

MINUTES

COTTAGE GROVE CITY COUNCIL

February 15, 2023

**COUNCIL CHAMBER
12800 RAVINE PARKWAY SOUTH**

REGULAR MEETING - 7:00 P.M COUNCIL CHAMBER

1. CALL TO ORDER

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a regular meeting on February 15, 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; Korine Land, City Attorney-LeVander, Gillen & Miller, PA; Tammy Anderson, City Clerk; Gretchen Larson, Director of Economic Development; Zac Dockter, Parks and Rec Director; Brenda Malinowski, Finance Director; Amanda Meyer, City Engineer; Greg Rinzel, Deputy Director of Public Safety; Emily Schmitz, Senior Planner/Interim Community Development Director; Connor Jakes, Associate Planner.

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

6. PRESENTATIONS

- A. Black History Month Presentation
Staff Recommendation: Proclaim the month of February 2023 to be designated as Black History Month.

Council Member Olsen stated on this month's Council Update he spoke about Black History Month, along with resident Shawn Brundidge, and it was his pleasure to do so. Council Member Olsen read aloud the Black History Month proclamation.

Motion by Council Member Dennis to proclaim the month of February 2023 to be designated as Black History Month; second by Council Member Khambata.
Motion carried: 5-0.

7. CONSENT AGENDA

- A. Approve the January 18, 2023 City Council Special Meeting minutes.
- B. Approve the January 18, 2023 City Council Regular Meeting minutes.
- C. Authorize issuance of a single-occasion gambling permit to Cottage Grove Strawberry Festival, Inc. to conduct a raffle at Park High School (8040 80th Street, Cottage Grove) on June 19, 2023.
- D. Authorize issuance of a single-occasion gambling permit to Cottage Grove Strawberry Festival, Inc. to conduct bingo at River Oaks Golf Course and Event Center (11099 Highway 61, Cottage Grove) on May 7, 2023.
- E. Approve the issuance of rental licenses to the properties listed in the attached table.
- F. Approve Resolution 2023-024, 2022 Budget Revisions.
- G. Approve the 2023 Impound Housing Services Letter of Understanding between the Animal Humane Society and the City of Cottage Grove.
- H. Adopt Resolution 2023-025, supporting statewide policies and resources for Public Safety mental and physical injury education, prevention, and treatment.
- I. Adopt Resolution 2023-023 supporting the City's RAISE grant application for the County 19A/100th Street Realignment Project.
- J. Approve Change Order #1 for the Low Zone Raw Water Main Project Phase 1 & 2 for a deduction in the contract amount of \$1,834.94.
- K. Adopt Resolution 2023-022 authorizing the installation of a stop sign on Tower Drive/Ideal Avenue at its intersection with 60th Street South.
- L. Approve the Purchase Agreement with WAG Farms, Inc. for 6.6 acres of land at a total cost of \$258,746.00 for expansion of the regional pond L-P3.
- M. Approve the Xcel Energy undergrounding project and scoping estimate, with funding through a City Requested Facilities Surcharge (CRFS) Rider to cover the cost.

- N. 1) Approve the attached Parcel 2 stipulation and authorize payment of the \$45,000 settlement amount. 2) Approve the attached Parcel 3 stipulation and authorize payment of the \$155,000 settlement amount.
- O. Adopt Resolution 2023-027 approving the Purchase Agreement for Outlot D of the Mississippi Dunes Final Plat and approving the Agreement with Washington County for use of Land and Water Legacy Program funding and authorize signatures on said agreements.

None of the Council Members wished to pull any items for further comment and/or discussion.

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

8. APPROVE DISBURSEMENTS

- A. Approve payments for the period of 1-27-2023 through 2-16-2023 in the amount of \$2,413,399.69.

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

9. PUBLIC HEARINGS - None.

10. BID AWARDS - None.

11. REGULAR AGENDA

- A. Proposed Child Care Facility at 7781 Hardwood Avenue South - Site Plan Review, Planned Unit Development, Conditional Use Permit
Staff Recommendation: Adopt Resolution 2023-026 approving a Site Plan Review, Planned Unit Development, and Conditional Use Permit for a proposed child care facility to be located at 7781 Hardwood Avenue South.

