INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, NOVEMBER 3 6:00 P.M. – 8150 BARBARA AVENUE

1. CALL TO ORDER:
The City Council of Inver Grove Heights met in regular session on Monday, November 3, 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, Chief Chiodo, Parks and Recreation Director Lares, Parks and Rec Superintendent Dorshak, Facilities Maintenance Superintendent Fitzloff, Community Center Superintendent Muscha, Utility Billing & Accounts Receivable Supervisor Mohr and Deputy City Clerk Malott

3. APPROVAL OF AGENDA:

Motion to approve agenda by Scales, second by T'Kach.
Ayes: 5
Nays: 0 Motion carried.

4. DISCUSSION ITEMS:

A. Proposed 2026 Opioid Fund Budget

The Police Chief reviewed the proposed 2026 Opioid Fund Budget, noting that the City's allocation of $821,494 comes from national opioid settlements, with $262,773 received as of March 2025. Additional settlements were signed in 2025, though no funds have yet been received. Fund expenditures must align with strategies outlined in settlement documents, and prior Council direction has focused spending on youth education and prevention.

The 2025–2026 School Resource Officer (SRO) contract with ISD 199 added a second SRO to provide L.E.A.D. (Law Enforcement Against Drugs & Violence) education in schools. Prevention efforts include in-school L.E.A.D. instruction for 5th and 7th graders, community drug education outreach, and support for the embedded Social Worker and Crisis Response Officer responding to substance use and mental health incidents involving students. The program partners with educators, families, and community leaders to foster violence and substance use prevention and is based on evidence-based curricula with proven outcomes.

The proposed 2026 budget allocates $16,506 for in-school L.E.A.D. instruction, $3,809 for curriculum and supplies, and $8,500 for summer outreach and support, totaling $28,815. Council members expressed support for the youth prevention program and inquired about initiatives addressing violence reduction and conflict resolution. Chief noted the program is piloting with 5th and 7th graders, with potential expansion to younger grades, and emphasized that summer outreach will be available to all community families, including those outside the school district, as comparable programs do not currently exist in neighboring districts.

B. Veterans Memorial Community Center – Proposed 2026 Budget Update

Parks and Recreation Director Lares reviewed the proposed 2026 Community Center budget, addressing questions raised during the August work session. Staff noted that the VMCC had a strong financial year in 2024, resulting in a smaller-than-normal transfer from the Host Community Fund (HCF), which prompted questions about why the 2026 budget did not mirror the 2024 actuals, and about proposed additions to part-time staffing levels and hours. In response, the budget was revised with a thorough review of rates and estimated revenues, resulting in increases where feasible, while expenditures were reduced in several line items to control costs and improve efficiency.

Revenue adjustments increased projected 2026 operating revenues from $3,841,356 to $3,955,856, representing a $537,421 increase over 2025. Key contributors included a $55,500 increase in admissions through a $2 per person non-resident rate, $15,000 in private swim lesson revenues, $40,000 in summer ice rental revenues with a $5 per hour rate increase, a $4,000 annual streaming payment, and new stakeholder interest in ice facility usage. Council recognized staff efforts in negotiating agreements and exploring revenue opportunities beyond user fees, noting that such initiatives may continue into 2026 and 2027.

Expenditure revisions yielded meaningful savings, including $20,000 in repair and maintenance accounts, $10,000 in software conversion costs, scaled-back part-time staff hours for Kids Rock and Aquatics, and adjustments to the Communications Specialist position from 25 to 32 hours per week. Budget updates also reflected accurate Minnesota Paid Family & Medical Leave and health/medical premiums for 2026. Staffing adjustments since 2024, including filling key vacancies, internal promotions, position reclassifications, and adding two part-time benefited positions, resulted in approximately eight positions now reflected in the 2025 and 2026 budgets that were not in 2024.

Cost recovery trends showed continued improvement. In 2023, expenditures totaled $3,908,130 with revenues of $3,196,020, covering 81.8% of costs via program revenue and requiring a $712,110 HCF transfer. In 2024, 91.2% of costs were covered, reducing the HCF transfer to $348,114. For 2025, projected cost recovery was 79% with a $907,675 HCF transfer. The August 2026 proposal projected 82.9% cost recovery with a $794,454 transfer, which improved in the updated 2026 budget to 85.5% cost recovery with a $670,689 HCF transfer, reflecting higher revenues and controlled expenditures.

There was no further questions or comments from council members.

C. Stormwater Utility Rate Study Update

Public Works Director Connolly presented an overview of the Stormwater Utility Rate Study, developed to evaluate the structure, purpose, and sustainability of the City's Stormwater Utility. The study addressed the utility's purpose, current challenges, rate study scope and schedule, existing rate structure, Citizen Focus Group efforts, rate reset processes with example property fees, rate projection scenarios, and outreach and implementation considerations. Key questions for Council consideration included support for the proposed rate structure, implementation timing, pace of achieving utility self-sufficiency, and public outreach recommendations.

