

INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, AUGUST 1, 2022. 6:00 PM - 8150 BARBARA AVENUE

1. Call to Order: The City Council of Inver Grove Heights met in person for a Work Session on Monday, August 1, 2022. Mayor Bartholomew called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. Roll Call: Present In-Person: Mayor Bartholomew; Council Members; Piekarski Krech, Gliva, Dietrich, Murphy; City Administrator Kris Wilson, City Attorney Bridget McCauley Nason, City Clerk Rebecca Kiernan, Community Development Director Heather Rand, Finance Director Amy Hove

3. Discussion Items:

A. Regulation of Short-Term/Vacation Rentals

City Administrator Kris Wilson discussed rentals based off website listing and transactions such as Airbnb and Vrbo. Staff has recently received complaints about the negative impacts short term/vacation rentals have on surrounding property owners. There are three emails with examples included in the Council packets along with others forwarded by the City Clerk. Staff is looking for Council direction as to what to do regarding the communication. There is a Continuum of Options:

- No regulation
- Prohibit short term rentals
- Require standard rental license
- Create rental license specific to short term rentals
 - Current rental housing license requires that in order to be licensed in the city, must agree to use a crime free rental addendum on the lease. This document allows the ability to run a criminal history check on every tenant renting the property.
 - Specify no rentals for less than one week.
- Limit short term rentals
 - Staff noticed an example of a city that only allows rentals on homesteaded properties.
 - Spacing requirements:
 - Cannot have multiple properties next door to one another that are short term rented.
 - Limits on concentrations in a neighborhood.

To help decide on the continuum, could aim in-between some of them or add other ideas/options. Also think about what concerns/problems they are trying to address/solve.

- Limit potential negative impacts of short-term rentals on surrounding property owners/residents.
- Prioritize the use of residential property as ongoing homes for individuals and families and to support opportunities for home ownership by discouraging the use of residential properties to run a business.
- Ensure the safety of guests and visitors to Inver Grove Heights by ensuring that properties used as short-term rentals have the proper safety features such as working smoke detectors and operable windows. (This would likely require an inspection component).
- What the impact of short-term rentals may be on local hotels.

- Comes down to lodging tax, which is paid when people stay at local hotels, also pay commercial property taxes on the local hotels.

Mayor Bartholomew mentioned it has been his position all along that the rental ordinance is enough to prohibit short term rentals, it requires 30-day rental. He questioned what they would do to the existing ordinance to make sure there are not short rentals causing the problems they are seeing/hearing. He would like to see the rental ordinance revised so there is no speculation, there would not be short term rentals. If having short term rentals, he liked the idea of homesteaded property only. He would like to find out what they can do with the existing rentals to alleviate and give relief to some neighborhoods he thought were under control with the 30-day requirement.

City Administrator Wilson stated the current ordinance does not require a minimum 30-day rental. Mayor Bartholomew thought the permit required 30 days.

City Administrator Wilson replied the permit can only draw from what is in the ordinance. If wanting a minimum of 30 days, the city code needs to specify that, it currently does not.

Councilmember Piekarski Krech thought this had been determined before. She would like to see the minimum of 30 days and if rented for less than 6 months, it come under the lodging tax to be on equal footing with hotels. Councilmember Murphy agreed with the hotel tax.

Councilmember Murphy mentioned he drove by some of the properties and is for people trying to make some money. He wasn't seeing any other reason to rent these properties other than to have a good time. He has not noticed other emails stating a need to have this. He suggested if they cannot all be banded together, to have a specific license with 30 or 60 days. The license should be different and more expensive than the one they currently have for rentals as these properties seem to take a lot of resources. He did not believe the homestead would work. He commented this was being advertised and that was what he felt needs to be addressed. They need to be able to say they are not allowed to advertise the home for rental. If they are, there needs to be an expensive license for 60 days.

Councilmember Dietrich asked how follow up would work if there was a 30 or 60 day.

City Administrator Wilson replied it would be a code violation. The city she worked at prior prohibited any rental less than 30 days. Some still advertised rentals, staff would check on them, send a cease-and-desist letter, and check back. If learning it was rented the process of code enforcement would begin.

City Attorney McCauley Nason agreed about the code enforcement process. If there was a violator that was not responding, there is the option to get a civil injunction to prohibit rental of the property.

Councilmember Dietrich questioned what that would look like on a weekend when staff is not working.