Senior Planner Emily Schmitz stated this project, O2B Kids!, is a daycare proposing to construct a brand new building on Hardwood Avenue South. Planner Schmitz noted this was one of our last vacant parcels on the Hardwood corridor. Background: This site was used as staging areas for materials during the building of Oppidan and the Cottage Grove Apartments, both of which are just to the north. An ICUP exists but is not being utilized at this time. The property owner and the potential user of the site understand that it's there so it won't impact this development. Zoning: It's a Mixed Use Zoning District, which allows for child care facilities with the issuance of a Conditional Use Permit (CUP). Site Plan Review: We looked at many details on this site, about an 11,500 square-foot building for a daycare with education-based programs for infants

and children, through age four; she reviewed hours of operation, the sidewalk connection to the existing trail along Hardwood Avenue, aluminum fencing, and the trash enclosure which will blend in nicely. Site Access: Our engineering team put together a site line or access memo that evaluated the best particular location for the access to this site. We shifted the access just a little bit further north, which drastically improved the sight line. The developer will be required to keep those sight lines very clear with any landscaping and/or trees. Parking: The applicant is actually proposing several additional parking stalls above and beyond our minimum required, which gives flexibility with pick ups and drop offs. Parking lot setback flexibility is requested: 20' is required, and they're proposing 10'. Parking lot lighting meets our minimum standard. Landscape Plan: There areas to plant landscaping are limited, but they've ensured that they're kept out of that sight line triangle while also beautifying the site. There are elevation challenges on this site; there is an existing retaining wall, and the applicant will be using a material that closely matches the existing wall. The top of the installed retaining wall will be about three-feet lower than the bottom of the existing retaining wall; the area in between the walls is where the developer is planning to plant a substantial amount of landscaping to beautify the walls. Architecture: The applicant worked really hard to ensure that they met our minimum standard, proposing 68% Class 1 materials, which includes brick, stone, glazing, and some lap siding.

Planner Schmitz noted staff and the applicant would answer any questions.

Council Member Thiede asked regarding the existing retaining wall and their proposed wall, if the new wall would be flush or if there was going to be space between them. Planner Schmitz replied there will be about a 10-to-15 foot space between the two walls, filled with landscaping. Council Member Thiede asked who owned the land between those two walls and asked where the property line was located. Planner Schmitz replied this applicant will own the land up to the existing retaining wall, and will be responsible for the landscaping.

Mayor Bailey asked since they're going to be putting in substantial landscaping by that wall, if it is going to be irrigated; normally, we irrigate on the main levels, but wondered what their plans were for that landscaping. Planner Schmitz replied she'd defer to the applicant.

Dan Harris, Development Manager, 814 Services LLC, stated he didn't know if they had irrigation plans developed yet for this site. From an engineering perspective, he don't know if they'll have irrigation up there just because watering on top of a retaining wall can pose an issue with stability. It will be very well drained there, but believed the City had a landscape warranty that they'll need to fulfill.

Mayor Bailey confirmed that they won't be irrigating, but he's assuming they'll be working on maybe drought-tolerant landscaping so it will continue to look nice even though it won't have constant irrigation; Manager Harris stated that's correct.

Council Member Thiede asked regarding the retaining wall for the daycare, from the top of theirs, that's coming to the bottom of the other retaining wall, if it will be flat across or will it be filled so that you're not having a tunnel there.

Manager Harris stated there will be a slight grade change, so a slope from the toe of the upper retaining wall to the top of the lower retaining wall. Once again, that's for water shedding off in a better way and not just pooling up there. There will be a slope there, just enough so that water will drain from in between that area.

Council Member Thiede stated he's assuming they're doing something as they excavate around there to protect the existing retaining wall. Manager Harris stated that's why they have that 10-to-15 foot gap there, between the two retaining walls. Rule of thumb is however high your retaining wall is, that's how far back you need to go; this retaining wall is not more than 10 feet high, so that's how that will be constructed.

Mayor Bailey stated he actually preferred the way 814 was designing it because if you look at Goodwill's, on 80th Street, he didn't think there were enough breaks in there; the rock and everything slides down the hill so they have to constantly keep it maintained. So, he likes the way 814 stair stepped it; he thought that was a great way to do it.

Council Member Olsen stated when new potential businesses and apartment complexes come to town, we have to take into consideration what that's going to do to the load on the roadway. We all know that Hardwood has really seen a dramatic increase in traffic counts; that will be added to by the apartment complexes coming online and now this new business. He saw all of the programs that O2B Kids! offers, but he doesn't know what their capacity is.

