

**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, NOVEMBER 1, 2021 6:00 PM - 8150 BARBARA AVENUE**

A. CALL TO ORDER: The City Council of Inver Grove Heights met in person for a Work Session on Monday, November 1, 2021. Mayor Bartholomew called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

Roll Call: Mayor Bartholomew; Council Members; Piekarski Krech, Dietrich, Gliva, and Murphy; City Administrator Kris Wilson, City Clerk Rebecca Kiernan, City Attorney Bridget McCauley Nason, Recreation Superintendent Julie Dorshak, Finance Director Amy Hove, Operations and Maintenance Supervisor Phil Stier, Interim Public Works Director Klay Eckles, Street Maintenance Supervisor Barry Underdahl, and Fire Chief Thill.

1. 2022 Budget

A. Community Center & Recreation Fund Budgets

Recreation Superintendent Julie Dorshak presented the Community Center and Recreation Fund Budgets. She has Operations and Maintenance Supervisor Phil Stier with her to assist with any questions the Council may have about the CIP or facility operations.

Recreation Fund - Primary Functions:

- Oversee all Youth and Family Programming. (5,000 registered annually).
 - Youth Programs such as: Sports, Theatre, Arts Leagues, Camps, Trips, Soccer (great strides were noticed with the soccer program this year).
 - Adult Sports (Softball, Volleyball, Pickleball).
- Community Events - Over 30 events per year.
 - Food Trucks - 3 per year.
 - Egg Hunts, Ghostly Gathering (this event brought in about 400 people to the National Guard Gym) Holiday in the Heights.
 - Princess Dance, IGH Days, Bike the Bridges, Touch a Truck, Let's Pawty (first time for this brand-new dog park event).
 - Sponsorships and Volunteers makes these events possible.
 - The Inver Grove Heights Community is great when it comes to Sponsorships and the local businesses that contribute to the Parks and Recreation Department. Very fortunate to have this.
- Oversee all of the Outdoor Athletic Field Rentals (4,000). Youth Associations, turf, soccer, ballfields, Rich Valley Athletic Complex, tournaments.
- Park Shelter Rentals (Average about 80-90 a year).
- Warming House Program (Open an average 50 days, 2,500 attendees, hire about 8 Staff)
- Over the course of the year, about 7 Staff work out of their department (3.0 FTE Benefited Staff).
- Seasonal/Temporary/Part-time Staff.

Recreation Fund - 2022 Highlights:

- Expecting a small reduction in rental revenues due to South Valley Park being under construction next year, causing a reduction in the park shelter revenue they experience
- Experiencing a lot of staffing challenges. Something every city/agency is experiencing
 - A lot of competition and competitive wages. They have people walking into the city wanting to be paid \$13.00 per hour for an entry level minimum wage job.
 - Very challenging to find quality Staff they can pay.
 - Staff shortages.
- Parks and Recreation Seasonal Brochure.
 - There has been a lot of conversation surrounding this item, there are further conversations to come.

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- Sent out three times a year.
- There is some desire by constituents of the city that would like to see this mailed out during Covid times.
- Have had a digital brochure.
 - Open to that conversation. At this point, it is not in the budget to be printed, but do postcards.
- There are some printing numbers in the budget.
- This would not be mailed out to the level it was before.
- Parks and Recreation Master Plan.
 - Looking for opportunities to grow in the Recreation Department.
- Looking forward to fully utilizing software just purchased for facilities and registration.
 - Currently a complicated and tedious task to get the software up and running and functional.

Recreation Fund - Revenues by Category:

Program Fees:

2021 Adopted Budget: \$90,000

2022 Proposed Budget: \$143,000

Field Rentals:

2021 Adopted Budget: \$70,000

2022 Proposed Budget: \$64,000

Other Revenues:

2021 Adopted Budget: \$16,500

2022 Proposed Budget: \$19,900

Total Revenues:

2021 Adopted Budget: \$176,500

2022 Proposed Budget: \$227,800

Transfer in from General Fund: 2021 Adopted Budget: \$299,300

2022 Proposed Budget: \$299,300

Total Revenues & Transfers: 2021 Adopted Budget: \$475,800

2022 Proposed Budget: \$527,100

Recreation Fund - Expenditures by Category:

Personnel:

2021 Adopted Budget: \$345,200

2022 Proposed Budget: \$381,500

Professional/Technical:

2021 Adopted Budget: \$50,800

2022 Proposed Budget: \$75,900

- This includes contracted services, typical cost for the department.
- The way they do a lot of their recreation programming is by contracting with different groups/professional organizations like: RevSports, Soccer Shots, Hearts Performing Arts. Share the revenue. 75%/25%. They keep 75%, city keeps 25%.
- The organizations do all of the work in terms of contracting, hiring, and training the Staff they work with. The city does promotions and registrations for those particular camps.
- They come in and run the programs for the city.
- Another component to this is Umpires and DJ's.

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- There has been a change in how the Communications Department does their graphic design and marketing costs. Some of those expenses have been pushed into the Recreation Department and the Community Center, it is a shared expense.

Purchased Services/Property/Equipment:

2021 Adopted Budget: \$14,700

2022 Proposed Budget: \$18,700

Other Purchased Services:

2021 Adopted Budget: \$24,000

2022 Proposed Budget: \$17,100

- Includes printing, binding, and postage for the brochure.

Supplies:

2021 Adopted Budget: \$37,500

2022 Proposed Budget: \$37,000

Other Expenses/Expenditures:

2021 Adopted Budget: \$7,000

2022 Proposed Budget: \$8,000

Total Expenditures:

2021 Adopted Budget: \$479,200

2022 Proposed Budget: \$538,200

Recreation Fund Budget:

2022 Proposed Budget: Revenues and Transfers: \$527,100

Expenditures: \$538,200

Difference: \$11,100 (Deficit)

- In 2020, the Recreation Fund received their full transfers from the General Fund even though program activities were diminished. This resulted in a positive fund balance growth of \$66,500 as of December 31, 2020. The recommendation is to use the fund balance in 2022 to bridge the \$11,100 gap between Revenue/Transfer and Expenditure Budgets.

Councilmember Piekarski Krech asked if covering a deficit with something else, what the plan was for future years. Finance Director Amy Hove responded this year, because they are still looking at the allocations going between funds and moved some of the expense out of the Communications Budget and into Recreation to reflect the true cost of the operation. Next year they anticipate bringing more of a balanced budget but still identifying and allocating expenses as they should be. They are realigning some of the expense categories. She said this is also one of the funds they would like to bring and create a department in the General Fund. They want to look at whether or not Recreation should continue to be its own fund, or a department in the General Fund. They would look at the overall fund balance of what is left in the fund and determine what should be done. Early on they had discussed moving some of that Park Capital Replacement activity. This is a one-time plan in the interim as they transition.

Councilmember Piekarski Krech stated she was concerned about it in the long run and what they would do in future years. She said she assumes the deficit would seem larger. Finance Director Hove responded at the end of 2020 the actual cash balance in this fund was around \$390,000. There is an available balance to offset next years budget for a one-time deal until they can make the transition with the fund.

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Councilmember Gliva referenced the services with the 75/25 split and asked for a description of what one of those programs. She questioned if Umpires were one of them. Recreation Superintendent Dorshak responded Umpires are not one of them. With Umpires they contract an agency to do Umpires for them for the softball program. It is a flat fee, they contract with them every year. She responded about the split referenced, stating it is for a youth program. They use it often for preschool or youth programs. Programs called Soccer Shots or RevSports. They are able to offer a variety. This summer there was a whole set of camps Monday through Thursday, that had a different type of activity. One week was soccer, another week baseball, another week dance, then tennis. There were eight different categories. She said their department could never do that, they do not have the staffing, they do not have the intellectual information or the equipment. Having this other agency that does it for a living, they have a group of people, have the staff, and go from city to city. That way there is quality experienced Staff bringing expertise to the table, allowing them to run the program for the city.

Councilmember Gliva asked if they have doing this for years. Recreation Superintendent Dorshak responded they have been expanding. They have used Soccer Shots for a number of years. She said they have had a lot of change in their department. With new Staff comes new ideas, new experiences, new thought processes. They thought they would give it a try. They have a bunch of Performing Arts Programs so they can do Beginning Guitar and Singing Lessons. Performing Arts things as Staff does not have the experience. She said it does not take Staff a ton of time. It takes time to write up the article for the brochure, do the registrations, print rosters, reserve the room, and promote the program. They welcome people in, the company runs the program.

Councilmember Murphy asked if the 75/25 split was standard across the industry. He asked if Staff evaluated the Vendors when it is all completed. Recreation Superintendent Dorshak responded it is standard across the industry. These are agencies and groups that other Parks and Recreation Departments use across the State. She said they do survey's, Staff checks in, are present at the beginning, throughout the process, check with their Staff, and the participants. She mentioned if it was not going well, they would hear about it.

Community Center Budget – Primary Functions:

- Welcoming guests. Guest Services/Memberships/Admissions.
 - Key part of the budget. Memberships are the most important part of what the facility does. By far the biggest revenue producer.
 - The second part would be rentals and admissions.
 - Admissions include open skate, open swim, open pickleball.
- Fitness Center and Fitness Classes.
 - 45 fitness classes every week. These are the drop-in free classes for members.
- Free Childcare for members, or if you are someone coming in, can do a day pass for \$3.00.
- Kids Rock is the summer day camp program.
- Senior Center – adult/older adult programs. The Center just opened up in June 2021. It has been closed since March 2019.
- Schedule, program, and facilitate all of the facility usage.
 - 2 sheets of ice. Turf in the summertime.
 - 3 pools at the aquatic's facility.
 - 3 Community Rooms and the Bright Side Room (this is the name they are using for the old racquetball space).
 - National Guard Gym and the classrooms in the space.
- 19 benefited Staff (13.9 FTE). Plus 133 non-benefited part-time and seasonal staff (current).

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- The VMCC is open daily 5 a.m. to 9 p.m. Monday-Friday; 7 a.m. to 7 p.m. Saturday and Sunday.
- Winter technically starts in November at the Community Center.
 - The ice arena. A lot of times they have ice rented until at least 10:00 p.m., sometimes even 11:00 p.m.
 - There is Staff in the building every day until midnight.
 - The facility opens again at 4:00 a.m.
 - Facility runs for 20 hours a day.

Community Center - 2022 Challenges:

- Transitioning out of COVID:
 - Membership numbers have increased significantly since the beginning of the year.
 - Currently at 80% of the 2019 numbers. That is the standard they are tracking and is the pinpoint they want to get back to.
 - One of the challenges with fitness is that virtual options are really important.
 - Have virtual options for a number of their programs.
 - There is a lot of competition out there. The Pelotons, a lot of people bought their own equipment. That is one of the areas they are seeing a little bit of a reduction in people participating in fitness programs.
 - Aquatics programs are seeing a lot of great growth.
 - Swimming lesson numbers are up by 80%.
 - With that positive change has created a consequence.
 - Balancing membership needs with programming.
 - With the increase in swimming lessons, it has caused memberships to be upset there is not enough open swim time.
 - Not enough opportunity for them to come in and do a lap swim.
 - Have to reduce swimming lessons a bit. Especially heading into the winter months. Hearing too many negative things about the amount of time that is not available and what they are used to.
 - Have a lot of new Staff. Need to determine what the best way is of overseeing programs.
 - Fully utilizing the new software.
- Staffing challenges:
 - Same staffing challenges in the community center.
 - Have had 8 new Staff out of the 19 full time Staff since 2019 (herself being one of them). Have one vacancy with the Parks and Recreation Director.
 - With all of the new information, COVID and changes, they are still trying to learn their jobs and figure out how to best do them.
 - Competitive Wages.
 - Staff Shortages.
 - The aquatics facility is the most affected.
 - Starting to have ramifications of short staffing. They do not have enough Lifeguards or Water Safety Instructors to do the December Swim Lesson Program.
 - Have reduced the number of swimming lessons being offered in December because there is not enough Staff.
 - The Staff they do have are becoming burnt out. Taking a step back, taking time to regroup and give them a little time off.
 - Aging facility and rising utility costs.
 - Veterans Memorial Community side is 25 years old.
 - The Grove side is 20 years old.

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- Seeing rising utility costs.
- Aging needs that need to be addressed as they move forward.

Community Center - Operating Revenues:

- Membership and Admissions is by far the biggest revenue source.
 - 2022 Proposed Budget: \$1,129,800
- Rentals: Pool and Ice rentals.
 - 2022 Proposed Budget: \$726,700
- Lessons/Tuition Revenue. Slightly down from what was budgeted for 2021 (was \$315,700). Fitness, Personal Training, Specialized Fitness Classes. Not seeing them progress as they had been before.
 - 2022 Proposed Budget: \$308,500
- Contributions/Donations: School District's contributions to using the pool and ice.
 - 2022 Proposed Budget: \$310,500
- Kids Rock/Child Care Revenue. Slightly down.
 - 2022 Proposed Budget: \$162,000
 - In 2019 there were 115 kids in the Kids Rock Program.
 - This last year, there were 72. They expected it to be a little better than that. Was surprised they did not get the number of kids participating in the program as anticipated. This could be due to:
 - A lot of parents were at home.
 - Had a lot of 2 day/3 day a week participants rather than the typical 5 days a week, which is a higher revenue source.
 - Expect it to slowly come back.
 - People that did need 5 days a week last year and during COVID, might have gone to the School District or another daycare. Unsure they can get back to that level but do believe it to slowly come back.
- Other Revenues: Concessions, Vending.
 - 2022 Proposed Budget: \$115,300
- Total Operating Revenue: 2022 Proposed Budget: \$2,752,800. Increase of 29%.

Councilmember Piekarski Krech asked if it was sustainable. She said Membership and Admissions is going up significantly, so is Other Revenues. Recreation Superintendent Dorshak responded the membership number is based on 90% of 2019, they are currently at 80%. They have not received the October numbers yet. She said she heard that the facility was crazy today. They had so many people lined up to sign up for memberships they had difficulty helping them all. She said everything she sees on a daily basis points to very positive winter months.

Councilmember Piekarski Krech asked if those joining in winter maintain the memberships or if they decide when the weather gets nice to drop it. Recreation Superintendent Dorshak responded she would need to do research to see. She said there is definitely going to be people that do that. The key is to balance that and make them so happy they do not want to leave. She believes they are pretty good at that.

Councilmember Gliva asked where they receive donations from. Recreation Superintendent Dorshak responded she believed that was just terminology used in the system. It's mainly contributions by the School District. The School District pays the city around \$300,000 to use the facility. It's a School District

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Agreement to exclusively use the ice and first priority in the pool. There are other Sponsorships and donations that people contribute to, the primary part of this is the School District.

Recreation Superintendent Dorshak discussed:

Community Center - Operating Expenditures:

- Personnel: 2022 Proposed Budget: \$2,302,000
- Professional/Technical: 2022 Proposed Budget: \$34,000. This is partially marketing costs shared with Communications and Receptions Department.
- Purchased Services/Property/Equipment: 2022 Proposed Budget: \$844,400. Questions were raised about this item earlier. This is specifically increases in utilities.

Mayor Bartholomew asked if utilities were comparable to the 2019 expense. Recreation Superintendent Dorshak replied she did not believe so, she thought it was an increase for 2019.

