Where Pride and Prosperity Meet

**MINUTES**

## COTTAGE GROVE CITY COUNCIL — July 19, 2023

**12800 RAVINE PARKWAY SOUTH**
**COTTAGE GROVE, MINNESOTA 55016**

## <u>REGULAR MEETING</u> - 7:00 PM

## COUNCIL CHAMBER

1 Call to Order

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a regular meeting on July 19, 2023, at Cottage Grove City Hall, 12800 Ravine Parkway. Mayor Bailey called the meeting to order at 7:00 p.m.

2 Pledge of Allegiance

The audience, staff, and City Council Members stood and recited the Pledge of Allegiance.

3 Roll Call

City Clerk Tammy Anderson called the roll: Mayor Bailey - Here; Council Member Dennis - Here; Council Member Khambata - Here; Council Member Olsen - Here; Council Member Thiede - Here.

Also present: Jennifer Levitt, City Administrator; Amanda Johnson, Assistant City Attorney-LeVander, Gillen & Miller, PA; Tammy Anderson, City Clerk; Ryan Burfeind, Public Works Director; Gretchen Larson, Economic Development Director; Zac Dockter, Parks and Rec Director; Joe Fischbach, HR Manager; Pete Koerner, Public Safety Director; Brenda Malinowski, Finance Director; Amanda Meyer, City Engineer; Mike Mrosla, Senior Planner; Emily Schmitz, Community Development Director.

4 Open Forum

Mayor Bailey opened the Open Forum. As no one wished to address the Council, Mayor Bailey closed the Open Forum.

5 Adoption of Agenda

Council Member Dennis made a motion to approve the agenda; second by Council Member Thiede. Motion carried: 5-0.

6 Presentations

1. Night to Unite Proclamation and Event Overview

*Staff Recommendation: Receive a presentation providing an overview of the event and scheduled activities. Proclaim Tuesday, August 1, 2023, Night to Unite in Cottage Grove.*

Dan Schoen, Community Engagement Officer, stated Cottage Grove is once again participating in Night to Unite on Tuesday, August 1. The purpose of Night to Unite is to heighten crime and drug prevention awareness, generate support and participation for our anti-crime efforts throughout the City, strengthen neighborhood spirit, police-community partnerships, and frankly, send a message to criminals letting them know that our neighborhoods are organized and fighting back. The Police Department, Fire Department, elected officials, and City staff will visit many gatherings as part of this crime prevention event.

We ask our citizens to register by Tuesday, July 25, to guarantee a visit and qualify for prize drawings; one drawing will be for a Mall of America gift basket worth $500. We'll also participate in the Fill the Bag campaign to collect paper or food products for the Friends in Need Food Shelf and the Fill the Backpack Campaign, where neighbors fill a backpack donated by the Cottage Grove Public Safety Board with school supplies, which will be donated to the Friends in Need Food Shelf.

We'll once again have a Coloring Contest; our Parks and Recreation Department will be offering a Summer Outdoor Fun Pack, which includes S'mores, toys for the kids, and all sorts of different things. Download the link for that from the Night to Unite page and turn it in by Friday, August 4, to be considered for the drawing. All of this information is on the City's webpage.

When we look back at Night to Unite, it's all about being connected to our community, having our officers and firefighters engage with everybody who's there; we can't do this alone, we obviously need Council's help, which is why we come here and visit with you, our elected officials, but most importantly, the community that we serve and represent. Officer Schoen displayed a photo of a squad in a parade that was taken 60 years ago, in July, 1963; we've come a long way at the Cottage Grove Police Department and Public Safety and the organization as a whole.

He gave a big shout out to Charlene Raymond, of our support staff, who really organizes all of this and takes in all of the information. In Public Safety, officers go out in our patrol cars and take a lot of credit for when things go well, take a lot of heat for when things don't go well, but the staff in our front office really makes things work for us.

Officer Schoen thanked the Council for their time and said he'll look forward to seeing them on August 1. We understand that's also a busy time of year for everybody, but we're up to about 50 registered parties; last year we had a total of 58, so we'll probably surpass that.

Mayor Bailey thanked Officer Schoen for sharing that information, and asked if Council had questions.
Council Member Olsen thanked Officer Schoen, as he knew Officer Schoen also has been doing a lot of work preparing for this. He mentioned that it would be really fun to break our record; he knows when he says things like that, Director Koerner gets a little nervous because it's a lot to get various Public Safety staff in their vehicles to all of the parties. Last year was a lot of

parties, but the benefits to our community far outweigh the challenges when we get as many parties put together as possible. We talked about this event last night at our Cottage Grove Lions Meeting, and we're going to happily donate some gift cards to be handed out for that event; we're also going to have some Cottage Grove Lions can coolers that we had specially made that we'll be providing for folks to hand out as they visit all the various parties. We really appreciate the hard work and effort that all of the people who organize these parties put forward with regard to collecting school supplies for the Friends in Need Food Shelf; that is a massive need, it cannot be understated. It's one of those things that he knows the food shelf relies on every year, just like the Holiday Train funds to help carry them through the year. So, don't be shy; there's a lot of need out there. If you haven't already organized a party, put one together or find out if a friend or family member is having one and attend. Anything you donate towards school supplies or paper products for the Friends in Need Food Shelf will definitely be put to good use. This is a really neat event for our community, and his hat is tipped to everybody who's pitched in to work so hard on it. Hopefully, the weather will cooperate and it will be a fun night.

Mayor Bailey asked Council Member Dennis to read aloud the Night to Unite proclamation.
Council Member Dennis thanked Community Engagement Officer Schoen for his enthusiastic testimony here tonight and for all of the great work that our Public Safety team does in helping to put this night together. He said it's his honor to read the proclamation, which he then read aloud.

Motion by Council Member Dennis to proclaim Tuesday, August 1, 2023 Night to Unite in Cottage Grove; second by Council Member Olsen. Motion carried: 5-0.
Mayor Bailey also thanked Officer Schoen.

A Night to Unite Proclamation and Event Overview

7 Consent Agenda

A. Approve the May 17, 2023, Closed City Council Meeting minutes.
B. Approve the May 12, 2023, City Council Regular Meeting minutes.
C. Approve the June 21, 2023, City Council Regular Meeting minutes.
D. Accept and place on file the minutes of the April 24, 2023 Planning Commission Meeting.
E. Approve the Cottage Grove Lions Club Temporary On-sale 3.2% Malt Liquor License to be used for the Cottage Grove Food Festival at Kingston Park on September 16, 2023, from 11:00 a.m. to 6:00 p.m.
F. Authorize the issuance of a single occasion gambling permit to Gregory Thomas Kuntz, on behalf of the South St. Paul Lions Club, to hold a raffle at River Oaks Golf Course and Event Center, 11099 Highway 61, Cottage Grove, MN, 55016, on August 7, 2023, at noon.
G. Approve the issuance of rental licenses to the properties listed in the attached table.
H. Appoint Thomas Tschida and Obed Jean-Baptiste to the Economic Development Authority.

I. Appoint Justin Waterman to the Parks, Recreation and Natural Resources Commission.
J. Adopt Resolution 2023-101, accepting donations received in the 2nd Quarter 2023.
K. Approve service agreement with Kada Creative for artwork at Glacial Valley Park.
L. Adopt Resolution 2023-089 approving the variance to allow a portion of a constructed shed located at 6761 93rd Bay South to be located 5 feet, 6 inches from the south property line.
M. 1) Adopt Resolution 2023-100 approving the quote award for the Lawn Maintenance Contractor Contract with Valdes Lawn Care and Snow Removal LLC for 2023 and 2024 lawn mowing abatement services in the amount of $75.00 per hour. 2) Approve the agreement with Valdes Lawn Care and Snow Removal LLC for 2023-2024 lawn mowing abatement services.
N. Approve the Stipulation of Settlement for Parcel 15 by and between EA 394 Associates and Geller Properties, LLC and the City for the East Point Douglas Road and Jamaica Avenue Reconstruction and Signal Project, and authorize payment of the balance of the settlement amount of $122,800.00.
O. Adopt Resolution 2023-098 awarding the 2024 Pavement Management Project – Jetting and Televising project to the accepted quote supplied by Hydro-Klean, LLC in the amount of $121,664.45.

Council Member Dennis wished to pull Item H, Economic Development Authority Member Appointment, and Item J, Accept Donations - 2nd Quarter 2023, and Council Member Khambata wished to pull Item I, Appointment for Parks, Recreation and Natural Resources Commission or further comment and/or discussion.

Mayor Bailey pulled Item L, 6761 93rd Bay Shed Setback Variance, as somebody had signed up to speak during Open Forum, so that will be pulled off Consent for a separate discussion and vote.

Council Member Khambata stated regarding Item I, the Appointment for Parks, Recreation and Natural Resources Commission, he and the Commission Chair had an opportunity to sit down and interview Justin Waterman. He is a bright young man, who has a passion for the outdoors, and he is a frequent user of our parks. He thinks his perspective will be a great resource for the Commission.

Council Member Dennis stated regarding Item H, Appointments to the EDA, he and Mayor Bailey had a recent opportunity to interview a number of candidates who had interest in volunteering for the community. We had five outstanding people who we had a chance to get to know through the interview process. During the course of about three hours, we selected two individuals we would like to see us join us on the EDA: Thomas Tschida, who has some great experience relative to working on economic development with the State, and also Obed Jean-Baptiste, a gentleman who’s willing to bring some of his professional acumen to the process and join and augment what we do on the EDA.

One of the things we talk about is the importance of trying to put together a great team of people and to have that team be balanced with people who have different skill sets, come from different backgrounds, etc. So, for example, we're not all just business owners or bankers or real estate people, but folks that have a wide array of background that they can bring and provide some good addition. We're really happy to be able to ask for their appointments tonight with the will of the Council through a vote. He thinks we'll be set now for a while on the EDA.

Council Member Dennis stated regarding Item J, Accepting Donations for the 2nd Quarter of 2023, between April 1 and June 30, we had a number of donations that came through on behalf of the community:

- Four donations were made to sponsor the Fourth of July fireworks: 3M, Renewal by Andersen, and Hy-Vee each donated $5,000, and Northwoods Smokehouse donated $500. They helped to make a tremendous difference for us in what he thought was one of the best fireworks displays that we've had in a long time, was actually longer than 25 minutes, and we've received a lot of good comments from the community on that.
- Strawberry Fest sponsorship of $5,000 from Marathon.
- Memorial Bench, $2,000, from Ayoka Adeyinka in memory of Michael Abiola Ogunfolami.
- Food Truck Festival Sponsorship: Dodge Nature Center donated $500, 3M donated $250, and the Cottage Grove Chamber of Commerce donated $250.
- Cottage Grove Athletic Association donated a baseball equipment chest in the amount of $1,657.61.

Council Member Dennis stated we had a tremendous amount of sponsorship and generosity displayed on behalf of the community, and are very appreciative to the community, all of the organizations and individuals, for their support. No donation is too large or too small, every dollar makes a difference and the funds go for the intended purpose for which they were designated. We're very grateful and ask that the Council accept those donations in goodwill.

Mayor Bailey stated he'll look for a motion to approve the Consent Agenda, except for Item L, which we'll do as a separate comment and motion.

Motion by Council Member Thiede to approve the Consent Agenda except for Item L; second by Council Member Khambata. Motion carried: 5-0.

Mayor Bailey stated Item L is regarding 6761 93rd Bay, a Shed Setback Variance, and this was to approve a resolution, but there is somebody who wants to speak on this particular item. He asked for that person to step forward, state their name and address, and limit their comments to three minutes.

Mark Walker, 6793 93rd Bay South, said he's here to discuss the facts of the shed variance at 6791 93rd Bay South. His neighbors across the street at 6781 93rd Bay South were cited and given a timeline in which to move their shed, which was 10 inches too close to the property line. So, he had to move his shed and cut his concrete slab in order to come into compliance with the City's six-foot setback ordinance. Last summer, the adjacent neighbor of the property, and the one in question tonight at 6761 93rd Bay South, planned to build a shed. As a homeowner, it is very critical to make sure you do your due diligence, something they did not do. The City's Zoning Permit clearly states that it is the homeowner's responsibility to ensure property lines and property are marked and surveyed before performing any construction work. We as a neighbor made the owners at 6761 aware of the property boundaries since we were the first to build in this cul-de-sac. At the time that we were building our shed, privacy fence, inground pool, we did our due diligence and obtained a survey so that we knew that we were 100% in compliance; that was an out-of-pocket cost. At that time, we held our fence in 8 inches from the property line to ensure that there were no future issues, and notified the owners at 6761 that we did so. We even discussed splitting the cost of the fence on that side. The owners were 100% aware of the property lines at the time, summer of 2020. When the owners were in the process of building the shed in the summer of 2022, they were again notified by us that the property line boundaries and the fence were held in 8 inches. They chose to keep moving forward with this, so we addressed it with the City. The inspectors came out on three different occasions: One before construction, one during construction, and one after construction. No property lines were surveyed by the owners, and this was no surprise to anyone, and they are still in violation of the city ordinance. The owners at 6761 are repeat violators; if you review your records of their property, you will find numerous complaints with the City's roads department due to the violations of snow removal. The owners at 6761 are a repeat violation, asking for forgiveness. They were aware of their actions. Life has us all making decisions, some of which are easier than others; some are more costly than others. This is an example of an unfortunate situation, and it's a hard lesson learned. Violators need to stop getting a slap on the hand; if this variance is passed by the City, we are setting a precedent for other Cottage Grove residents to violate the City standard. To wrap this up, both neighbors were not in compliance with the six-foot setback; one had to move his shed, the other did not. One was six inches, the other was ten inches, so where do you draw the line? Why do we have Building Codes if no one has to follow them? Is this the new standard for Cottage Grove, to ask for forgiveness after they have violated. The HOA president, City inspectors, and us informed them that they made their own self-inflicted hardship, and now we have a double standard going on. If you choose to allow the owners at 6761 to keep their shed in their placement, then the owners at 6781 should be compensated for their losses. Please, City Council Members, set a precedent for this great community of Cottage Grove. Thank you for your time.

Mayor Bailey asked if there was anybody else who wanted to speak on this item.
Brittany Rechtzigel, one of the homeowners at 6761 93rd Bay, stated she wanted to point something out here. When we originally went to build this shed, we didn't strictly go off of their fence for our setback. If we did, that whole south side of the shed would not be compliant at all with the setback. Unfortunately, what we actually have is one corner that's

not compliant. It was brought to our attention from our contractor, and we actually had verified for ourselves that originally when we went to build the shed, we knew that the one corner was eight inches onto their property; however, actually, between the houses we have to have a 7.5-foot setback for all of the homes in our development, and their fence was only 7 feet from our house. So, at some point, their fence actually crossed over the property line. When we went to decide where the forms were for the shed, we had done some calculations and had figured at that point, where that corner was, we had figured that that's where their fence had crossed over; that's why we had done 6 feet off the property line for that corner of the shed. Afterwards, yes, it was brought to our attention after a survey was done that we are 6 inches too close on that one corner of the shed. That was not our ill intent, we had no plans to encroach on the setback. We did everything that we thought was the right thing to do for calculating where the shed should go. When we even did the forms, when the City inspector came out, we actually had moved the forms further away to try to comply with the setbacks. So, we had even tried to move where everything was before everything was built. Now, with the current shed in place and a concrete slab, it makes it very difficult for trying to move a structure that was meant to be permanent. For something that's 320 square-feet, we've had estimates upwards of $15,000, to not only cut the concrete, pour a new slab, and slide the whole thing over, which is a huge expense that for any homeowner is hard to take on. If we have to do it, that's one thing, but we in our right minds thought we were doing everything that we could to try to comply with the setbacks. We don't encroach on any easements or utility lines, we have no issues with drainage; it's not like our overhang is draining into their back yard, it's draining towards the street and into our yard, which has been surrounded by gardens to hopefully help absorb all of that. So, that's kind of why we're here today, just requesting the variance, to hopefully get approval to keep it where it is due to the large expense, and we tried everything that we could to get it in compliance.