Manager Harris stated this building will hold 222 people total, 195 children and 27 staff members, and that's at their peak capacity.

Council Member Olsen stated he suspects they anticipate operating at 100% pretty quickly because of the dramatic need. Manager Harris stated they would like to, as they feel it's a good service for the community.

Council Member Olsen stated there's always a need for high quality childcare, so the community will certainly benefit from this. He wants to know how many cars we're talking about, moving into and out of the parking area, and what that will do to our traffic count on Hardwood Avenue. He asked Public Works Director Ryan Burfeind if we'd done any traffic modeling yet. We've talked about a roundabout at the intersection near US Bank and Culver's and all of the other businesses there; he asked if that's something we're going to need to move up in our CIP as a result of the increased traffic here to make sure that we've got a safe roadway.

Director Burfeind replied when we look at traffic, there's two parts: There's the roadway in general and its capacity and also the intersection. The roadway, in general, is in a really good position with about 8,500 cars a day. As you get closer to 80th Street, about 5,000 cars a day on the north end, closer to this daycare. Hardwood, by the daycare, really could handle 11,000 or 12,000 cars a day, and 80th Street upwards of 15,000. So, the roadway capacity is very sufficient. We are in the process of doing a warrant analysis for the intersection of Hardwood Court; we are looking at a signal just based on the constructability of that. We actually have the trip generation, about 273

cars per day for the daycare, based on the use. We have actual counts for the traffic that exists, so we're plugging in the daycare, Pizza Ranch, the apartments under construction, pending apartments, and other pending developments; we're putting all of that into this warrant analysis to see where we stand. We're making some updates and tweaks to it right now, and we'll see where that signal is going to land. The big thing that trips that signal is actually more traffic on Hardwood and coming out of Kohl's, because Hardwood is the main road. So, yes, it's harder to get out with the more traffic we add to Hardwood, but we don't want to make all of those drivers wait at a red light. We need additional development and traffic on the side streets, and that's what's really going to trip that signal, not so much adding traffic to Hardwood Avenue itself. But it's something that we're watching very closely.

Council Member Olsen thanked Director Burfeind for the update. He knows how many people travel on that road now, and as we're going to add additional volume, he wants to make sure that we're not going to put ourselves in a position where we regret not taking action and something bad happens.

Mayor Bailey thanked Manager Harris for answering Council's questions.

Motion by Council Member Olsen to Adopt Resolution 2023-026 approving a Site Plan Review, Planned Unit Development, and Conditional Use Permit for a proposed child care facility to be located at 7781 Hardwood Avenue South; second by Council Member Khambata. Motion carried: 5-0.

Mayor Bailey welcomed O2B Kids! and asked Manager Harris when they thought they'd start construction, if it would be later this spring; he replied yes, after the snow is gone.

12. COUNCIL COMMENTS AND REQUESTS

Council Member Thiede stated activity for Strawberry Fest is picking up, they're getting things planned, and we can always use more help. If you or anybody you know would like to be on the Strawberry Fest Committee, the next meeting is on Monday night, 6:00 p.m., at Carbone's restaurant. He invited everyone to stop by, we'd love to have you help.

Mayor Bailey stated that Samantha Crabtree, who does the Strawberry Fields business expo, said that she already has 50 businesses signed up.

Council Member Thiede stated it looks like it's going to be pretty good again; last year was a fantastic year with fantastic weather, so that keeps people coming out.

Council Member Olsen spoke about the incident on Highway 61 that occurred the other day. There was a wrong-way driver on Highway 61 in Cottage Grove who unfortunately ended up crashing into another family, driving north on Highway 61; he believed there were two lives that were lost and two people were hospitalized. When incidents like this occur, one of the things we forget about is the dramatic effect that that has on the first responders. Obviously, we mourn for the loss of lives; one of the individuals involved in the crash was a resident of Cottage Grove, and there was also a family from Prescott,

and a young lady in the back seat of that vehicle also perished in the crash. We're very sad for that loss of life, but it's also a really dramatic and traumatic incident for first responders; they're people, too, and they have emotions.

He asked Greg Rinzel, Deputy Director of Public Safety, to speak a moment on what we do for the first responders to ensure when they deal with situations like this that they have an outlet for their grief, their pain, and their sorrow. We all talk about PTSD and how challenging that is; what are the things that we do to help our employees work through some of the tragic events to which they respond.

