

**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY, MAY 7, 2018, 6:00 PM – 8150 BARBARA AVENUE**

A. CALL TO ORDER: The City Council of Inver Grove Heights met in work session on Monday, May 7, 2018, in the Inver Grove Heights Council Chambers. Mayor George Tourville called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited. Roll call: Present were Mayor Tourville, Councilmembers Perry, and Piekarski Krech. Absent: Councilmembers Bartholomew and Hark. Staff; City Administrator Joe Lynch, City Attorney Tim Kuntz, Director of Community Development, Tom Link, Finance Director Kristin Smith, City Clerk Michelle Tesser and Police Chief Paul Schnell.

1) 2017 CAFR

Kristi Smith, Finance Director introduced Brad Faiteysek and Bonnie Schweiger from Abdo Eick & Meyers LLP. Mr. Faiteysek presented a PowerPoint that included a management letter. There was an unmodified opinion on the financial statements. Consideration of internal control resulted in no findings. There were no instances of noncompliance with MN Statutes. The estimates are subject to uncertainty because future events may differ from expectation. Estimates were done for depreciation, wage allocation, pension accruals, and land held for resale value. There were no disagreements or difficulties and it went smoothly.

Ms. Schweiger reported on the funds. The General Fund percentage went down a little (46% in 2016 and 44.7% in 2017). She stated that this was a result of an increase in the budget. There is a policy requiring 40% to 45% in reserves and you are within that policy.

She stated that the General Fund – Budget vs. Actual for this year are revenues are about \$280,000 more and expenditures are about \$400,000 less. The significant variances were from when taxes came in at \$185,000 over budget and licenses and permits were at \$184,000 more over the budget. Public Safety – Police came in \$268,000 under budget and Public Works – street maintenance \$45,000 under budget, and Engineering \$32,000 under budget. She stated that the revenues were 2% within budget and the expenditures were 2.5% within budget.

Ms. Schweiger stated that in the last three years 82% of the revenue has been taxes. Everything else has remained fairly consistent. Licenses and permits have increased every year over the last three years. She stated that the expenditures have remained fairly consistent the last three years.

Under the Special Revenue Funds, the major fund is the community center. There is a deficit fund balance this year due to improvements at the community center. The Capital Project Funds has a large swing for the Pavement Management Fund because of projected costs. The Governmental Debt Service Funds are for the paying back of bonds. The service payments for the next five years are listed on the chart. One of the bonds for 2018 was refunded and will have a big payment due. The money for the payment has been set aside in a specific account.

Ms. Schweiger stated that the Internal Service Funds have specific resources in them. Most of the funds are in the Central Equipment Fund for future purchases of equipment and future maintenance. A chart was shown of the Water Fund Cash Flow and Cash Balance with debt payments for the last four years. There has been a decline in the cash balance because of large capital purchases. She stated in the Sewer Fund, the operating receipts have not quite covered the operating costs and debt. She stated you want to keep an eye on this fund. The cash balance has decreased as well. This is mostly due to capital costs.

The Golf Course receipts were sufficient to cover the operating costs and the cash balance did increase.

Ms. Smith said a final copy will be on the Monday night Council agenda for adoption.

2) NW Area Financials

Ms. Smith presented the item and said the operating receipts in the sewer fund are not covering the operating costs. She introduced Jessica Cook from Ehlers who presented more information on the costs.

Ms. Cook showed a map of the sanitary sewer lines in the NW area. The sewer and water are being extended into the area as development occurs. Extending the sewer has been the most expensive. The city has issued debt for the sewer extensions. Ehlers was tasked with providing a financial update of the NW area sewer and evaluate the financial feasibility of extending the sewer line to serve proposed new developments.

She stated that the NW area started developing in 2007. The plan was to extend the sewer and water from the south to the north. The initial plan was to stay south of 70th Street until that area was fully developed and then go north. The red lines on the map show where the sanitary sewer has been extended. There are numbered, colored blocks showing where the land that is currently served by sewer and has not been developed. It can be developed without additional expense. She stated that since 2007, it has been shown that the original engineering estimates were too low for the overall cost of extending the sewer and the terrain is much more difficult than expected with the lines needing to be buried deeper.