Mayor Bailey told Council this was kind of an interesting one; he asked Emily Schmitz, Community Development Director, to answer if the 6 inches was from the wall of the shed or if it was the overhang. Director Schmitz replied it was from the wall of the shed.

Mayor Bailey shared with the Council that the reason this was on Consent was because the Planning Commission approved it. As we always do, if there is somebody who wants to pull something on Consent, we always give them the opportunity to come forward and share either their objections or approval. Now, we're looking for a motion, one way or the other, on Item L.

Council Member Dennis asked Director Schmitz, just to make sure that he was crystal clear and we're all clear on this: There's a property line, then there's an easement, and there's a setback. So, where the structure is has not crossed the actual property line, correct? It's clearly on their side of the property. Director Schmitz replied that's correct.

Council Member Dennis stated and it's not in the easement, correct? Director Schmitz replied that's correct.

Council Member Dennis stated so, there's still drainage easement, there's easement for perhaps underground infrastructure, things along those lines. So, nothing there has been violated. So, really what this is, it's an issue relative to the desire for a setback at that measured amount. Director Schmitz replied that's correct.

Council Member Dennis stated so when he thinks about what we do here and what we've tried to do is deal in reasonableness. He thinks in this particular case, and having been Council liaison to the Planning Commission for over 3.5 years, he learned a little bit about that process. We have a situation, but it creates a hardship to try to move that shed because one small corner of it is 6 inches into the setback. We didn't cross into the easement, we did not cross into someone else's property. So, he thinks it would probably be reasonable that we go along with the recommendation of the Planning Commission, and he would make the motion that we would approve this, unless Council Member Thiede has something he wants to add.

Council Member Thiede stated his question is we obviously set precedent with the other shed that was mentioned. He'd like to know what the difference is between the two situations; previously, we established a precedent by making a homeowner move their shed for 10 inches or something, and this time we're not. What are the differences that would have us making a different decision and not taking the precedent that was set last year or whenever it was.

Director Schmitz told Council Member Thiede she was not familiar with the details of that particular case, so she can't speak to the details of how we came to our determination; she would say we focus solely on the situation at this particular property.

Council Member Thiede stated he would definitely like to know that before making a decision on this because, obviously, we establish precedents in a lot of these cases.

Council Member Khambata stated as the Planning Commission liaison, he had the opportunity to sit in on this application. He's had a subsequent conversation with both parties, separately, just to see if there's a resolution that could be handled outside of this application, specifically regarding the property disputes, which he deals with in his private business. He believes in the case of the shed on the opposing side of the street, it was stated that the City had asked that homeowner to move it and the owner complied. Director Schmitz probably doesn't know anything about it because there was no application for a variance, which is his segue; he asked Director Schmitz if the City were to ask somebody to comply with an encroachment like that, a homeowner would have an opportunity to submit an application and ask for a variance. Is that accurate?

Director Schmitz replied that's correct, they have the right to submit their application.

Council Member Khambata stated so, in that specific instance, that homeowner opted not to pursue it any further. The circumstances around that we don't know. He told Director Schmitz that we've been working together for a long time, both in Planning Commission and on Council, and he remembers that every so often this comes up; he thinks sheds and easements are a pretty common thing. He thinks in most cases it doesn't become an issue until somebody needs to use that easement, and at that time, the City has the authority to instruct that homeowner to move or remove that obstruction. He asked if that was accurate.

Director Schmitz replied if its within that easement, yes.

Council Member Thiede wants to make sure that he understands. The homeowner across the street didn't request a variance.

Council Member Khambata stated we don't know, it's not on the record, because nothing was requested as far as he can tell.

Council Member Thiede asked so then is it correct to say that we didn't necessarily establish precedence that way because we didn't necessarily say that they couldn't be allowed a variance.

Director Schmitz replied to her knowledge, we didn't receive an official application for a variance for that property.

Mayor Bailey asked City Attorney Kori Land to offer some insight on this.

Attorney Land stated as you know, each application that comes before you must stand on its own merits. So, regardless of whether there was something that happened that looked similar, every single application is different, and you must apply the law to each and every specific application. So, that's what she would ask that you do here.

Council Member Dennis stated he was just going to say the same thing as Attorney Land, as we've had our discussions on precedents here over the years. Yes, it's a guide, but every case is weighed on its own merits. So, that's why we have a process in place where we have commissions that will tackle an issue first, hold public hearings, and go through all of that heavy lifting with our staff team vetting and our lawyer looking at it. Everybody goes through this process, and by the time it gets here, it's been vetted out to the point where it's okay, this is what's before you, and here's the choice to be made. He thinks in supporting that lengthy process of all the different eyes that have looked at this and the hands that have touched it, he would make the motion.

Council Member Thiede just wanted to make note that the Planning Commission approved it, but it was not a unanimous vote; the vote was 4-2, so there were two commissioners against it.

Council Member Dennis stated he had a question on that, too, because over all the years when we've voted on things, according to Robert's Rules, it's all in favor say aye, any opposed. If you're opposed to it, you have to stipulate that. If you don't, that's considered a yes vote. So, it should have been 5-to-1. He doesn't know how it got called 4-to-2. A nonverbal is a yes vote.

Mayor Bailey stated he came into that meeting; he can't remember, but one of them may have abstained. Council Member Dennis stated she didn't feel comfortable enough to say one way or the other, and if you're not voting for something, but you're not stipulating against it, then it's a 5-to-1 vote.

Mayor Bailey asked Council Member Thiede if that answered his question; Council Member Thiede replied he guessed so. Council Member Dennis stated it's a super majority.

Council Member Dennis made a motion to approve the variance, as the Planning Commission had outlined; Council Member Olsen seconded. Motion carried: 5-0.

A City Council Closed Meeting Minutes - May 17, 2023

B City Council Regular Meeting Minutes - May 17, 2023

C City Council Regular Meeting Minutes - June 21, 2023

D Accept Planning Commission Minutes

E Temporary Liquor License - CG Lions Club

F South St. Paul Lions Club Single Occasion Gambling Permit

G Rental License Approvals

H Economic Development Authority Member Appointment

I Appoint Parks, Recreation and Natural Resources Commissioner

J Accept Donations-2nd Quarter 2023

K Glacial Valley Park Art Service Agreement

L 6761 93rd Bay – Shed Setback Variance

M 2023 and 2024 Code Compliance/Abatement Mowing Agreement

N East Point Douglas Road & Jamaica Avenue Reconstruction and Signal Project - Easement Acquisition

O 2024 Pavement Management Project - Jetting and Televising Quote Award

8 Approve Disbursements

A Approve payments for the period of 06-16-2023 to 07-20-2023 in the amount of $6,409,019.85.

1. Approve payments for the period of 06-16-2023 through 07-20-2023 in the amount of $6,409,019.85.

Motion by Council Member Dennis to approve disbursements; second by Council Member Olsen. Motion carried: 5-0.

9 Public Hearings

Ordinance 1067

A Public Hearing for Rural Service District

1. Public Hearing for Rural Service District

*Staff Recommendation: 1) Hold Public Hearing for Rural Service District. 2) Adopt Resolution 2023-88 Repealing and Replacing Resolution 00-94, regarding the parcels included in the Rural Service District to the Urban Service District. 3) Adopt Ordinance 1067, Amending City Code 1-5-2, Taxing District, transferring certain parcels from the Rural Service District to the Urban Service District.*

Brenda Malinowski, Finance Director, stated this will be a short presentation regarding the Rural Service District for the City of Cottage Grove. She thanked the City staff, as this was really a collaborative effort between Community Development, Engineering, and Administration to look through parcels in the Rural Service District to see if they met the requirements to continue to be included in that district.

Per our City Code 1-5-2, our area for taxing purposes is divided into two districts: The Urban Service District, which is simply properties not included in the Rural Service District; and the Rural Service District, per our City Code and State Statute, must be rural in character and not developed for commercial, industrial, or urban residential purposes. Because of those first two, it's been determined that they are not benefited to the same degree as other lands in the City for general taxation. So, what that means is that we have a taxing ratio. In the Rural Service District, those properties are taxed at 70% of the Urban rate, plus any bonds, judgments, or interest thereon; so, our bond payments are spread against all properties, whether they're in the Urban District or Rural District.

To remove properties from a Rural Service District, it happens by ordinance or resolution, which is why we're here tonight. It can also occur naturally; in the past, as a property has developed with a subdivision application, and it's a property in the Rural Service District and comes out as part of that subdivision application, it just naturally goes into our Urban Service District. There are two incidents, though, where it doesn't happen: 1) If there's a lot split in the Rural Service District for a single-family residential home, it does not naturally fall out of the Rural Service District and go into the Urban Service District. 2) If there is some agricultural property that has developed into solar property; at that point, those do not naturally come out of the Rural Service District into the Urban Service District.

In both of those instances, they no longer qualify and in order to get them out, we need to hold a public hearing tonight, and adopt the ordinance and the resolution.

Director Malinowski displayed a map of the Rural Service District in 2002, when it was last looked at; in yellow are the properties that qualified at that time. As you can see, there are already single-family residential within that District that did not qualify at that time. So, at that point, those were brought out of the Rural Service District and put into the Urban Service District.

We're doing the same thing tonight with five other properties that have developed since that time. In addition, as City staff looked at the parcels, they determined parcel 13.027.21.43.0002 actually should go into the Rural Service District, so we're correcting that at this time.

In yellow, there are five properties that have developed since 2002 that no longer qualify, so we're bringing those out of the Rural Service District and putting into the Urban Service District. In green, are the four solar properties that no longer qualify because they're commercial in nature and they have a commercial taxing designation.

If the ordinance and resolution are approved tonight, this is what our Rural Service District will look like for 2023. When we think about a Rural Service District, its 70% of the tax rate because they don't need specific City services, such as snowplowing, streets, and maintenance. So, they don't need as many taxes on them to generate the municipal services.

Director Malinowski stated she'd take any questions; Council Member Thiede asked how often do we look at this.

Director Malinowski replied we look at it periodically; the last time we looked at it was 2002, which seems like a long time ago, but so many of the properties have fallen off naturally when a property is subdivided. So, there's very little cleanup that we're doing this evening, but the last time we really took a thorough look at was in 2002.

Council Member Thiede stated on the map, right across from the County Service Center, on Keats and 90th, that piece of property there, right around the church, is currently being developed; so, it will need services. He was just curious if that was intentionally left out, or if we can't include that beforehand.

Director Malinowski replied here it's showing yellow, in 2002. On this updated map, one of the parcels she believes is still included in there, but we just got a phone call from Washington County asking what Service District that should be in; so, as that develops, it falls off and goes into Urban.

Mayor Bailey opened the public hearing. As no one wished to speak on this particular item, Mayor Bailey closed the public hearing.

Motion by Council Member Thiede to Adopt Resolution 2023-88 Repealing and Replacing Resolution 00-99, regarding the parcels included in the Rural Service District to the Urban Service District; second by Council Member Khambata.
Motion carried: 5-0.

Motion by Council Member Olsen to Adopt Ordinance 1067, Amending City Code 1-5-2, Taxing District, transferring certain parcels from the Rural Service District to the Urban Service District; second by Council Member Dennis. Motion carried: 5-0.

B Graymont Village – Easement Vacation, Final Plat, Development Agreement, and Development Plans

1. Graymont Village - Easement Vacation, Final Plat, Development Agreement, and Development Plans

*Staff Recommendation: 1) Hold the Public Hearing to vacate and discontinue public drainage and utility easements within Lot 2, Block 1 of Julen Acres. 2) Adopt Resolution 2023-093 approving the easement vacation. 3) Adopt Resolution 2023-094 approving the Final Plat for Graymont Village. 4) Approve the Graymont Village Development Agreement with U.S. Home LLC. 5) Adopt Resolution 2023-095 approving the Graymont Village Development Plans dated May 23, 2023, prepared by WSB, Inc., subject to final approval by the City Engineer in writing.*

Mike Mrosla, Senior Planner, stated Graymont Village is here before you tonight as Lennar is proposing an easement vacation, Final Plat, Development Agreement, and Development Plans. Planner Mrosla reviewed the following: <u>Location</u>: This development is located south of 105th Street and to the north of 110th Street. <u>Easement Vacation</u>: As part of the NorthPoint development, the Julen parcel, highlighted on the screen, was subdivided to provide Right-of-Way to the NorthPoint development and the creation of 105th Street; NorthPoint needed two access points, so 105th Street was created as part of that. The Julen acreage was subdivided into two additional parcels, one adjacent to Ideal Avenue, which is the existing farmstead and homestead, and the other was a tilled field, which is part of the Graymont Village subdivision. As part of any kind of subdivision, we do a 10-foot utility and drainage easement around the perimeter. Prior to final platting of Graymont Village, they need to vacate that 10-foot easement. <u>Final Plat</u>: Lennar has submitted an application for Final Plat; they're proposing to plat 60 lots. The Preliminary Plat showed 207 lots, and the first phase is 60; the lot widths range from 45' to 60'. There are also four Outlots associated with this; three of them are stormwater ponds and one is for future phases of the development. Right now, they're grading down there and anticipating a model being done for the spring Parade of Homes.

Mayor Bailey opened the public hearing. As no one wished to speak on this item, Mayor Bailey closed the public hearing.

Motion by Council Member Khambata to Adopt Resolution 2023-093 approving the easement vacations; second by Council Member Dennis. Motion carried: 5-0.

Motion by Council Member Dennis to Adopt Resolution 2023-094 approving the Final Plat for Graymont Village; second by Council Member Olsen. Motion carried: 5-0.

Motion by Council Member Thiede to Approve the Graymont Village Development Agreement with U.S. Home LLC; second by Council Member Olsen. Motion carried: 5-0.

Motion by Council Member Olsen to Adopt Resolution 2023-095 approving the Graymont Village Development Plans dated May 23, 2023, prepared by WSB, Inc., subject to final approval by the City Engineer in writing; second by Council Member Khambata. Motion carried: 5-0.

10 Bid Awards

A Grange Trunk Water Main Project - Bid Award

1. Grange Trunk Water Main Project - Bid Award

*Staff Recommendation: Adopt Resolution 2023-099 awarding the Grange Trunk Water Main Project to Ryan Contracting Co., in the amount of $2,036,796.00.*

Ryan Burfeind, Public Works Director, noted on July 9, 2023, we took bids for the Grange Trunk Water Main Project; the location of this is around Hamlet Park, as we need to build a large water main from what's going to be a future water tower site up to the area of 80th Street and Grange Boulevard, by the Grange water tower.

The reason for that is Well 2 and Well 1 are going to be decommissioned as part of our 3M Settlement process. Once we do that, if we didn't build this bigger water main, that water tower would actually ride quite a bit lower, just the way the small pipes work in that area. So, that area would have a much lower water pressure than they have today, which really isn't acceptable. The 3M Settlement is fully funding this trunk water main to connect the two parts of that low-pressure zone so they have adequate water pressure and service to that Grange water tower.

Director Burfeind stated we received five bids on the bid day, with favorable bid results compared to our engineer's estimate. Ryan Contracting Co. was the apparent low bidder. They've done quite a bit of work in Cottage Grove, which he detailed, including the water main improvements down at River Acres when we did that water main extension. So, we've got quite a good work history with Ryan Contracting Co.

