

**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION
MONDAY SEPTEMBER 6, 2017 6:00 PM – 8150 BARBARA AVENUE**

A. CALL TO ORDER/ROLL CALL: The City Council of Inver Grove Heights met in work session on Monday, September 6, 2017, 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, Councilmember Bartholomew, Hark, Perry, and Piekarski-Krech. Staff; City Administrator Joe Lynch, City Attorney Tim Kunz, Community Development Director Tom Link, Public Works Director Scott Thureen, City Clerk Tesser, Parks and Recreation Director Eric Carlson.

1. 2018 BUDGET

Finance Director Smith summarized budget changes and discussed updated Exhibits handed out to the Council. Smith went over the Internal Service Funds: Risk Management Fund, Central Equipment Fund, Central Stores Fund, City Facilities Fund and Technology Fund. She stated the Central Equipment fund is vehicle maintenance and replacement except of the Golf Course. Central Stores accounts for general office supplies and copy machine use. City Facilities accounts for costs related to the operations of City Hall. The Technology Fund accounts for costs related to technology operations and replacement.

She went over the allocations handouts from one year to another. She summarized that each allocation is from the 2018 budget and the 2017 actual allocations along with the increase and decrease shown on each fund. She stated risk management/worker's compensation is included in personnel service costs so when Ms. Smith discussed personnel that is included.

Councilmember Bartholomew asked about risk management allocation. He asked about risk management premium changes and confirmed that it's 5% lower all together and mobile/auto is the same. He commented the worker's compensation is up 3%. He asked Ms. Smith to elaborate on the insurance liability portion of the increase. She stated liability portion is spilt based on a change in the methodology used. She stated the focus is now on where the claims are coming from instead of specific areas such as land use, sewer back-ups, employment/police services and then expenditures in general. She explained that the percentage derived is not taken by individual areas but is all encompassing.

Finance Director Smith went over fund and cash balances. She went over the Fund Balance Policy that was last updated in 2014 which requires that the target unassigned fund balance be 40-45% of expenditures in the subsequent year's budget of the General Fund. She stated if Council approves the budget with additions currently as presented the fund balance meets the target at 41%.

She went over cash balances and stated that the council gets handed out Treasurer's Report monthly. She discussed debt service and the debt in the city. She summarized the two (2) new bond issuances that happened during 2017. She stated that S&P gave the city a AA bond rating with a stabilized outlook. She stated looking forward when issuing debt, S&P looks at budgetary performance, flexibility and liquidity. She stated we want to continue to be strong in those areas. Ms. Smith went over the debt service sheet that was handed out to the council. She stated the total debt was initially \$2.1M for debt the adjustment in the levy led to a decrease of \$19,166 and \$200,000 was a contribution from a closed bond fund. Ultimately, she stated the adjusted levy amount is \$1.9M.

Councilmember Bartholomew asked about the 2010 General Operating Bond and what the Escrow payment is regarding. Smith replied that its simply regarding the timing to pay off the bonds. She stated the amount of payoff \$8.8M is being held at escrow at WellsFargo and the bond will be paid from that escrow account. He asked if it represents cash in hand. Ms. Smith stated in the affirmative.

Mayor Tourville stated there is only one Tax Increment Financing (TIF) left. Ms. Smith stated the TIF will be discussed at the October work session meeting but only one district is left for the year 2018. She went over the reductions and why the adjustments happened. She stated it's the special assessment estimates that are looked at after the assessments are collected and based on the assessment amounts adjustments are made afterwards.

City Administrator Lynch stated the levy debt is 9%. He stated the council discussed the desire of having the debt less than 10% when comparing the capital improvement plan. Mr. Lynch stated there is a cash balance in the TIF in 2019 which will be discussed in 2018.

Smith stated the preliminary levy approval is on September 11, 2017 and will include the budget plus the additions similar to 2017. Smith stated that council and staff will work down from those amounts. She went over the city's tax capacity rate sheet Exhibit D. She stated the fiscal disparities distribution remains the same from 2017. The flat tax rate is .054693 with the additions and 0.48879 without the additions.

She went over tax comparison 2017 vs. 2018 City Taxes hand out Exhibit E with the council. She stated the mean and median homestead rate is based on levy increases. She stated that the rate is close to constant. She stated increases are occurring because the values of the houses are increasing. Lynch stated that the city has not seen an increase in values and an increase in growth in some time. Lynch reiterated that the preliminary budget will be in front of the council on September 11, 2017. The levy can only go down after that approval. He stated the council will have opportunities for the next three (3) work sessions to look at making changes.