City Attorney McCauley Nason replied the police would be the responding authority. Based on the police report and the response, that would trigger on Monday morning with code compliance.

Councilmember Dietrich questioned if the property owner would move forward with litigation.

City Administrator Wilson replied it would be the property owner regardless.

Councilmember Murphy said it would not be the renter's home, they don't really have to listen because they would leave on Sunday.

Councilmember Dietrich mentioned the neighbors would still get disturbed the whole weekend. Councilmember Murphy thought that could be a reason to ban them.

City Attorney McCauley Nason responded that depending on the type of behavior, the police would have the ability to require dispersal. Having to come back multiple times could be grounds for a misdemeanor arrest.

Councilmember Gliva asked if that has an impact on the rental license.

City Attorney McCauley Nason replied if making changes to the rental license dealing with short term rentals with no additional requirements added, she anticipates that would come into play as licenses turn over. The bigger question would be if making a change and banning short term rentals, what happens to those short-term rentals. Staff is still working through what rights those property owners would have to continue. Any new rentals would be banned, it's still a question of what would happen to existing ones. Current short-term rentals do not have a license. She asked if the Council would be interested in banning and licensing separately.

Councilmember Murphy replied it would be whatever direction would allow them to gain control of this disaster and not grandfather anyone in. If unable to apply grandfathering to the problem properties now, he felt this wasn't solving residents' problem.

City Attorney McCauley Nason stated there is a code that says a rental license is needed. The code has problematic provisions such as: requirement for a crime free lease addendum and background checks. Those don't work from a short-term rental context. Different requirements could be created under the existing license whether it's a short term or long-term situation, or a separate short-term license could be created.

Mayor Bartholomew stated one of the bullet points was to "prohibit short term rental is generally accomplished by requiring all rental properties to be rented a minimum of 30 days". He asked if that were something that could be done.

City Attorney McCauley Nason replied that could be done.

Mayor Bartholomew said nobody would be grandfathered in because they wouldn't exist even though they may have done it in the past.

City Attorney McCauley Nason replied they were still analyzing the grandfathering piece.

Councilmember Piekarski Krech asked if the fines can be made so onerous one wouldn't want to have these properties. She questioned if something could be stated that there could not be more than two police calls in a 6-month period, your responsible for the cost.

City Attorney McCauley Nason responded to the questions stating the fine can't be set, it's a misdemeanor. Once bringing something within the scope of licensing the tool they would have is license revocation. If there is a problem property owner, it can be revoked or suspended. The licensing process can be looked at to take adverse licensing action which typically gets people's attention. If no longer able to rent, the investment has then changed in scope.

Mayor Bartholomew thought there were limitations within the rental license ordinance on the number of occupants in the home. It refers to what the relationship is and how many you can have that are not relatives. He felt the ordinance was strong enough to avoid 130 occupants.

City Attorney McCauley Nason replied there is a definition of family which defines a family as a group of not more than 4 persons who are not related living together as a single housekeeping unit. She did not see anything that limits the size of a family and a rental space.

Mayor Bartholomew thought there was the beginning of an ordinance with the addition of 30 days. He said the number of occupants could be fine-tuned by staff.

City Administrator Wilson mentioned that staff's position would be if Council wishes to prohibit rentals, staff would take that intent and come back with revisions to the current ordinance.

City Attorney McCauley Nason stated the code as written states all rental dwellings need a license, including those not currently licensed.

Councilmember Murphy asked if it could be said that the new ordinance is a minimum of 30 days.

Councilmember Dietrich stated it was learned through bow licensing readings that there were a lot of people that just don't apply for permits which could happen in this situation. She asked how residents would get relief from what is currently happening if this was put into play.

City Administrator Wilson replied this would take time and is time consuming.

Councilmember Piekarski Krech said she didn't feel bad about doing 30 days or more because the city isn't a recreation destination.

City Administrator Wilson mentioned there were a couple of individuals who own multiple properties that serve solely as short-term rentals. Those properties were purchased. At the time of purchase, it may be said that was a perfectly legal business. If the city says that after the investment was made, they need to stop, that creates the uncertainty the City Attorney referenced needs further thought.

Councilmember Piekarski Krech questioned if owning a home that is not being homesteaded and are renting it out, there is a rental ordinance. She questioned if it needed to be said if not renting for more than 30 days they would not be covered by the rental ordinance.

City Administrator Wilson replied that was where the City Attorney states it's not that clear.