Ms. Cook stated that the developments have been developed at a lower density than estimated. The density has developed at about four units per acre. It was also thought that extra revenues would come from future development and that would help offset the initial costs of getting the sewer line up to 70th Street. Based on these factors, it is thought that as the areas developed it would be sufficient to pay for the cost of the line being extended.

The first task was to quantify the deficit. Three different developments scenarios were used. The deficit ranges from \$9.9 million (with less density) to \$14.1 million (as it has been developing). The Capital Improvement Plan does not consider these expenses. The expenses should be started to be incorporated into the process. The reason for this study was also to help make decisions going forward.

She stated that likely funding sources have been identified to consider:

1) Sewer Utility – a sewer service surcharge has been established for the NW area. It is expected to generate about \$550,000 of revenue over the next 10 years. The City has pledged to bondholders that it will establish sewer fees sufficient to cover the debt service payments on the bonds. A sewer utility rate study was not done and needs to be done. For example, a 20% city wide increase in sewer rates would generate about \$9.9 million.

2) Property taxes may be used.

3) Tax Abatement is another option on new developments. This would capture the taxes to help pay for the sewer. This means the new tax base could not be used to pay for other improvements (roads, parks or other things needed for the development).

4) Increasing density

The collection fees collected for each site as it gets developed should pay for the cost of extending the trunk sewer line to that site. This is the premise we are suggesting going forward. There are three areas that may develop in the near future: Area 18 (Scenic Meadows), Area 12 (Hannah Meadows) and Area 6 (Area 6).

Area 18 Losing \$560,000 to gaining \$530,000

Area 12 \$1 M to \$2M loss – is very expensive to serve – could be hooked up today through lateral lines but would shut off surrounding land. The financial advice is not to develop this area at this time. Because the subsidy is too big. It is estimated at \$2,629,500 to extend the sewer line. There is no development model to support the cost of extending the sewer line.

Area 6 The net gain to the city would be estimated at \$30,000 to \$2.8M from the collection fees that would be collected. It makes sense to put the line under the roundabout to serve Area 6.

Ms. Cook stated that the City will need to identify other funding sources to pay for the Northwest Area sewer trunk lines besides the connection fees. The unreimbursed cost of the installed sewer system is expected to range from \$9.9 million to \$14.1 million. Given the City's experience with increasing costs to extend the sewer trunk system, the City can no longer assume that future growth will pay for the deficit.

She stated that other funding sources may include city-wide sewer user charges, property taxes, tax abatement or increase density. Identifying the most appropriate mix of revenues may be part of a larger financial planning process that also evaluates other city priorities such as Pavement Management. She stated that the NW area should be included in the Capital Improvement Plan.

Significant development opportunities exist within the NW Area with 780 to 1,300 residential units plus commercial land is available.

Ms. Cook stated the decision-making process for going forward in extending the line further should be made on a case by case basis.

She stated that the water utility should also be looked at - this report only covers sewer at this time.

Mayor Tourville said one of the good suggestions was that this should be looked at every year. The message needs to be appropriate for the developers if someone is interested in developing. Developers may want to put the costs up front. Looking at the CIP is a good idea. We need to be very careful and very observant of the market and the deals that are done.

Ms. Cook suggested that the City engage in a conversation with the developer. She suggested telling potential developers about the analysis being done, there is a gap in costs, and discuss options to bridge that gap.

3) 2019 Budget

Ms. Smith explained the budget process for 2019 which will be similar as in past years.

Budget Process:

- Meetings between City Administrator and Finance Director to discuss the budget and process.
- Mid to late May, department heads will be provided with budget templates and direction.
- Mid July, department heads will present budget overviews to all department heads.
- First view of the budget by Council would be in August.

The Budget Calendar:

September 10, 2018 the City Council would act on the budget

September 28, 2018 date to certify the budget

December 10, 2018, City Council adopt final budget

2018 Budget Challenges:

- Known increased personnel costs (contracts have been settled) (\$650,000)
- Additional funding of Pavement Management Program (\$550,000)
- Reduce reliance on Host Community Fund (\$200,000)
- Increase funding for Park Capital Replacement Fund (\$90,000)
- Set sustainability policies and utilize during the budget process. Policies should be created for Pavement Management Program, park facilities, city facilities, local share of road construction projects and energy savings.

