded with cash that has been set aside over the past three years from the Host Community Fund, which was allocated to the Public Works Building Fund. She then asked whether the Council wished to authorize the architects to proceed with design development.

Mayor Dietrich asked what the Council's direction was regarding the next steps.

Council Member Scales stated that the project should continue moving forward, emphasizing the importance of progressing with both the design and the financial planning simultaneously. He noted that gaining more information throughout the process will lead to better decision-making.

Council Member T'Kach asked for clarification, noting that the decision to move forward applies only to the design development phase and not to the entire project.

Administrator Wilson confirmed that she was not asking the Council to authorize the entire project, but rather whether they wished to proceed to the next step. She explained that the first phase had been completed and asked if the Council wanted staff to direct the consultants to begin the second phase.

Council Member T'Kach asked whether the design development phase was expected to continue through December.

Administrator Wilson explained that the design development phase was originally planned to run from September through December. Due to a brief pause in the process, it will now extend approximately four months. Taking the holiday schedule into account, she estimated that the results of the design development phase would be available in late January or early February if the Council provided its approval.

Council Member T'Kach asked for clarification, noting that regardless of how the project is financed, design development will still be required to move the project forward.

Administrator Wilson confirmed that design development is necessary for any project that is going to be built.

Council Member T'Kach stated that design development could serve as a helpful communication tool for the public by showing greater detail, the thought process behind the project, and the rationale for its design. She asked whether others agreed with that assessment.

Council Member Gliva asked whether, if the project proceeds to the next phase without finalized financing, construction would still not begin until after the completion of the construction documents, which would be about a year away.

Administrator Wilson explained that the construction documents must be completed before the project can go out for bidding. She added that a new timeline would need to be developed to outline the sequence of steps leading up to the bid process.

Council Member Scales noted that if the project stays on schedule, the Council would likely be asked to consider approval for the next phase in January.

Administrator Wilson explained that the Council might choose to wait until financing is more fully secured before proceeding to the construction document phase. She noted that it would be possible to pause at the end of the second step to finalize funding. She also mentioned that a new building code is expected to be released soon, which may require some review and adjustments to the plans, though the documents should maintain a reasonable shelf life.

Council Member Gliva expressed support for moving forward with the second phase of the project.

Administrator Wilson stated that the City would proceed with the design development phase. She added that staff would provide additional information on polling residents and gathering community feedback, as well as prepare research outlining the potential process and requirements for pursuing a sales tax funding option.

Council Member T'Kach asked whether the information on polling would include details about potential consultants and associated costs. She clarified that the actual polling process should not occur until after tours or open houses are held and an educational campaign has taken place, noting that campaign funding would not be worthwhile beforehand.

Administrator Wilson explained that the timing of when to begin polling would be entirely up to the Council. She added that a potential consultant could outline approaches that have been effective in similar projects, but the decision of if and when to move forward with polling would rest with the Council.

F. Nominations for Bridge Builder Commemorative Coin Award

Mayor Dietrich noted that a separate email had been sent to the Council regarding this item.

Administrator Wilson stated that staff had provided three finalists for the Council's consideration.

Mayor Dietrich asked if everyone had the finalist information in front of them and whether the Council wished to have a discussion. She invited members to share their thoughts on the four finalists and asked how they would like to proceed.

Council Member Murphy stated that he had no concerns with the nominees but asked about the thought process behind selecting four finalists. He inquired whether staff had a particular strategy or rationale in mind when making that decision.

Administrator Wilson explained that the third nominee in alphabetical order had effectively received two nominations that were combined into one.

Mayor Dietrich acknowledged the clarification, noting they were listed as 3A and 3B.

Administrator Wilson explained that nominees 3A and 3B are City employees with similar roles, tenure, and contributions, known for their strong collaboration. She noted that recognizing them together aligns with the "Shine a Light" theme of this year's State of the City, which highlights the work of employees behind the scenes.

Mayor Dietrich asked for clarification, noting that their work appears to overlap significantly.

Administrator Wilson confirmed that their work both coordinates and overlaps, noting that they often operate within the same building and occasionally share staff and equipment to complete projects.

Council Member Murphy asked whether staff anticipated the possibility of multiple winners and, if so, whether that would mean awarding three coins if there were two recipients.

Administrator Wilson confirmed that multiple winners could be recognized and noted that the decision is entirely at the Council's discretion, allowing them to select one, several, or none of the nominees.

Mayor Dietrich asked how the voting process was conducted the last time the award was decided.

Administrator Wilson explained that the selection was previously made by consensus, with each Council member sharing which nominee they supported to get an initial sense of the group's overall preference.

Council Member Murphy recalled that the Council's original intent for the award was to build culture and maintain its value by limiting the number of recipients. However, given the success of last year's program and the positive momentum surrounding this year's event, he felt that recognizing multiple recipients early in the program made sense. He expressed support for nominees 1, 3A, and 3B.

Council Member Gliva expressed support for nominees 3A and 3B and said she would also be comfortable including nominee 1 but preferred focusing on highlighting nominees 3A and 3B.

Council Member Scales commented that all the nominees were excellent, noting it was not an easy decision. He expressed support for nominees 3A and 3B, stating that their selection aligns well with the theme of this year's State of the City and would be a positive reflection for the City.

Council Member T'Kach expressed support for nominees 3A and 3B, noting that she also valued nominees 1 and 2 for their contributions to the City's history. She stated that recognizing all four nominees would appropriately honor their collective impact and emphasized that awarding multiple recipients would still maintain the award's significance.

Council Member Murphy stated that if nominees 3A and 3B were selected, which appeared to be the consensus, the focus should be on highlighting their teamwork and problem-solving efforts rather than presenting them strictly as a single team.

Administrator Wilson agreed, noting that there would be two awards presented and two speeches.

Council Member Scales stated that recognizing the nominees in this way would be a great way to connect everything, noting that it ties together the State of the City and the overall message effectively.

Mayor Dietrich stated that she supported recognizing nominees 3A and 3B.

Administrator Wilson announced that the recipients of the Bridge Builder Award had been determined.

Administrator Wilson noted that invitations for the upcoming State of the City event had been distributed. She stated that Communications Manager Looze provided each Council member with a packet of invitations to share and reminded the Council to encourage recipients to RSVP.

Mayor Dietrich stated she would speak with Administrator Wilson in the morning regarding how to communicate the information externally to staff. She also reiterated that the EDA closed session discussion remains confidential.

G. CLOSED SESSION: City Administrator Annual Performance Evaluation

The Closed Session regarding the City Administrator's performance evaluation has been postponed.

5. <u>ADJOURN:</u>

Motion to Adjourn at 9:54 p.m. by Scales, second by Gliva.
Ayes: 5
Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Tammy Greenlee