Mayor Bartholomew asked if usage is included and rate increases. Recreation Superintendent Dorshak responded she believes so, the Finance Department calculates all of that out. Mayor Bartholomew stated usage would be up a little bit and the rate of the product would be up.

Recreation Superintendent Dorshak continued:

- Supplies: 2022 Proposed Budget: \$178,800
- Other Expenses/Expenditures: 2022 Proposed Budget: \$49,100
- Total Operating Expenditures: 2022 Proposed Budget: \$3,539,900. Increase of 5.06%

Community Center - Operating Revenues versus Expenditures:

- Total Operating Expenditures: 2022 Proposed Budget: \$3,539,900
- Total Operating Revenues: 2022 Proposed Budget: \$2,752,800
- Transfer from the Host Community Fund: 2022 Proposed Budget: \$787,100
- Percentage of Operating Budget from Host Community Fund: 2022 Proposed Budget: 22.2%. A decrease of 14% from the previous year.

Recreation Superintendent Dorshak displayed graphs showing the historical operating support:

Community Center - Operating Support:

- Shows the Operating Transfers In from an average. From 2011 to 2019 is about \$373,700, to the peak of this current year of \$1.2 million dollars.
- She said she cannot guarantee, the budget was set at 63%, they are currently operating at 71%. If things continue to move in a positive direction, she believes they will not hit the \$1.2 million dollars. She said she felt it could be less than that unless something significant happens within the next two months.
- This shows the \$787,100 of Host Community Fund support.

Community Center - Performance Measures: The graph shows the percent of operating expenditures and the performance measure for the facility.

- Staff knows it is important that the Community Center has a good cost recovery, that the number has been set at 85-90%. Staff knows this, understands this, is striving towards this.
- Noticed in looking forward to 2022, it is not quite there, but expect it to be around 76.8%.

Mayor Bartholomew mentioned the shortfall, the 77%, is reflective of the anticipated revenues not quite getting to the levels they were pre-COVID. Recreation Superintendent Dorshak responded correct. As they continue to move forward and continue to grow and get back to pre-COVID times, she believes it will continue to grow and get better.

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Recreation Superintendent Dorshak continued with:

Community Center, 2022 Capital Requests:

For 2022 there are a number of items that are past their useful life. Staff feels they are becoming a potential safety issue. For example:

- In Aquatics: The Diving Board and Lifeguard Stand: \$23,000
She said they had already replaced one of the diving boards and stands this year. It had to be taken down, a new diving board was ordered.
 - Funding they currently had was used. There were savings in the LED Lights, and they were able to afford that this current year.
 - There is still a diving board and lifeguard stand that need to be replaced.
 - The pool is a corrosive, the equipment just does not last that long.
 - They are about 10 years old, need to be replaced.
- In Fitness: \$40,000
 - Have an annual Fitness Equipment Budget that they try to keep the equipment updated. This keeps cardio equipment safe and relevant to current trends.
- Mechanical: Pool Filters and Pumps: \$884,200
 - Pool Filters are 10 years old; the company no longer exists.
 - Do not make the parts anymore.
 - In danger of potentially having the pool go down.
 - Key item. Need the revenue in order to be able to offer the programs they do.

Mayor Bartholomew asked if the \$884,200 was a completely new retro fit. Recreation Superintendent Dorshak responded it is a complete replacement.

- Mechanical: Condensing Unit #6 (Fitness Studio) \$95,000
 - Original to the building, needs to be replaced.
- Mechanical ADA Door Opener: \$13,000
Staff hears frequently that the link doors (the doors between the Grove and the Community Center going towards the aquatics and fitness center) are not ADA automatic doors. They hear it all the time. She said they could really use ADA doors there to make the facility more accessible for everybody.
- VMCC - Other: Community Rooms: Carpeting/Paint/Lights/Ceiling Tiles. \$105,000
 - These items are old. The facility is looking a little worn and could use a refreshing.
 - Staff is suggesting they update the technology, the flooring, and make it look more inviting.

Mayor Bartholomew asked if this was the right time to contemplate improvements such as carpet and paint when in a stressed time as far as revenue. He asked if this was something they could push into the next period. Recreation Superintendent Dorshak responded they could push it out. In her opinion she feels the rooms do not get the rental revenue that they could. If making them more inviting, they could get more anniversary parties, retirement parties, baby showers, wedding showers, put a little better kitchenette in there with a refrigerator, then they can raise the price. She said they do not have to, no. The carpeting is pretty worn, it is starting to fray. The windowsills are starting to leak. All of those things would be fixed. Mayor Bartholomew commented that he cautions, he wonders if this is the time. He said the people that are there everyday know what the optics are and the product. Recreation Superintendent Dorshak responded the sell would be much easier. They could do a big promotion around the refreshing.

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Mayor Bartholomew asked if \$105,000 was a hard number. Recreation Superintendent Dorshak responded it is a cost estimate. She said they hired 292 Design to come in and give an estimate for the racquetball space. They also assisted with this number as well.

Councilmember Piekarski Krech asked if Recreation Superintendent Dorshak could check when the Community Rooms were done the last time. She said it seemed to her that it was not done all that long ago. Recreation Superintendent Dorshak responded she would have to do some checking. She thought it may have been at least 10 years.

Recreation Superintendent Dorshak stated the last item is to finish the racquetball space. There are temporary mats in there. When taking over the space she wanted to make sure they did not spend a ton of money. Based on the conversation had back in March where it was discussed taking the space back and having it be controlled by the city, a budget had been discussed for about \$10,000. They did not spend anywhere near that. They probably spent about half that, \$4,000 to \$5,000. She said they bought what is called "cow mats" those can be used in the arena, they are reusable, not something they would be throwing away. She said it was really important to her that they were cognizant and careful with their resources.

For the racquetball space, they are trying to do everything as low cost as they can. The idea is to have a sport court, basketball hoop, do some baffling for acoustics. She said they have had conversations with the Hockey Association and the Simley Hockey Team. They are interested in using it for dryland training. They want to contribute money towards netting. They have other supplies and equipment in the arena they would probably bring in and are willing to pay for that. She said as they continue to explore the racquetball space remodel, they can discuss this. They are expecting that the cost would be about \$150,000.

Councilmember Piekarski Krech asked if using it for hockey, if it was only for a portion of the year and other times it would be used for something else. Recreation Superintendent Dorshak responded they would only be using it on occasion. She said they did a brief review about how they would be using the space with the different groups. In the morning they would use it for fitness classes. The Simley Hockey team wants to use the space from about 3:00 to 5:00 to do dryland training. They would do skills and drills in the space. She said they also talked about using the space as a warmup facility for games. She said Staff is unsure exactly how that transition and partnership would work but are encouraged they want to use the space. She stated they have a meeting with the School District next week, they will likely be discussing this. She said she knew they had interest in the space, as does ice skating and our own Staff and programs. She said the one thing they hear all of the time from members is to have a place for kids to go. Families that come in and ask if they can go play basketball with their child. The basketball hoop being proposed would have the ability to go up and down depending on the age of participants. Teenagers can do 2 on 2 or 3 on 3 pickup basketball and hangout in there. She said the challenge with the gym and having open gym is they have to pay Staff, have to pay someone to be down there because it is so far away. This space would be fairly close to the front desk and the Manager on Duty would be able to monitor what is happening. With the new design there would be windows and can keep an eye on what is going on in there.

Councilmember Piekarski Krech asked if there would be windows to the hallway. Recreation Superintendent Dorshak responded there would be windows to the room in the front, the doors would also have windows. It would be more visible. People would be excited to be able to see the space.

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Councilmember Piekarski Krech mentioned she would be very concerned about allowing children to be in there without supervision with the current set up. Recreation Superintendent Dorshak responded it is difficult to find someone that is willing to work a couple of hours during the week. If having it be able to be a part of the Manager on Duty or have additional Staff that could check on it more frequently, or have a vision to the space, it is much more assessable.

Councilmember Gliva asked how big the space was. Recreation Superintendent Dorshak responded that Operations and Maintenance Supervisor Phil Stier provided her with the amount of 23x28.

Recreation Superintendent Dorshak stated that brings the total Capital Requests for 2022 to \$1,310,200.

Councilmember Dietrich stated that Recreation Superintendent Dorshak and herself have had conversations back and forth about the racquetball space in particular. She said she does not see, when talking about current members wanting to use that space, the space being finished at that cost, or perhaps any other cost that is going to bring in more revenue. She said one of the reasons she says that is because they had talked about that space being used for Kids Rock, those numbers did not come in last year at all at what was anticipated. She says she remembers sitting here listening as Parks and Recreation said they had to have that space, or they would not be able to run an efficient program. She commented she would like to see some revenue come in first before approving that kind of large dollar amount.

Councilmember Dietrich referenced the seasonal brochure stating they need to take care of the folks that are coming in and get the information out to the Senior population that does not have access to the internet, or transportation to the library to use internet. She questioned if they could work on getting them the written information, maybe not a four-color brochure, maybe a two-color brochure. There are all sorts of different means and media for doing that. That way they are bringing in more revenue and bringing more folks into the facility without spending the \$150,000 for the next budget cycle.

Recreation Director Dorshak stated in terms of revenue, their family memberships pay \$90.00 a month. If getting 20 of them to join because now there is a place for them to come in and play basketball with their children, or a teenager they want to be able to drop off to come and play. If getting 20 families, that would be an increase of \$18,000. She said she does see that it has some potential for revenue. They do not have anything tried and true. The room as it currently is with the cow mats, they cannot fully utilize as a fitness or sport court because of the type of flooring. It is too rigid. They cannot play basketball in there because the flooring would hurt people's knees, could not have certain fitness classes in there because it is not the right type of flooring. It is not going to be as functional and as much of a usage for them without having it renovated. With discussions about wanting the increased revenues, this is an opportunity for them to be able to do that. They can maximize their facility more easily. She said she does not have proof of that.

Recreation Superintendent Dorshak responded about Kids Rock saying that was correct, they did think they would need that space 100%, then the Pandemic shifted and were able to use the Armory spaces for classes for Kids Rock. They did still use the old racquetball space quite a bit, they used it as a special event space for Kids Rock Staff. They held a couple of Glow Parties in there and set up with different activities that were fun. It was a place to go that was different. She said there have been a number of fitness classes in there every day such as Cycle, Boot Camp, Strength Training, the space is used. Councilmember Dietrich commented it was used without the \$150,000.

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Mayor Bartholomew said his concern is that \$150,000 is an amenity. He is not convinced it is a revenue generator at this point and would like to make sure they understand that they are expecting revenue. Amenities are nice and pretty, but ultimately, they have to pay for the facility and are responsible. He said he wanted to be sure they had that in mind and would like to see more methodology on the cost of the \$150,000. If it is worth it as an amenity or are they looking at a true revenue source. Recreation Superintendent Dorshak mentioned they could definitely do some more work around identifying the usage, the plans, revenue generations, and protections.

Recreation Superintendent Dorshak stated Staff also wanted to share a look-out for the next few years. There are quite a few capital improvements that the Community Center is facing. Community Center - Capital Requests 2023-2026:

- Aquatics
- Arena: Converting to LED Lighting would assist with the cost. The return on investment for this was 1.3 years. This is a key item to move forward with as it saves money in the long term.
- Custodial Equipment: Scissors Lift
- Fitness: Fitness space could use new flooring, painting, annual equipment. Space needs refreshing.
- Mechanical: Boiler, dehumidifier, HVAC Units, Roof Top Units. The Arena and Grove side needs a new roof.
- VMCC - Other: Hoping to get card access, new lockers (the lockers are made of wood and are starting to get moldy).

She stated this represents additional Capital Improvements that need to be taken care of. Staff wanted to make sure the Council was aware.

Councilmember Piekarski Krech said she thought when solar was put in the roof was redone. Operations and Maintenance Supervisor Phil Stier responded there were sections of the roof that were done, not the complete thing. He said this was a projection as a part of what is going on. It is part of a proposal coming for all mechanical and roof sections coming up. The numbers built on the 23-26 section is built on all aspects for basically the diving board and replacing R-22 (that is by industry). Replacement for R-22 is \$120.00 per pound. When the system was put in it was \$16.00 per pound. Currently it is not actually being manufactured. He said the scissors lift is used throughout different parts of the city.

Councilmember Piekarski Krech asked if they needed a new scissor's lift. Operations and Maintenance Supervisor Stier responded the one they have now is basically a three-man lift making it impossible to go into some spots. That would be traded in to get a new one. Making it a smaller one so they could actually go higher and farther.

Councilmember Piekarski Krech said she thought they had a smaller one. Operations and Maintenance Supervisor Stier responded sometimes they would rent one, that could be the smaller one she was thinking about.

Councilmember Dietrich asked if the cost given for the scissors lift was the total cost or if it was the portion for this department and then shared with another department. Operations and Maintenance Supervisor Stier responded it is an estimated total cost. He said it was for two lifts. One small one man one they can use in small spaces like hallways, and a bigger one they can use in taller spaces such as the arena and could go up to 34 feet. The smaller lift would not be able to reach.

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Councilmember Dietrich asked if there was another fund this could come out of if shared with other departments. Operations and Maintenance Supervisor Stier responded he was unsure.

Councilmember Murphy asked what R-22 was. Operations and Maintenance Supervisor Stier responded it is a refrigerant used in the arena side and in all of the rooftop units at the VMCC. Currently to help offset costs, they used some they had in stock. Councilmember Murphy commented it was obsolete. Operations and Maintenance Supervisor Stier responded reprocessing is not very cost effective, revamped/recycled will not be accepted.

Councilmember Dietrich mentioned the Council has heard great things about Operations and Maintenance Supervisor Stier's skills from Police Chief Chiodo.

Recreation Superintendent Dorshak discussed:

Community Center - Capital Transfers from the Host Community Fund:

- Average is \$374,400
- Next year they are looking at \$1.3 million dollars

City Administrator Wilson stated since Recreation Superintendent Dorshak was still attendance she was hopeful they could have further discussion on the topic of mailing the Parks and Recreation Brochure. Because it is not without its cost, they would like Council input. She said the numbers Council is seeing do not include a return to physically mailing a paper copy through the US Mail to our residents. She said a brochure is published three times a year; Fall, Spring, and Summer Semesters. The brochure used to be mailed to every address in the community. Between the printing and the postage, for three times a year when added up, they were a little over \$50,000 for three mailings a year. A couple of years ago, for the 2020 Budget, the Director at the time scaled that back and decided they would publish the brochure to the website and three times a year mail a postcard letting people know the brochure was available, giving the website address and encouraging residents to check it out. She said that brought the budget for printing and postage from a little over \$50,000 down to about \$16,000. A return to mailing could cost about \$30,000 to \$35,000. They would have to go out in today's market and get quotes for printing and postage costs to see what they are.

She stated the Council has received a Petition Staff received about 10 days ago. It had 23 signatures on it. On Friday, another Petition was taken in with 10 signatures on it for a total of 33 individuals that are active in the Senior Club that would really like to return to getting that information in a paper copy sent to them by mail. She said the way the US Postage Service works is it costs the city per unit significantly more to mail to a subscriber. To maintain a list and to mail to individual parcels. That would go First Class, sending it that way would be very expensive for the city. Staff recommends if going back to mailing, go back to less per unit and reaching the full city once again versus trying to maintain a senior mailing list and mailing it First Class as it would be expensive. She said was looking for dialog, knowing the price would be \$30,000 for three printings and three mailings city wide. She asked if there was interest in the Council exploring that further or what the Council would like to see cost estimates of. She requested thoughts and ideas.