Mayor Bartholomew believed occupancy in the ordinance was something they could fall back on.

City Administrator Wilson replied sometimes families get together in larger quantities for vacations.

There are also bachelor and bachelorette parties that may be the reason for some complaints.

Councilmember Piekarski Krech stated you cannot rent a house holding 30 and have 130 there. She felt that is what has been happening.

City Administrator Wilson said it was not regulated as far as how many people can be invited to a party. The noise is regulated. There is a difference between the number of people on an agreement and the number of people on site.

Councilmember Murphy requested clarification on the rental ordinance questioning if it would apply if they were not renting less than 30 days.

City Attorney McCauley Nason replied yes, the code states anytime a property is rented, they would have to have a license as stated: "no person... shall operate a rental dwelling or rental dwelling unit

in the city without a license. The licensee shall be the owner." When this was adopted, there were not any short-term rentals in the city. These licensing requirements don't really apply to short term rentals because they do not really fit short term rentals.

City Administrator Wilson clarified what the Council was discussing and suggested having staff and legal counsel develop an amendment to the existing ordinance that clearly states rentals must be for a period of 30 days or more. Staff would look at the occupancy issues. This could be brought forward for a first reading and then the Council could discuss the edits. Staff will discuss with the City Attorney how this would impact people who are doing this existingly and have universal enforcement and not have anyone grandfathered in.

Councilmember Murphy suggested 60 days instead of 30 days.

City Administrator stated the first reading could take place at the August 22nd Council meeting.

B. Initial Discussion of 2023 General Fund Budget & Tax Levy

City Administrator Wilson stated this was the first Council discussion of the 2023 General Fund Budget and Tax Levy. The goal is to give a broad view of where things stand, and the challenges noticed as the 2023 Budget was put together. The department heads are not in attendance because they do not intend to go into department-by-department budgets today. Individual budgets will be forthcoming.

Finance Director Amy Hove discussed the 2023 General Fund Budget and Tax Levy:

Timeline to date:

- May 16: Budget kick off meeting with department directors and division managers
- June 7: Preliminary budget submissions were due
- June 20-July 1: Department meetings with the city administrator and the finance director
- July 13: Budget retreat with department directors
- August 1: Council Work Session on the 2023 Budget

Recap of 2022 General Fund Budget:

- Significant increase on revenues and expenses
- Total expenditures for 2022: \$28.5 million dollars, 12.7% change
- General Fund Levy: \$22,916,00
- Pavement Management Levy: \$2,550,000
- Total Citywide Levy: Increase of 7.1%

2022 Levy Impact on Median Value Homestead: Dollar change in city taxes: \$118.49

Assumptions Used in the 1st Draft of 2023 Budget:

- 3% general wage increase plus step increases for employees
- Anticipate a 9% increase to health insurance (this is the cap, could decrease)
- \$250,000 increase to the PMP Levy
- \$175,000 increase for the SAFER savings plan
- \$125,000 increase to contracts
- End of the Police DWI Grant. Expires in October, assuming loss revenue
- Eliminating the accountant position, salary savings

- \$33,000 for first year tax abatement for The Crossings
- Continue with plan to utilize Closed Bond Funds in lieu of levy for 2020A Refunding Bonds (\$177,250)
- Planning to utilize police savings within the Central Equipment Fund (\$75,000)
- Other needs such as requests for vehicles and equipment
- Capital needs for the city facility is still being discussed, anticipate using the fund balance from the City Facilities Fund

Assumptions – Net Impact to Levy:

- \$1,196,300 or 4.3% levy increase. Does not include other departmental needs or cost increases

Mayor Bartholomew questioned if ARPA money was included in the \$1,924,030.

Finance Director Hove replied there is no ARPA dollars in that number.