Motion by Council Member Khambata to Adopt Resolution 2023-099 awarding the Grange Trunk Water Main Project to Ryan Contracting Co., in the amount of $2,036,796.00; second by Council Member Olsen. Motion carried: 5-0.

11 Regular Agenda

A Trellis Senior Housing – Planned Unit Development and Site Plan Review

1. Trellis Senior Housing - Planned Unit Development and Site Plan Review

*Staff Recommendation: Adopt Resolution 2023-090 approving the Planned Unit Development and Site Plan Review for a 52-unit, four-story affordable senior multifamily apartment building* *located at 7601 79th Street South.*

Planner Mrosla stated Trellis Co. has submitted an application for Site Plan Review and a Planned Unit Development (PUD). He reviewed the following: <u>Location</u>: The site is located at 7601 79th Street South, currently a vacant site. It was platted in 1979 and has had numerous proposals on it, but nothing has come to fruition. <u>Proposal</u>: 52 units of senior affordable housing, proposing four stories. There are two types of apartments, one is a studio and the other is a one bedroom with various floor types. It's a uniquely affordable project as the average Area Median Income (AMI) in Washington County is $87,000; so, the Applicant is proposing 36 units at 30% AMI, which is $26,100, and 16 units at 60% AMI, which is $52,200. This is age restricted at 62+ years. The rents are fixed: For 30% AMI, a studio apartment is $652, and 60% is $1,305. For a one-bedroom apartment, 30% AMI rent is $699, and 60% AMI rent is $1,398. <u>Amenities</u>: A community room, a craft room, an on-site service manager for the residents, and trash storage inside the building. <u>Land Use and Density</u>: The subject site is approximately .9 acres; Zoning is Mixed Use, which has a maximum density of 40 units/acre. However, the site is just under an acre in size, so the permitted density is 36 units. As previously mentioned, the Applicant is requesting 52 units. However, for affordable housing projects that meet specific goals within the Comprehensive Plan, there are tools we can use to increase the density of the site: A Density Bonus, which is used to increase density by a specific percentage depending on the amount of affordable housing provided. This is a deeply affordable project, so 69% of the units are set aside for 30% AMI, which allows us to provide the full 20% increase, or 7 units. Another tool is a Density Transfer; that allows for the allocation of housing units on part of the site to another part, resulting in an increase in density to the transferred area for the purpose of preserving open space. In this case, the subject site and Outlot A are all part of the original plat that was approved back in 1979. Outlot A is an existing stormwater pond, so we're proposing to take the density that's on Outlot A right now and transfer 9 units of that to the subject site. That will give us a total of 52 units, which the Applicant is requesting. <u>Planning Considerations</u>: The proposed building meets all height and setback requirements. The proposed building is 47' tall, 50' is the maximum. The maximum impervious surface is 70% for the district, and the Applicant is just underneath that at 69.9%. <u>Parking</u>: Parking Code requires 78 stalls at 1.5 stalls per unit for senior-living facilities. The Applicant is proposing 43; however, the Applicant owns and manages several other affordable senior properties throughout the metropolitan area. They have found lower parking utilization compared to general occupancy housing they own and operate; so, they've seen these lower parking counts work as most of the residents utilize public transportation or do not own a vehicle, unlike independent living facilities towards which the ordinance is geared. Also, this project will benefit for having an opportunity for some on-street parking just in case of visitors on holidays or other events held at the facility. <u>Setback Flexibility</u>: The Applicant is requesting some setback flexibility from the parking lot; they're requesting a 12' setback from the Right-of-Way, from the property line on the north side of the parcel. This is not uncommon, we have other projects throughout the community that have encroached into that setback; for example, Grove80 right across the street has an 8' setback from the Right-of-Way. Overall, though, the proposed project meets our landscaping and all our Zoning Code requirements. Other: They are proposing to add a new sidewalk along Hemingway Avenue; there's a bus stop right there on the corner, and they're going to enlarge the area around there for pedestrians, an additional sidewalk area for people waiting for public transportation. Architecture: This is a unique area, the project is surrounded by residential, commercial, and the residential product is multifamily and townhomes. So, the Applicant used those architectural styles to design the building. The Architecture Ordinance requires 65% Class 1 materials, stone, glass, and brick. Once they put all those components of the other designs allowed in the area together, their materials are a little lower than that, proposing 46% Class 1 materials of stone and glass, and 54% of the building will be Fiber Cement Siding. However, that's very similar to what's found at the Grove80 site. They actually will have a little more Class 1 materials than Grove80, but it fits the overall surrounding area with their proposed building architecture.

Planner Mrosla stated he and the Applicant will answer any questions.

Mayor Bailey had a question, said maybe it's not related to this, but next to it; the sidewalk that they're going to be putting in goes up towards 80th Street. He doesn't believe that there's a sidewalk on the property next to them, which is going to eventually be Dunkin' Donuts/Baskin Robbins. Is our intent with them to put the sidewalk in there, and complete it to 80th Street. Planner Mrosla replied he was unaware of that.

Mayor Bailey asked if they could look at that because what he doesn't want to see is us running into a situation where there's a sidewalk, and then it stops and there's no sidewalk. People are still going to walk through there to get to 80th Street. Planner Mrosla replied yes, they'd do so, as we don't want a trail to nowhere.

Council Member Khambata thanked Planner Mrosla for the great presentation, told him he appreciated his hard work. He asked about the parking variance; every time we see a parking variance, we all get heartburn, but in this case, in the event that they need overflow parking, is there parking available on the adjacent streets to accommodate.

Planner Mrosla replied yes, the streets are currently not signed No Parking; so, there is an opportunity to park on the street in those overflow events.

Council Member Olsen thanked Council Member Khambata for that question, as that was one of the questions he also had. Council Member Olsen stated he mentioned a bus route, and when bus route is mentioned, some people think of the big MTC buses;  we also have the commuter buses that we use in the City of Cottage Grove for transportation once or twice a week so that people can get to doctor appointments, etc. He asked him to specify which of those he was referring to.

Planner Mrosla replied the Applicant will be having local bus services by DARTS and Metro Mobility will be servicing the site; they're actually looking at dedicating a stall within the parking lot for that. He's unaware of what the bus route outside the facility is that services that corner; he knows there's a bus stop there for children in the morning, but he's unaware of the other.

Council Member Olsen stated he was referring to Metro Mobility, DARTS, etc., and that somewhat ties into the conversation about parking because as we have seen, there are several people who live in senior housing who just don't drive; they don't have their own transportation, so accessibility to a bus that will take them wherever they need to go he thinks is a big win for the site.

Mayor Bailey stated the DARTS bus circulator that we have in the City actually goes to the library, so it would be right there; that's going to be perfect, so, they'll have options to get to restaurants and grocers.

Council Member Dennis stated he thinks this is a great project, and one of the things that Council has dedicated itself to in working with our staff team is to try to bring different types of housing to the community. Especially with what's happened in the last year with other senior housing, where prices have escalated, this is a really good thing to see, and we're very appreciative of that. He thanked them for being willing to take that risk to come here; he thinks they'll find it's a great place to do business and very rewarding with the people that you'll be able to help.

Mayor Bailey asked the Applicant if he wished to speak.

Dan **Walsh** of Trellis Co. thanked Mayor Bailey and the Council for their comments. Planner Mrosla did a great presentation, but he'd like to add some things:

- 36 of the units will also have project-based rent assistance attached to them, so that even for an extremely low income senior, just surviving on Social Security, they will never be stressed to pay their rent. We're really happy about that.
- We worked really hard on the mix of materials and landed on a palette that we think really holds together well.
- The Planning Commission had a really good question about snow removal. Given the winter we all just had, they wanted to know where we would store snow on site; the answer was there is an area along the southern portion of the site, and along the side, but Trellis also trucks snow offsite. We regularly do that in extraordinary events. This last year, we started our own internal snowplowing business. So, we have a fleet of our own trucks that come and take snow away, so we have even more control over that, which is important.

Mr. Walsh again thanked Council and the City staff for all of the feedback that we've had; we are really proud of the project and hope you approve it.

Mayor Bailey stated he'll piggyback on what Council Member Dennis said. Over the last couple years, we've heard from a lot of our seniors in some of the other facilities about how difficult it was with the rent increases and what were they going to do if they couldn't live there anymore. This will be another option, whether it's for existing seniors in Cottage Grove or

others who are looking for a deeply affordable option. It's a beautiful building, he's seen some photos of the other places that you've built around the Twin Cities and outstate, and he's very impressed.
Mr. Walsh thanked Mayor Bailey and said they'll be coming before Council next month as well for some of the financing requests, and we will speak more to the issue about the rent increases; we've been talking with our attorneys, and he thinks they have a really good proposal to offer that will meet a lot of what Council is looking for.

Council Member Khambata added that it's his opinion that this is a very meaningful project for Cottage Grove. There are people who are going to be well served by this, and it's going to help keep people in our community, who are a part of our community and have been for a very long time.

Motion by Council Member Thiede to Adopt Resolution 2023-090 approving the Planned Unit Development and Site Plan Review for a 52-unit, four-story affordable senior multifamily apartment building located at 7601 79th Street South; second by Council Member Dennis. Motion carried: 5-0.

B Hohenstein Distribution (95th/Jamaica) – Site Plan Review

1. Hohenstein Distribution (95th/Jamaica) - Site Plan Review

Staff Recommendation: *Adopt Resolution 2023-091 approving the Site Plan Review of an approximate 160,000 square-foot industrial building for warehouse, distribution, and office space for Hohenstein Distribution.*

Director Schmitz stated this particular site may look familiar to you. She spoke further about the following: <u>Location</u>: It's at the corner of 95th and Jamaica Avenue, and over the last handful of years, some work has been done out there. We worked through a platting process in 2021, which expanded the pond, TG-P14, to help support some additional stormwater in the area. It also helped create a more developable site next door to it, and that work was completed in 2022. <u>Site Plan</u>: Hohenstein Distribution has been locally operated for 70 years in the area; they pride themselves on being a wholesale distributor of domestic, imported, as well as craft beer. They're looking to expand and move their business to Cottage Grove, so they worked awfully hard to design this site in a way that works most efficiently for them. The building is proposed at just around 140,000 square feet, with three access points proposed; this is helpful for them as they have the flow of the trucks through their site, so actually having a complete drive-through in the center of their building with the loading docks on the back side. Those trucks are able to enter the building, get loaded up, and then head right back out, as there is an exit only from their site. The Applicant is also proposing to be able to store those trucks on the interior of the building, so, less trucks stored on the exterior. They've worked very hard to make sure they're meeting the minimum standards of our Zoning Code, which they have done with setbacks, parking areas, etc. They've also set themselves up for some potential future expansion on this particular site, as there's quite a bit of space on the east side of the site. At such time that they're looking to expand, we'll certainly bring that back to you; we're hoping that will be sooner than later. Landscaping: Director Schmitz stated this particular Applicant has worked very hard to be sure that they are planting the minimum amount of landscaping required per our Code. She made note that they are calculating the landscaping based off of the area of the site that they're currently developing on the west side. We'll also calculate the landscaping as part of the future phase in that particular area to the east. Hopefully, the landscaping might be going in later this year or maybe next spring. We'll make note of the mitigation; as we prepared this site to be more development ready, we did some tree removal and knew that that would fall on a potential future developer of the site. Architecture: This Applicant, knowing that they are a prominent visual at the entrance to our Business Park at 95th and Jamaica, has again worked very hard to ensure that that corner of their building is the focus of multiple different materials; specifically, glazing and kind of a popping out of the building façade there. They're also breaking up those long stretches of walls, again focusing on materials that are required per our Code.

Director Schmitz stated she, as well as the Applicant, are available to answer questions.

Council Member Dennis stated it is very exciting to have Karl Hohenstein and his son here tonight. Director Schmitz is right, this is a fantastic business, local, family owned. They do some Coors distribution not in this immediate area, just south of here, but they have the preeminent craft beer book, in his opinion, in the State of Minnesota. So, it's really an honor to have them here. They care, this is a well-run company, very respected, and they'll be a great addition to our Business Park. So, he's very happy to see them come to Cottage Grove.

Council Member Olsen thanked Karl and Sam for being here tonight, it's great to have you here. As he said earlier, it's a very exciting time for the City of Cottage Grove. He wanted to reiterate what his colleague, Council Member Dennis, said; your company has been so well respected for so long. The fact that you are making a decision to invest in our community speaks volumes, at least to him, about our community. He thinks it will be a very fruitful partnership for a very long time. He has no doubt that when this project is all said and done it will be beautiful. He thinks having the Hohenstein name in our Business Park is only going to elevate Cottage Grove in the eyes of other potential investors. He thanked both of them for making sure they were here this evening to be part of this conversation and get this deal over the finish line.

Council Member Khambata thanked staff for their time in making sure that this project was well put together. He was particularly fond of the area that was designated for future expansion, which only goes to show that as they grow, they want to continue to be here in Cottage Grove. He thinks as Karl said at the Planning Commission meeting, he never wants to move again; so, he looks forward to having them in town.

Motion by Council Member Olsen to Adopt Resolution 2023-091 approving the Site Plan Review of an approximate 160,000 square-foot industrial building for warehouse, distribution, and office space for Hohenstein Distribution; second by Council Member Thiede. Motion carried: 5-0.

Mayor Bailey welcomed them to Cottage Grove, and said we're glad to have you here. Council Member Olsen added he can't wait for the ribbon cutting. The Hohensteins thanked them for their comments.

C Chase Bank – Conditional Use Permit and Site Plan Review

1. Chase Bank - Conditional Use Permit and Site Plan Review

*Staff Recommendation: Adopt Resolution 2023-092 approving a Conditional Use Permit and Site Plan Review for a 3,319 square-foot Chase Bank building with a drive-through lane for an in-wall automatic teller machine (ATM) to be located in the south parking lot of Kohl's, north of 80th Street, east of Culver's, and west of U.S. Bank.*

Planner Mrosla stated JPMorgan Chase Bank submitted an application for Site Plan Review and a Conditional Use Permit (CUP). He spoke further on the following:
<u>Location</u>: Proposed location is in the Kohl's parking lot, to the east of Culver's and to the west of the existing U.S. Bank and to the north of 80th Street. The Applicant is proposing to lease 1.03 acres from Kohl's, and then the Applicant would construct and own a 3,319 square-foot building with a drive-through ATM. The Applicant will be responsible for maintaining the 1.03 acres; we are requiring a maintenance agreement to ensure that in the event that Chase doesn't maintain the site, Kohl's would be responsible for that. Also, access will be provided to the site via an internal driveway that serves the center right now, off of Hardwood Avenue. <u>Hours of Operation</u>: Monday-Friday, 9:00 a.m. to 6:00 p.m., and on Saturdays, 9:00 a.m. to 2:00 p.m. We took a look at the trip generation of this use; with all of the development in the area, we want to ensure that this won't impact any traffic. The internal teller transactions are about 20-to-30 trips per day and the ATM will average about 25 trips per day; so, the average is about 55 total trips per day, which is a low-impact use. <u>Planning Considerations</u>: The subject property is zoned Mixed Use, so banks are a permitted use within this district. A CUP is required for drive-through uses, and the Applicant is proposing a six vehicle stacking drive-through for the ATM. There is no teller at the window, it's solely an ATM. The trash enclosure is located just to the north. As part of this application, the Applicant will be doing a sidewalk connection to the existing trail along 80th Street. Parking Code requires 13 stalls, or 1 per 250 square feet; however, the site is significantly overparked with 52 stalls total. We are requiring a cross parking agreement as additional parking on site can also be utilized by the surrounding tenants, Culver's and Kohl's. The proposed building meets all Zoning standards. <u>Landscaping</u>: The Applicant will be installing additional landscaping in the area and removing some of the existing landscape that needs help in some of the islands and in other areas. <u>Architecture</u>: Commercial buildings require 65% Class 1 materials, brick, stone, and glass, and the Applicant is proposing a 89.2% Class 1 material building. This is a new product type, has been built in West St. Paul and Woodbury, and is significantly above our ordinance requirement. There will be two types of brick, stone, glass, and then some accent metal around the ATM and around

the one corner; otherwise, the rest of the building is Class 1 materials.