Councilmember Piekarski Krech said the Seniors were concerned about getting the Senior Scoop part which had become a part of the brochure. That had previously been mailed out to everyone over 55 in the city. She asked if there was any data that shows if enrollments dropped and how much they got when

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people received the brochures to look at. She said surrounding Districts 197 and 196 both send out Adult Education brochures with the different groups. She asked if they have looked at partnering with them or printing on the type of stock they do. It was not glossy or fancy like Inver Grove Heights has put out before, it is a newsprint type. She said if they are doing it, she was sure they could check with them and see who they are using for printers and how they are doing it. She said she agrees with some of the Senior's that contacted her. Seniors do not do things online; some do not have internet access or email. The only way they are going to find out about these kinds of things is by physically attending a program, see something in the newspaper, or get this in the mail. She said it was her concern they lose things that way. She said she does not have a problem with it being online for the brochure part if they know they are actually getting enough people. She said her guess would also be that a portion of our population does not look to the internet to look for programs for their children but might if they get something in the mail that shows there may be something for their kids.

City Administrator Wilson stated the discontinuation of the mailing was decided before COVID hit but coincided with when COVID hit. Enrollment plummeted and programs were cancelled. Staff cannot establish a correlation of what impact going to the online brochure had. Recreation Superintendent Dorshak responded they made the decision to go digital when COVID hit. 2020 was not a good year to use as a representation. She said to her knowledge, she does not think they have data from the printed brochure to today's digital. When an email is sent out saying the brochure is online, registrations go up. She said Staff hears the older adults, know they want printed information. Staff wonders whether printing and extrapolating just the Scoop portion or making only certain copies of the brochure. If having two different versions, that would take Staff time to create those two different versions. She said her recommendation is what City Administrator Wilson mentioned, to take the brochure and mail it out to everyone. If Council wanted the data collected Staff could take the next year to collect data such as when it is printed, when mailed, when online. They could likely make a plan to correlate it and have timing for it so Staff could track the different timings of everything.

Recreation Supervisor Dorshak referenced the Tri District Brochure and some of the others that were referenced and said they do participate in the Tri District. They have the older adult population information in there, the Senior Center information is already a part of that. She said she believed that is already mailed to the entire city. The Cities of West St. Paul, South St. Paul, and Inver Grove Heights. She said she knows they want not only the Scoop, but also want the brochure. That is what Staff has been hearing. She said they are open to whatever situation the Council wants them to do.

Councilmember Murphy mentioned it is not their money, it is the taxpayers' dollars, and are always looking for ways to do better when it comes to that. He said it is almost an event when the brochure shows up at the house. He said he has sat down with the kids or grandkids because they have it in their hands. He commented that it was too easy for an email to go away, seems harder to do online when it is in your hands. He said he would support looking for ways to be more efficient to try to cut costs. He would like to see it mailed out to the whole city.

Councilmember Dietrich said she would like to see it put back into publication. She said she knows they need to be really wise with the money brought into the coffers. She mentioned that earlier this year they paid \$20,000 to turn a defunct kitchen into a storage facility at the Grove. If that kind of money can be spent, she felt they need to get this out to the residents that need it.

Mayor Bartholomew asked if there was any opportunity to use some of the other mailings such as Insights and put the Scoop in there. He questioned if that would add any value, cost savings, and if it would get

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recognition and connection. He said everyone gets Insights, everyone reads the Insights, there may be opportunity there.

Recreation Superintendent Dorshak replied Staff has mentioned Insights to this particular group before and they said it would not be their preference. They prefer it be in the Parks and Recreation Brochure because they participate in the rest of those programs, not just the Senior Center programming. She said in speaking with that particular group they were pretty adamant about that issue. They want to see the whole Parks and Recreation Brochure, not just the Scoop.

Councilmember Gliva said the brochure includes everything. She questioned the Scoop. Recreation Superintendent Dorshak responded the Scoop is just a part of it. It used to be a standalone publication the Senior Club used to work with Staff to put together. There were four issues a year. She said this took place when she first started. It felt like every other day they were constantly recreating the same information. At that time Staff requested to work with the Seniors and put it as a part of the Parks and Recreation brochure as the timing was consistent. It was more efficient.

City Administrator Wilson said it sounded like there is a consensus that the Council wants to go back to some level of mailing, significantly more than the postcards. She said in the next two to three weeks, Staff and the Communications office will look to put together several different options and get some price quotes to discuss where the sweet spot was to spending and getting the information out. Information would be brought back to Council about this.

Recreation Superintendent Dorshak mentioned one of the ideas that Staff had was to sell sponsorships and advertising in the Park and Recreation Brochure. She asked if the Council was amenable and open to that concept as a part of the brochure. Selling ads to help offset costs.

Councilmember Murphy asked if they were currently against it. Recreation Superintendent Dorshak responded they are not against it but was wondering what the Council thought. Councilmember Murphy believed it was a great idea. Councilmember Gliva agreed it was a good idea.

Mayor Bartholomew asked who they exclude. City Administrator Wilson responded there are occasional challenges with cities soliciting advertisement. It can be a conflict of interest, people they regulate from a Zoning Code and a Building Code perspective, and the perception that they are buying a favor by being our advertisers. There is also the fact that as a public entity the ability to regulate what they are advertising. If a private entity putting out a newsletter, you can turn away an advertiser and say, "we don't like your message", "we don't want you advertising in our publication." It is a finer line for a public agency to walk. She said it is not undoable, it just needs to be thought through and walk a bit finer line than maybe you would if you were not a local Government Organization.

Councilmember Murphy asked if other communities advertised. City Administrator Wilson responded there are communities that take advertising in their ice arena on the boards of the rink. She said she would have to do some digging to find out how many are taking print advertisements in their print publications.

Councilmember Dietrich asked if that information could be found it would be great. Something that could be modeled after.

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B. Utilities & Pavement Management Fund Budgets

Interim Public Works Director Klay Eckles mentioned that he has been with the city for eight months. He said it has been a real pleasure working with Staff and the City Council. He has learned a lot and has been quite impressed with the community. He said he wanted to take a minute to speak about the Public Works Operations Workers. He said he does not believe those people get talked about a lot. The work they do is not always very glamorous, they are not really attention seeking people either. He said he has been very impressed with the Public Works Staff. He said they have a little treasure here and what he has seen is that the public works crews are a dedicated group, proud of what they do, and morale is high amongst that group. He said it tends to be a younger group in terms of experience, there has been turnover in years past, there are fewer workers. Those people are learning the job, take pride, and are dedicated in what they do. He said a part of that comes from the leadership in Public Works, the Superintendents. He has been very impressed with the work they do. There is a commitment to doing the job, but also doing it efficiently with the budget.

He said the budget he would be discussing this evening is a group effort. He commented that he cannot pretend to understand every aspect of it, he has been helped through this. He would try to answer questions the Council may have. He said he did not want to bring the whole team here tonight, but if there is a specific question he can get back to the Council. He said Barry Underdahl (Street Maintenance Supervisor) is present this evening if there is something specific to streets, he would be able to help out. He said in terms of a report card, he has been really impressed with the crew they have in Public Works, the Utilities Workers, Streets Workers, and Maintenance Technicians, those are the ones he primarily works with. He said after his part time eight months here, he is impressed. There is a lot of opportunity to under appreciate public works. These people feel pride and dedication. That may come from the fact that the City Council appreciates them. If that is true, he encouraged them to keep doing that because it is working.

He said the discussion would be about Pavement Management because that is such a huge item. The City Council spent a lot of time on the issue the last several months. The City Council has made it clear this is a top issue. He said this is something he has had experience within other cities too. The latest is the Citizen's Task Force the City Council has put together. They have had their first meeting and he is optimistic. They have a syllabus, schedule, experts coming in to help educate, given some feedback to the consultant, and a final report would come before the City Council with recommendations from the Citizen's Task Force this next spring. This involves a lot of money. There are 150 miles of road. Road infrastructure is very expensive. This city has hundreds of millions of dollars of valuation and potential liability in street infrastructure. It is a big money topic. The city has been planning for this and has been talking about it. He began with the following presentation:

Pavement Management (Fund 440):

- There is a balance of \$9 million dollars in the fund.
- Have energized the program.
 - Did not want to wait until they got all the way through the Citizen's Task Force.
 - Wanted to try to make an impact this next year.
- In 2022, looking at doing studies of over 10 miles of road for rehabilitation work next year.
 - Those are all in process.
 - The City Council will see reports coming back sometime in the coming months.
- If doing 10 miles of projects, would start to deplete the fund balance quickly.
- Assessments will add more revenue and help pay for a lot of the costs of these projects.

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- That is delayed, assessments are paid over a 10-year period, would only get a little bit of that every year.
- Something that may need to be discussed next year is a potential Bond sale. He said the Mayor had mentioned this was something he noticed. After looking at it with Finance, he believes the Mayor may be on to something.
 - A bunch of assessments would be coming in the future and would build up but will not have the cash right now to get those projects going.
 - Potentially a significant Bond sale in 2023/2024.
- For 2022, there is a big project, it is not necessarily exactly how the long-term project program would look, it is a pilot study or prototype of what it might look like after they get more input from Council and the Citizen's Task Force.

Pavement Management - Funding Sources:

- Property Tax Levy: \$2,550,000 (Dedicated towards Pavement Management)
 - Up from last year.
- Franchise Fees: \$1,065,000 (With the gas bill, comes to the city)
 - That money is dedicated towards the city roadway system.
- MSA (Municipal State Aid) Construction: \$2,240,800
 - The State collects gas tax money.
 - Every year based on the number of miles in the city, cities get a proportion of the State's gas tax money.
 - Inver Grove Heights gets over \$1 million dollars for construction and another ½ million dollars or \$400,000 for annual maintenance.
 - Next year they are looking at drawing some of that money out of the fund that is kept at the State \$2,240,000.
- MSA Maintenance: \$400,000
 - There are stipulations.
 - Also goes toward pavement management.
- Host Community Fund Transfer: \$500,000
 - Landfill money.
 - Transferred directly and dedicated toward roadway projects.
- For 2022 have \$6,755,800
- Special Assessments: Assess on average something in the range of 65% to 70% of the total project cost.

Mayor Bartholomew referenced the MSA Construction line item and said that Interim Public Works Director Eckles mentioned it would be upped. He asked if that meant they would be taking future aid and bringing it into this period. Interim Public Works Director Eckles responded what happens is based on mileage; a certain allotment of whatever is available that year, it is split. The city probably gets about .67% of that amount. That goes into the fund they keep. When the city builds projects that meet certain criteria, the city can draw money out, they can draw down on that fund balance. He said they allow the city to borrow against that amount. For example: There is \$4 million dollars in our fund, the city could do a \$6 million dollar project and actually borrow from future years/allotments. Normally it does not sound like a great idea, but one of the things happening was that all of these cities had money sitting in their funds, the Legislature would question why they are giving money to cities because they all have money sitting there, they are not spending it. The program was modified to encourage cities to borrow ahead so all of the overall conglomerate fund balance would drop down so that the Legislature could say you are short of money. Cities get a bonus if borrowing ahead. That is how it has been in the last several years. Things

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have been a bit different in the last couple of years. He said he has not been that involved in it because of his retired status. There has been incentive for cities to borrow ahead. He said we have been doing this successfully, have increased our overall portion by managing that effectively.

Mayor Bartholomew commented to get it before they take it away. Interim Public Works Director Eckles agreed.

Interim Public Works Director Eckles continued with Pavement Management's 2022 Project Plan stating it is a very detailed breakdown of a lot of projects in addition to the rehabilitation projects where they are just redoing pavement. Most of the list is rehabilitation projects:

- 70th Street Reconstruction project.
 - It is a \$24 million dollar County job.
 - \$8.3 million dollars of it is in the city.
 - Only \$2.4 million dollars of it is ours and qualifies for State Aid gas tax money.

He said the remainder of those on the list he had provided, except for seal coating and crack sealing, is a part of the rehabilitation effort/pavement management effort, preventative maintenance. There are a lot of expenditures.

- 117th Street.

He said they will not see all listed expenditures in 2022. It is some of that project. Only \$1 million dollars will actually occur in 2022.

Mayor Bartholomew asked what the \$1 million dollars represented. Interim Public Works Director Eckles responded it is the design effort and land acquisition that would take place.

Interim Public Works Director Eckles stated there is \$13.6 million dollars in 2022.

Pavement Management: 2022 Budget - Summary:

- \$6,675,800 Funding Sources (Revenues)
- \$1 million in assessments as some people prepay their assessments off. 20% of people pre-pay the full amount because they do not want it to go on their property tax statement.
- Ends up with a net deficit of \$5.98 million dollars.
- Had a \$9 million dollar fund balance.

He said it is a big deficit, still have about \$6 million dollars in assessments yet to come in about two to three years. Will get that over a 10-year period.

There are a couple of other minor projects they are doing some study work on that are listed.

Pavement Management: Available Cash Balances:

- In 2018 the Franchise Fee money started going in.
- In 2021 they determined the Franchise Fee Fund was dedicated. All future Franchise Fee revenues will go directly into the Pavement Management Fund.
- In 2022 with the deficit, would have a temporary shortfall next year while waiting for the assessments to come in. They see they have a cash flow issue more than anything.
- In 2022 they see they are down under \$4 million. After they finish the Citizens Task Force and analyze needs. They know the needs are to keep doing street projects. Will continue to see years like this.

He said he did a projection of what it might look like for illustration purposes, they do not know exactly what the projects and costs are going to be yet.

A Future Cash Flow Issue: PMP reserves and uncollected assessments

- What 2022 could look like after all of the projects are done.

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- Would have reserves of a little over \$3 million dollars.
- Assessments that are due would be almost \$10 million. A lot is not in the fund, yet to be collected.

The thought was that at some point, the city, if wanting to continue this aggressive effort to get our pavement to up to where they think it needs to be, would probably have to sell a Bond, and get that pot of working money.

- In 2023 pretty much exhaust their reserves completely.
 - Even more uncollected assessments that will start to flow every year.
 - Have Bond money.
- In 2024 will start to spend the Bond money.
 - More assessments yet to collect.

He said this continues on. Eventually as the cycle gets going would have a continuous flow of assessments paid every year. That would be used to pay the Bond back and continue the process. Assessments last 10 years, it would be a 10-year cycle where they get to the fully cyclical funding.

Councilmember Piekarski Krech referenced the money from the General Fund and Franchise Fees into the assessment amount. She commented that it is not reserves anymore. Interim Public Works Director Eckles responded with the \$2.5 million dollars they are actually assuming the city is continuing to try to even that up a little bit each year. Raising it a couple hundred thousand. He said they need to keep doing that, keep the Franchise Fees going in there. Eventually they would have 10 years of assessments collecting that would keep the system running and the Bond would no longer be necessary and would pay that back.