City Administrator Wilson continued with Additional Needs/Challenges:

- Staff levels in many departments have not kept pace with workload demands of a growing city
- Need to adjust part-time/temporary/seasonal wages to attract employees in the current job market
- Cost of goods and supplies have increased significantly
- City has deferred maintenance on both its facilities and infrastructure

Structural Changes to Budget: The goal of this is transparency

- Create separate departments for City Clerk and Human Resources (split out from Administration)
- Technology – revert back to internal service fund methodology for operating and capital budgets
- Division Software – budgets for department specific software would be moved back to individual departments
- SAFER Savings Plan – account now shows up within the Fire Department Budget
- Host Community Fund Expenses – general government type expenses have been moved to General Fund Departments:

- Lobbyist costs (to Mayor/Council Budget) approx.: \$46,000
- Volunteer Coordinator (to HR Budget) approx.: \$16,000
- Music in the Parks/Fireworks (to Parks Budget) approx.: \$6,000

Levy Scenario's for 2023 were shown:

- At this point, none were staff's recommendation
- The percentage of increases from the 2022 Levy were shown ranging from 3% to 13%
- Not recommending the Council contemplate a 13% increase
 - A 13% increase is shown only to demonstrate the impact of a flat tax rate from 2022 to 2023.
 - This flat tax rate would be 51.907, a \$207.58 annual increase to the average valued home.
 - The Twin Cities and nationally have seen a tremendous increase in the value of residential properties and market values.

- The median value home in Inver Grove Heights increased by 13.4% in one year. One of the largest increases the Dakota County Assessor reports ever having seen.

City Administrator Wilson displayed: A Comprehensive List of Staffing Requests.

She mentioned she views it as the City Administrator's responsibility to show the totality of the request and to bring forward a City Administrator's recommendation as to the priorities. Thoughts and opinions would be shared in a subsequent meeting as to which are priority staffing asks. Requests include:

- Police Department:
 - 2 additional officers
 - 1 additional sergeant
 - These are the three positions reflected in the 5-year Police Department Staffing Plan for next year. A Federal Grant has been applied for by Police Chief Chiodo which would pay for 1/3 of the three officers for three years. Word has not been received whether the grant application has been successful, will find out in September.
 - Education incentive for Non-Union command staff
 - Patrol and sergeant contracts pay officers additional income if achieving certain educational goals such as a bachelor's or master's degree. In Inver Grove Heights this comes to a halt if leaving the Sergeants Union and going into a Non-Union command position. This means, if getting promoted from sergeant to lieutenant, it can be a significant pay cut. Officers at this point go from hourly to salary and are no longer making overtime when putting in over 40 hours per week.
- Public Works Department:
 - 1 additional full time street maintenance worker
 - 1 additional full time natural resources worker (shared with the Parks Department 50/50)
 - Additional seasonal street maintenance staff
 - It has been about 19-20 years since a full-time person has been added to the street maintenance staff
- Parks and Recreation:
 - 2 additional full time park maintenance workers
 - More seasonal park maintenance staff
 - 1 additional full time recreational rental specialist
 - Due to rentals of the ball fields, ice arena, and community rooms

Councilmember Piekarski Krech asked if the request was for an additional full time recreational rental specialist besides one, they already have or the creation of the title.

City Administrator Wilson replied it would be the addition of 1 FTE, a new person. There is currently a recreation specialist, that person does not handle all of the rentals.

City Administrator Wilson continued, stating that the term reclassify will be mentioned. In the city's structure of employment, all jobs are classified into one of the cities pay grades which determines what the minimum/maximum pay is. The parks department is requesting to:

- Reclassify recreation superintendent (this could cost the city \$3,000 to \$4,000, where a new position would be significantly more)

- Reclassify recreation specialist to recreation coordinator

Mayor Bartholomew questioned how reclassifying increases capacity.

City Administrator Wilson replied it is a retention tool. This makes sure they are being fairly paid for the work they are doing so they choose to stay.

Mayor Bartholomew questioned the additional seasonal staff. He wanted further discussion on this where it can be said what the value is, dollar amount, and capacity increases.

City Administrator Wilson replied that could be done. Seasonal staff is a value, they are not benefitted and do not earn a pension. It's a great way to add more people power to the organization at a lower per hour cost.

Comprehensive List of Staffing Requests continued:

- Fire Department:
 - 1 additional full-time firefighter
 - Reclassify the current assistant chief to deputy chief
 - Reclassify the fire marshal to assistant chief
 - Add a second assistant chief
 - Increase paid on call wages
- Administration:
 - 0.5 FTE communications specialist
- Community Development:
 - 1 additional building inspector
 - 3 position reclassifications:
 - Chief building official
 - Office manager
 - Sr. combination inspector

Councilmember Dietrich referenced Park and Recreation wanting a recreation rental specialist and asked if something could be in community development for a business/commerce/greeter.

City Administrator Wilson replied staff could look at the skillset, qualifications, job duties, and pay ranges of those positions.