2. UPDATE ON EMERALD ASH BORER MANAGEMENT PLAN

Parks and Recreation Director Carlson stated that this item was in the front of the council at the August 28, 2017 meeting. At that time council was asked to approve the \$38,600 funding gap. Council had discussed changing the program. Carlson provided a brief summary of the EAB Management Plan. The program was created in 2010 to maintain city property and in the public right of way (ROW). He stated 1,113 EAB trees were identified. He stated to date they have removed a total of 447 trees and have 666 trees to remove. He mentioned that this program is working and is similar to other surrounding cities programs. He stated the trees removed were undesirable trees. Residents have an option of having or not having the city remove the Ash trees voluntarily. He stated they have not been forced to have the removal of a tree unless it is diseased or deemed unsafe. He stated there is 666 trees scheduled to be removed and that does not cover forest areas in parks or city owned property.

He stated the budget has \$264,600 for tree removal which includes planned transfers from funds and available cash. He stated the additional amount required is \$38,600. He stated staff's recommendation is for \$9,700 a year for the next 4 years and is included in the proposed budget with additions to make up the \$38,600 that is short from the funds so that when EAB does hit our community we have the funds available to deal with the issue.

Councilmember Piekarski Krech asked what is budgeted every year. Carlson stated \$33,000 has been budgeted each year. He stated the balance is because they haven't spent all the monies. Mayor Tourville stated the overview from the last August 28, 2017 council meeting was that the council felt that the program could be slowed down in pace to keep the trees that are still in good condition.

Carlson stated that staff's approach has been to not remove desirable and healthy trees. He stated they have not forced a resident to take down an Ash tree in the ROW. Councilmember Piekarski Krech asked if the 666 trees are healthy. Carlson stated in the affirmative. Councilmember Piekarski Krech stated there are monies dedicated to the program. Carlson stated if EAB is located in the city there will not be enough funds to cover the removal of the EAB. Councilmember Piekarski Krech stated you may not have to remove all the trees. Carlson stated there isn't enough monies in the fund and if EAB comes to the city we will need to remove those trees identified. The trees identified are the variety of trees that will become diseased. Lynch summarized that the council doesn't want to budget the shortfall with the cost of removing the 666 trees. Councilmember Piekarski Krech stated she doesn't want trees to be taken down. Lynch stated staff is only taking down less desirable trees. Councilmember Hark stated that Carlson is making the council aware of the shortfall and that if EAB arrives in Inver Grove Heights then he will be asking for additional funds to cover the removal. The council stated they understand that this may occur in the future.

3. SHARED ARBOR PONTE STREET LIGHTING SYSTEM REPLACEMENT

Public Works Director Thureen stated this is a unit development and there is a shared lighting system through the Arbor Ponte Master Association (AMPA). He included a map and identified 63 lights in the system. He stated it's not an easy situation because the lights that are dispersed are all over. He stated it's a privately-owned system and its metered. One meter could be a responsibility of both parties. He stated last year, the property manager requested to consider replacing the system from Luminaires to LED fixtures. Our involvement is important since you change the lights on the circuit. There was an Xcel pilot grant that changed our cobra heads or shoe-box fixtures to the new LEDs. Thureen described how technology has changed and the bright lights of the LED is creating a better product and he stated he received only one complaint about this new lighting system. He stated there are only a few places in the city that the city actually owns a lighting system. City staff requested a cost estimate from Xcel for replacing the system. The options provide for a different combination of payment method and pole type. The two payment options are the Standard Service Underground Rate and the Pre-Pay option. The Standard options costs more over time but has no contract.

The prepay option you pay more up front in exchange for a lower monthly O & M charge. There is a contract for the prepay option. He went over the options of poles. The Standard with direct bury fiberglass poles would be the least costly. The other option is an aluminum pole. He referred to the packet regarding the costs. He reviewed the costs with the council. He went over the wattage luminaires 150 watt vs 250 watt and that if the city did go down in watts they would need to do an analysis on the results of this change. He stated the 250 watt is more at about \$3.00-4.00 dollars higher at the service rate. The estimated cost range are \$158,000-\$392,000. He stated the monthly O&M costs alternative is \$6,800 at current rate and second option monthly payment would be \$1,700.

He stated the property manager has written a letter to the city stating they would like to have option 1A but that would accept Option 1B if desired by the City. He stated if the council desires to move forward he would come back in front of the council with the feasibility study along with better numbers associated with lighting sizes etc.

City Attorney Kuntz asked who owns the lights after the lighting conversion. Thureen responded that it becomes an Xcel fixture. The only responsibility is paying the appropriate share. He recommended fine tuning the agreement between the AMPA and the City. Xcel will repair and maintain the lights. The council reviewed the cost options in detail. They discussed doing a combination of 150- 250 watts depending on the intersection where the light is located and the results of the feasibility study. He stated the estimates on the cost are all at 150 watt. Thureen stated staff's recommendation will be based on safety not saving money. Councilmember Hark asked if this is normal practice where there is a shared lighting system. Thureen stated in the negative, this is not typical usually the developer has an agreement with Xcel and eventually the businesses take over the responsibility.

Councilmember Hark asked if this project could include Broderick Blvd street improvements costs. Thureen stated potentially this could be included. They discussed the bonding money from the state.