Mayor Bartholomew asked if considering all cash influence, MSA Funding, Franchise, General Fund, and Host Community Fund. Interim Public Works Director Eckles responded yes. He said this was not an exhaustive financial analysis, it tries to estimate. They have not gone through the Citizen's Task Force. They are going to do more analysis of what the decay of the roads might look like and how many miles a year they would need to get to. That kind of work is yet to come. He said he believes he is not too far off on a rough estimate.

Councilmember Murphy asked if it was estimated at 10 miles per year. Interim Public Works Director Eckles responded yes. What the Council is looking at for 2022 is a big chunk, a lot of projects. He said he believes for a five-year period they would need to be doing that kind of mileage every year to get them back to where they need to be. It might stabilize a little bit lower. He said it was just a guess.

Mayor Bartholomew said the assessment is correct, this will be tough. The highlight is when reaching that 10 year and have a revolving consistent assessed value coming in that is consistent along with the other revenues.

Interim Public Works Director Eckles stated for those wondering what type of assessments they are talking about, if the majority of projects they end up doing are more of a mill and overlay type project. He said he lives in Stillwater and they just milled and overlaid his street which is a similar street style. Stillwater has a similar assessment policy to Inver Grove Heights. He said his assessment was over \$2,500 of which he gets to pay over 10 years. It is not the size and numbers noticed on some of the total reconstruction projects if doing the simpler type projects. He said when he was in Woodbury about \$3,500 was as high as those type of projects got. He said there are always some ancillary things that need to be taken care of

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too. For example: if the storm sewer has problems, that would always add a bit more to the \$2,500. The \$3,500 top end is where they tend to be a lot of the time.

Interim Public Works Director Eckles said he wanted to give the Council a sense of where that was headed. The Citizen's Task Force meets again this week, there is another meeting scheduled for mid-November. He mentioned there will be a pavement expert coming in that does a lot of pavement management program work. He said he is excited about where they are headed with that group, it is a real good group. He said their goal is to try to get something to Council, an actual final report adopted by the Task Force and presented to Council by early spring.

Mayor Bartholomew stated this was a very good presentation, it shows Council the course. He said they received more information at this point than they have had in many years. He appreciates that.

Interim Public Works Director Eckles discussed:

Water Utility - 2022 Overview:

- Not seeing major issues with utilities.
 - The city is in pretty good hands.
 - Maintenance Staff is owning the system and taking pretty good care of it.
 - Does not see any surprises or major changes in the budget right now.
- Expenses are down 3.9%.
 - Part of it is an accounting issue the way some of the Bonding is accounted for.
- \$200,000 moved from one account to another. The overall budget is a break even.

One area to make note of:

- Increasing meter replacements from \$24,000 to \$70,000.
 - There are a lot of meters in town that are old.
 - The biggest issue he has dealt with, with the city water crew over the last eight months is having some water meters that have failed.
 - Some meters they found were misreading or malfunctioning.
 - Found some that for the last five years they had been getting water really really cheap. Then having to deal with unhappy people about having to adjust that.
 - The life of a meter is only about 15 years. The city is past that.
 - Meters will be a major issue. Over \$3 million plus to replace all of the meters in the city over a multi-year period.
 - In 2023, may start the program and spend \$1 million dollars out of the water reserves to replace the meters.
 - As meters age they do not measure the water as well, not measuring the water being used.
 - Changeout can have a payback of five years.
 - Get the money back in higher water sales.
 - In 2023, 2024, and 2025, might see expenditures go up for that out of Water Reserve Fund for those type of things.
 - This year they are doing problem ones they have found, such as commercial ones. They have been correcting some of those and see more they will need to do this coming year.

Councilmember Murphy asked when they age if they ever read too much, or if it is always not enough. Interim Public Works Director Eckles responded it is always not enough. The way they work is they cannot

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spin any faster than what the water is going through. If they wear out, corrode, or get sticky, they read less. They can never really sell more they can use; it is always that or less.

Interim Public Works Director Eckles continued with:

- Water Utility - 2022 Overview:
 - For the last couple of years, they have had money in the budget to do a rate study. It was in the budget last year and was pushed to this year. Due to having an Interim trying to get up to speed, this was unable to be done.
 - It is important that they do have it in there and needs to be done.
 - Looking at the tier structure, water usage has tended to go down per customer.
 - Get more trees and foliage, people do not irrigate as much.
 - Analysis that has been done shows the city probably does not need expansions on the water treatment system or additional wells.
 - New growth, new lots with sod and topsoil tend to use a lot of water because they all have new irrigation systems.

He said he would worry if getting to a point where all of a sudden, the treatment plant cannot handle the peak days, or do not have enough well capacity. They would have to add major infrastructure. One of the ways to manage that is through the rate structure. What he calls the "water hogs" that use an entire water tower worth of water every summer. He said the last city he worked in had some of those and they used 570,000 gallons of water in a quarter, 20 times what the normal resident uses. He said if the rate structure is set up to help educate those people, and also penalize them, it might actually save the city some major infrastructure, and the people that conserve might see a bonus in that their rates do not go up or go down. This is something the rate structure can look at. He said there is a tier system, it was like step, step, step, they do not have higher steps, and not a lot of reward for people that are low users. He said he thinks there is opportunity there.

Councilmember Dietrich asked what a reward would look like. Interim Public Works Director Eckles responded the city can set the rate structure so essential water use is cheaper. Can lower the dollars per gallon for what is called essential water use. When getting past essential water use it quickly accelerates upwards in term of price. That can change behavior. He said there are people out there that are consciously trying to conserve, and they appreciate that.

Interim Public Works Director Eckles stated a part of this is looking at long term infrastructure needs in the water system. At some point water pipes start to wear out and would have to replace them. Want to make sure long term, the rate structure is going to build up a reserve.

- Currently the city is running a deficit in the depreciation goal.
- The city has set a goal of trying to save \$1 million dollars a year over the normal operating costs.
 - This year was \$246,000 short.
 - Money is being put into a reserve fund but not as much as they would like.
 - The rate study would tell them if what they would like to is enough or not.

He mentioned that the city has good foresight and has it on the list of to-do items. Unfortunately, Staff has not been able to deliver that this year. Next year he felt it would be a priority with having new Staff/Director.

Water Operating Fund - 2022 Overview:

- Revenues are \$3.47 million dollars
- Expenditures are \$3.7 million dollars

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- Deficit of \$246,350 (this assumes \$1 million dollars in Depreciation Expense).
 - Means they are not running a deficit, but maybe not planning as much for the future as they should.
 - \$1 million dollars is a guess right now.

Water Expenditures:

- Personnel:
 - Have a Staff that is not all on top of the pay structure. Raises are a part of this. No major changes in staffing.
- Transfer Out - Debt Payments: \$202,400 (has been cut in half, an accounting issue, mistakenly put \$403,000 in here, correct that this year). He said one of those would be paid off next year, it will go down.

Water Fund - for accounting purposes:

- Fund 501 - Normal Operating Fund
- Fund 403 - Water Connection Fund
 - Money coming in when coming in to get a water meter, have to pay a connection fee.
 - Different rates for different areas.
- Fund 511 - Water NWA Permit/Plat Connections
- Fund 361 - Revenue Refunding Bonds 2012A

The main two where revenues come in are Fund 501 and Fund 403. The others are to manage the Bonds.

Sewer Utility Overview:

- The biggest part of the sewer budget is that the city does not treat their own sewage, it is piped to the Metropolitan Council Treatment Plant, and they treat it for us.
 - They own and operate some of the main trunk sewer lines. The really deep ones that serve the whole metro area.
 - The city has to pay for the sewage they send to the plant.
 - 55% of the total Inver Grove Heights sewer budget is to pay for the treatment of that sewage. He said that is true for every city in the metro area. They are all paying the same per gallon sewage rate to the Met Council.
- There is not an infiltration and inflow problem into the sewer.
 - There is incentive if having a leaky sewer pipe. They are treating the leaky water going down to the plant; the city is going to pay for that. There is incentive for the sewer crew to identify and correct any leaky pipes.

He said it does not appear like there are a lot of problems like that right now in the city. It is something for the sewer division to keep an eye on.

- Depreciation: Planning for future major projects and replacement of failing/old sewer pipes.
 - The goal was \$700,000, raised it to \$750,000. Have not been meeting that consistently. Something they are trying to work towards.
- The Sewer Rate Study will be an excellent opportunity to look at that more closely. To see not only how they have been doing, but also how they are projected to do in the future as they identify a replacement vision.
 - Such as how much of the sewer pipes would need to see some major work in the future.
 - Start to estimate that based on age.
 - The issue of having a \$2.00 surcharge on the Northwest Area. (The City Council has had questions regarding this).
 - The question is if this is one of the tools, they should be using to achieve that.
 - The surcharge is charged to new residents moving in. The landowners and developers are not paying for it. It is the new owners, directly,

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He recommends this be a good topic to look at in more detail and depth as a part of the rate study.

He stated they have the cost of running the sewer pipes out to the northwest area. They are expensive to put in there. They have to recoup that cost. The goal has always been to try to have new development pay for its own way. He said he would support that. That was the goal of the last city he worked in; they were successful at it. He said that Inver Grove Heights has largely been successful at it.

He said a good question for the rate study to analyze was the surcharge being charged to new residents in the Northwest area. The landowners and developers are not paying for it. The current budget continues to show the \$2.00 surcharge.

Councilmember Piekarski Krech asked if the \$2.00 surcharge was on each bill or by volume. Interim Public Works Director Eckles responded it was for 1,000 gallons.

Interim Public Works Director Eckles discussed:

Sewer Expenditures:

- Personnel: \$443,500 (down a bit from 2021).
- Purchased Services and Equipment: \$2,520,550 (this is up, it is the Metropolitan Council charge previously discussed). Most of that money goes here.
- Other Expenses/Expenditures: \$1,053,000 (up a little bit). Believed there was a study included in this.
- 4.3% is the overall increase.
- Suggesting a 5% increase in sewer rates to get up to the depreciation goal and cover the extra costs.
 - 4.9% is the increase at the Metropolitan Council.
 - The little bit on the city side drops that down to 4.3%.
 - Believes 5% would help with the deficit issue.

Mayor Bartholomew asked if it was a 5% rate increase. Interim Public Works Director Eckles responded yes.

Interim Public Works Director Eckles discussed:

Sewer Operating Fund - 2022 Overview: With the 5% increase:

- 2022 Revenues: \$4,055,600
- 2022 Expenditures: \$4,097,550
- Surplus/(Deficit): \$41,950

Would also break even on achieving the \$750,000 depreciation goal.

Councilmember Piekarski Krech asked if that squared with the Ehlers study. A utility rate item that Ehlers has done allotting so much each year and what everything should be. She asked if that was the amount that was in there. City Administrator Wilson responded it is consistent with what they have done in the past. She said they would get more into this topic in the Agenda Item tonight about rates.

Interim Public Works Director Eckles asked if they were relating it to the northwest area. Councilmember Piekarski Krech responded that Ehlers did a study for utilities. To make utilities solvent, this had to be raised so much each year.

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Councilmember Gliva asked if we expect Met Council increases, the almost 5%. She asked if it is typical, or if it was something the city has to plan for. Interim Public Works Director Eckles responded sewage treatment has continually become more expensive. Even after it is treated it has to go somewhere and it is dumped in the river. Even with treatment there is still some impact on the river. They are continuously up against Federal water treatment objectives and goals. They are constantly upgrading their treatment processes. Rates are being raised to build the system better, but also trying to encourage taking care of the inflow and infiltration because that becomes a big issue too. He said if there is a big rainstorm across the whole city and have lots of water seeping into the sewer system, manholes, leaky pipes, it all arrives at the treatment plant at the same time. The treatment plant has to deal with it somehow. He said the city has to build for that worst case. They are trying to encourage people to deal with that and have to meet the mandates and requirements. It is not unexpected.

Councilmember Piekarski Krech stated it varies, it has been as low as 1% or 2% and as high as 6% or 7% depending on what they are doing. She mentioned if anyone has the chance, she was unsure if they would start doing it again after COVID, when talking about rate increases, they run tours for elected Officials. She said it is a fascinating thing to go down and see what happens, how it comes out, and where it goes. She said they found a diamond ring one time. She said there is a whole big bin in the middle of one of the rooms that contains all of the stuff they have pulled out of the sewer.

City Administrator Wilson said she looked up the Met Council increases last week when this was discussed. The information she located:

- In 2017 the Met Council put on a 5.4% increase.
- In 2018, 3.7%
- In 2019, 3.5%
- In 2020, 3.6%
- Last year was only 2%
- This year is 4.94%

She said they do vary a bit. They had 5.4% in 2017. This rate is not unheard of, but it is not this rate every single year.

City Administrator Wilson mentioned that she wanted to amend her response to a question posed by Councilmember Piekarski Krech. She said a 5% rate increase for Inver Grove Heights would be a bit higher. They seem to have been through a pattern. In 2013 the city did a 6% rate increase. In 2014, 2015, and 2016 it was 3 ½%. In 2017 when the big Met Council increase was, the city's increase was 7% to recoup the 5.4%, it then settled down into 3 ½%. Now the Met Council rate is back up, the city is asking for theirs to keep pace.

Interim Public Works Director Eckles discussed the various funds:

Sewer Funds:

- Fund 502 - Normal Operating Fund
- Fund 404 - Sewer Connection Fund
 - Sewer availability charge. This is a fee that every new connection has to pay. There are connection fees put on top of that.
- Fund 512 - Sewer Northwest Area Permit/Plat Connections

He said the above three are the income/revenue. There are others that exist to show Bonds and show money for those Bonds.

Storm Water Utility Summary:

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He stated that almost every city in the metro has added a stormwater utility in the last 20 years. It was a difficult issue to deal with in the city about 15 years ago. He said he has dealt with this in a number of cities he has been through, it is not an easy issue for cities to deal with. It is a new charge, it is unique, its odd for those that do not get into the details of it. It raises money to address the real needs of a city. He mentioned that cities are now heavily regulated with stormwater impacts. Stormwater is now considered a pollutant. A Permit is needed from the Pollution Control Agency and have to live by that Permit. Audits of cities are done. He said he has spoken to other Public Works Directors that have gone through it; it is not pleasant. There are fines involved. Any new development has to meet these high standards. That means they have to capture the stormwater, put it in ponds, settling systems and catch sediments, maybe infiltrate the water, get rid of the phosphorus.

He said the Council may have heard about re-use systems, where the water is used for irrigation. It is all to get rid of the volume of water so there is not water running untreated or settled to whatever the lowest basin is. That is because a lot of the lakes and rivers have been impacted and have been documented. Every city is struggling with this issue. The financial solution most cities have come up with is Stormwater Utility. He said this would be a great thing to look at in the rate study. He mentioned that he can tell the Council that they do not have enough money in the Stormwater Utility, they are not meeting their long-term goals. The PCA sets goals for the city and in the next five years they have to implement them. What they have had to do is subsidize stormwater needs by using pavement management resources. When reconstructing a road, have to retrofit the neighborhood, have to put in a sediment system/rain garden, and subsidize it with the road money. He said a study was done three or four years ago when they looked at all of their stormwater facilities. They found that there is \$17 million dollars of deferred maintenance or rehabilitation on these systems. If the water system breaks or a sewer pipe clogs, the city would get the phone call. He said with stormwater systems, not so much. If there is a sediment basin that is full of sediment it may be unsightly, nobody really notices. It is not really noticed until a major pipe fails, a washout, or flooding. Water treatment systems are not directly serving people, its more indirect, after the fact. People do not know about it. It is one of those things that. is easy to overlook as a community, as a dire need on the list of priorities.