2019 Budget Challenges:

- Integration of the classification/compensation plan and unknown personnel costs as contracts expire December 31, 2018
- Additional funding of Pavement Management (Propose \$500,000)
- Reduce reliance on Host Community Fund (\$100,000)
- Increase in debt service levies (\$653,000 per CIP, includes reducing the reliance on Closed Bond Fund by \$200,000)
- Desire for a Financial Management Plan
- Funding for City Facilities maintenance and replacement

The Budget Committee would like to keep the tax rate increase to under 2%. At a 2% increase the tax rate would be 52.134%, which equates to a levy increase of \$1,862,119 from 2018.

In comparison, the 2018-2022 CIP indicated a 2019 levy of \$22,766,427, an increase of \$1,502,117 which reflected a tax rate of 54.650% under the following assumptions:

- \$700,513 for new debt service payments related to issuance for fire station #2
- 2.5% increase in market value and tax capacities
- 2% increase in non-property tax revenues
- 5% increase in expenditures
- Reduced reliance on Host Community Fund

Change in market value and tax capacity for taxes payable in 2019 by property classification -

- 7.4% increase in market value
- 6.8% increase in tax capacity

A Market Value and Tax Capacity Comparison 2018 to 2019 and 2018 Tax Rates chart shows how we compare to other Dakota County Cities for changes in market values, tax capacities, and tax rate. A lot of cities are seeing an increase of over 6% on market value.

Mayor Tourville asked for information on the franchise fees. Ms. Smith responded that the franchise fees are not a part of the General Fund. It is a separate fund that that will have its own report and those funds on a project by project basis when brought forward for project approval. We are estimating about \$1M in collection.

Mayor Tourville asked about the change in commercial there was an 8.91% increase and in 2019 a 10.6% decrease. Ms. Smith said she would ask the county about that changes. Joe Lynch, City Manager, said it could be the result of property appeals. Councilmember Piekarski Krech said she thought she heard that residential would be paying more and giving businesses more of a break. Mayor Tourville said it was an effect of \$33M.

Exhibit D showed the General Fund expenditures by department by category for 2014-2017 actual and 2018 amended budget. One that would stand out is elections which is on a two-year cycle which has increased because of changes made by the legislature and early voting.

4) 2040 Comprehensive Planning

Mr. Allan Hunting, City Planner introduced the item. There was a two-step process. The first process was started in the spring of 2017. There was exposure from the website, and different social media. There was the social pinpoint with over 500 responses. There was also an online survey with over 600 responses. Also, as part of the community input, there was a public workshop (not well attended) and stakeholder meetings (NWA property owners, chamber, clergy, school district, and EDA for land use in strategic directions).

He stated that the second step was started in the winter (Concepts and Draft plan items – land use parks, economic, critical area and housing). Another open house was held that was better attended (over 30 people). A second round of stakeholder meetings was held. There was a brief online survey and social pinpoint was still open. Work was still done through emails, utility billing inserts and on the website and Facebook to keep getting the word out.

Mr. Hunting stated that the next step is the document itself. The documents are an update to the 2030 Plan. It will have a similar look and similar content. Council will get an electronic copy in PDF form and he showed the document and how to look through it for review. The most time was spent on land use. There are some themes and emphasis on redevelopment. He stated a couple of areas that are mentioned are Cahill and 65th Street and Arbor Point. Our primary focus was on the Northwest Area. He showed a map of “Areas of Change” that showed key changes in land use, density, and pointed out areas on the map.

He stated that the housing chapter has more information. There was substantial input from the Housing Committee. He stated that their focus will be putting more effort on achieving affordable housing (591 units) – South Grove area. Staff needs to look at this to figure out how to achieve this.

Critical Area – land along the Mississippi River. Integrates new Minnesota Rules (previously an executive order). The DNR updated their rules and regulations and may be more flexible with more categories. A new ordinance will need to be adopted by the city in a couple of years.