City Attorney Kuntz asked who owns the street lights on the Walmart side of Concord Ave. Thureen illustrated on the map that the street lights are associated with traffic signals and are not a part of the lighting system. He asked if anything else should be installed or associated with lighting that can be added to the project. Thureen stated in the negative.

Thureen discussed issues with this lighting system and the conduit wiring system whether it be shortages or other problems. Thureen stated the system is 22-24 years old. He stated APMA is concerned with the pole conditions and safety. They took down three poles for liability issues. Council directed staff to move forward with the feasibility costs.

Lynch asked that the council consider that the city provide the funds for the capital cost and get out of the lighting agreement instead of going forward with the ongoing maintenance costs. That way in 25 years once the agreement is done we don't have to go through this replacement process again. Thureen stated that the timing of the project is next Spring.

4. PAVEMENT MANAGEMENT PROGRAM DISCUSSION

Public Works Director Thureen stated that the City has roughly 301 lane miles. He stated monitoring the street system is visual (every three years), a computerized system outputs the quality of the road condition. It utilizes construction projects, cross sections, aggregate, maintenance activity and a deterioration curve exploring bituminous data from thousands of streets in the US and Europe. He showed a graph to the council and went over pavement conditions and year of construction. He went over what category requires what type of work. He stated the lower layer is continuously evaluated to make sure that the road can handle the improvements. He stated once it's under 35 patching is done until a rebuild can occur. He stated 44% of the road system is rated good, 16 % is marginal, 40% is poor. The system is made up of rural component (with ditches) and urban component (curb/gutter/storm sewer). He stated looking at it through rural vs. urban the streets in the rural area are far worse. Mostly because at the time of the streets being built the building standards were lower. He stated when examining the streets many did not get 2 inches of bituminous when it was originally constructed. He stated after 25 years roads are only on borrowed time and the city has a lot of those roads that need repair.

The city adopted the Pavement Management Plan (PMP) in 2001. He stated when estimates were completed back several years ago the city should have been contributing to the PMP \$1.3M annually. He stated the budgeted amount the first year was \$200,000. The funding

began to increase and was at \$1.2M for a certain length of time. He discussed how the funding was pushed down in 2013 to \$500,000. He discussed other funding options available with state funding, assessments and utility funds to cover these costs.

He stated overall the city's current street rating is 55. He went over with the council several graphs on the modeling and the aging roadways. He reiterated that the rural roads are in far worse shape than urban roadways, 83 lane miles (Rural) vs 218 lane miles (Urban). Councilmember Hark asked if gravel roads are factored into these graph numbers. Thureen stated in the negative. Thureen stated street costs are raising at the same time we found that we can't come close to our policy percentage of 30%. We are getting less from the funding source which affects the overall funding package. He discussed state aid on roads and utility funding. Thureen stated we can't afford to reduce assessments when analysis show us we can't afford to reduce. He stated that Chapter 429 allows the ability to repeal but the exposure to the city is minimal.

He discussed the process currently being used to maintain the rural roadway in hopes that these roadways can last another 3-4 years. He stated some are keeping up with the added layer being put down and staff believes the roads can last at least another 7-10 years. He discussed how it's a combination of staff and contractors are helping sustain the roadways and he discussed the cost analysis behind these decisions. He discussed the cost of material for streets for the city is costly and contractors are less. He asked if the council would be open to more contractor work. Councilmember Piekarski Krech discussed negatives of the bid process. Thureen discussed the options of bidding in street sections.

Councilmember Bartholomew asked about the difference between the resident's estimates and staffs. Thureen stated the difference is staff costs. He stated the annual fixed costs associated with road repair is a budget item and its dependent on where and how we use the monies.

Thureen overviewed the 55% of the mill and overlay and reconstruction category of roads. He stated there is some new process cities including South St. Paul are doing is that if the material below the pavement has strength they pull out the bituminous pavement and replace it. He stated when they do this they hope to get 20-25 years out of the road. He stated this process may allow us to put off total reconstruction of a road. He stated if we can utilize a less expensive method it would be worth investigating. He stated he has 70 miles of roads he would like to put borings on analyze the aggregate base and soil. He stated with this we would cover more of our roadways. He asked the council for direction whether to go forward with a geo technical analysis for this mileage. Tourville asked what is the estimated amount of the geo technical analysis. Thureen stated it is \$60-75,000. Tourville asked if these roads selected have already been analyzed. Thureen stated in the negative.

Tourville stated he is okay with funding coming from the landfill (Host Community Fund). Councilmember Piekarski Krech stated those funds have been earmarked for the EDA, golf course, parks, community center etc. Finance Director Smith stated that the cash flow on the Host Community Fund projection has dedicated funds for the community center capital costs. It only provides a slim margin but a vast majority of it is already spoken for. The council discussed the funding difficulties and recommended Thureen move forward with the geo technical analysis.

B. ADJOURN

Councilmember Perry made a motion to adjourn, seconded by Councilmember Hark, and the motion was carried unanimously. The workshop adjourned at approximately 7:26 pm