City Administrator Wilson discussed the total cost of all those staffing requests:

- New staff plus reclassifications = \$1.4 million - this is a 5% levy increase
- Need to consider increased wages for part-time, temporary, and seasonal employees in order to fill positions in the current job market

She mentioned she does not believe it was realistic to add that many staff in one year. Once she has the chance to meet with department heads and the finance director, she would share her prioritization of the list in terms of top, mid, and low priority adds to staff as they move through the budget process.

Councilmember Dietrich asked if there was anything for the finance department.

City Administrator Wilson replied the finance department was actually going down.

City Administrator Wilson discussed 2023 Levy Scenarios:

- 5.7% increase with no new staff
- 7.1% increase with some new staff (this was where things were at last year)
- 10.7% increase with all requested staffing, this would bring the tax rate down, but taxes on a median valued homestead would go up

Additional Budget/Fiscal Considerations:

- Federal ARPA Funds. The city received an allocation of \$3.9 million dollars over 2 years from the Federal Government as part of COVID relief
 - There is wide discretion as far as how those funds are spent
 - The deadline for spending them needs to be decided by 2024 and spent by 2026
 - These are one-time funds

The last time this was discussed with the Council was during the retreat. It was determined to hold onto these funds and make sure the basis is covered with the reconstruction of 117th Street. Once it's known what is needed for that project, the ARPA funds discussion would take place.

- Capital Improvement Plan (CIP). Rotating plan. Plans out major investments in infrastructure and facilities.
 - Relates to the work of the Pavement Management Task Force
 - Includes investments in utilities
 - Built to the point where it's a capital improvement plan for maintaining parks and city facilities
 - This is not structured and formatted. Being worked on by the Public Works Director. More information is coming to the Council this fall.
- Host Community Fund
 - Has a sizeable balance
 - Budgeting to spend more than bringing in
 - Looking for Council feedback on the Host Community Fund
- Utility Rates and Connection Fees. Comprehensive study of utility rates and connection fees
 - Doesn't directly impact the levy
 - Impacts the budgets of the utilities fund

Councilmember Dietrich questioned when there would be discussion about utility rates and connection fees again.

City Administrator Wilson replied she was hopeful it would be at the August 22nd Council meeting.

City Administrator Wilson discussed Next Steps:

- Council questions, feedback, direction.
 - Examples of direction may be: if having an acceptable increase in the levy, or a target they may be wanting staff to be working for
- Further refining by staff would lead to the City Administrator's recommendations
- A more detailed presentation of departmental budgets would take place at upcoming Council meetings. May be possible to add a meeting in late August/early September
- Preliminary Levy must be approved and submitted to Dakota County by September 30th
- Council action on the budget would take place at the September 26th City Council Meeting

Once the Council sets the Preliminary Levy, they can go lower with the final levy but cannot go higher. Things can also be moved around.

- During the October/November Work Sessions - Other fund budgets would be reviewed/discussed
- In mid-November Dakota County mails out the proposed property tax notices to residents
- State Law requires having a required public meeting to discuss the budget and levy - Monday, December 5th
- Final Council approval of the budget and levy - December 12th

Mayor Bartholomew suggested keeping in mind the increase of \$119 from last year. He said they were looking at an increase of about \$150 for median value. That is a number he would say is in the top end. His concerns were with the valuation of homes are going up 13% and what happens in the next year when they go down. He said it was clear staffing was needed in some of the areas that have been understaffed for a while. For example: public works and police. He would like to see the FTE's and seasonal work fleshed out.

Councilmember Murphy looks forward to recommendations, it would help him understand if there was an upper limit. He asked how the conversation weeks back regarding Inver Grove Heights being one city and not a bunch of neighborhoods plays into this budget cycle.

City Administrator Wilson replied topics being discussed this evening were city wide. The tax levy the Council sets would be spread over the tax base of the community and equivalent rate. There are three watershed taxing districts which creates a variation with what people see on their tax bill depending on which one they live in.

4. Adjourn:

City Administrator mentioned that the Council needs to meet to canvass the results of the primary election. That meeting will take place at 9:00 a.m. on Friday, August 12th in Council Chambers. City Clerk Rebecca Kiernan mentioned the primary election takes place on Tuesday, August 9th. Offices are open from 10:00 until 3:00 on Saturday and until 6:00 p.m. on Thursday night.

Motion by to adjourn the meeting at 7:45 p.m.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sheri Yourczek