Deputy Director Rinzel thanked Council for the opportunity to explain how we walk through these incidents. These are very traumatic events for the first responders, police, fire, and EMS who are there; that includes some of our part-time Community Service Officers, young men and women who are just starting their careers, who never really expect to see something so traumatic. We do a really good job of touching base with all of the employees present at these incidents. We also do a Critical Incident Stress Debriefing, which is a private conversation amongst only the people who were there; that's moderated by people in the mental health profession, who are usually associated with other agencies. We have an opportunity to debrief, talk about putting all the pieces together, as many times employees are involved with just a portion of an incident and get a 10% picture. Sometimes, in order to heal and look at these events, they want to know exactly how did it happen, what did you do, what did the person next to you do, to put the whole puzzle together to really be able to understand what happened and debrief that incident. We were able to do that for this incident; all of the individuals who were interested in talking about it were able to get together and have that debriefing. It's an important piece; sometimes a lot of it is not knowing, and that's why these debriefs are really important for us as a group of individuals to really put the whole puzzle together and share that experience. We also really talk about it on a human aspect, not just the work aspect; we all wear blue polyester, but we all go home to our families. We all see these things, and many times in law enforcement and EMS we fill up our bucket with this trauma, and we need to have an avenue to be able to tap the bottom of the bucket to let some of that get out. That's what we do, and he feels we do a really good job here in Cottage Grove with our police, fire, and EMS to offer that service.

Council Member Olsen stated that's a really important element, and it's his understanding that they also have access to resources moving forward should they need it. They can do that privately so nobody else needs to know about it. He felt it was an important element to making sure that we have healthy people doing a very, very difficult job. It's not like you just show up to a scene like that and then you get your next call and you're okay; that's something that you carry with you maybe even for your entire life, but he thought making sure that they have access to counseling and support was critical. He appreciated Deputy Director Rinzel taking time to explain that process.

Mayor Bailey stated Molly Pietruszewski, Recreation Services Manager, reached out and mentioned that the Parks and Recreation Department has over 100 jobs for which they're going to be hiring; different positions within the parks and at the Ice Arena, but he forgot to ask about the required age to apply. Zac Dockter, Director of Parks and Recreation, stated it was age 16 and up. If anybody is interested in having a summer

job or even a temporary or part-time job with the City of Cottage Grove and have some fun, go onto the City website and apply. They'll then be in touch with you about some opportunities available.

Mayor Bailey stated in the last week he started making phone calls to some of our local businesses regarding the Fourth of July fireworks; to have a decent show, it costs about \$25,000. He's pleased to inform the public that he's already heard back from all but one; once again, 3M, Tennis Sanitation, Renewal by Andersen, and NorthPoint are all donating \$5,000 each towards the Cottage Grove Fourth of July Fireworks this year. He wanted to publicly thank them for their generous donations and supporting the community of Cottage Grove; one more business is awaiting final approval. Once again, we'll have an amazing fireworks show on the Fourth of July; that's run by the Cottage Grove Lions, who actually do the picnic and all the fun festivities that day.

Council Member Olsen stated the Lions have a few thousand dollars in their fireworks account, but those business donations are what puts us over the top; he thanked Mayor Bailey for his efforts in getting those donations. Mayor Bailey stated it's great for the community.

Mayor Bailey stated our workshop session, open to the public, will be held in the Training Room; this workshop is to review the City's long-term Financial Management Plan. We will not be adjourning the Council Meeting at this time, but will be adjourning from the Training Room, after the workshop.

13. WORKSHOPS - OPEN TO PUBLIC - TRAINING ROOM

A. Financial Management Plan

Staff Recommendation: Review and discuss Financial Management Plan.

Mayor Bailey stated this is a final version of our Financial Management Plan, looking forward, with Ehlers. Based on the feedback Council previously gave to staff, they've come up with some information for us to review.

Brenda Malinowski, Finance Director, stated we'd previously met on January 4, and reviewed a lot of information; we got direction from Council at that point, so Stacie Kvilvang from Ehlers is here to present some revised numbers for you.

Ms. Kvilvang stated we had two options: The first was where we funded everything we wanted in the year that it happened; the second was where we funded everything, but made some modifications to make it a little bit affordable.