There are still a couple of chapters that are being finalized - transportation and surface water management.

Next Steps

- Draft plans to be distributed electronically to City Council by the end of next week
- Have City Council authorize the plan for distribution at a regular Council meeting
- 6-month review period by adjacent jurisdictions and affected agencies
- Plan will be available for review and comment, will be posted on website
- Oct/Nov - Public Hearing
- Nov/Dec - City Council action to submit to Metropolitan Council – by the deadline at the end of 2018

Councilmember Piekarski Krech asked about the area on the map west of Rich Valley in the southern part. Mr. Hunting responded it did not include the west 100 acres. Councilmember Piekarski Krech said in Pinkville there are many landowners still there. Mr. Lynch said there are approximately 30 owners still there. The city owns 88 of the 177 lots. Mr. Hunting said there is no access to the area and the lots are fractured.

Mr. Hunting said there will be a joint Planning and Parks Meeting on June 7th to bounce around some ideas.

Mayor Tourville suggested when the plan goes on the website for public review to mark it “draft”. A good job has been done on the plan. When it goes to Met Council they will review it for approval.

5) River Heights Park Use

Eric Carlson, Parks and Recreation Director, introduced the item. This item was discussed at the Parks Commission Meeting in April. The City Mission is to provide services and facilities that enhance the quality of life in our vibrant community. The city has 608 acres of parkland in 28 parks. There are 26 miles of bituminous trails. A community survey indicated residents liked the existing amenities in the park system and wanted them to continue to be provided. Finding financial resources to reinvest in the park system has been challenging.

He stated that there are \$7,600,000 in assets in the parks (tennis courts, playgrounds, lighting, shelters and buildings, etc.). The figure does not include trails or parking lots or the value of the land. Approximately \$275,000 needs to be set aside annually to provide for capital replacements. Currently \$250,000 comes out of the General Fund. There is a gap in funding of approximately \$25,000 annually.

Staff and the Parks Commission have been looking at “right size parks and recreation” to serve urban areas, northwest area, and rural areas. We need to focus on what to keep and what to repurpose. We also need to allocate resources effectively. We need to think about quality vs. quantity regarding recreation services.

Should we think about repurposing city parkland? Consideration has been given to repurposing Marcott Woods and River Heights. Tonight, is to talk about River Heights and engage the public in the process. About 20 people showed up to the Parks Commission meeting and there are a number of emails and correspondence regarding the park. If there is a decision to sell, the Parks Commission recommends that the proceeds go in the Park Acquisition & Development Fund (Fund 402) to be used for future park development/improvement.

He stated that River Heights Park is located at 8780 Inver Grove Trail and is 7.5 acres with natural area/open space and a mowed trail. There are 2.5-acre residential lots that surround the park.

Future use of the park could be 1) develop the property as a public park (ID sign, parking lot, playground and other amenities). 2) Sell the park land to allow for development of three 2.5-acre residential lots served by well and septic (and put on the tax roll) 3) Sell park land to private party to allow property to be protected as "open space" (and put on the tax roll), 4) leave "as is" – city owned public open space or 5) other suggestions.

The Parks Commission has asked how much open space is enough? Today the majority of parcels in the area are 2.5-acres or larger. The area is guided as Rural Residential. The property lies outside the Metropolitan Urban Service Area (MUSA) and is zoned Estate Residential. Other nearby open areas include the MN DNR Pine Bend Bluff SNA is 250 acres of public open space. The Katherine Ordway Natural History Study Area is 300 acres and non-public open space that is not developed.

The Trust for Public Land has an online tool that uses public parks and public demographic data to map a 10-minute walk along public roadways to access parks. The tool also calculates the number of residents living within a 10-minute walk. It was determined that 62% of Inver Grove Heights residents live within a 10-minute walk to a park. 60% of Inver Grove Heights youth live within a 10-minute walk, with the national average for youth is 55%.

A chart was shown from the Trust for Public Land that shows the city's parks, number of acres, number of parking spaces, some amenities, number of adults, seniors and children living within a 10-minute walk to the park.