Motion by Council Member Khambata to Adopt Resolution 2023-092 approving a Conditional Use Permit and Site Plan Review for a 3,319 square-foot Chase Bank building with a drive-through lane for an in-wall automatic teller machine (ATM) to be located in the south parking lot of Kohl's, north of 80th Street, east of Culver's, and west of U.S. Bank; second by Council Member Olsen. Motion carried: 5-0.

12 Council Comments and Requests

Council Member Dennis wished a Happy Golden Birthday to Rosie Olsen; he knows that today is a big day for her, and there was an opportunity for friends to send her a text, but thought maybe a Council comment would be a little better than a text. So, if she's watching, or if she's not, she can certainly watch the replay, and Dad can simply mention that his Council colleague wished her a very Happy Birthday. Council Member Olsen thanked Council Member Dennis very much, said she'll love that, and he appreciates it, too.

Council Member Olsen asked Community Engagement Officer Dan Schoen to step back up to the podium. The Public Safety Board's annual Public Safety Golf Tournament is coming up on Saturday, July 29, at River Oaks Golf Course. Our checkin for that tournament is at noon, and he and Mayor Bailey are playing in the tournament with Commissioner Bigham. This is really a huge fundraiser for the Public Safety Board. He asked Officer Schoen to tell us a little bit more about the particulars of the tournament, its purpose, and asked if people can still sign up.

Officer Schoen replied absolutely, and yes, people can still sign up. Our Cottage Grove Public Safety Board is a nonprofit wing connected to our Public Safety Department. They raise a lot of money related to our K9s, they've purchased the K9s for our officers so far, and have just been a great asset to our community. If anybody's interested in providing a team to golf with, they can certainly reach out to him directly; the tournament is hosted at the River Oaks Golf Course, so you can find information on their page. Dennis and the crew there do a fantastic job for us all. Everybody puts in a lot of work to make this one of our largest fundraisers, outside of direct contributions. We'd certainly love to have more people, so if any businesses are watching, he knows that the group will still take donations of items for gift baskets, etc. There might be a sponsorship or two available, though he knows those are filling up. We still have room for teams, so please sign up on the website. Otherwise, if you have questions, contact me at my office phone, 651-458-6058, or email me at dschoen@cottagegrovemn.gov. You can also call the Police Department office, 651-458-2850, ask for me, and they'll route you to the right place.

Council Member Olsen thanked Officer Schoen, stated he knows it's a really fun tournament to be part of, with a lot of great sponsors. Our Cottage Grove Lions Club is sponsoring a portion of the tournament fee, and they'll have a team out there. He always likes to sponsor a hole, and we'll have a team out there. There's also a lot of great Silent Auction items and many fun things to be a part of.

Council Member Olsen stated there's another upcoming event, which is the 10-Year Anniversary of the Cottage Grove Bike Park. The Bike Park started as an idea of a couple Cottage Grove residents, Chance and Kelly Glasford, and a number of their friends. They said they wanted to put together a BMX track here in Cottage Grove, and approached Mayor Bailey with this idea. Mayor Bailey put them in touch with a number of different people, including our Parks and Recreation Department staff, so we could find some space for them. Lo and behold, here we are, 10 years later, and the Bike Park gets better every year. They do all kinds of fun things to improve it, year over year, with bigger jumps and all those dangerous things that he doesn't take part in. But the 10-Year Anniversary event is going to be held on Saturday, August 19, at the Cottage Grove Bike Park; it starts at 11:00 a.m., and our Lions Club will be there with hot dogs, hamburgers, pop, water, and Gatorade. There are a number of different sponsors who are providing other things. If you go to the Cottage Grove Bike Park Facebook page, there's a lot more detail on there, but mark the date on your calendar. Even if you don't come to actually bike, you can come out and enjoy a lot of other fun things that will be going on to celebrate the 10-Year Anniversary.

One thing he's most proud of is that our mission for years, as a Council and as a City, has been to maintain and enhance our outdoor recreation opportunities and provide those opportunities to residents and visitors; so, with this Bike Park, the WAG Farms Dog Park, etc., there are many examples of how we choose to do that. Our latest example is going to be the new park down on the river, at the previous Mississippi Dunes Golf Course. Over the past weekend, you may have seen an article or two in the St. Paul and Minneapolis newspapers, including a photo of our Parks and Recreation Director Zac Dockter, who was quoted several times, as was our City Administrator, Jennifer Levitt. This is such an exciting time for us; this is something that we have pushed for as a Council for as long as he's been a Council Member, and he knows it was pushed for even before he was a Council Member. The articles were very clear about the Scientific and Natural Area space that will be there, and that's going to be enhanced with some additional property; we just closed on 19.1 acres. There will be both passive and active park space, trails for people to enjoy, and will truly be a gem of our community; he thinks it's a gamechanger. The property owner, Dave Gustafson, was spoken very highly of in both articles; he and his wife, Dawn, had made it very clear that part of their mission in owning this property was to ensure that they gave back some of that land for these sorts of purposes. They're environmentalists, they know how special it is for the City of Cottage Grove to have access to the river. Council Member Olsen said he'll let Mayor Bailey speak further on this, as he knows this has been a long time coming, probably since even before Mayor Bailey started on the Council.

Mayor Bailey stated as far back as he can remember, it's been in the Comprehensive Plans as a desire for the Council. He doesn't know that we ever really thought of this property as being that, as it was always discussed to be out on Grey Cloud Island; there's still a plan to have a significant regional park on the island sometime in the future. When this opportunity arose, kudos to this Council, the City staff, Washington County, and the DNR; everybody kind of came together so that we in essence are going to be protecting that shoreline all the way down. The owner, Dave Gustafson, is also working with the DNR to capture for the DNR the area above the railroad tracks for people, which is where they used to have the golf range. So, this will be amazing. Personally, what's also really awesome about this park and the options that are going to take place there is now people will also be able to live down there, too, as part of future developments that will occur in that particular area, away from the main part of the river. Those of us who maybe don't live down near the river are going to have the opportunity to be exposed to the river and kayak and enjoy those things that are already there. Those who maybe haven't had the opportunity to live by the river, but want to, are going to have a variety of housing types and options there if all the rest of that development takes place. There is a developer interested, and we're working through that right now. He said he's very excited, gave kudos to staff, as it's pretty amazing to be on the front page of both Twin Cities' newspapers on the same weekend. He had numerous people asking him about it and calling him. As staff knows, he's shared some emails that came to him with people commenting about how neat it is that we were able to make this happen.

Council Member Olsen stated there were easily 30-to-40 comments last night at our Lions meeting, and also at Carbone's, which was full; it was the talk of the town.

Mayor Bailey stated this Friday is Movies in the Park with Mo, a kids' movie, and there's been great participation out there at Highlands Park. There are also snacks and things for kids to do and some of it is free.

Mayor Bailey gave a shout out to our Parks Department and Public Works; he was in Hamlet Park over the weekend for his grandson's baseball tournament. He was watching the baseball games with his mom, and she asked him how the City gets the grass down there to look so nice. He reminded his mom, as we used to live in that area, that it used to be just basically a field, which is where we actually played baseball. But the City and the crew do an amazing job with the irrigation and fertilization, etc. He's heard that from multiple people; when he had that conversation with his mom, other people nearby were saying yeah, our parks are amazing with the grass and the turf and how well its maintained. He asked Director Dockter and Director Burfeind to please pass that along to their teams for the hard work they do to keep our parks looking great.

Mayor Bailey said the next item is a workshop, open to the public, but we will be moving to the Training Room for that. The first item we'll be discussing is Franchise Fee Ordinance Amendments where we'll give direction to staff; the second item is our Budget Workshop, our ongoing process to go over some items for our budget. So, we will not be adjourning this meeting in here, but we will adjourn in the Training Room. He told everybody to have a great evening.

13 Workshops - Open to Public

A Franchise Fee Ordinance Amendments

1. Franchise Fee Ordinance Amendments

*Staff Recommendation: Provide feedback on the proposed franchise fee rate changes from a $1.65 per month fee for both gas and electric to a 2.75% charge of the monthly bill.*

Amanda Meyer, City Engineer, stated our current agreements related to gas and electric franchise fees were adopted in 2003, both with Xcel Energy and CenterPoint Energy. Those expire in November 2023, so they were 20-year agreements. There are two pieces to it: There are the words of the agreement and then the dollars of the agreement. Right now, we're working through reviewing and amending the words of those agreements; we thought this was a really good opportunity to also take a look at those dollars, as those have not been updated over the last 20 years. Staff has been analyzing some expenses for those over the next five years for projects that we typically fund through our franchise fees to propose some updated rate schedules for you.

Engineer Meyer displayed the existing rate schedule for both gas and electricity. She noted the gas rate is the same for both Xcel and CenterPoint. These are specific dollar amounts that residents see on a per month basis. The City has an option of doing a percentage-based fee, which Director Burfeind will speak about further. As we talk and think about schedules, we're talking tonight at this workshop, but this needs to go before the Public Utilities Commission (PUC) by August 8, as those agreements expire in November; so, Council will see this item on Consent at your August 2 meeting.

Director Burfeind stated he'll talk about what this money is used for, if we're looking at an increase of a fee that has been flat for 20 years, the intent of that, and what our new program would be. Historically, we've used these for roadway preservation. The agreement calls it a Seal Coating Fund because that was most of the work that we did; we also do curb and sidewalk replacements and a little bit of trail. That sealing has been kind of intermittent over the years, used it for crack sealing of the roadways; that seal coating program worked very well for many years. We seal coat the road when its two years old, then every seven years after that. What happened is with asphalt from the 1990s and the late 2000s, we started to see asphalt stripping going on and displayed a photo of asphalt stripping. From top down, the pavement starts failing and starts peeling off, and it accelerates very rapidly. There's been a lot of work by MnDOT on what caused that, and even today, people still argue; regardless, the seal coating was really ineffective, it was peeling right off that asphalt pavement roadway. It worked great for decades, that was a staple of former Public Works Director Les Burshten and it worked well. It no longer functions, and we actually quit doing those many years ago because it was just degrading faster and we're still seeing that continue. On asphalt, they kept saying in the 2000s MnDOT fixed it, but now asphalt from the 2000s is also stripping; it's an ongoing issue. We knew we really needed to have a new roadway preservation plan because you can't just do nothing; if you do nothing, they're going to fall apart way too early, and we're going to have way more pavement management than we could ever fund. We did a little bit of these thin overlays, and those have been effective to get that road out to about 27 years of life. Even at that, we're looking at six miles of pavement management every year to stay on top of it, and that's just a huge cost to the City that we really needed to stretch out. We wanted to find a way that would be four miles per year, as we did in this new pavement preservation plan; with that is the Mill & Overlay.

In 2020, he asked Council to allow us to try kind of a pilot project of Mill & Overlay; we hadn't done these as part of pavement management before, but when we did them, they were pretty extensive. We did big joint repairs when we pulled up the pavement, did curb replacements and utility work, and it was a much more extensive project. What we're looking at is going in at 16-18 years of life and just doing a Mill & Overlay; we just take off that top wear course and put in a new one. It's very quick, it's kind of in and out, takes like a week or two. The intent of that really was to have a focused scope of work, so we could get really competitive bidding, and then we could also have kind of low risk for that project. We're not hitting the subgrade and running into unknowns. Also, we do an inspection by City staff to further reduce those project costs; what we're trying to do is get that project at as low a cost as we can, right around the $200K per mile. With that, we would actually look at a new pavement life cycle. So, we would do a Mill & Overlay at 16-18 years, we'd still implement that thin overlay after about 30 years of life, because we find that to be very effective, we can do one thin overlay on our roadways without affecting drainage, and then full replacement of that pavement at 40 years of life. What we look at is an actual lower lifecycle cost; to fund a Mill & Overlay, we need more money for that part of the work, year by year, and what we're looking at is pushing out that full pavement replacement, which is much more expensive per mile, out to 40 years instead of 27 years. So, the real key is that bottom dollar, what's an average annual cost per home if we did the old method, which was about a 27-year life, or the new method; we're looking at $318 per year or $256 per year. He doesn't really want to focus on where that money is coming from, as some of this is franchise fees, some of this is General Levy for the Street Fund, and some of it is assessments. Throughout the life of a roadway, everyone is paying for those roadways in the City regardless of where it comes from. We want to bring that cost down, not only for the benefit of just the general taxpayer, but also to have a more manageable pavement management program.

For the overall plan that we're looking at, four miles of Mill & Overlay on residential streets, largely, but we would also be doing some collector roads and such, but that would be the main focus. That's the new thing we want to do with these franchise fees and that's a needed cost. We continue to do curb and gutter and sidewalk replacement and crack sealing. We would like to do a very consistent six miles of trail maintenance with like a fog seal and a crack seal, trying to get more life out of those trails. What we really don't do at all right now is standalone trail placement. If we have a pavement management project and have trails along 80th Street, we replace them; for something like the Cottage Grove Trailway Corridor to the powerlines, we really have no dedicated funding source to do that. We've tried doing thin overlays on them; it works, but it's not a very effective tool. So, we'd like to have a dedicated funding source to actually actively replace these recreational trails, so we can keep them in good condition. That's the tough part about them because often we can get funding to build those, but we have to replace them at some point in their life. So, we would have that in this funding program as well. This is starting at about $1.3M and then kind of going up, just the general cost increases with growth in the City, is what we need to fund that program.

As Engineer Meyer mentioned, we're looking at a franchise fee rate increase; that has been flat for 20 years. When we looked at the averages of that flat fee, cities were more than double that of Cottage Grove. So, our total cost is $3.30 per month on utility bills; $7.44 is the average as we looked at cities with population from 20,000-100,000. So, we're well below what most cites are collecting for franchise fees.

Director Burfeind stated one issue with that flat fee is it just stays what it is; if it's a 10-year fee or if it's a 20-year franchise fee agreement, it doesn't change. So, you lose pace with inflation, construction costs, or you have to do more frequent rate adjustments, which is a pretty extensive process with the PUC. So, with that, we looked at going with a percentage-based fee, which we've seen more cities doing. With that, the average actually was about 3.75%, and what they collected ranged anywhere from 3% to 5%.

Initially, we just looked at what would we need to collect on a percentage basis to fund the proposed program that he just spoke about, and it's about 2.75% for each bill that would be charged. What this does is it actually shifts a little bit of the burden more to commercial-industrial. Because the flat fee is just that, and those commercial-industrial have such a wide range of usage, and even size, so their flat fees naturally are smaller; so, it currently shifts the burden toward the residents for paying those fees. When you think about roadways and wear and tear, it's the large businesses and industrial, in reality, that have the big semis and thousands of workers that do a lot of damage to the road, and we need to do that maintenance accordingly. So, looking at the pie charts, you can see with the percentage-based fee, it shifts more of the burden to the commercial-industrial users and a little bit away from the residential.