He said he was just sharing that because he believes Inver Grove Heights is going to have to deal with upping the ante in the stormwater Utility Program in coming years. They are looking at making some adjustments this year. The rate study can be looked at long term. He said awhile back he had compared Inver Grove Heights with other cities. The average city resident is paying about 1/3 or 1/4 compared to what other cities are paying for stormwater utility fees quarterly, except the northwest area. The northwest area is very comparable to our neighbors. Set a different rate there and the northwest area has more up to date systems that treat stormwater and take a little more maintenance. Older parts of town will have to be retrofitted at some point and see some of these systems built in as they come into the neighborhood to build pavement management. They would come in and construct the road and may have to add raingardens or ponds. He said the city is going to need some help there. They would likely see a need for more staffing and maintenance equipment to take care of the newer systems. That is why there is a recommendation to raise the northwest area by 5% to keep up with our neighbors and where everyone else is going and the rest of the city by 25%. He stated they have discussed the average home, it was about \$1.00 a quarter, the Inver Grove Heights Stormwater Utility rate for the average residential home is very low.

Councilmember Piekarski Krech stated she would fight and so would half of the city that are not average. The parts that are not average are not on utilities. Interim Public Works Director Eckles responded he

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noticed that is complicated. Staff has to do some really complicated calculations when a new parcel in a rural section comes in and wants to build an addition onto the home, they have to analyze how big it is. He said it is needlessly complex and could be simplified. Other cities have done so successfully without a lot of pain.

Councilmember Piekarski Krech stated it was very painful to get a stormwater utility. Interim Public Works Director Eckles said it is one of the things Council needs to be aware of. If raising taxes \$50.00, people say it is taxes; when raising the stormwater utility fee by .50 cents a quarter, finance would get several calls.

Councilmember Piekarski Krech stated it would be far more than .50 cents a quarter on larger parcels. With \$100.00 people would be in here screaming.

Interim Public Works Director Eckles said he wanted to make the Council aware that he thinks the needs are growing and are real. There is enforcement out there that long term they are going to have to be aware of. Every city is a little bit different on where they are at in that process. He said Inver Grove Heights on the funding side is maybe a little behind where a lot of the other cities are.

Mayor Bartholomew asked about regulatory compliance and requested an idea of what it takes on Staffs side, what the allocation is on staffing. He asked how many man hours it would be to comply to the MPDS. Interim Public Works Director Eckles responded there is a lot of documentation just to prove your doing it, have the systems. He said they put requirements on landowners to give an annual report that they have raked the leaves out their raingarden. He said it is really difficult for Staff to get that done. There are things they are not able to provide the oversight on. He said he thinks in terms of what they are putting in, it is diffused around a number of different positions. Public Works is doing some, Engineering is doing some, Planning is involved in environmental issues. He said that would be a really good thing to look at in more detail.

Mayor Bartholomew asked if the rate study would provide that. Interim Public Works Director Eckles responded he believed they could look at that. There are people out there that know what a robust program looks like; compare to other cities that have a robust program and see what they have for staffing. He said on the public works side streets are responsible for some of these systems and they really see a growing need and a backlog. They could put more time into it with public works but have more pressing priorities. Some of those things have been put to the side. He said the city is not alone, other cities are struggling with this same issue.

Mayor Bartholomew said he was trying to get an idea of what kind of weight it puts on Staff.

Interim Public Works Director Eckles stated stormwater operating has not really been self-sustaining. He said he did some research from way back when it was set up and they knew back then that it was not going to be fully self-sustaining initially. He discussed:

Storm Water Operating Fund - 2022 Overview:

- There is a little surplus in the next year
- Revenues do not reflect all of the costs associated with this issue. There are just deferred issues they have not dealt with.
- If they can start to build even a little surplus pot would be good.

He stated as they are getting into street rehabilitation projects:

- \$10 million dollars a year of street reconstruction.

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- There is going to be stormwater retrofit.
 - Catch basins that need to be fixed or repaired, leaking gravel.
 - Problems come up that are discovered when going into a neighborhood and just doing repairs, which is going to start tapping into this fund. Like doing retrofits, improving water quality.
 - Probably will not be doing too much of that when doing simple mill and overlays, it is when doing a reconstruction project. That is usually when you get hooked into doing a bigger project.
- Not doing any deferred savings for any of our infrastructure or depreciation. There is \$17 million dollars that they know of, of work that is out there. It is a structural issue that needs some more work.

Storm Water Expenditures:

- Storm water modeling. Some of that is associated with some of the issues that come up when development happens.
 - Have to analyze and make sure the development does not cause problems with existing systems.
- There is an increase in expenditures here (+6.25% at \$584,500).
 - Believes this is going to be an area where, as they start addressing some of the additional concerns and issues in the coming years, they are going to want to build this up.

Storm Water Funds:

- Fund 441 - Normal Operating Fund
- Fund 448 - Storm Water Northwest Area Connection Fund

He said this was something that could be looked at with the rate study and if two separate rates are even needed. His recommendation is that the residents are all the same residents, are all discharging water, it is a service provided to treat stormwater. The rates ultimately should balance. He said some of those funds are helping to deal with some of the potential issues they might come upon as development occurs.

Mayor Bartholomew asked if his recommendation was a 5% increase for NWA and 25% for normal. Interim Public Works Director Eckles responded it was 5% for the northwest area and the regular city 25%. He said 5% for the northwest area was keeping pace with everything else. Mayor Bartholomew commented 25% is the catch-up rate for Fund 441. Interim Public Works Director Eckles agreed.

Interim Public Works Director Eckles addressed Councilmember Piekarski Krech's comment and said he believed there was a need to look at simplifying and addressing some of the rural properties and putting a cap. He said there is an argument to be made if not building a lot of surfaces that has a lot of runoff. That was something to be addressed as a part of a greater analysis.

Mayor Bartholomew believed it was very thorough.

Councilmember Dietrich appreciated the report card on Staff in Public Works. She said they are near and dear to her heart. She said she knows a lot of fundamental things they do and is very grateful. Interim Public Works Director Eckles responded he believes they have a hidden gem there.

Councilmember Piekarski Krech mentioned they were the only city with streets plowed during the 1991 storm.

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The City Council took a five-minute break at 8:14 p.m. Council was back in session at 8:21 p.m.

C. Internal Service Fund Budgets

Finance Director Amy Hove stated she has some Colleagues with her this evening to help with the Internal Service Fund Budget Presentation; Barry Underdahl, the Street Maintenance Superintendent and Phil Stier, the Operations and Maintenance Supervisor. They will help provide details on some of the operational aspects later in the presentation.

She said Internal Service Funds are shared costs and services that are shared across the organization.

Allocations will be seen in Departmental Budgets. Those flow through the following funds:

- Risk Management
- Central Stores
- Technology
- City Facilities
- Central Equipment

Risk Management (Fund 602) Activities include:

- A majority covers the Insurance Premium:
 - Property
 - Equipment
 - Liability
 - Auto
 - Bond Insurance
 - Workers Compensation Insurance
 - Deductible Payments on Premiums
 - Corporate Charges for Attorney Representation
 - Portion of Finance Personnel
 - Activities are funded by departmental allocations through expense codes:
 - 50019 is the Insurance Allocation in each Department. For 2022 proposing a 0% change on the insurance allocation.
 - 20750 Worker's Compensation Allocation. Proposing a 4% increase.

She clarified regarding the Fire SAFER Grant and if it covers the Workers Compensation charges, saying that it does for the new Firefighters. This is the accounting side. When seeing the expense side go up that means there is more money coming in from the Fire Department to pay the bill. The expense side is increasing on the other side through the Fire Department's allocation and would be fully reimbursed by the SAFER Grant.

She discussed Risk Management showing the breakdown between Workers Compensation and Insurance Allocations:

- All In for 2022: \$1,161,900. A 4% increase. Allocations were left the same as they were in 2021. If it were not for the increased accounting transfer for the Fire Department employees, they would be at 0%.
- Included where the cash position was sitting because the Internal Service Funds will ebb and flow depending on the activities for a given year. This one has increased. Which is why they are keeping the allocation as is for 2022.

Risk Management - Summary, Revenue and Expense:

- Revenues: \$1,176,900 (Includes interest and reimbursements that come in)
- Expenditure by Type:
 - Personnel includes finance coding for their time.
 - Legal costs

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- Repair/Maintenance/Deductibles
- Insurance Premiums

She mentioned that back in August, Staff brought the Insurance Premium Renewal to Council. More information will be coming on those activities as they dive deeper into renewals.

Central Stores (Fund 604):

Basically a "supply closet." Activities include:

- Office supplies, copy machine, Postage meter use.
 - Charges are allocated out to Departments based on their prior year copier activities.
 - Did not include an increase for next year. Actually, seeing copier usage go down.
 - Costs have gone down in this area as they have moved to more paperless transactions.
 - Believe in 2023 this allocation could decrease further. Left it at 0%.

Central Stores Allocations:

- There were some larger ones in 2020 and 2021. This is why they were comfortable leaving it flat for 2022.
- Cash position has grown over the course of the last few years.
- In the 2021 Budget they had some costs that were being allocated to City Facilities and needed to be charged to Central Stores.

Central Stores - Budget Summary:

- Departmental Allocations: Numbers were the same for 2021 and 2022. \$129,400.
- Interest & Other Reimbursements.
- Largest piece of this is the copier usage and copier contracts.
- Supplies. Include copy paper and general office supplies used by different departments.
- Revenues for the 2022 Budget are outpacing where they think the expenses are going to be. Will adjust in 2023

Technology Fund (Fund 606):

- Prior to 2020 the Technology Fund would account for all costs related to technology operations and replacement.
 - This meant operating, personnel, Staff, and benefits for IT used to be budgeted and planned for out of this fund.
- During 2020 budget preparations, operational costs were moved to a new department on the General Fund. There is now a Technology Fund on the General Fund.
 - Covers operational costs.
 - Supply needs.
 - Contracts.
- The technology allocation was discontinued in 2020 as the city was transitioning to a new way of budgeting and planning for Capital Technology needs.
- In 2020 one of her firsts tasks when she started, between herself and the IT Manager, was to come up with a new allocation for 2021 to determine how they would cover hardware replacements.
 - Operating now happens in the General Fund.
 - Now they need to discuss how to replace computers, monitors, cameras, card readers.
- Between herself and IT Manager Marc Gade, they came up with a new allocation based on the number of FTEs per department and number of devices (Laptops, Chromebooks, iPad, and computers).
- One of the things Staff wants to work on in their work plan is to draft a recommendation on an appropriate fund balance in this fund.
 - The Fund has a healthy fund balance.
 - Need to determine appropriate uses, and what is an appropriate level.

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- The goal in the coming year is to take a look at this fund a little more significantly.

Technology: Current Activities:

- Funding of the technology hardware.
- Technology allocation (60071). Did not make the change.
- IT felt this was a significant and thorough allocation for their needs in the coming year. It is based on device counts and FTEs by department.

Technology: Allocations:

- 2020 was an off year. No allocations were done because the goal was to come up with a new allocation.
- Any comparison made to past years prior to 2020 would not make sense as it contained operating costs in this budget allocation.
- The 2021 and 2022 allocation was flat at \$65,000.
- Year end cash position has been ranging anywhere from \$950,000 to \$1.1 million in this fund. That is why a long-range plan needs to be developed to determine what they really need, make sure those savings plans had in past years, not forgetting anything, and set money aside.
- In 2021 a budget increase was approved. Using down \$40,000 to perform a refresh of the finance system and then cover any balances due on a laser fiche project.
- At that same time, the Council approved the use of up to \$75,000 to research and potentially purchase a contract for new budget software in 2022.

Councilmember Murphy asked if the \$65,000 was the allocation to each department. Finance Director Hove responded that is the total allocation from all departments.

Technology - Budget Summary: (continued)

- \$65,000 is coming in from all departments.
- Interest \$2,000.

Technology - Expenditures by Type:

- Its not a balanced budget due to some action items in terms of utilizing some of the fund balance sitting in there from the past year.
- Purchased Services/Property/Equipment: \$75,000. For budget software if deciding to go that route.
 - When vetting products and want to make a decision, those would be brought before the Council for consideration.
 - Just because it is in the budget doesn't mean they would rush out and purchase.

City Facilities (Fund 605): Activities:

- Up until 2022 this Fund primarily covered facility costs related to the operation of City Hall. As the city has grown, they have built a new Fire Station. There are other facility costs they need to get a handle on. Part of what they are doing in the next 1-1 ½ year is looking at all of the city facility needs and looking at this Fund to determine what activities should really run through this Fund. Prior to 2022, they just budgeted for City Hall. They were not really taking into consideration entire facility needs and plan. Such as the kinds of costs that would go through here. Bringing a new person on board to the city brings a fresh perspective and gives an opportunity to dive deeper into the needs in this area.
 - Funded by a departmental allocation called City Facilities Allocation (40075).
 - It is a 1% increase planned for next year.
 - Allocation is based on FTE's and square footage by department.

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- This is an allocation they need to spend additional time looking at in the next year or two.
- Need to update square footage as departments have shifted the footprint within the building. Also moved into other buildings.
- Currently do not have any funds allocated for the replacement of really large items. These were items being planned for on a case-by-case basis.
 - Now that Phil Stier is onboard, they are looking at more of a long-term plan. That would move into this type of budget.
- The 2022 Budget includes the addition of a Building Maintenance Facilities position to help manage all of those activities.
- Allocations took a dip in 2021 because they moved \$50,000 that was an accounting miscoding that was not happening in the right fund. It would not have been quite the 3.6% decrease.
- 1% increase to \$740,000.
- Slowly building up the cash position in this fund.
- A \$500,000 balance is not much to get any large facility projects done. It is a start to growing the fund to where it may need to be in the fut. .

Operations and Maintenance Supervisor Phil Stier discussed City Facilities – Budget Summary:

Revenues by Type: Proposed 2022 Budget:

- Department Allocations: \$740,000
- Interest and Other Reimbursements: \$15,500
- Total Revenues: \$755,500

Expenditures by Type: Proposed 2022 Budget:

- Personnel: \$292,900
 - The boost to this category is for the facility position.
 - The proposed position would be doing most of the preventative maintenance. Currently they are paying an outside vendor to do that.
 - The initial cost is high now, going forward this would be a huge savings across the board.
 - This is not just for one building, it is all buildings such as the Fire Departments and Public Works.
 - Would be trained to be multi-functional, like the old-fashioned tech person they used to have in the 80's and 90's, a jack of all trades.
- Professional/Technical: \$90,200.
 - This is down because they actually purchase more services. The drop is \$30,000. In the next line item (Purchased Services) it actually increases there.
- Purchased Services/Property/Equipment: \$442,400
 - Includes more services through Nasseff Mechanical. They do the preventative maintenance program on the rooftop units, chiller, boilers.
 - When the new person comes in and is trained, would be absorbing that cost.
- Supplies & Other Expenses: \$22,700
 - This has gone down because Purchased Services/Property/Equipment. Nasseff Mechanical is providing those for 2022, it is part of their contract.
 - Once getting into 2023, the city would be buying more filters, grease, and supplies to help offset that.
- Capital Outlay/Transfer: \$0

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- He recommends/proposes that whatever they have as a balance be carried over from this year into next year's budget.
- There is currently a fund balance. It would be operating off of that.
- Most of the equipment is in fairly good condition throughout the city. It can be repaired so they do not have to do huge outlays for replacement.
- Total Expenditures: 2022 Proposed Budget: \$758,000

Mayor Bartholomew asked what the current balance was for the City Facility Fund. Finance Director Hove responded it has about \$500,000 at the end of 2020.