The Park and Recreation Advisory Commission made the following recommendation at its April meeting: To keep River Heights Park as a public park and consider future park ID sign, parking, playground, and other park amenities and the park should stay city owned as a public park. The motion passed 5-2-1 (one commissioner was absent).

Staff recommendation is to consider selling the land and create three residential lots and this would generate about \$6,000 in taxes annually. Only 254 people in the area live within a 10-minute walk – second lowest of our 28 parks. There is not enough capital to maintain our existing park systems. The estimated costs to develop the park, would be about \$375,000 at the high end (sign, parking lot, trail, basketball court, playground equipment and tables/benches).

Councilmember Piekarski Krech asked if port-a-potties would be used in the summer? Mr. Carlson said yes.

Bob Roloff, 8800 River Heights Way, has lived there since 1985, has been walking the road and using the park for 30+ plus years. He enjoys the park and likes the way it is. Maybe it could be restored with prairie grass to use for walking through.

Alicia Uzarek, Friends of the Mississippi River, said she sent in an email and it possibly was not received. Friends of the Mississippi River (FMR) was established 25 years ago and is a local non-profit that works to protect and enhance the natural and cultural assets of the Mississippi River and the watershed. We have worked with the city for a decade. We respectfully request that River Heights Park be kept as a park and conduct restoration as an open space park. The value of this park is for the open space for not only the people but the entire city and the wildlife.

River Heights Park is within our National Park, the Mississippi River and Recreation Area (MNRRA) a 72-mile corridor along the river. River Heights Park not only provides residents with a trail through a natural area, it also contributes to key habitat to the Mississippi River Flyway – an internationally migratory corridor used by millions of birds and other wildlife throughout the year. Inver Grove Heights has been a good steward of the Mississippi River and our national park. We are asking that it be kept as parkland and restoring and enhancing it as an important open space within the MNRRA corridor.

Alan & Karen Mayman, 8915 River Heights Way, presented a petition to save the park. It has been presented a couple of times. Included on the petition are 149 signatures which represents 94 households that surround River Heights Park. We are asking that the park be left unchanged. He showed a map of the people that signed the petition. None of the expenditures discussed earlier for the park were not asked for by the surrounding residents. The only thing we are asking is that you don't sell the park. It is used and beloved by the people that use it. There are a lot of people that walk this park. There could be a sign, garbage cans and slight improvements to the parking. It is a good community park. We have maintained/mowed the park also.

Councilmember Piekarski Krech asked if they considered buying the land with the other residents and making it a private park? Ms. Mayman said no.

Tom Wilkens, 8959 Inver Grove Trail, said he would like to keep the park as it is for what it is. It lies near the Mississippi River and within the Mississippi River National River and Recreation Area. If this park is sold the nearest park would be Ernster Park.

Steve Cook, 9250 Inver Grove Trail, showed a couple of pictures of River Heights Park that were taken this morning. He pointed out the park where three or four cars could park. People park there to look at the birds (bluebirds). He and his wife appreciate the park every day. We enjoy the park this close to our property. There could be some signage to let everyone know that it is a park for everyone to enjoy. Nothing else needs to be done. The cost for maintaining the park should be minimal. The park should be preserved for current residents and future generations.

Pam Gabriel, 8755 River Heights Way, said she uses the park most every day walking her dogs and just loves it. Part of its charm is its openness and nature. The park is perfect the way it is.

Kerry Hofner, 8715 River Heights Way, said it is a wild park and there should be signage so people know it is a park. The city has not put a lot of effort into the park. He showed a list of salable city lots. How can you put the list on the website? Councilmember Piekarski Krech said it was a list to look at to discuss the properties with explanations. Pinkville is on the list. It was looked at to possibly sell the land or repurpose the land. Mayor Tourville said this land was

looked at as excess property to be looked at to discuss. Mr. Hofner showed a picture of the southern part of River Heights Park and it has no sign. A sign should be installed. The north west corner has a sign that says "no motorized vehicle". There is a trail that people do use. He showed pictures of signs in other parks. Other smaller parks do have signs.

Councilmember Piekarski Krech said if it is decided to keep the park, signage will probably be installed, the parking improved and other amenities put in.

Mr. Hofner asked that a sign be installed and likes the park as it is. It could be made into a wildlife park.