Director Burfeind stated one other option we looked at was what if the Council desired to be more at the average, which is about 2.75%, and what could we do with those funds. What we could do is fund an additional 1.5 miles of trail replacement; so, we would do 2 miles of trail replacement every year if there was a desire to go to that average rate. He pointed out that at 2.75%, the fee for the average home will vary from the summer to the winter, when it will be higher because residents will be using more energy, and the spring and fall will be less. If we look at the total billing in our City, the number of homes, the average is about $5.38 per homeowner per month, which is 2.75%; right now, they're at $3.30 on a rate that's about 20 years old.

If we do the 3.75%, it's $7.34 per month. It's kind of interesting that with that flat fee, $7.44 is the average of what most cities are charging. At that average rate, you're still right in line with the flat fee of cities that are also doing that rate.

Director Burfeind stated there are two options for Council with this program: Yes, we're proposing a rate increase, but it's been 20 years since a rate increase occurred. We're looking at reducing the costs over the life of our roadways, and we're trying to actually save the average resident money if we can push that pavement management out; we're trying to make it longer before they get that assessment. Yes, it doesn't hit everyone equally; some people might have an assessment in five years, some might have an assessment in 30, but for our City as a whole and the average taxpayer, we're trying to reduce that assessment cost and how often they see that.

Trail replacement is another thing that's kind of a new level of service. We really haven't had a dedicated Trail Replacement Fund and funding mechanism, and he thinks we really need it. We have a great trail system, and we continue to build more trails, but we have to have a dedicated way to replace those trails and maintain them over time.

He stated they're looking for feedback from the Council, first on the option of doing this new program, which requires that higher rate structure, but also changing over to a percentage-based fee, so it really keeps pace with inflation, cost increases, so we don't need to revisit this so frequently.

Council Member Olsen thanked Director Burfeind, as that was very helpful in terms of comparing the flat rate increase vs. a percentage-based increase; he's really glad that he brought that to the forefront. With the Mill & Overlay, his neighborhood happened to be the first neighborhood to do that, and the timing couldn't have been better. His neighborhood is about 21-22 years old, and they did that three years ago, but the roads look great today. The improvement noticed when the Mill & Overlay was done was extremely evident, and nobody got assessed a dime; there was not one cent that any of us had to pay as an assessment. He thought what they did by doing that was they pushed off our assessment by at least another 10-15 years. When we do road projects, whether it's a full reconstruct or whatever it is where the resident gets assessed, the portion of the road project that is borne by the taxpayer pays for a good chunk of that road project every year. Otherwise the assessments would be astronomical to the residents. This will help with that, too, because it will be a longer time between when we're going to need to do a full reconstruct; instead of doing it at 30 years, doing it at 40 years. That's going to save the general taxpayer money, not just the homeowner in those neighborhoods. He thought this was a really smart decision, and at least from where he stands, understanding the critical importance of our trail systems and how much our residents appreciate that, value that, and want that, we need to be smart about maintaining those trails appropriately. There are some that look a little rough right now, and he doesn't think anyone would argue with that; he thinks there's probably going to be a little bit of catch up that will need to be done. He'd be very comfortable with the 3.75%, especially understanding the benefit that that's going to pay to the entire community, with respect to use of the trail system and pavement management programming being something that we can really fund with a dedicated source that you can actually budget for. He thinks that's the right thing to do.

Council Member Thiede stated he thinks they're on, in terms of looking at the cost, but obviously, he hates seeing any increases to people. He stated 2.75% is actually a 63% increase, but he understands they looked at inflation over that period of time, and how much it's gone up is questionable. So, in this case, he would say people are very happy with the trails, and we get compliments on them. He thinks they're at the level of satisfaction that they enjoy the trails. He would actually be much more supportive of the 2.75%, and he thinks going with the percentage is probably a good idea.

Council Member Khambata stated he doesn't think you have to look very far in public policy to see that flat rate dedicated funding sources are problematic because they don't follow inflation. Minnesota's gas tax is one example that was well debated last year. So, he's all for going to a percentage-based fee. He asked are these restricted to certain uses; given our previous franchise fee structure, what were those funds already going to, was it only specifically for roads, or are we redirecting these funds away from something else in order to build this fund for Mill & Overlay. If this is a dedicated funding source, is that by statute, or are we just electing to spend all of these proceeds for this purpose.

Director Burfeind replied it has always been road maintenance; so, trail maintenance, curb and gutters, sidewalks, and then the roadway, that's always what it's been used for. We're just kind of shifting from the seal coat to the Mill & Overlay, but it's still pavement preservation. The State Statute allows different uses, but in Cottage Grove, it's always been really dedicated towards road maintenance because it's a necessary thing to fund, and this is a good way to get those funds and use them really equitably. With that Mill & Overlay, we're looking at an equitable benefit for all residents; that Mill & Overlay program is so focused and it's going to extend the life of everyone's roads. In his mind, it's a good way to use those funds.

Mayor Bailey stated today he was at the Transportation Advisory Board (TAB) meeting, and he spoke with a couple mayors about this. What's interesting is, and he doesn't know what the specific parameters are for what you can and can't use it for, but he heard similar type things; one particular mayor told him that their city uses this franchise fee for sustainability. They hired a sustainability employee, who made recommendations to the Council for money to be used for sustainability issues with them. So, there are other uses, but as long as he's been on the Council it was used for seal coating and thinks it's always been used in our community for this.

Council Member Khambata stated he liked the idea of putting money back into our trail system; he thinks that would be categorized as parks. He knows that if you were to ask Director Dockter how hard up he is for dedicated funding sources for parks, he'd say yes, please. So, from his perspective, as long as there was a commitment to some of that money going towards parks, maybe they don't need 1.5 miles of trail replacement every year; maybe those dollars can be reallocated for other park improvements at Director Dockter's discretion. He thinks if a percentage of this is going to help find a dedicated funding source for Parks and Recreation, he thinks that would be beneficial.

Council Member Olsen asked if he knew how many miles of trails we were up to now; he knew it last year, but he knows we've added more. Director Burfeind replied in total, probably 50 or 60 miles. Council Member Olsen stated yes, and we add to it every year. So, again, being able to count on a funding source to maintain what we've already got as we're continuing to build more is a big deal, it's important.

Administrator Levitt stated Mayor Bailey alluded to the fact that for as long as he can recall, the funds have stayed within this dedicated fund for roads, trails, sidewalks, curbs, etc. The philosophy back to the Director Burshten era was with private utilities, you'd drive around town and you'd see barricades, sidewalk sections missing, and holes in our roads, particularly in excavations where there were private workers in our public Right-of-Ways. The thought process had always been that was reducing the life of the roads, full life expectancy, due to all that excavation, even though we do have large section of patches we required. So, if you go down East Point Douglas Road, you can feel the many bumps. Well, our private utilities have created those situations; so, the philosophy has been that those damaged and those life expectancies had been lost, and they're collected as a franchise fee, that dedicated source for roads, trails, sidewalks, etc. So, we haven't ever redirected those funds, and so, we will continue with that same practice and keep it in that dedicated fund.

Council Member Olsen asked is there a statutory limit on how those funds are used, or is that just our policy; he was told it's our policy, and he stated that's a good policy.
Mayor Bailey stated as he shared, each city takes it upon themselves. Director Burfeind stated it has to be used for public purposes, per State Statute.

Council Member Dennis stated for the benefits of what it provides, 3.75% is what he would support.

Mayor Bailey gave kudos to our staff for coming up with the percentage because he agrees with Council Member Khambata, when you look at just a flat dollar rate, it doesn't take into consideration inflation. Mayor Bailey stated his concern was if we were to do either the flat rate or even the 2.75%, what he'd really like to do is let's hope that for another 20 years we don't have to come back and look at this. He knows Public Works and Parks and Recreation are doing whatever they can to maintain the trails, but walking some of the trails, we're behind, and he thinks this will help. So, the fact that we can do a little bit more on the trail replacement, or the overlays that they're planning to do, he thinks will be a great benefit. It will be recognized because we get comments about certain trails in our community that are severely cracked or have roots exposed, etc. and we have to deal with that. He said his opinion would be to do the 3.75% and hope that we don't have to come back to do this in quite a long time.

Council Member Thiede stated that's a 122% increase.

Council Member Khambata stated he was just going to comment on that; rates have stayed the same, and this is a one-time increase of 122%, but if you were to extrapolate this over 20 years, it's a pretty small annual increase. Had we adopted a percentage-based fee 20 years ago, we would be starting at that $1.65 as the basis, and he thinks we'd be higher than what we're asking for now.

Council Member Olsen confirmed if he read the slide correctly at the 3.75%, we're still at the median.

Director Burfeind replied yes, that's right around the median if you do percentage-based;

also, for the average homeowner based on information that we got from Xcel, it would be in line with what cities also charge for that flat rate.

Council Member Olsen stated yes, so, even though it's a 20-year time lapse, the catch up still only puts us at the median; he thinks that's pretty compelling.

Mayor Bailey stated he's fine to be at the median; he also doesn't want us to be at the bottom when we're trying to maintain and grow. Our most favorable thing we hear from citizens is about the trails and the park access.

Council Member Thiede commended the staff, they do a fantastic job, they're looking at things, and you make things happen with what you've got. He knows he seems like a whatever in terms of costs, but commended staff on that, said he's proud of the fact that we could keep up over the last 20 years with the fixed rate. The taxes are going up because of the levy, and he knows we had the FMP, but it's going up there. We have water rates that are going up, we have this that's going up, residents are just getting hit from all sides. One of the things that we were originally talking about as we were growing was technically if we get more homes, we get more money coming in; with such a growth like that, that should be able to fund some of the things without hitting the existing residents with even more costs.

Council Member Olsen stated but that's why our tax rate has gone down so much; it's because we've spread it out over a larger group of people.

Council Member Thiede stated people are still paying more in their taxes; Council Member Olsen agreed, but they're paying more for food and they're paying more for roads. A lengthy discussion ensued between Council Member Olsen and Council Member Thiede, as follows:

<u>Council Member Olsen</u>: Our tax rate, as a community, is going down; compared to what communities of our size are charging, we're still charging very little. You also have to recognize their assets, their home value, has increased, and the average hourly rate of wages in the country has gone up. Told Council Member Thiede he's looking at it from his own point of view vs. what are the national averages, what are the State averages, etc. We live in a growing community that is attempting to deliver a high quality level of service, at as reasonable a cost as possible, and by every metric. Costs to live in Cottage Grove are unbelievably good. Asked Council Member Thiede if he's saying we should be at 0%, no increases? He thinks people have come to expect a pretty high level of service from their City.

<u>Council Member Thiede</u>: That's very commendable that we're able to decrease the tax rate. The fact remains last year of the taxing districts, the biggest jump dollar wise on his taxes was from the City; granted, his property value increased quite a bit. The City was the biggest portion of his increase, compared to the County and School District. He just hates seeing people keep getting hit from all sides, besides everywhere else. We say, well, it's only a little bit, but when you take a little bit and multiply it by 15 times, it starts becoming a big bit. Maybe that little bit should be a little bit less than a little bit more sometimes. He agreed we deliver a high quality level of service, but we're making it worse. He thinks the 2.75% increase is great; actually, then as the electricity and gas prices go up, we're going to get more money because of the electric company and gas company rates. We're not the bad guys because we're still at the same percentage, and he thinks that's a great idea. He stated people are getting a pretty high level of service here.

Mayor Bailey asked Council Member Olsen for his thoughts specifically relating to the rate. Council Member Olsen replied he thinks 3.75% is absolutely the way to go because of the benefit to the trail system. Mayor Bailey stated he'd also said that, and asked Council Member Khambata for confirmation.

Council Member Khambata stated yes, he's in agreement with the 3.75%. He acknowledged Council Member Thiede's frustration with incremental increases in costs. He has a pragmatic perspective, roads cost what they cost, and ignoring them for 20 years because we didn't have funding is not a sustainable solution. He'd rather take the hit now and then have that fixed rate moving forward because at some point the trails we put in 20 years ago, the roads we put in 30 years ago, they're all going to need to get fixed, and we're going to need to pay for them. Whether or not there's a dedicated funding source, we have a responsibility to pay for them eventually. He just doesn't want to get caught holding the bag at the end and then be like, well, why didn't we think about this, why didn't we plan accordingly. Here's an opportunity to restructure this and plan accordingly. He acknowledges that this increase, on top of all the other increases, is unpleasant, but we are here to make unpleasant decisions. He just truly feels that this is the cost that will stand the test of time vs. bonding for every little road improvement that comes down the road.

Council Member Olsen stated that we keep our assets valued very highly because we maintain them, so people enjoy an increase in their home's value. If they ever choose to sell, they're going to see that they're going to get a top dollar price because people want to live somewhere nice. They don't want to live in a place where the roads are all degraded and where they don't have parks and trails. So, there's a benefit to the entire community.

Council Member Khambata stated it's unpleasant, but he thinks it's the responsible decision to make for funding our roadways into the future.

Mayor Bailey stated that's why we all were elected and put in this position. Whether or not we like to, every year budgets and discussions about fees is something that we always have to hash out. His personal opinion, would he prefer not to raise any fees; of course not, but the reality is that we and our citizens have all come to a level of service that they're expecting from us as an elected body here. To think that we left this alone for 20 years is frankly quite amazing. Even when we say we'll do this 3.75%, it's still not even pushing us to the top; we're not on the bottom, but we're about the midpoint. He shared that he's aware that some other cities are starting to look at this, too; so, we're not alone. There's a good chance that as other cities are doing this same process, we're probably not going to go to the middle, we're going to be below the middle, which is fine. He wants Council to know that he's trying to hear from some of his partners out there in other communities of different sizes what they're charging and what they're using it for; to him, he thinks what we've done really directly helps the citizens of Cottage Grove and he thinks adding the trails is a smart move.

Mayor Bailey asked Administrator Levitt if they got what they needed; she replied, yes, and thanked Mayor Bailey and the Council. She noted it will be on their August 2 Consent Agenda, and it will be both CenterPoint and Xcel.

Council Member Thiede stated he would actually like that split into two pieces; one about changing over to the percentage, and the other is actually the percentage charged.

Administrator Levitt stated that the way the actual ordinance and the franchise agreement works, there isn't a way to actually break that out because that is actually embedded within the agreement and the ordinance itself.

Mayor Bailey confirmed with Administrator Levitt that we can't break it out and it has to be one; Administrator Levitt replied that's correct. Council Member Olsen stated that's because it's a contract; Administrator Levitt replied that's correct.

B Budget Workshop

1. Budget Workshop

*Staff Recommendation: Review proposed budgets.*

Director Malinowski stated tonight we'll talk about General Government. She gave a quick overview of our General Fund and displayed a pie chart showing our General Fund and percentages. The biggest portion is property taxes at 74%; in December, when we adopted our 2023 levy and budget, at that time it was actually 76%. The decrease with this proposal is because of Intergovernmental Revenues, which are increasing about $715K because of the Public Safety One-Time Aid. The other portion is in December, our licenses and permits were 11% of our budget, and they're now 10%. We're seeing a slowdown in the building activity, so that's taking up a smaller portion. Charges for Services is going up overall, 23%, and there's two components there. We have more engineering public projects next year, so we have a percentage fee on those projects: Notable are the second part of East Point Douglas and Jamaica, 2024 Pavement Management, and that Intermediate Zone Treatment Plant. We were able to shift some of that percentage from property taxes over to Charges for Services. Next week Parks and Recreation will be here; they looked at their fee structure and also have some fee increases, so we're able to increase those revenues. Overall, we've got about an 8.6% increase in the General Fund Revenue budget. We have a balanced budget right now, with the General Fund Expenditure increase of 8.6%. When we look at the pie chart in December, we'll have less components there; usually, we say Public Safety is about 50% of the budget, but here we have it broken out between Fire and Police separately.