Councilmember Piekarski Krech referenced the new hire and said it was a great idea. Her concern is with all of the technical things in the buildings. She asked if they could get someone that can do it, if that person would be able to tell them that they need someone to come in and repair, or what needs to be done. Operations and Maintenance Supervisor Stier responded he is the one that is currently doing this. He is crawling on the roofs, he is the jack of all trades, mechanical, automation, lighting. The person coming in would have some type of technical training, through HVAC systems. He said he currently tells all his Staff that they should be getting different electrical licenses too, so they can do basic maintenance on electrical systems. They cannot install new things but can repair new things. The new person coming on would be doing the same thing. Getting the same documentation and licensing he currently has. They would be coming on under his tutelage. When contractors come out, the individual would be working hand in hand with that person, learning techniques and shortcuts. For example, he said he used to work with a master tile guy on his vacations and learned how to lay tile that way. He recommends they learn the same way, working side by side with the technician.

Councilmember Piekarski Krech said it is difficult to find people these days who are good mechanically, who does those things. She said knowing people in the business who are trying to hire people, she applauds him for trying to do it and wished him the best of luck. Operations and Maintenance Supervisor Stier responded it was an interesting idea. He said he has spoken to many people in trade schools, generally they have a single focus. It is hard to find a good person who wants to want to be able to broaden their scope of knowledge. He said he knows a few who have asked and inquired about the position. He said it is mostly one out of ten that want to learn everything. He said he used to work for Mnsu, that is two year and four-year institutions, he has a couple of "ins" in getting people right out of the schools.

Finance Director Hove discussed Central Equipment (Fund 603): Activities:

- Has ongoing operations and maintenance of the fleet and heavy equipment.
- Also has another component that plans for the replacement of all of those pieces of equipment.
- Central Equipment Allocation would be under 40070.
 - Proposing a 2.8% increase for 2022 to \$3,169,200.
- Allocation is two-fold; one is based on a vehicle replacement schedule; when the city purchases a large piece of equipment or vehicle, they immediately start saving for that vehicle. For example: If buying a new piece of equipment now, think that 10 years from now it would need to be replaced, they are estimating out how much that cost would be. Then say 1/10 of that cost would need to be set aside every year. This is a savings account to replace current equipment. She said that Interim Public Works Director Klay Eckles has said he was jealous of this because it was a great model if they can keep it up as a city. This helps afford equipment when needing replacement, instead of everyone coming and fighting for the same pot of funds.

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- The other piece of the allocation is based on fuel usage and repairs needed for each department. Each department has their allocation that is going to replacement equipment when it needs replacing.
- Would also have their contribution to pay for the upkeep of said equipment.
- The Police Department is slowly transitioning their fleet over to leased vehicles. They felt like the lease is an operating cost and should be in the Police Operating Budget. Their allocation has been reduced to account for an increase in the lease expense within their department.
- 2022 Budget includes the additional Mechanic position.

Central Equipment Allocations:

- As they save up for equipment purchases, there is a larger balance in this fund. It can be anywhere from \$8 to \$10 million dollars.

She said a question had come in earlier about the fluctuation that happens from year to year in Capital Spending. She said the people who are managing the recommendations in terms of what equipment needs to be replaced are very conservative and tend to really get useful life out of these pieces of equipment. If planning to replace a piece of equipment after 10 years and 10 years comes and goes, it would be easy to come forward and say, "let's buy that piece of equipment". She said that is not what Staff is doing. They are taking an in-depth look and determining if they can get more life out of that piece of equipment. Although the money is saved, they would wait a couple of years until they believe they really need it. She said a common theme would be noticed among some of the memos and materials, it was number of items came up for replacement. It may say a given number such as "X" or "20" items. What that means is that they have the funding for 20 items but are not going to ask for 20 items because they are going to see how many more years, they could get out of it before they would draw out of those funds.

- One of the larger things happening here is the maintenance being done on the Public Works Facility that Council approved in 2020. There was a little extra money set aside and planned to be used out of this fund. The reason it was out of this fund was because it was on the Public Works Facility. Normally it would be expected that the work would come out of the City Facilities budget. This fund had additional monies that could be used on that.
- It is a pretty large project that is going on.
- The cash position increased in 2020. Anticipate that would be spent down just a little bit on that larger building project that is going on right now.
- Anticipate seeing a carryover request because she does not believe that project will be finished by year end.

Barry Underdahl, Street Maintenance Superintendent, discussed the Central Equipment Budget Summary for 2022 Proposed Budget as follows:

- Revenues come from other divisions and departments for vehicles to be maintained and replaced.
- Expenditures:
 - Biggest change is in Personnel, \$543,900, asking for a Mechanic.
 - It has been 21 years since they have had a Mechanic.
 - They have increased the number of pieces of equipment. The load on the Mechanics has increased substantially in those 21 years.
 - This is something needed and should not be delayed.
 - There are three Mechanics that are all over 50. They have a lot of knowledge and want to pass that knowledge on.
- Purchased Services/Property/Equipment:

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- The big difference between 2021 Adopted Budget (\$1,263,300) and 2022 Proposed Budget (\$659,300) is Building Maintenance. The larger chunk of that will be done this year but carried over to next year to pay for work that is not quite done. A bulk of it is done.
- Supplies & Other Expenses:
 - Bulk Fuel. Everyone draws from this. Police, Fire, all divisions with vehicles.
- Total Expenditures:
 - For 2022 Proposed Budget: \$2,559,700

2022 Equipment Requests:

- 27 vehicles came due by the schedule.

He said as the Finance Director had mentioned, they vet that by what they believe they need to buy. There are a lot of factors. The biggest being getting value out of that piece. They would keep it as long as they can to get as much out of it as they can. If there is a point where the trade value is going to drop, they do not want to get there. They have done quite well with trade values in recent years. Part of the reason why there is a discrepancy in the acquisition cost versus the allocation balances in some cases. This year is different in that they have added pieces that came due a little early, and there are a few new pieces added. He said they do not traditionally ask for more pieces, but they are at a point where it is a push comes to shove situation. They are experiencing a lot of work out there that they do not have the Staff for. They are not asking for more Staff at this time, they are asking for more equipment to get the work done more efficiently.
- There are 9 out of 27 items they are asking for that actually came due on the schedule.
- 5 new pieces. 3 of those are in Streets, 2 in the Parks Division.
 - Streets:
 - 11-year-old Caterpillar Loader (1 year behind)

Instrumental in snow removal. Used for a lot of things; moving dirt, loading dirt, rocks, sand, salt. The bulk of what it does is plows snow. It plows the lots around this facility and is very efficient for cul de sacs. He said they want to get the best bang for the buck with these pieces, especially the ones at this level.

He said in discussions along with the Lead Mechanic, they talk about these pieces every year. They only present what they believe is the right time to present them.
 - Towmaster Trailer (1 year ahead)

Found an issue with the gross axel weight rating of the trailer they currently use for the paver. The Paver they are acquiring that was approved last year is actually heavier than the Paver they currently have. When they have tried the Paver out, they have had to borrow a trailer from the City of Burnsville. He said one photo they have is actually of the City of Burnsville's trailer. The trailer would allow them to haul the Paver and any other heavy equipment they would have.
 - Gibson Cement Mixer. Using this line item to acquire a Mini Excavator.

They do not use the Mixer like they used to. They hire more concrete work done outside rather than do it inhouse. They do not have the time anymore. It does get used a bit. The Cement Mixer will last long enough that they can hang onto it until it is worn out. Then they end up renting a mixer as they need it, as they do not use it very often.

He said they want to use that line item to acquire a Mini Excavator. A lot of cities are going to Mini Excavators to get a lot of work done. The bulk of the work for a mini would be in stormwater. He mentioned as Interim Public Works Director Eckles had mentioned, there is a lot of work out there that they are running into as the system ages. There are areas they need to get into that the Backhoe will not go. The Mini could help get in areas and

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move materials around, especially rip rap, and would save the backs of employees. Currently they have to muscle that stuff around using Rock Bars. This would be able to excavate an area where there is sediment, fix any erosion issues, place fabric and rip rap back in place, and meet their MPDES Permit.

He said it was not just street maintenance or for stormwater work, Parks and Utilities would use the machine as well. There are a lot of things they could do with it to help Staff be a lot more efficient.

- o MacLean MV2's. (The red sidewalk machines).

They work hard through the winter. Also used a little in the rest of the seasons. They are municipal tractors used for clearing snow on sidewalks and trails. They are heavily used during winter especially when there is a lot of snow. They really move snow. He said they have seen better days and are seeing more and more problems with them. To keep them out of the shop they want to trade them off while they still have value and start over again on a 10-year schedule with new machines.

He said when they get calls about sidewalks and trails it is usually on the day of the snow. On their chart for priorities for snow removal, sidewalks are down a little way. People love their clean sidewalks. He said it takes them four days with two good machines running. If there is a breakdown, it kicks everything out a few days. Now it is hard to get parts in a timely fashion with supply issues. They want to have machines to keep on sidewalks and trails and not in the shop.

- o Street New Pieces:
- o Asphalt Roller/Volvo Roller.

For the pavement condition out there and the program being implemented to get more of the pavement taken care of, in the meantime they are patching a lot of asphalt. In order to be efficient in the spring/early summer, he would like to split the crew in two and have two patching. They have a slide in unit and a dedicated patcher truck (they have not received this yet due to supply issues). They would be able to split the crew into two and have two patching crews that would be able to respond a lot faster to the pothole problems they will have in spring/summer.

To make that happen he is requesting a Volvo Roller they have good pricing on.

- o The Towmaster trailer is listed here. There are two of them.

The reason he is asking for those is that now they have to take the water truck out to nurse the water tank on the roller. They can put a water tank on the trailer with each roller which would make them more efficient and reduce one body who has to move that truck back and forth between two crews. It is not going to work.

Having a tank on a trailer, on a stationary front of the trailer and a tilt bed, they can get on and off easier with a tilt bed but also feed the roller water tank easily with one guy. He could run the roller and feed his own water tank. This would make them more efficient.

Street Maintenance Superintendent Underdahl stated the acquisition of these eight Street Division items leaves an allocation balance of \$84,862.

- Utilities:

- o Needs an easement machine.

He said 20 years ago they did not really know what an easement machine would cost. They did not have enough money annually put into the fund. To cover the difference in that acquisition they would use the remaining funds from the Street Department.

The easement machine is a smaller machine that can clean sewer pipe. You can walk it between homes where there are easements, backyard manholes, and pipe running in

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areas that have no pavement. This machine is needed to get through some areas in order to be able to clean the pipes.

This is something the Utilities Division has really been concentrating on this year and the coming years as it's getting more sewers cleaned on a more regular basis to prevent any backups which can cost a lot of money and lawsuits.

- Parks Division:
 - 3 of the 10 items that came up on the replacement schedule they are recommending to replace. They have two new acquisitions as well.
He said that parks is experiencing the same pressures that streets is with the amount of work. They are growing, parkland is being added, there is more to do. They need another mower and another pickup in order to cover the ground and make up the difference in staffing issues.
They use seasonal workers. They have to have ways to get the seasonal workers to and fro and put more mowers out there. The request is for:
 - Mower
 - Pickup

Street Maintenance Superintendent Underdahl displayed photos of the following pieces of equipment:

- A photo of the trailer they used from the City of Burnsville and the trailer they currently use. The difference is there are dual wheels on the trailer from Burnsville, where the City of Inver Grove Height's trailer has single wheels on a tandem axel. The trailer they are asking for would have a lot more gross axel weight rating.
- A photo of the CAT Loader. He said the acquisition cost is pretty good considering what these machines are worth in the open market. They get quite a bit off for being in a State Contract. That makes them worth more on the trade side. They are doing quite well on the \$65,000 for the trade value. Acquisition Cost is \$181,570.
- A photo of the mini excavator discussed previously (#600). They would get rid of the Cement Mixer line item and plug in the Compact Excavator. He said it is fairly small compared to what it may look like in the photo, but they do a lot of work. Every larger city he knows of is going to these minis rather than a rubber tire backhoe because you can spin in a circle and reach 11 feet in the ground if you need it to. It is instrumental in getting the work done nowadays.
- Photos were displayed of the sidewalk machines (municipal tractors). He said they have tried doing this work with skid loaders for many years. These tractors are worth a lot of money, but worth it in the end if wanting to make citizens happy.
- A photo of the Volvo Asphalt Roller was displayed and mentioned as an add-on. He said they do a lot of patching, put down a lot of asphalt. In order for them to keep up with the condition of the roads they are going to need one. They already have one, it is the same size as this one. They work well when paving. He said if they have the bodies, they can roll with two rollers when they pave and save time.
- A photo of the trailer was shown with the tilt bed to get the roller on and off. He said the tricky part with rollers is there is no grip, they are metal, the drums are metal. These help a lot to get on and off safer than having metal ramps.

For Utilities:

- A photo was shown of the easement machine that utilities has. They are keeping the trailer and using it for the new easement machine. He said this machine is not worth a lot, but they will be trading it in. With the type of wheels on it, the tires are wider and dual, they float over the grass

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when going through an area, they do not rip up the grass and wind up with a restoration issue in someone's yard.

Park Maintenance:

- A picture was shown of the pickup. He said it has a lot of miles on it for a city vehicle (98,662 miles), it would be like having 200,000 miles on your personal vehicle.
- A picture was shown of the Groundskeeper that was due for replacement. They would be changing the model. The one shown was not as good as ones had in the past, so they are changing to a different model.
- A picture of a custom trailer that was built many years ago was displayed. It is needed to get two machines on it especially for the winter when doing rinks. They need to have two machines that fit on the same trailer rather than have two trucks and two trailers to get around. This trailer has a mesh bed, so everything falls through. It is used for mowing as well when they have seasonal, so they can take one truck and two people. He said this trailer has become rusty underneath; it is almost to the point where they cannot let it out of the yard any longer.

Councilmember Piekarski Krech asked if it was rusted through. Street Maintenance Superintendent Underdahl responded yes; it is rusted through. In the frame underneath, you cannot see it, but there are holes in that section of the frame. It is starting to get really bad. He said several years ago they actually had it blasted and painted. It is seen better days. Repairing it would cost more than replacing it.

Street Maintenance Superintendent Underdahl displayed a photo of a new acquisition wanted, a Ford F450 for the one street person they have that does stormwater work. The truck would be outfitted for him. That person takes care of the ponds, basins, vegetation, and tree work. He said parks does the same type of work, they would like to have a truck just like this with the aluminum box to haul tools and chainsaws. He said they were adamant that they needed it to keep up with the work they have.