Jacob Strombeck from Advanced Engineering and Environmental Services, LLC (AE2S) explained that the Stormwater Utility, as an Enterprise Fund, is designed to be self-sufficient through user fees rather than tax revenues, with fees dedicated to operations and maintenance. The rate structure distributes costs based on each parcel's contribution to runoff. The utility is authorized under Minnesota Statute 444.075, and the City established its Stormwater Utility in 2007, with a rate report in 2008 and implementation in 2012. Challenges since 2012 include deviations from the original rate recommendations, the introduction of a rural billing class with inconsistent parameters, and reliance on non-utility sources such as the HCF, Pavement Management Fund, and special assessments for 40–50% of total funding. Rate adjustments have been inconsistent, with increases in some years and no change in others, resulting in a persistent revenue deficit that covers only 55–68% of projected expenses through 2029.

Staff reviewed existing 2025 rates across classifications, noting disparities between rural, urban, and Northwest Area (NWA) properties and highlighting complexities in billing and account categorization. Historical inconsistencies, such as special rates applied to certain properties like St. Patrick's Church, were acknowledged, with the proposed rate reset intended to establish uniformity. The rate study included reviewing impervious and pervious surfaces, with 17% of the total area impervious. Comparisons with peer communities indicated that proposed rates fall within the midrange regionally.

Several common rate structure approaches were analyzed, including Flat Rate, Gross Area Factored by Runoff Coefficient, Impervious Surface Area, Gross and Impervious Surface Area, Class Intensity of Development, and Equivalent Hydraulic Areas. The focus group reviewed three options and ultimately recommended the Gross and Impervious Area method for its equity and ability to fairly distribute costs, with additional considerations for residential parcels over one acre. Under the proposed structure, residential properties under one acre would pay a flat rate of $75, with an additional $0.50 per 1,000 square feet for parcels exceeding one acre. Non-residential properties would pay $11.96 per 1,000 square feet of impervious area plus $0.50 per 1,000 square feet of gross area, with a minimum annual bill of $75.

Staff explained how the rate reset would impact sample properties, with some residential parcels seeing modest increases, NWA residential parcels experiencing decreases, and certain commercial or institutional properties seeing larger adjustments due to prior inconsistent rates. Council members discussed the treatment of multi-family buildings, impervious surface reductions, and the inclusion of natural features and utility easements in calculations. Staff confirmed that reducing impervious areas through standard zoning or permitting processes would lower rates, with data updates performed approximately every two years.

The study also included rate projection scenarios for funding $19.6 million in unprogrammed capital projects and phasing out HCF support, with scenarios varying by duration (10, 20, or 30 years) and HCF transfer end date (2026 or 2030). Director Connolly recommended a balanced 20-year approach to prioritize critical projects and maintain flexibility while noting that 10-year aggressive funding may be unrealistic and 30-year delays could increase long-term costs. Council members inquired about insurance coverage for catastrophic events, grant opportunities, and ongoing HCF adequacy; staff indicated that insurance coverage is uncertain, grants are not guaranteed, and the HCF appears sufficient through 2030, but long-term self-sufficiency remains a policy goal.

Public outreach recommendations focused on three key messaging themes: Community Benefit, Transparency and Trust, and Future-Focused Planning. Proposed outreach methods include bill inserts, the City website, a dedicated webpage with FAQs and reports, newsletter articles, social media posts, and targeted communications. Implementation considerations include a mid-year 2026 rate reset, adoption of necessary ordinances and policies, internal process updates, and potential transition from annual to quarterly billing for stormwater-only accounts. Mid-year implementation allows clear messaging of structural changes separate from inflationary adjustments. Staff emphasized the importance of maintaining momentum, formalizing procedures for appeals, and adopting a full rate reset rather than continuing legacy reductions.

Council members generally supported a mid-year implementation, noting that some rural properties may see higher increases, but overall costs remain low. Members also discussed equity, potential effects on lower-income residents, and future consideration of senior or income-based accommodations. Staff indicated that refined modeling could be returned for Council review and that a final presentation is expected in January, including a proposed timeline for implementation, coordination with consultants, and any required code amendments or resolutions. The remaining policy decision concerns the pace of achieving Stormwater Utility self-sufficiency and consensus on the timing of backlog capital projects, alongside confirmation of support for the proposed rate structure, implementation approach, and public outreach strategy.

D. CLOSED SESSION: City Administrator Annual Performance Evaluation

Motion to move into Closed Session pursuant to Minnesota Statute Section 13D-05, Subdivision 3, to conduct the City Administrator's Annual Performance Evaluation by T'Kach, second by Scales.
Ayes: 5
Nays: 0 Motion carried.

Motion to reconvene into Open Session by Scales, second by T'Kach.
Ayes: 5
Nays: 0 Motion carried.

5. <u>ADJOURN:</u>

Motion to Adjourn at 9:59 p.m. by T'Kach, second by Scales.
Ayes: 5
Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Tammy Greenlee