**General Government**

<u>Mayor-Council</u>: There's not a lot of changes for 2024. We increased travel and training; so, there's about $5,200 in the budget for travel and training opportunities for Council. Council's salary increase went into effect in 2023, is now in the 2024 budget, so that's a change there.

<u>Administration and Clerk</u>: What has been happening was the City Clerk has been budgeted in the Administration budget, but then when we brought on an actual City Clerk last year, we coded it to the City Clerk budget; so, starting in 2024, we are putting that salary in there, so that's why there's a large increase in that City Clerk budget. We're moving that, so there's a drop in the Administration budget as we do that.

<u>Legal & Assessing</u>: Expecting a 3% increase on legal services. Assessing Services is also 3%, but

then we have about a $20K increase from the County that we saw in Assessing Services, so, we needed to include that in the budget.
Finance: The only notable thing to talk about is we will be going out for Audit Services this summer, as our contract is up; we have a 3% increase in there for that. We increased travel and training, as we have a very new staff, and so we need to make sure that we get training for those staff members.

Mayor Bailey asked Director Malinowski about the Clerk election situation; he asked if this was the year we're going over to the County, and Director Malinowski replied yes. He asked is the cost for going over to the County in that line displayed there, or is it somewhere else.

Director Malinowski stated that's a great question, it is in there; we started with the 2023 budget, and we have 50% of the election budget, $45K, in 2023, and then another $45K in 2024. So, we do a carryover from 2023 to 2024.

Mayor Bailey stated he assumed that's what it was, but just wanted to confirm that.

Director Malinowski stated we don't have final numbers from the County, we have proposed numbers, and that's what we've been working off.

Council Member Olsen asked about the Legal Services. It's been a while since we went out for bid on Legal Services; he's not suggesting that that's a good thing or a bad thing, it's just the way it is. He asked if now is maybe a time to just explore the market to see if we're getting maximum value. He knows there's a difference between what it costs and the value of it, and he's very happy with LeVander and Gillen, but he just wondered if that was something, as we're examining costs, that we might need to look at. He asked if they did that on an annual basis anyway.

Administrator Levitt replied we look at their annual billing rate and we kind of look at what she'd say are the top three municipal firms; she would say right now LeVander is currently the lowest. They also do two different rate structures: If it's a straight City project with no developer pay in, they charge us a lower rate; when a developer is involved and some third party is paying, they charge a higher rate. So, we do get the benefit of both worlds in that case.

Director Malinowski stated on audit services, she's going to reach out to some other cities to see what's going on in the market. Last summer, some cities were dropped as audit clients; so, when we go out to market, since we do a full RFP, she wants to make sure that we have firms that are going to bid. If we don't, we may want to stay with KDV for another two years because first of all, we don't want to lose an audit firm, and secondly, we'll get a new principal next year; so, in theory, we'll have somebody with a new set of eyes anyway. So, it's a fresh perspective, and she just wants to make sure that before we're out in the public saying we're going out for audit services that we know that we have firms to bid.

Mayor Bailey asked if she's going to go out and ask for those, to check; Director Malinowski replied yes, she'll check with other cities and she's got some relationships with the other audit firms out there to find out if they are taking on clients.

Mayor Bailey stated it's interesting she brought that up because, ironically, as president of YSB, we were looking at maybe doing that next year. A couple board members from other cities in Washington County said that they're struggling to get auditors to come in, they can't get contracts. He stated he had never heard that before, so the comment to us was even though we might want to go and find another auditing firm for the YSB, we may not find somebody because there won't be anybody out there. He didn't realize cities were having the same issue.

Director Malinowski stated she knows of two cities that got dropped last year.

Council Member Olsen asked who does School District 833 use; he knows SWCTC has an audit firm, too, obviously, apples and oranges, comparatively.

Director Malinowski replied she's not sure. She knows that Clifton Larson Allen has a lot of clients, we've got KDV; MMKR, Hodges Redpath, which is now Redpath, they were dropping clients. We know that we lost our very strong principal at KDV, and there's obviously some change out in the market.

<u>Community Programs & Employee Programs</u>: The Volunteer Banquet, the Mayor For The Day class, and Years of Service Awards are all in that budget. The increase for next year is our Compensation Study, which is a Budget Addition, and that's included in that budget.
<u>City Hall</u>: Increases included utilities at 28%, or $30K, and cleaning services are at 17%, or $10,800, both out of our control. We increased the budget for those and that's included with what we have in the levy.

Mayor Bailey asked if we need to increase it a little bit more to fix the leak that's now in the Council Chambers.

Administrator Levitt stated we ran an analysis to figure out if it's cheaper for us to bring cleaning inhouse; the way we're seeing the costs escalate for cleaning services, it's getting very close to the tipping point where it's going to be cheaper for us to bring it inhouse than to keep it with a company.

Council Member Olsen stated it's a national trend; if you go to Marsden or any of those big companies, they're paying exorbitant rates for employees, and that's why the costs are going up.

Administrator Levitt stated the most competitive bid was a local contractor that we've been able to engage with through the Chamber; it's nice that we're keeping it local and they're the most competitive, but even in this tight a market, they're not going to be able to hold those prices. So, we may need to hire janitorial services.

Council Member Khambata asked when they're factoring for those costs, are they factoring for work comp claims or benefit packages and all of that. Director Malinowski replied yes, we are. Council Member Khambata stated that's really surprising that it went up that much. Mayor Bailey stated it's getting crazy out there.

Administrator Levitt stated the other thing we've looked at is decreasing the amount of cleaning that we do, but it's hard when we run a 24/7 operation at most of our facilities.

Mayor Bailey stated if we do that, then the building gets worn out quicker. Council Member

Olsen agreed and stated you'll never catch up, so, you can't do that.

Administrator Levitt stated with General Government, in Administration there are just a few things to highlight. We have been working really hard to implement the new software. Council has been getting CivicClerk on a trial basis through the month of July, and next month, it will be full force. Hopefully, that will provide our residents more integration opportunity to engage with the commission and council packets. We've really spent a lot of effort, especially coming out of COVID, really focusing on that employee engagement, the wellness activities, and you saw that in the community programs as well.

She stated it's really sad if you had 30 years with the City of Cottage Grove, you got your little check that you didn't even know that you got. Now, we've been doing lunches twice a year to recognize those with five years of service, providing that opportunity for recognition, and a greater plaque acknowledgement as part of that.

Administrator Levitt stated we've also been focusing on our DEI; now, we've engaged with the public sector through the Center for Economic Inclusion, and she provided Council with a handout to recognize how we continue to improve and rate ourselves, to understand where we need to improve. We all recognize that there is an economic benefit to that. Joe Fischbach, Human Resources Manager, would definitely want me to tell you that we've hired 30 regular employees, and we've hired over 200 seasonal employees; so, it's definitely busy on that side of things.

Administrator Levitt stated that the only thing she really wanted to note that we haven't talked about tonight in much detail is just the fact that there is a Budget Addition for $45K for the Compensation Study. In years past, we hadn't done it, and she told Council she desperately needs the Compensation Study to go into negotiations with the unions, as all of our contracts are up next year. Otherwise, she's kind of going in blind and she's playing a really weak hand; so, she needs that Compensation Study to be able to negotiate those contracts. That's really our hope next year is to bring those to successful conclusions.

Administrator Levitt stated we had a memo in the Council Packet regarding Communications. Director Larson has spent a lot of time analyzing different options and ideas. One of the things she knows Council has always wanted, and we haven't been able to do, is to have more social media engagement. One way that we're thinking of doing this is creating two very aggressive Communication positions: One focusing on social media so we can bolster that, and then also having the graphic design component, all overseen by Director Larson, who will be serving as Communications Manager and Economic Development Director. We would still keep that half an FTE in Communications for Taylor; she's really branching out, wanting to get a lot of diversity, so she's even working on payroll and doing more project management. So, it's been great to see her grow with the new organization. We've seen that revolving door around the position of Communication Manager; Administrator Levitt's hope is that we bring two people in, so now we have an opportunity to grow with them within local government. Hopefully, then we have that move-up opportunity for someone to take over that Communication Manager position. So, if Council is okay with that idea, our intent would be to post those two positions immediately and try to recruit for those, too. She also noted that essentially it's a budget neutral situation.

Mayor Bailey asked Director Larson if she was good with this plan.

Director Larson replied, absolutely; she and Administrator Levitt have worked with Director Malinowski and Manager Fischbach on it, and we think it's perfectly doable.

Mayor Bailey stated one of the things we have talked about it is social media is just a beast. If we don't keep up on it, we're just asking for problems. He knows, too, from talking to some of his partners in other cities, that most of them are going that route or they're already there, having someone who just deals specifically with social media.

Council Member Olsen stated he's actually had residents comment that this is something that the City needs to do a little bit more of; overall, we do pretty well now, but the opportunity is much greater than what we're taking advantage of, and that's just the way that people do things now. We want to have a specialist who understands it and can make the best use of it; it's something that is right in their wheelhouse, and he doesn't know that we've really had that.

Mayor Bailey asked Council for their thoughts on this, and asked if they were good with the plan.

Council Member Khambata stated for him, it's hard to tackle as an ancillary task. Council Member Olsen agreed, stated it needs to be a focus. Council Member Khambata stated it's hard to do well, as a secondary. Council Member Dennis stated he thought Director Larson did a good job; Council Member Olsen agreed, and said this is a good plan. Council Member Thiede stated he's okay with it.

Mayor Bailey stated we're good to go, and Administrator Levitt thanked the Council.

Finance Department:

Director Malinowski reviewed the 2023 Accomplishments:

- Getting our AAA bond rating and completion of the FMP.
- Completed our 2022 audit with our 'clean audit' opinion.
- Two hires in our Finance Department, so far, in 2023; she noted since May, 2022, we've had four, and she would count the payroll specialist position. So, we've had quite the transition in this department, and it's been successful. We continue to onboard and it's a great team.
- We found some very great efficiencies; one of them was the electronic processing of journal entries, as before we had paper that went from one desk to another desk to proof. Michael was able to get us on an electronic journal entry; so, our staff members upload it, it comes into her office, she looks at it when she has time, she approves it, and they then process it.

- Our new staff has been able to be even more efficient, but also they have great internal controls. There's a lot of collaboration, we don't have anybody who only has one job; we're all so new that we need to all learn, and we work well together. We understand the reason for and the importance of internal control, so have taken that on and done well with it.
- Transitioned to our Investment Management Services this year, as well as our new ambulance billing provider.
- We now do monthly reporting to our Department Heads; a report is generated for them so they can look at it and see how they compare to their budgeted amounts. There's a red box if they're over budget for the year and a yellow box if they should use caution; the Department Heads have reacted favorably to that, so they're monitoring their budgets.

Council Member Olsen asked if we had the security system in place that we talked about one-or-two years ago. Administrator Levitt replied that's why Manager Bluhm is sitting behind us; Council Member Olsen confirmed with Manager Bluhm that's true, it's in place, and it's working well. Manager Bluhm stated the checks and balances are there. Director Malinowski added our accounts payable clerk does not enter the vendors; that is done by our accountant. So, we've got that segregated, and we're always looking to strengthen internal controls.

<u>2024 Goals</u>:

- Implementation of our ambulance billing software; we needed to push it off with our ambulance billing provider transition. That took a lot of staff time, and so now, this fall, we'll identify that new software and be ready to move next year on that.
- We will continue to try to identify and implement accounts payable, how can we make it more efficient yet keep our internal controls strong.
- We'll explore financial reporting needs of staff and Council and will provide those reports.

Council Member Olsen asked how's our server storage and if we're good. Manager Bluhm replied we're good right now, yes. In 2025, it's going to be a different story.

<u>Planning & Zoning</u>:
Director Schmitz reviewed the 2023 Accomplishments, actually including part of 2022:

- We rewrote our entire Zoning Code, which was completed and adopted.

- Six approved Final Plats, about 450 lots approved out there, over 1,000,000 square feet of commercial and industrial projects that are approved, constructed, or perhaps under construction.
- All of our Building Permits are available online; the application, the plan review, the payment, all of it is online for efficient customer service.

2024 Goals:

- Continue our long range planning efforts, as we recognize certain areas south of 100th Street, perhaps east of Keats Avenue, ensuring that we're thinking ahead and making sure we have a plan there.
- Continuing to find ways to provide a high level of customer service.
- Exploring home improvement programs; we'll talk more about that shortly.
- Promote development areas for reinvestment and redevelopment in our

Community; of course, working with Director Larson and her team to freshen up those areas moving forward.

Council Member Olsen confirmed they have Riley onboard and stated that's a win. Director Schmitz agreed with Council Member Olsen.

Council Member Olsen asked about Code Enforcement. We used to have Conner, now we have Sam again; how are they keeping up. We continue to grow as a community, there's more stuff going on, and asked his fellow Council Members to correct him if he's wrong, but it's almost every week we get somebody who complains about a neighbor or a commercial property. Code Enforcement has historically been reactionary vs. primarily proactive, but with a new set of eyes, how do you see what we're doing now; is it good or should we be doing something different.

Director Schmitz replied the way that she sees the department, we have a great deal of depth with the folks that we have on our team, and that allows us to provide support whenever and however we need it. Samantha does an absolutely wonderful job in her position, ensuring that she's balancing her workload to support the increase in reports that we see. She told Council Member Olsen she feels that the balance is good.

Council Member Olsen asked if she ever envisioned a time when we may need to become a little bit more proactive vs. reactive, especially with commercial properties; it seems like they don't do what we want them to do until we tell them they need to do what we want them to do.

Director Schmitz replied that's always an option; however, again, she referenced the depth in their department, especially bringing Riley on. She thinks we have every opportunity to navigate a pilot program, or that proactive enforcement, specifically of the commercial areas.

Council Member Olsen stated he spoke with Council Member Dennis the other night, outside of Carbone's, and we noticed a couple of dead Ash trees on the boulevard; he believes that might be Washington County, but it's just stuff like that, making sure that we catch it a little early and address it with whoever the property owner or the responsible party is.

Administrator Levitt stated we'll cover that at next week's budget session with Public Works, with a lot of the dead trees and various options on how we want to mitigate that. Once we have direction, we should be able to execute that.

Council Member Khambata stated rather than it being complaint-driven Code Enforcement, if we go too far with Code Enforcement, then we'd have the appearance of being a for profit Code Enforcement, and that is maybe a public image that we don't want.

Mayor Bailey stated he agrees with what they're saying. Just so he can say it, we don't do it for profit; if there ends up being a point where they don't do it, then we assess it on their taxes. There is a part of him that really wants us to shift somewhat to be like an ear to the community; he remembers he was the mayor when we did that the last time, and the number of the complaints he got from people about their trashcans, etc. was incredible.

Council Member Olsen stated we have to pick our battles, but the commercial properties that don't comply with our plan can really create a detrimental look to our community if they're not properly maintained.

Council Member Khambata stated the degree of "what about" questions is pushback for staffing our Code Enforcement. A friend of his who lives in Cottage Grove complained that they got a ticket for their garbage cans; he was told, well, it's the ordinance. He was like, well, their garbage cans aren't; well, whoever called didn't see their garbage cans. He specifically told him we don't pay people to just drive around and look for ways to bother our constituents; it's complaint driven. So, he thinks that's a sensitive topic for many people, especially if you're the one who is the target. Everyone can have an example of any greatest offender who needs to be told and needs to be fined, but he thinks most people probably react with a letter in the mail or a nudge to get it done. So, if we're going to do Code Enforcement, he thinks there has to be, like there already is, varying degrees of enforcement so that we don't come off as going around writing tickets just to collect dollars.