Councilmember Piekarski Krech asked if they were getting a second truck like that. Street Maintenance Superintendent Underdahl responded yes; it is not a replacement.

Street Maintenance Superintendent Underdahl displayed an image of the new acquisition of a Z Mower zero turn. It is super fast, gets around trees nicely, will not tear things up. This is what they are asking for just to keep up with the grass. They even have to mow when it is raining because they cannot keep up with all of the grass out there. He said if adding a machine, it would help a fair amount.

He said that was the end of his presentation. He wanted to take the time to thank Interim Public Works Director Klay Eckles for the kind words he had said earlier. He said it was nice to hear from someone who is semi-retired, part time, Public Works Director with no dog in the fight. He said traditionally they wait until January to approve the equipment. This year is different. Other communities are in the same boat and have actually received Council approval prior to the beginning of the year. The reason behind it is if ordering in November, they can save as much as 8%. The prices shown were if they waited until January. He said there is a deficit of just under \$10,000 in the list. That can go away if approved at the next Council meeting and they could get some orders in. He said with some of these items they are probably not going to see them until fall anyway due to the supply issues they are having now.

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Councilmember Piekarski Krech asked if he had guarantees, a lot of bids right now are saying pending. Street Maintenance Superintendent Underdahl responded with some of these they are using 8%, normally it is no more than 3%.

Councilmember Piekarski Krech asked if they would hold that bid if given that bid now. Street Maintenance Superintendent Underdahl responded yes, if Staff gets the order in, they would hold it. Councilmember Piekarski Krech said there were a lot that are not. Street Maintenance Superintendent Underdahl responded some are saying it would go up, the big-ticket ones will lock in. That would help a lot as it would take up the deficit and then some.

Street Maintenance Superintendent Underdahl questioned if ok with Council, he would do a final memo and present it at the next Council meeting so they can save the 8%.

Mayor Bartholomew asked the Finance Director if the scheduled request was looked at, numbers and calculation were verified, and that everything ties out to the accounts. Finance Director Hove responded yes.

Councilmember Dietrich thanked Street Maintenance Superintendent Underdahl for his presentation and the photos.

Councilmember Murphy said the photos were phenomenal, he liked the pictures. He joked about having the city shoveling the sidewalk in front of his home. Street Maintenance Superintendent Underdahl responded he did not want to spread that rumor. He said they appreciate anyone that clears their walk, it would be nice if everyone did. He said in some cases they still have to go down that walk, some people do not like the fact that they have cleared them, dragged snow, or that the path was wider. Most people do not complain. He said the paths clear off much better if the snow is cleared off the walk before people walk on it. He said when they do clear snow, they do not clear the snow bare, they only clear the bulk of the snow, people would pretty much have to shovel anyway. The equipment they have does not always clear it down to the pavement, they try, but it gets tougher as the season goes on. He said he wishes everyone would shovel them anyway, it would be nicer in the end. He likes to see a bare walk when the sun comes out.

Councilmember Piekarski Krech commented if the Council would change the protocol and say that people in Inver Grove Heights are responsible for shoveling the sidewalks in the front of their house.

Councilmember Murphy said he thought they were responsible for that, that was why he made the joke. Street Maintenance Superintendent Underdahl replied that a fair amount of people do shovel the sidewalks.

Councilmember Piekarski Krech said there never used to be very many sidewalks, the city started doing it in the 1970's because nobody had sidewalks. As sidewalks were added, the city never changed the protocol.

Street Maintenance Superintendent Underdahl mentioned that he has been doing walks since 1987 in skid loaders. He said it was terrible, they were too wide and tore up grass.

Interim Public Works Director Eckles commended the city on their Equipment Maintenance Fund. It solves many issues. He said he wished the other cities he had worked in had that. He said it allows them to make

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good decisions like they just did to preorder equipment, and they do not have other departments fighting over who should get each piece of equipment replaced. He said it does not all come in, in an easy allotment, this allows them to plan well.

Interim Public Works Director Eckles mentioned there is a trend to mechanization, finding special equipment to help do jobs better. He said the Council saw some good ideas for doing that. He mentioned he was surprised to see how few Mechanics they have in this city that are getting so much work done. Having sufficient Mechanics/Fleet Technicians in Staff allows them to get more life out of the equipment, gets the right maintenance done when it needs it, and extends the life. He said the Council is seeing some of the benefits of it. He said what Street Maintenance Superintendent Underdahl was requesting with the adding of a Fleet Maintenance Specialist will help get the maximum life out of the huge list of equipment the city has. He said it was pretty incredible the amount of equipment a city like this has. He said as an "outsider" they have a pretty good system here for managing equipment.

Mayor Bartholomew said what really makes it work is Staff that tries to get the longest life out of the equipment. It is not only just the dollars, it is the prudent use of equipment and extending the life. He said it is a benefit to the city that comes from the hard work of Staff and taxpayers.

Mayor Bartholomew asked the Council if they were fine with having Street Maintenance Superintendent Underdahl bring this before the Council at a Council meeting. The Council responded yes.

D. General Fund Update

City Administrator Kris Wilson stated it is November 1st, they are nearing the end of the year and need to adopt the city's Budget for 2022. They have six weeks to bring all of this together into a final budget. There is particular emphasis on the General Fund Budget which is supported by the property tax levy. She said one of the issues they have for the General Fund Budget is the issue of how to phase in funding for the nine new employees that are going to be added to the Fire Department as a result of the decision to accept the Federal SAFER Grant. The Grant would cover salary and benefits for the nine employees for a three-year period (2022, 2023, 2024). Staff wants to start planning now so come calendar year 2025 they are not faced with the choice of having to let go of some of that Staff or increasing the Property Tax Levy all at once to fund those wages and benefits.

She said back in September when the Council was considering this Grant. Staff presented three different options for phasing in the funding onto the Tax Levy:

1. Slow and Steady
2. Jump Start Savings, then smaller increments
3. Jump Start Savings, then Levy Bump every other year

None of this money would be spent in 2022, 2023, 2024. The idea would be to bring some of it in gradually each year, set it aside in a savings account, and then gradually draw it down combined with some smaller property tax increases when the positions are actually being tax funded. She said at the time there was interest in Options #1 and #2. There was not much interest in Option #3 so that has been dropped. If there is an interest in returning to that one, they can pull it back up.

Option #1: Slow and Steady

- Has a \$150,000 levy increase for this function in 2022
- In 2023, that climbs to \$325,000
- In 2024, it would be \$525,000

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They get a fairly nice smooth line in terms of graphing the increase, hence the title of Slow and Steady.

- The cost of those Firefighters would be fully supported by the levy in the 2028 Budget.

Option #2: Jump Start Savings, then Smaller Increments

- Levying \$359,400 in the 2022 Budget.
 - That amount was chosen because when they set the preliminary levy, they had not yet heard whether or not they had been granted the SAFER Grant. There was a strong feeling that they needed to do something in terms of additional Staff resources for the Fire Department. Staff proposed if it would have to be funded by the city, the addition of three new Staff people for 2022, those costs would have been \$359,400. That was included in the Preliminary Levy.
 - They are no longer asking for those three levies supported positions, just the nine Grant supported positions.
 - It can be chosen to levy that full amount and then the increase from year to year would be smaller. It would still get them into the same dollar figure of \$1.4 million dollars, and it is in 2029 these would be fully levy supported.
- Staff is working on some potential cost savings for the 2022 levy. Those tend to be much smaller dollar amounts. For example: Cut \$20,000 here or \$15,000 there.

She said the question of how much to levy in 2022 for the nine Fire personnel is at the moment, the largest dollar value question that is still outstanding for next years levy. Staff wanted to bring it back to Council and asked if Council has given it any further thought, or request that Council give it further thought so Staff can get direction on where the Council would like to go. She said the Council has heard a lot of budget information this evening. There is only one Work Session before Staff would be asking them to adopt the budget. That would be the first week in December. It is Staffs goal to bring a finalized budget at that time. Staff needs further direction.

City Administrator Wilson said that Fire Chief Thill and Finance Director Hove are available to help answer any questions the Council may have.

Councilmember Gliva mentioned she liked the Slow and Steady Option #1.

Mayor Bartholomew said he liked Option #2, Jump Start Savings then Smaller Increments. He suggested to get going on it if they are going to do this. He said they have the money sitting in the preliminary. He said he would challenge Staff, as he has said all along, to review all of the Reserve Funds and see if they can reduce the levy by critically looking at the reserves. He believes they could find some room there. He thinks Option #2 is the way to go.

Councilmember Murphy commented because it is already planned for. Mayor Bartholomew responded it is already in the preliminary. He said he believes there is opportunity that they have not spoken about, and that maybe now is not the time to speak about it because they have been present for this meeting for a long time. He said he thought there was some opportunity to use up some reserves and to move forward. He challenged Staff to look into that. He said the preliminary is set, now is the opportunity to get this moving ahead.

Mayor Bartholomew asked the Finance Director and/or the City Administrator what they preferred.

City Administrator Wilson responded she believed she is also speaking for the Finance Director when saying that Staff would lean toward Option #1, the Slow and Steady. Currently the Preliminary Levy

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increase the Council adopted was about a 9.3% increase in the levy. She said the same night Staff asks Council to adopt the levy, they would hold a Public Comment on the levy. She said she expects to hear from residents concerned that it is a pretty sizable increase. It is a sizeable increase because they are a growing community and have deferred some needs recent years. This is the best chance they have to bring that levy down.

She said the Mayor is correct in pointing out that the Council received, as a part of a regular budget email report last week, cash fund balances of a number of funds. There could be some funds that could be closed out and the balances transferred. She said the challenge with that would be feeling that they are 100% on top of those in the next six weeks. She said there is likely an argument to be made for using some of that funding to support the water, sewer, and stormwater depreciation that Interim Public Works Director Eckles spoke about earlier. She said using them on a capital side was her point as they start cleaning up some of those funds. There are a lot of capital uses for those. She said they have that capital versus operating where they are trying to spend the right funds on the right sources.

Mayor Bartholomew mentioned that he does not proclaim to have all of the ideas and the best policy, it was worth the exploration.

Councilmember Dietrich said her vote would be for Option #1, Slow and Steady.

Councilmember Gliva said if they could dig into some cost savings from the original budget, it would show good will, they are sharpening their pencils, trying to get to a really good solid number. That is why she is picking Slow and Steady. She said if they were to find an additional funds, she would meet in the middle and take the full \$359,000 and still show sharpening pencils.

Mayor Bartholomew said he did not want to be in the way, he would go along with the will of the Council. He is only looking at this as a mechanical issue. They had the preliminary set; this is an opportunity to get this kicked off. He questioned what would happen in 12 months when another Council starts looking at another budget. He said he was more than happy to go along with Option #1 as well.

Councilmember Piekarski Krech stated if they were onboard with hiring three Firefighters, \$359,400 is the cost of three Firefighters. She said the people need to know what the cost of having those is. A Grant is not going to last forever. She said to either have the money in the budget to pay for at least three or layoff nine people in three years. She said she did not like the jump, but thought they need to be realistic. She said if they were going to hire three Firefighters this year and that was the cost of them, that needs to stay.

Councilmember Murphy said what everyone is saying makes perfect sense. He said he has always been 50/50 on Option #1 or Option #2. He referred to the Mayor's point and said they are already partially down the road in Option #2, but he thought Option #1 was easier to explain. He said it showed, as the City Administrator explained, that they were pulling it back a bit. He said he has always been 50/50, he could go either way.

Councilmember Piekarski Krech suggested doing something closer to \$359,000 than \$150,000 for starting to put money away. City Administrator Wilson responded they could look at \$200,000, \$225,000.

Councilmember Piekarski Krech stated it takes a lot of money to make a difference in levy amounts. She asked what the magic bullet was to bring it down to 7. She asked if they could juggle some numbers to make that happen.

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Councilmember Murphy commented to get it down to 8 versus 9. Councilmember Piekarski Krech replied or to 7.

Mayor Bartholomew stated the levy increase is a dollar amount they can substantiate. Another number they should focus on is the rate. The rate is not bad, they have to pay for what they have. They have more citizens, more roads, more need for services. The increase of the levy is size, increase in population, increase in needs of service.

Finance Director Hove referenced the memo done by the City Administrator. She said it did a good job of explaining the ramifications of Option #1 and Option #2. She said it is reflective of some changes in cuts already made. They have been working on it since September. Staff have made a few reductions. This actually brings it down to what a current draft would be that they would bring to the Council to have an idea of the Slow and Steady Option. She said the preliminary increase was at 9.7% levy percent increase back in September. With Option #1, Slow and Steady, which still gets them a savings plan that gets the nine Firefighters on the payroll, on the levy in 2028, that would give opportunities to further reduce the levy beyond what they have already done internally behind the scenes. That would bring the increase down to 8% and bring the tax rate increase to 2.11%. She said that would give context of what Slow and Steady does.

She said if moving to the Jump Start Savings, Option #2, which is why they are trying to push the Council one way or trying to convince them, keeping the full \$359,400. The way they had to stagger that is they are actually not transitioning those costs onto the full budget levy until 2029 which is one year later. They are not seeing as much reduction next year. She said Staff brought pretty heavy asks in terms of Personnel for next year, which is why Staff is behind a little bit more of a conservative savings' plan for next year versus the following years. If taking that into consideration, the percent increase would be 8.8% and the tax rate increase 2.95%. If comparing the two options, down toward the bottom of the memo shows the two pictures. She said Staff still wants to continue to bring costs down before they bring them before the Council.

Finance Director Hove displayed a slide showing a graph of the two options as the years progressed. She said it shows the two Options diverged, they kind of follow the same pattern. The bulk of Option #1 has slightly smaller increases in 2022 and 2023, then they kind of follow the same path and diverge a bit more in 2027 and 2028, ending up at about the same place in 2029 with the tax rate. She said to see how it compares long range to the tax rate and what it looks like in the dollar difference, Staff has that material available as well.

Mayor Bartholomew commented it makes perfect sense. He said they are still back at square one and what their preference is. He agreed the slide tells the scale.

Councilmember Piekarski Krech asked what they do in an option when they do not have the full amount, what would they use to cover that. She said Option #2 does not come to the full amount until 2029, neither one of them do. City Administrator Wilson responded because of the jump start they end up putting more into savings under Option #2, so it allows to draw the savings down for one more year. Finance Director Hove said they kept fairly smaller increases year over year. She said they would see it at one point when the graph diverges a little between the two years, which is when all of a sudden Option #1 is a little bit higher in that year than Option #2 would have been. Some years it is higher, some years it's lower, they kind of trade places.

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Councilmember Murphy said he was kind of leaning toward Slow and Steady now.

Mayor Bartholomew said if it came down to a flip of the coin, he would go with Staff recommendation. He mentioned that 12 months from now he does not want to see any backpedaling because they are setting the course, they have to go. City Administrator Wilson responded she understood.

City Administrator Wilson said she was at a meeting that the County Assessor was at. The Assessor was walking through preliminary assessment data and had said they were going to see value growth like he has never seen in his 30+ year career, on next year's assessments. She mentioned that may do some things to our tax rate too, because value growth is an inherently experienced wealth growth for people. It is on paper. She said the focus on our tax rate is going to be a challenge to keep up over the next few years because of the things the market is doing. She said she hears the message that there are several Councilmembers on the cusp, Staff will continue looking. She appreciated the discussion.