Mr. Mayman said the community wants a people park. We did not want a dog park with a fence when that was being discussed as a use.

Mr. Wilkens said this park has a long, troubled history. It was dedicated as park space in 1981 and was given to the city with the platting of Falcon Ridge and Broadmoor Ponds. MnDOT and the Great River Road Project had a proposal, also had control of the property, and it was then handed back to the city. As I remember it, when it was handed back to the city it was the stipulation that the city do something with it in a certain time frame. The city did nothing with it. Who dropped the ball?

Mayor Tourville said the city did look at it to see what the legal ramifications were for selling the property. Developers have the choice of dedicating land or paying money when developing land. The ball must not have been dropped, since the city still owns the property. Mr. Wilkens believes the city lost the property because they did not fulfill the stipulations and bought the property back. He asked if the City Attorney had any memory of the incident. City Attorney, Tim Kuntz, said he did not have any recollection of what he was talking about. There is a deed dated 1986 giving the city the property. There has been nothing recorded since then and he checked on it this afternoon. Mr. Wilkens said it had been mentioned in a past comp plan. This land was at one time given to the city. The land has changed hands three times.

Councilmember Piekarski Krech asked if there was any documentation regarding the Great River Road project? Mr. Wilkens said he had requested some documents today from the city. He requested minutes for when Falcon Ridge plat was approved. Councilmember Piekarski Krech said it would be interesting to know the history as she never heard of this before. Mayor Tourville believes the city did not have to buy back the land from the state.

Mr. Cook said he appreciates living in an area with a lot of land and likes to look at the open land by his home. There should be some signage and an extension of the parking so the rest of the city residents can appreciate the park and it could be enjoyed by all.

Ms. Gabriel asked about if Marcott Woods was being considered to be sold and what is the status of that park? Have residents rallied to save that park? Mr. Lynch responded the process has not started talking about selling that park land. The process would be to go to the City Council asking if they would consider selling the property. Staff would then notify the neighborhood, a neighborhood meeting would be held to get the feedback from the neighborhood, and then it would go back to the City Council. There are 123 properties owned by the city and of those a dozen of those properties are the first properties that we wanted to focus on, they have the highest value and could be turned around quickly. We do need capital for the reinvestments that we make.

Mayor Tourville apologized and said the River Heights Park has gone through this twice. It is being discussed because it was a site for the new fire hall. Property the city could sell was being discussed and this site got some momentum and it just kind of happened so now we are discussing selling this property. He stated we are not out selling property just to sell property. The neighborhood did some clean up in the park. The neighbors and the city parks department could work together to keep up the park. We are not voting or making decisions tonight but I have heard the message loud and clear. We do not need to sell this property to build the new fire hall. The issue will come to a City Council meeting. If we keep the park we should listen to the neighborhood on what they want.

Councilmember Piekarski Krech thanked everyone that showed up tonight and appreciated the comments she heard tonight regarding what the neighbors want for the park. If we keep this as a park it needs signage, better parking, a rest area, and hopes the Friends of the Mississippi River would step-up and help the Parks Department on helping restore and keep up the area.

Councilmember Perry said she watched the last August meeting and the most recent meeting of the Parks Commission meeting. The original vote was 4 to 4 to sell the property and the second vote was 5-2-1. This really does not give me an idea of what the Parks Commission wants to do with the two different vote tallies. People that do not live near the park would like to see it sold because they do not know it even exists. She has driven by the park several times (took her two times to find it) and has not seen any people in the park only around the park. There are five parks within roughly nine miles of your neighborhood. The northwest area has zero parks. If the land was sold it would help to establish a park in the northwest area.

Mayor Tourville asked that the River Heights Park petition and the Friends of the Mississippi River comments be added to the 14th City Council agenda. The property is an amenity. He supports that it stays a park and not a conservation area.

Mr. Wilkens said that on page 130 of the 2020 comp plan it talks about the Great River Road and this property. It also talks about it staying a park.

B. Adjourn

Councilmember Piekarski Krech made a motion to adjourn, seconded by Councilmember Perry, and unanimously carried. The work session adjourned at approximately 8:24 p.m.