Council Member Olsen stated we've previously talked about it, administrative citations vs. civil citations vs. criminal citations; we've been through all that with Attorney Land. We went through a period of time where a lot of our rental properties were not up to code, and that can really upset the neighbors, as you know. He told Council Member Khambata you're a rental property owner, so you understand. The harder part was we couldn't then contact the owner because they were owned by a corporate entity with lots of layers. So, there's a sweet spot in there, but he thinks the primary concern would be the commercial properties that aren't maintained.

Director Schmitz stated as we look at Community Development as a whole, we split it out into the building and the inspection. As you can see between 2023 and 2024, you can see very little increase in that number. That's due largely in part to keeping a building inspector position open; so, we'll keep that open through 2024, but we're putting that position back into the 2025 budget.

Council Member Olsen asked Director Schmitz if she wanted our inspectors to again inspect other communities. Director Schmitz replied she did not.

Council Member Olsen noted we did that for a long time. Council Member Khambata stated we collectively decided to not do it anymore. Council Member Olsen stated he knew we agreed on that, but there was also a revenue-generating element to that, which is why he asked.

Director Schmitz stated looking to the Planning portion again, you can see very little increase between 2023 and 2024; that's in relation to the Associate Planner position, as we gradually shifted the Planning Department over the last handful of months, bringing Riley on, which, of course, changes that salary as a whole. It's a minor adjustment of 2.2%.

Director Schmitz stated as we look at the valuation and how it started with new homes, you can see there's a little bit of what she called a reduced start to this year. She thinks it's important to note that we're realizing the demand is still out there, and we're certainly seeing consistency with the new homes that we are getting. So, we are seeing that continue perhaps through 2023, and thinks there may be some more through 2024. Like other residential permits, you can see we're right in line with about two years ago, plus or minus, and this is largely due to the fact that folks are investing in their homes, with decks, finishing their basements, remodels, etc. So, it's a good thing to see.

Commercial and Industrial Permits: These are off to a good start, compared to two years ago in 2021; it's tricky to look at 2022, as that's one of our biggest years. However, we know that looking to 2024 and 2025 is a little bit in flux; it's hard to determine what that might look like. She said we're looking to hold things conservatively to be sure that we're perfect for that.

Director Malinowski stated regarding budgeting for building permit revenue, for 2023, through the first half of the year, we are at 55% of our 2023 budget with building permit revenue, which is good. We're having some pause and wondering how that was going to come out, and so to see that be at our budgeted amount is great. As you can see, in 2024, we are continuing to decrease that building permit revenue, so we have a decrease of 3.88% in 2024, and we're decreasing that further in 2025. The 2024 budget, as you can see, is similar to what we experienced in 2019.

Council Member Thiede asked what's the basis for that; why are we thinking it's going to go down if we're potentially opening up more business land and things like that. He guessed we really don't know when they'll come in with 3M or anything like that.

Administrator Levitt replied right now, when you look at the schedule, many times they have to make a plat application and get through that. We probably have about a nine-month start to get to even construction in one year. So, when we don't see the plats coming in the door, we're not guaranteeing then that there's going to be revenue. One revenue stream that we could have is if the School District Referendum passes. As Director Schmitz mentioned, you're probably going to see a huge spike in commercial; that may buffer us against the lower single-family starts in exchange for that. It's just really hard not seeing any plat come in the door; so, there's no way that we're going to have a building permit then in 2024 for something that's not platted right now.

**Home Improvement Loan Program**

Director Malinowski stated our TIF District 1-A is decertified in 2019; that's The Cottages, the senior housing development next to Applebee's. That decertified in 2019, and that TIF District has a remaining cash balance of $381K that we hold here at the City. It can be used for very limited things, but one of the things that it can be used for is a Home Improvement Loan Program. So, that is what we are suggesting would be a good use of those funds, and Director Schmitz will talk more about that.

Director Schmitz stated this was very exciting to hear for our department, as this is something that we talked about for a long time and wanted to have the opportunity to work towards. A couple of different goals, of course, is to encourage reinvestment in our current housing stock within the community. As we see our community continue to grow, of course there's obviously housing that's been here for quite some time, and we want to help those folks, if we can, to continue to reinvest in that housing stock. The other big component is, of course, meeting one of our 2040 Comprehensive Plan goals in our housing chapter.

Council Member Thiede asked how far do you think that $381K would go, in terms of people. Director Schmitz replied we might be able to answer your question as we move along.

Director Schmitz stated as we look at the Home Loan Program, obviously there are a lot of improvements that will be covered as they're implemented. Many of these could be quite expensive, so we looked at several communities to better understand how they were designing their programs and what were the parameters. The loan amounts for an individual to apply for range from about $2K to $40K, due to the variation of the improvements that this program might allow. The term is 15-to-20 years, and the interest rate is set by the community, so that's up to us. The income limit is a big part of this particular program and are typically geared to an income limit: St. Paul has put their limit at 80-120% of the AMI and Blaine hasn't set a limit. She thinks it's important to note that we're saying a minimum annual income level of $124K for an individual to be able to apply and qualify for this particular loan program.

She stated we put together some parameters and noted typically these programs are developed, then we'd partner with a loan administration firm; we had a lot of good conversations with NeighborWorks, who helped us understand what these look like, how they're involved in the process, and how they can be helpful. We'd certainly work closely with them, who would then administer the program after we put it in place.

From a staff perspective, we said $2K to $20K, hoping that would be a generous range depending on the improvement that an individual might be looking for, it's up to a 15-year loan, and the interest rate of course will be below market rate. She stated the eligible improvements are specifically exterior improvements, including siding, roofing, etc. Staff is looking for some direction:

1. Does the City Council support the creation of a Home Improvement Loan Program if we can engage that with NeighborWorks and start to put a policy together for the program?
2. Eligibility requirements typically include the following: Improvements to the conditions of the exterior of the home including, but not limited to: Roofs, Siding, Windows, Driveways, Structural Retaining Walls, Existing Fences and other components of the property, Improving handicap accessibility and/or Improve Energy Efficiency (insulation, water heater, mechanical improvements, windows, etc.).
3. Does Council want to look at additional improvements, in addition to the listed exterior, such as improving the value of the home (Kitchen, Bathroom, Basement finishing, etc.)?

Council Member Thiede stated one additional thing he'd like to maybe consider, if possible, is that for this program they'd have to use local contractors, whatever it is; because that way it could bolster some of the local businesses, too.

Council Member Khambata stated that's really hard to regulate. To that effect, St. Paul has a similar program to this, and his main question is what's our ultimate objective, as obviously it's a finite amount of money that will return over time as payments come in. He's assuming that there's no one servicing these loans; he asked if they'll just get rolled over as an assessment on the property.

Director Malinowski replied no, it would be administered by NeighborWorks; Mayor Bailey stated other cities are using a loan company to administer it, so the money would actually come back to us.

Council Member Khambata stated it's a lien on Title of the house; we're basically a second mortgage for the purposes of default. Director Malinowski stated it would be a lien attached to their property at that time.

Council Member Khambata asked if we'd done any risk assessment on the rate of default as far as loss mitigation. There are a lot of cities throughout the metro that do this for various things, down payment assistance, grants, and he's all for a program like this. He thinks it's a great idea. He stated to Council Member Thiede's point, Ryan Companies is a multi-state company; so, do you call them a local contractor, where do we draw the line. That's an administrative nightmare; a perfect example of that is St. Paul tries to regulate that with plumbing contractors and HVAC contractors. The only way that St. Paul can regulate that is through having their own licensure program; so, there's HVAC contractors who are licensed in the State, who are really good contractors, but if they don't pay the permit fee to St. Paul, they can't operate in St. Paul. Along with that, depending on the amount of money that we're going to share with somebody, $15K if you're doing it yourself vs. paying a contractor, it stretches that money a lot further. That's where he gets to the point of what is our primary objective with these because in St. Paul's instance, they have a fund just for replacing aging sewer lines; they'll assess it to the property, it becomes an assessment that gets paid off and cleared at closing upon sale, etc. If that's what we want to use the fund for, then we have to acknowledge the real cost of some of those things. With having only certain contractors that people can use, we're also opening ourselves up to liability in terms of discrimination because we're basically picking the winners and losers, as far as local contractors. His only thought on that is we need to have an objective. Otherwise, he thinks what will happen is this money will get sucked up by people pertinent to the percentage of AMI because it's there as an option vs. people who might want to sell their house, but they don't have $20K to replace a main sewer line. In St. Paul's case, if you do a sewer scope and the line is collapsed, that is a bridging source for people to get their house repaired and then sold, and it helps to prevent blighted properties, whereas that might be a default situation for somebody. He just thinks there's an opportunity to use that money in a way that it's going to continue to promote home ownership, it's going to continue to prevent properties from becoming blighted or in serious states of disrepair.

Council Member Thiede stated we're not arguing the fact that it's a good TIF program for probably some of the low income who can't necessarily always afford that.

Council Member Khambata stated he knows just from working in St. Paul that there's a lot of contractors who are locked out of St. Paul because they're not willing to pay an additional fee or hold an additional license. So, he would say the way that St. Paul does it, in determining what kind of contractors you can use, is problematic.

Council Member Olsen asked if this is considered excess increment; Director Malinowski replied it is. Council Member Olsen stated so, there's a statutory guide to what you can do with it and what you can't. He's not sure if we thought about this, but one of the things you could potentially do is transfer it into another district.

Director Malinowski replied yes, but it would have to be another housing district, it's very limited.

Council Member Olsen asked is it available to pay down any of the existing bonds that are out there; Director Malinowski replied no, it has to be used for housing.

Council Member Dennis stated first, he likes the idea of having a program. Secondly, he doesn't think that we have enough money to effectively get something like this off the ground and have it be truly meaningful at this point, as $300K goes very quickly. For example, if you consider the price to construct just a two-car garage right now, on average, is about $24K. So, this money can disappear very quickly. He said there's got to be a lot of research put into something like this.

Council Member Olsen stated he's looking at the State Statute on his phone right now, and there are about 74 subdivisions.

Council Member Dennis stated some communities will do like a 1% interest, some will identify a segment of their community that is a little bit blighted that they want to see that be elevated. Again, he doesn't know the fine point details, and Director Malinowski said it has to be for housing; let's talk about one thing that's in the community consciousness, who hasn't heard the complaints about the fences on Jamaica Avenue. Streetscaping, is that something we could do; it's an improvement to a home, but let's get things spruced up a little bit because half the fences on that street are falling down and it's in such a state of disrepair. He's heard a lot of people talk about that over the last number of years. So, he thinks maybe we need to really do a dive into what other communities are doing, to see what the Best Practices are.

Council Member Olsen agreed; he'd like more detail on what it can be used for.

Council Member Dennis stated to make it appear to the greater good for the greater whole of people; so, it's not a kitchen, nobody sees what happens in a kitchen.

Mayor Bailey stated he's 100% in support of the program; the second point about interior space he thinks is a no. He thinks for all of us, for what we see, and Council Member Dennis brought up fences; fences are listed on there, so, that's a good call. He agrees that he likes the idea, but definitely get us some more information. He stated he'd love to know with our partners to the north, how much they're actually giving out, to the point of how much money is being used. Secondly, what's the checks and balances piece. If we give somebody a loan, let's say $20K, at what point do we verify that they used the $20K for the purpose that it's being given. He stated there are some homes in Cottage Grove that have literally been falling apart for years, and we've been trying to deal with Code Enforcement, and we've not gotten anywhere with them. Whether this would help that, he doesn't know. He also liked Council Member Dennis' idea if we as a Council said we want to target maybe certain areas of the community; whether that's fences along Jamaica Avenue or maybe it's homes on the other side of the highway on the Thompson Grove area. The question would be how do we get the message out to those specific targeted areas that we want. It's kind of like us doing the Façade Improvement Program; how do we make sure that they all know, especially if it's a particular area that we want to focus on.

Director Schmitz stated as we spoke with this loan program, they indicated one of the hardest parts is actually the marketing, getting the word out so folks will know that this is something that can be supportive. That's why we looked at community wide, as opposed to focusing on a portion of the community; however, it can certainly be investigated both ways.

Mayor Bailey stated he just looks at it this way; let's say you have a complaint and find a fence is falling down. We're going to issue them a code violation. At the same time we're issuing them a code violation, we could say hey, you've got to fix this, but we have a program if you're interested, and here's the program.

Council Member Thiede stated but only if they qualify; Mayor Bailey stated of course, but it's another option because if they don't fix it, we're going to fix it, and that's going on their taxes. So, one way or the other, we're going to get it fixed. We're just trying to do it maybe in a softer way, and we're not going to have to assess things to their taxes.

Council Member Olsen stated as he's reading this State Statute under Subd. 4, the limitation on the use of tax increment general rules, it mentions EDA as a potential use. It then goes on further to talk about paying the cost of redevelopment, pursuant to a specific section, by an EDA to finance or otherwise pay the cost of redevelopment, pursuant to specific sections by an HRA or EDA. Obviously, you can read that and have somebody way smarter than me interpret it, but he knows the EDA made a loan to the golf course; he doesn't know if there is maybe some potential usage there. It sounds like while there is limited use, within the limitations there are several options. So, he doesn't know if that's something we want to explore further or not, but those fences have been an issue forever.

Council Member Dennis stated and that's an easy one to do, but here's the other thing: We've got limited resources here, and for $300K, which is not a lot of money, that's not even the price of one average home here in the community. Is it worth putting all of this into it for such a small amount of money and all the oversight management that has to follow this, because we've got to track everything.

Council Member Olsen asked staff if they could do a little more digging on what exactly the menu of options might be. Maybe there is something that will pop out, and we'll go okay, a one-time use is easy, let's do that.

Council Member Khambata stated whatever we do, the administration of the program, it has to be very streamlined or it's going to bog down our staff.

Council Member Olsen stated or, if we don't do a program, his point is we might use it for something different.

Council Member Khambata stated the affordable housing complex asked us for a grant; that could be directed through the EDA through an HRA. He asked if that's a possibility for this, to maybe let that kind of hang out there for the next opportunity for an affordable housing complex that needs a little nudge.

Mayor Bailey asked Director Malinowski what's the timeframe before it has to go back; Director Malinowski replied it can sit for a while.

Council Member Khambata stated he thinks this is a great program, but he knows that bigger cities have like a safety and inspections department that's already geared up to manage this type of program. Whereas, he doesn't think we have the bureaucracy, for lack of a better term, in place to just kind of bring us into the fold.

Director Schmitz stated to clarify, the administration firm navigates a large portion of that, as opposed to putting that burden on the staff.

Council Member Thiede stated his other question is how much would their fee be to deal with $381K. Director Schmitz replied there is a fee per loan, but we haven't gotten into the detail of what that dollar amount is yet.

Council Member Olsen confirmed that staff didn't need an answer on this tonight. Administrator Levitt stated we're just trying to get feedback. Council Member Olsen stated they can look at it and see if there's anything else we can use it for.

Mayor Bailey stated he liked the idea, though, of utilizing this money when we have the opportunity.

<u>Convention and Visitors Bureau</u>

Director Larson reviewed the 2023 Accomplishments:

- We secured an Explore Minnesota matching grant of $14K, which we used for marketing and social media advertising.
- We created and continue to distribute the 2023 *Discover Cottage Grove* Visitors Guide.

- We had several successful events and promotions: Some of you attended the Cottage Grove Community Night at the Saints game, which was very popular. Of course, the ever popular Strawberry Fest Marketplace, and the One Family Memorial Day Sports Fest. We did some social media contest and giveaways with tickets, etc.