2. Utility Connection Fee & Utility Rates Discussion

City Administrator Wilson said the Council heard information earlier about utility rates. There are a couple of issues around this and wanted to take a few minutes to understand what questions the Council may have, and how Staff can help get Council the information they might need for decisions coming up in future Council meetings.

Tonight's Goals:

- Prepare for the November 8th Public Hearing on Utility Connection Fees and a Second Reading of an Ordinance.
- Field questions on rate differences in the northwest area (NWA).
- Tee-up a conversation about utility rates.
- Outline the need for a Comprehensive Rate Study.

She said there are some things going on with rates that are hard for any of them currently to articulate the policy rationale behind. She said she was sure they had good reasons when initially adopted, but it is time to take a fresh look.

Inver Grove Heights Utility Systems:

- Water
- Sanitary Sewer
- Stormwater

Utility Connection Fees:

- One-time fees. Partially paid at the time of plat, the remainder at the time of Building Permit.
- Primarily paid by Builders/Developers. What they pay gets wrapped into purchase price, rent, or lease.
 - The actual payment generally comes from a Builder or Developer. The exception would be someone who may be in a unique spot in town where they happen to have a well and septic but have extended utilities now and may hook up an existing residence to the system and then residents would pay them.
- Based on acreage or property type. Single family unit may pay a certain amount, or the charge might be a certain amount per acreage.
- The purpose of connection fees is to fund capital costs of the systems.
 - Used to pay for initial construction, expansion of the system, or to repay debt previously issued to build the system.
- Water Connection Fees
- Water Plat Connection Fee
- Water Building Permit Connection Unit Fee
- Water Treatment Plant Fee

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- Water Core Connection Fee

All are spelled out in the Ordinance. There is currently a rate set for each of the four fees in the northwest area and outside of the northwest area. She said she went back to Ordinances as far as 2013 and that was the case in the 2013 Ordinance and everyone since. She has not had the chance to go back far enough to figure out exactly what year those first went into place of having two separate rates.

Councilmember Piekarski Krech said she would guess 2008 or 2007. Mayor Bartholomew agreed.

City Administrator Wilson discussed:

Sewer Connection fees:

- Sanitary Sewer Plat Connection Fee
- Sanitary Sewer Building Permit Connection Fee
- MCES (Metropolitan Council Environmental Services) Sewer Access Charge (SAC) - pass through.
 - The Met Council sets the fee, it is the same everywhere in their service area.
 - The city collects the money here from the builder and the city transmits that on a regular basis to the Metropolitan Council.
- B-Line Special Connection Charge. This is an older extension of city services. It serves an area mostly north of 70th on the east and west sides of 52. A little bit to the southeast of 70th and 52.
- Sewer Core Connection Fee

Councilmember Piekarski Krech stated the B-Line was put in to provide sewer services to Inver Hills Community College. When Inver Hills was built, maybe in the 60's, it went from whatever part of Inver Grove had sewer and water at the time and ran out to the College. That why it is a separate system because a whole lot of areas were assessed the area charge for the B-Line but were not allowed hook up to the sewer line. That is why there is a special charge because there are those that are in the B-Line Sewer District but do not have sewer and water services.

City Administrator Wilson said Staff tells her most of that area is developed. It is pretty rare they have something happen that needs to pay the charge, but there are still some properties that, out of fairness, would need to pay their fair share if and when they ever do connect.

She said there is also a Stormwater Connection Fee. The other two, water and sewer, have fees for inside and outside the northwest area. Everybody pays, they are just different rates. In the case of the Stormwater Connection Fee, the rate only exists in the northwest area. That is something a Rate Study would look at, that it may be prudent for them to have a connection fee to the stormwater system city wide. She said it was not really clear to those here today why, when it was put in place in the northwest area that it wasn't extended elsewhere.

Utility Connection Fees:

- Established by Ordinance
- 1st Reading of the Ordinance for 2022 - held October 11th.
- 2nd Reading and Public Hearing - Coming up on November 8th.
- The initially proposed increases, in the First Reading of the Ordinance:
 - Water:
 - +3.5% Outside of the NWA
 - +4% Inside the NWA
 - Sanitary Sewer:
 - +3.5% Outside of the NWA
 - +5% Inside the NWA
 - Stormwater

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- Not applicable
- +5%

It has been historically true that not only are there two different rate structures, but they are increasing at different rates. If graphing on a line they would be slightly diverging over the years as they apply different percentage increases.

She said there was some concern Staff sensed when they held the First Reading of the Ordinance, and some discomfort with what was in there. Staff has considered, short of doing a Rate Study, which they strongly recommend but will not be done in time for a decision in 2022. She said the Interim Public Works Director, Finance Director, and herself, have talked with their Finance Consultant and looked at how they could sharpen their pencils on these:

Utility Connection Fees: Alternatives for Consideration:

1. Continue to have the two rates.
 - Does not believe they know enough right now for Staff to feel comfortable making a recommendation to move away from having the two different rate structures.
 - Increase them by the same percent for 2022.
 - Stop them from continuing to diverge and keep them at a consistent relationship to one another for next year.
2. With the latest information they have from Ehlers they could consider a smaller percentage increase for water based on the current fund projections.
 - Noticed a 3.5% or 4% increase in the Water Connection Fee. If thinking back to two weeks ago, when the Consultant from Ehlers was here, the Water Fund can handle its obligations in that area. A smaller increase may be just fine.
3. Clean up some minor rate differences.
 - Looking at the Ordinance that a First Reading was held on, there were some cases where the difference between inside the northwest area and outside the northwest area was \$10.00 or \$18.00. They were really inconsequential increases that the administrative hassle and risk of making a mistake were greater than the dollar amounts coming in.
 - This has been run by the Consultants at Ehlers which have agreed they could do a little bit of clean up there without having a significant impact on their financing.

City Administrator Wilson asked the Council if there were questions, or if there was any interest in pursuing one of the alternatives in conjunction with the Second Reading of the Ordinance next week. She asked if the Council would like to stay the course with what was in the First Ordinance and leave it to the Rate Study to make possibly more substantive recommendations in time for 2023.

Councilmember Piekarski Krech said she was leery of changing anything without the Rate Study because of all of the time, effort, and study that went into the northwest area fees, and the reason that they are there, why they have to change, and the time Ehlers had put into those. She said she would be really nervous about what they might do to the Bonds and Bond Ratings if changing without knowing where they were at. She said she fully believes the Rate Study needs to be done again, she does not know when the last one was.

Councilmember Murphy said if he heard correctly, Ehlers does not believe maintaining the two different rates, but increasing by the same percentage for 2022 is an issue. He asked if that was what he has heard. City Administrator Wilson responded they did not have concerns with that approach. Councilmember Murphy said it seems if they can get the Rate Study done in 2022, that would make a little more sense. He said he was not in support of the Reading the last time around, but these alternatives seem to make a little bit more sense to him.

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Mayor Bartholomew stated he was ok with the alternatives here. They need to do something with the rate. He said he believes Councilmember Piekarski Krech makes a good point, they should pay attention to what they are doing before a Rate Study, so they do not upset the Bond market and obligations. He said they are sitting at one of the highest Bond ratings, they have to be cognizant of that. He said he thinks the two rates increasing at the same percent makes sense.

Councilmember Gliva said the same percentage makes sense, it seems fairer for all residents that the increase be the same. She said until they see the study, they are kind of taking guesses here. City Administrator Wilson agreed that they are. She said they are doing their best to take educated guesses. Staff wanted to present the Council with alternatives because the First Reading was the one and only way to do this. These are considerations they do not have 100% fleshed out, but with the three of them, their experience, and talking with Ehlers, they felt they were low risk.

Councilmember Murphy commented unless they know what the increase specifically is for in the northwest, raising them at the same percentage makes more sense. Mayor Bartholomew agreed.

City Administrator Wilson said the First Reading was done on October 11th. The Second Reading and Public Hearing will take place one week from tonight. There would be a Third Reading on December 13th.

Mayor Bartholomew asked if that was enough time to have the information for the Second Reading.

City Administrator Wilson requested clarification on what he was speaking of. Mayor Bartholomew responded they would have the Second Reading and would have all of these options ready. City Administrator Wilson responded they would put them in the packet and make them a part of the presentation for the Second Reading. She said that would give them a chance to hear from anyone from the public that might come.

Mayor Bartholomew asked if that would include the three options, clean up minor differences, consider small percentage, and maintain two rates. City Administrator Wilson said they do not necessarily all have to travel together. If wanting to take one or two of the alternatives, or reject/hold off on one of them, there is nothing tying the three together.

City Administrator Wilson discussed Utility Rates. She said that Staff has not brought these before the Council yet, but they typically come at the last meeting in November or at the December meeting.

Utility Rates:

- Ongoing charges for water use. Paid quarterly by residential properties, monthly by multi-family and business properties.
- Paid by current residents and business owners. Direct bill received by the city.
- Funds operating costs and depreciation/maintenance and replacement of existing system.
 - As mentioned by Interim Public Works Director Eckles earlier, the budget for water operations or sanitary sewer operations are funded by these utility rates.
- Inver Grove Heights is not fully funding depreciation each year.
 - Not funding it to our target.
 - Not sure how accurate our target is in this day and age.
- Charge for:
 - Water, based on a meter reading.
 - Sewer, estimated based on winter water use.
 - The reason for winter usage is that people use water for irrigation in the summer that does not end up in the sanitary sewer system.

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- Winter water use is used as an approximate judge for what goes into the treatment system.
 - Stormwater, flat fee based on property type.
- Single rate structure for water and stormwater.
- There is a surcharge on sewer bills in the northwest area.
 - \$2.00 per 1,000 gallons of water.
 - Added in 2016.
 - Transferred out of the Operating Fund and used toward debt service payments towards Bond issues to extend sewer in the northwest area.

Northwest Sewer Rate Surcharge: Alternatives for consideration:

She said as the Interim Public Works Director noted, it is an unusual means of collecting revenue for capital expenses. Generally, money that comes in off quarterly bills goes toward operating costs and depreciation. In this case they are transferring that money. She said from research and talking to Ehlers, it was a case of needing more money to pay off sewer Bonds. There was discomfort in making those connection fees paid by builders and developers even higher, looking at how else they can generate some funding. This became the adopted amount. There is no target date they can find that suggests doing the surcharge for any length of time.

Councilmember Piekarski Krech said the question to ask would be if they are closer to paying those Bonds now, do they need the extra money, are they generating enough by the connection fees and the money that is coming in now, that they do not need that. City Administrator Wilson responded she would not say they do not need the money. She said looking back at the Ehlers presentation two weeks ago, the Sewer Fund was the fund when modeled out, dips down into the negative.

1. Continue surcharge.
 - a. The dollar amount of the surcharge has not increased since it was put in place.
 - b. It has been \$2.00 per 1,000 gallons each year even though there has been a percentage increase on the base water rates. The \$2.00 has stayed \$2.00.
 - c. The number of customers grow as development continues to occur in the northwest area. There is revenue growth from more customers paying the \$2.00 surcharge and it is expected to increase.
 - d. Currently generates approximately \$60,000 annually. That is a growing number.
 - e. If not comfortable with the \$2.00 surcharge could adjust the connection fee at the time of plat. It goes back to the notion that capital costs are paid during the development process and once someone moves into a residence in Inver Grove Heights everybody pays the same rates.
 - f. If interested in adjusting the connection fee at the time of plat, Staff has asked Ehlers to do a quick analysis of doing that on the single-family development in the northwest area. That is because multifamily rates are really high. The city is receiving requests to abate the equivalent of those fees already. She said they were looking for ways to find another source of that \$60,000 in revenue.
 - g. Can increase sewer rates city wide. Recommending a 5% increase for next year. They could do a 6.6% increase on everybody and be able to get rid of the surcharge. It would be a neutral impact. That gains the benefit that once they are here and are a paying customer, everyone is paying the same. It does not address the fact that the costs typically paid through development are still being pushed forward into a post development situation.

Councilmember Piekarski Krech stated the development of one area is being paid for by the other. City Administrator Wilson replied it is being paid city wide.

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City Administrator Wilson said the Council does not have to do anything; they can leave the surcharge in place. Staff recommends it be a question in the Rate Study being proposed. They are saying Rate Study, but they are really asking them to examine both the connection fees and the utility rates. It would be a pretty comprehensive study. She said the Council does not have to make any changes, but Staff wanted to be able to give options since the \$2.00 surcharge drew a little bit of angst. She said she could answer any questions or take any questions back and try to get Council more information.

She stated this item will not necessarily be on next week's Agenda, Staff needs to get it done by the second meeting in November at the latest.

Mayor Bartholomew said that was good, he was going to need a little bit more time to think this through.

Councilmember Murphy asked if Ehlers mentioned in 2016 why the \$2.00 was needed. He asked if examples were given and if they were not the individuals that gave them the density requirements to begin with. City Administrator Wilson responded yes, the development in the area has not occurred as quickly as was originally projected or at the same densities as was originally projected.

Councilmember Piekarski Krech said Ehlers did not do the density. The density was done by Hoisington. Ehlers did the financial predictions. For example: If putting water in, it cost so many dollars to put it in, this much development would happen, and this is what it would/should cost or come out to. She said at that time there were several. There was a special water study for stormwater done and a couple of different Consultants. She does not remember the planning firm that did the land study. She asked who Brad was with. City Administrator Wilson responded HKGi, which is Hoisington Koegler Group. They are the same company today.

Councilmember Murphy said he does not think they should be treating any resident of Inver Grove Heights different than any other. He said they want them all here, ones that made the decision to come into the northwest area. He said they should not be punished for it. He commented that it was only \$2.00 but should at least be part of the Rate Study that they should get done in 2022. He said he thinks the \$2.00 surcharge is a little embarrassing in his opinion. It definitely needs further discussion.

Commissioner Piekarski Krech suggesting adding it on and telling developers this is what it costs to develop in this area. If wanting to build here, the last open land in the metro area, this is what it costs.

Councilmember Murphy said he does not see anything wrong with that.

Councilmember Piekarski Krech suggested not asking for an abatement because it is what it is.

Mayor Bartholomew asked the Council if what he was hearing is to get the Rate Study done and make a decision in 2022. Councilmember Murphy responded he felt it makes sense, yes.

Mayor Bartholomew suggested moving ahead with the three points in mind on the rate surcharge. City Administrator Wilson responded they would do that.

City Administrator Wilson said one of the things that she has told Interim Public Works Director Eckles is that his exit ticket out of here when his Contract is up is that he is going to help write the RFP for this study to make sure it has all the questions they want in there. She said they should really have a new Public Works Director in place to work on the study, understand it, and bring forward the recommendations of it. They are hoping to have the RFP

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written yet this year and use that knowledge, so they get it all encompassing so they ask all of the questions that they want to be asking of a consultant.

Mayor Bartholomew stated Staff gave a very thorough explanation. He appreciated everything and the hard work that goes into it. He said budget time is always a difficult time of year and everyone wants to make sure to do it right because they are ultimately responsible to all of the taxpayers.

B. Adjourn:

Motion by Gliva second by Piekarski Krech to adjourn the meeting at 10:04 p.m.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Clerk Sheri Yourczek.