<u>2024 Goals</u>:

- Listening to what the Board has shared with us, and CVB President Dennis ensured that all seats on the CVB Board are filled. We had a discussion about amending the bylaws; the City Administrator and City Attorney are working on those, and those will be brought back to Council.
- We'll continue to look for creative and helpful ways to help businesses.
- Make thoughtful, impactful budgetary decisions based about data in the CVB's Mission and Vision.
- Unique opportunities that get presented throughout the year that we don't necessarily know at this time.
- Continue to search out and apply for grants to help with marketing activities.
- Continue with some of the changes that you've agreed to allow us to make to grow our social media presence to reach new audiences and potential visitors.
- We want to create a Strategic Plan for the division, and we'll talk about that a little more in the EDA discussion.

Mayor Bailey asked about the bylaws, as we just had that conversation, it's listed in 2024, but are we doing that now.

Director Larson replied yes. Administrator Levitt stated the goal would be to bring that back in August; Mayor Bailey stated that would be great for the Convention and Visitors Bureau.

Revenue and Expenses:
<u>Revenue</u>: The Lodging Tax Revenue is budgeted at $66,350 for 2023; that pays for 75% of the salary and benefits for the Communication Specialist Marketing position, which is funded by the American Recovery Plan Act (ARPA) Funds, through 2024.
<u>Expenses</u>: Some of these projected expenses are tentative, and they're subject to increased Lodging Tax Revenue or grant availability, like getting a hotel in the City, which we are actively trying to market to investors.

Director Larson stated Director Malinowski shows that there's an existing Fund Balance of approximately $41K to help the Fund in 2025; she may want to expand upon that.

Director Malinowski stated as those ARPA Funds run out in 2024, they are not in the budget in 2025, but we know that we've got that Fund balance in 2025 to help us until we have a new additional hotel in the community. We'll just have a clearer vision in 2025 of what's going on there.

Council Member Thiede asked so, we'll still see that kind of deficit, or are you saying that we probably won't have that.

Administrator Levitt replied it may be a couple years until we get that hotel, so, there may be a gap that the EDA may have to augment funds. Our goal would be to carry that fund balance forward to cover the gap as much as possible, and have the EDA Fund probably absorb that gap. The hope is in 2026 we'll have a hotel and now we'll have the revenue.

<u>EDA</u>:
Director Larson reviewed 2023 Accomplishments:

- We began the due diligence process for the 80th Street Redevelopment; you'll recall that's the area where the **Grove Plaza** shopping center is and MSMNI is, at the old Post Office.
- The team attended the ICSC Trade Show and the MNCAR Expo to promote the City.
- We completed the HVS Hotel and Market Study.
- You just recently authorized an agreement with Hunden Partners for an Arena and Market Implementation Study.
- You have filled all the seats on your Board.

<u>2024 Goals</u>:

- We want to continue the 80th Street Redevelopment Plans and discussions.
- We want to continue to market the City to retailers, investors, and developers at ICSC and MNCAR.
- We're going to work on due diligence projects with the Majestic Ballroom site if the Washington County Brownfields Grant is approved, which we have it on good word it most likely will be since they have funds available that no other cities are taking.
- We'd like to develop and issue an RFP for the creation of an Economic Development Strategic Plan, which would include the CVB.
- We'll apply for matching grants to help with that program from the Washington County EDA.
- We'll continue to work with 3M, the developer of the Shoppes, and the Majestic Ballroom owner to increase the availability of land on our southern border, commercial and industrial development. We feel confident at some point we will have some plans to bring forward to you and recommendations.

Council Member Thiede asked about the Arena Market Study that was approved by the EDA. Are we doing that to potentially market that area for an arena and market for more than just the one guy that came in that was kind of, in his opinion, looking for a handout to develop that.

Director Larson replied that is actually a part of what we would consider the due diligence. The City staff and the team have done a number of things on that property over the years; so, it's not specific to this developer. If for some reason that developer would walk, you would still own the Arena Market Study and so it would just be another added bonus. It's sort of like when we did the HVS Hotel Study; we needed to do that because otherwise the hotel investors were not willing to necessarily do that themselves. So, that's a part of that process.

Council Member Thiede stated it's a little bit more of a focus on market implications, and the arena is maybe a sidecar because we may or may not really need an arena.
Director Larson replied that's right, so, it's like a scratch the surface. Does the South Metro and us specifically have the capacity to have like an arena that would be multipurpose; you could play hockey there or you could have concerts there, that type of thing. That's still valuable for any developer to know.

Mayor Bailey stated just to put it out there, though, the original River Caddis group he thought the full amount was $170K for the full one, and we said we were not interested; they needed to put more skin in the game, to your point. But on some of these earlier things, this one specifically, if they truly believe that this is a viable option, it's going to give us an idea upfront where we, as a Council, can then decide what we believe is the right thing to do. From there, there could be other studies, but his comment to them and also from staff, too, was they're going to have to pony up some money. We're not going to pay for all of this and then have them benefit from it, and all of the stuff that we do is going to be ours, for whatever we come up with; so, we'll own it, they won't. Director Larson stated yes, just like all of your previous investments in that property with grading and all of that.

**Levies**

Director Malinowski stated we talked about the levying last time; in the FMP, it was suggested that we need to cover the salaries in the EDA Fund, so, we're increasing that levy from $125 to $275 in 2024. We further increased it in 2026, per the FMP; that's not shown on here because that's outside the range, and 25% of the salaries and benefits for the Communication Specialist Marketing position is funded by the EDA, so it's included in this fund.

<u>HRA</u>: Administrator Levitt stated she sent Council an email earlier today with the attorney's review of establishing the HRA and the steps to do that levy. There was one interesting hiccup in all of this; in the large tax bill that the legislature approved, there were new levy restrictions, or guidance provided, regarding HRAs. So, we've actually missed the window for 2024, but we can still put all the wheels into motion. If Council wishes to pursue an HRA Levy, as we've discussed, in the 2024 budget, you can still do your EDA Levy but start to set you up for your HRA Levy. In August, the City Council could adopt that resolution to indicate that you would authorize the EDA to initiate that HRA Levy in 2024. Then we would file the necessary paperwork with the County Auditor between the timeframe specified. The EDA could then adopt its preliminary levy in September 2024. There's only one unique thing regarding the Final Levy that the EDA has to adopt: The meeting has to be a regularly scheduled EDA Meeting, and the EDA Meeting has to occur at 6:00 p.m. or later. So, the EDA would have to adopt a calendar, kind of the way we do at Council when you adopt your calendar. So, the EDA would have to have a Special Meeting; she would say it should be set on December 3, 2024,

and you'd have that on a Tuesday at 6:00 p.m. when you'd adopt your Final Levy. The City Council would adopt their Final Levy the Wednesday immediately following. So, those would be the steps we would have to take. If Council wishes to start the HRA Levy, just know we're not going to be prepping any money until 2025; we can set the wheels in motion now to start that process forward, but we'd still levy in this budget for the EDA portion.

Council Member Thiede stated that's another levy on the homeowners.

Council Member Khambata asked what was the percentage; Administrator Levitt replied .0185%. Council Member Khambata asked if that was on the property tax levy or sales tax levy; Administrator Levitt replied property tax, and that's the maximum amount.

Mayor Bailey stated yes, and that's a separate line item on the tax bill.

Administrator Levitt stated if Council wants, staff can start to initiate that resolution to authorize that levy so that the EDA can consider it in 2024, but it would not be collected until 2025.

Mayor Bailey stated to his point before, he thinks it's the right thing to do, especially from a redevelopment standpoint and gaining revenue. As we all know, he's assuming we haven't heard back from our benefactor who gives money to the EDA. Administrator Levitt stated Director Larson has reached out to him.

Mayor Bailey stated so, our ability to fund projects going forward for redevelopment, for economic development is or could be at risk if we don't do something with an HRA or a higher levy with regards to the EDA. He just thinks the HRA gives us a little bit more flexibility on things, including housing, which is the other one. He doesn't know if other Council Members have thoughts on that.

Council Member Dennis stated he agrees it has to be done.

Council Member Khambata stated he's in full support of it, and he will say that the percentage is minute, but from our previous discussion, there was something specific about the HRA; the HRA has all the spending abilities that an EDA does, plus housing redevelopment, right, so, it's like a broader use EDA.

Administrator Levitt replied HRA is restricted to housing and redevelopment; EDA is the broader one. With HRA, the key focus was redevelopment opportunities, and obviously, we haven't had a shortage of housing options, so that provides you that flexibility.

Council Member Thiede asked what does redevelopment cover.

Administrator Levitt replied the 80th Street project that we're working on, related to the hotel and redevelopment. Director Larson added so, for anybody who wants to potentially tear down a shopping center and do something else, we can redevelop it.

Council Member Khambata asked if there are restrictions on using that, with like matching dollars for housing or anything like that.

Mayor Bailey stated he thinks there are some options there, but we might check into that. He knows we had chatted that if at some point in time we just decided that we wanted to move like the Façade Improvement Program over from the EDA to this HRA, we could do that, that was an acceptable expense from the HRA. Actually, what he really liked about something Director Larson said earlier is this Strategic Plan process he thinks is going to be really important. If we are going to operate, in essence, three funds, the EDA Trust, the EDA, and then we're going to have an HRA, it would be good for us to have a clear vision of what we want each of these things to do. Or if there is some big project, what do we want all of them to do, if it works that way.

Council Member Khambata asked if we can use it like a loan source for developers; maybe through charging interest and fees on those loans, generate it like a dedicated revenue source to help continue to grow that fund.

Mayor Bailey stated they can check on that. He thought the good news was we have time because we're not able to do it for next year.

Council Member Khambata stated he doesn't know if it comes out of an HRA, but he knows a lot of communities that basically offer those types of loans just to get projects off the ground, and then those dollars of interest generated go back into the fund. That fund continues to grow and it continues to be able to fund more projects. It perpetually builds a larger fund for development and redevelopment.

Director Larson shared with Council your team of financial consultants at Ehlers are very conservative, but they're also very creative; so, they sent Director Malinowski and her a number of ideas that we have yet to explore with the City Administrator. But there are things kind of along the lines of everything you're talking about.

Council Member Thiede asked if .016% was the maximum; Administrator Levitt replied .0185%. Council Member Thiede confirmed that was the maximum, and Administrator Levitt replied correct, it cannot exceed that.

Council Member Thiede asked who makes the final approval of the HRA Levy; is that just the EDA or does it come to the Council. Administrator Levitt replied it's the EDA.

Council Member Olsen stated regarding our earlier conversation about the TIF remainder, as staff is looking at what are all the potential uses, he just briefly scanned the State Statute, but the fact that EDA was mentioned, he'll be curious if those funds can be transferred into an EDA and/or HRA if there were such a thing. As of right now, we don't have an HRA established, but we certainly have an EDA established; it sounds like the EDA has broader powers than the HRA anyway. But the EDA can do the same thing an HRA can do plus some other things. So, since we can't really get the HRA thing off the ground anyway, if those funds are available with transferring them to the EDA, then at least they're available for similar uses.

<u>IT Department</u>:
Manager Bluhm reviewed 2023 Accomplishments:

- Continued to improve our cyber security costs.
- We've made a lot of revisions with incident response and planning, and we're going to put that to the test in August; a couple of us are going out to a Homeland Security tabletop exercise. We'll take the test and see where we shine and see where we fail on it, and adjust from there also.
- Continuing through 2023 to partner with Federal, State, and private agencies to better protect our systems. That includes security awareness training; we're up to over 95%

participation on our training, and 3% Phishing test failure gives you an idea that's well above the industry average for government.

- We actually have our systems monitored, we had 100% through our SOC right now; if you talk to other folks, that is not the norm by any means. They're 75% or less most of the time with their clients, especially government. They just can't get things covered. We go as far as even FedEx; any bit of traffic that runs through this place goes through a 24/7 Security Operations Center (SOC) so that we're covered all the time with all our traffic. It gives us a layer of protection; it's not 100% all the time, but at least we have that.
- We continue to put online services out there, as far as permitting. More licenses are coming online this year.
- We responded to well over 850 Help Desk tickets; Help Desk tickets are simply requests from staff members who have asked us to help them with something. It does not include tickets that come in for our systems maintenance or anything like that; we do that separately.
- We actually started to do some live software education training for Microsoft products this year, and we'll continue that starting again in the fall again next year into the spring.

<u>2024 Goals</u>:

- Again, continuing to partner with our State and Federal agencies on security services. We're going to go with online services and include 311 services, and that's actually something we're just starting to roll out and to look at. Those services are when someone reports a streetlight out or a tree down, etc., the goal of that program will be for any department to be able to plan faster in an emergency or just respond to a resident or a business at a faster rate.
- We'll continue to put more efficiencies into our systems. The goal with those efficiencies is to reduce budgets, but his main goal and our team's goal is to look at things that we do have and see where we can find efficiencies and maybe where we've doubled up on something. We'll work with all departments on those things.

Council Member Thiede stated years ago, we really worked hard to try to get some additional systems in place, discussed how it would allow us to do more with fewer people. He thinks we probably succeeded in doing that, when we look at some of the different programs where we have to have more people in place; does he have any gut feeling on that.

Manager Bluhm replied here's two examples: 1) Our permit system, as we've had more permits go online, so we've had less traffic in City Hall, which frees up staff to be able to focus on planning and review. 2) The IT Team changed many things from the old way; when he first started, if Public Works called for an issue, he would hop in his car, drive down to Public Works for what could be a two-minute fix or it could be a two-hour fix. Then he'd drive back up here and start working on the next things, so it was very inefficient. Now we can do most of that from our desks. It's those projects that would have taken us a half hour to an hour now take 30 seconds; we're able to respond faster to most items. So, efficiencies have really helped a lot; that and communication to our websites he thinks have also increased greatly, too, over the years.

Director Malinowski stated from our 2022 IT budget to our 2023 IT budget: 2022 on the screen is what actually happened at the end of the year, but if we looked at our original budget for 2022, compared to 2023, our Charges for Services increased 38%. We weren't budgeting enough, and were correcting at the end of the year with budget adjustments. So, we corrected that in the 2023 budget.

In 2024, we have a 9% increase in Charges for Services, so, what we're charging to the other funds, and are able to fund everything; that's including adding one staff member to this budget. In 2024, we have increased revenues coming in from the General Fund for IT Services to fund WatchGuard and the Toughbook computers that are being funded with Public Safety funds.

Council Member Thiede asked about the Toughbooks; obviously, Panasonic makes a good program, but he's always found that they charge a lot of money. There are other companies that have similar systems that cost less. Is there a specific reason why we're sticking with the Toughbooks.

Manager Bluhm replied efficiency is really the reason we're staying with Panasonic; cost wise, they're actually not that different from competitors out there. For us, the timeline of replacement is so much faster with Panasonic, which creates efficiencies for us; we're able to respond faster if a squad computer goes out, as we can replace it in a very short period of time.

Additionally, with the fund changes, he stated a lot of it is hardware replacement, end of life; things die and we try to extend that as much as we possibly can, but as we discussed earlier, in 2025, we will have to replace our storage system and add storage to it. Originally, we would have looked at 2024 to do that, but we actually changed things, and we can definitely get another year out of it without any issues, especially with some of the buildings that are coming online with proposal plans and everything like that.

We'll continue to do more training and support, security awareness, and hold down the security risk issues going forward.

Administrator Levitt told the Council that at our meeting next week, hopefully we'll be able to provide you with the information you'd previously requested. Please don't hesitate to let her know if there's additional information you need before we do the last and final budget presentation next week.

14 Workshops - Closed to Public

None.

15 Adjournment

Motion by Council Member Olsen, second by Council Member Dennis, to adjourn the meeting at 10:24 p.m. Motion carried: 5-0.

Minutes prepared by Judy Graf and reviewed by Tamara Anderson, City Clerk.