Model #2 Changes:

- Added fulltime employees, one at a time over the years, rather than all five in one year.
- Moved your squad car replacement to the Equipment Replacement Fund and established a levy for that, to be more transparent for those purchases.
- Utilized a portion of your fund balances in the Closed Debt Fund and Pavement Management Fund to help reduce the levy a little bit.

- Issue Equipment Certificates in 2024 through 2027 for equipment with a cost of \$50K or greater, for a total of \$4.3M.

Equipment Certificates: We discussed those and how often those are done. She reviewed their client list, and in the last five years, 53 cities issued Equipment Certificates; cities do this routinely to help their cash flow issues.

Pavement Management: Sometimes you're not always able to assess for those, so then we use a different statute, called a Street Reconstruction Plan. The legislature realizes that not every road project can meet the 20% test for project costs. That happens with big road reconstruction projects but also, more importantly, on Mill & Overlays. They created a statute for Street Reconstruction Plans that you could actually fund roads and Mill & Overlays without having to have any assessments on it. So, you create a five-year Street Reconstruction Plan. Some cities might just do it for one year and not do the other four years; some will do it for five years and throw everything in, and you can move things because those years and projects are fundable within that plan that you have. It gives you an opportunity to have a public hearing on it. The caveat is there's a reverse referendum requirement on it; if the voters say I don't want you to redo my street and get a petition of five people from the last general election that agree, it then has to go to a referendum to actually do it. It never happens on a Street Reconstruction Plan.

Fund Balance Goals: General Fund, 45% to 55%, a desire to stay in that low-to-mid goal; Equipment Fund, about \$1.1M; Park Capital Fund \$300K; Pavement Management, around \$2.5M; EDA Trust \$5M; EDA Fund, talked about maybe starting to levy, just to cover EDA staff salaries.

Council Feedback: With the second option, try to get Home #1 to level it out at about \$100 a year. We looked at how to make some adjustments to actually meet that goal. There was concurrence on the fund balance suggestions discussed; funding more EDA Fund to at least cover staff salaries and to utilize existing funds, if there was cash sitting in a fund that wasn't needed or an appropriate fund balance that could help reduce that amount.

Ms. Kvilvang stated we were able to meet your benchmark, \$100 per year. In 2024, we're at \$110; originally, it was \$128. We weren't sure if we could get down below \$100 next year, and after that we'd have to see. It panned out just because of everything that you have in your stack of projects that you have to get done; in 2024, we weren't able to get it down to \$100, but overall your 10-year average is \$99.

General Fund Balance: The orange is 50% of Operating Expenditures, dark blue is the Unassigned Fund Balance, and gray is the Fund Balance. Basically, what we see is that we're going to have to levy to keep your fund balance within these parameters. In most years, we're pretty much just keeping it at that 45%; we're keeping it low because we have other projects or levy issues that you want to take care of. Eventually, by 2032, we're getting the General Fund Balance up to that 50% level, and that will fluctuate every year with what we do. Again, Council has to levy in order to do that, and you're not alone; other cities do have levies just to keep their fund balances within their policy.

Fund Balance Policy: Was pretty restrictive so we reduced that from \$1.7M to \$1.2M; we took \$500K out of there, why restrict that from capital projects when we really should be balancing the overall financial health.

Park Capital Fund: We had a negative fund balance, and we said we shouldn't have that, so let's work towards that goal and have \$300K as a goal for a future fund balance. We'll get you up to that goal of \$300K; how we were able to do that was to help build you out of that hole a little bit by starting a tax levy of about \$190K in 2026.

EDA Fund: You were going into the negative, and would be \$4M in the hole. Eventually, you'll still be in the hole, but you're \$2.7M better off. How we did that was in 2024 we increased your levy from \$125K (what you're putting in the EDA Fund right now) to \$275K for the next couple years; that's just to cover your staff costs. Eventually, we're going up to the statutory maximum levy in 2032 of \$1.5M to get you to that higher level. You're still in the negative, so we still have some work to do here, but there are ways to address that over time.

EDA Levy or HRA Levy: You have an EDA, which has HRA powers; that's not atypical, so you have the ability to have a levy for either an EDA or HRA. It really doesn't matter because the formulas are very similar. With an EDA levy, you can get \$1M; with an HRA levy, you can get \$1M. The thing to note is an EDA levy, which is really a City levy, is subject to levy limits if those ever came into play again; it's been about 15 years since the legislature used levy limits. An HRA levy is not a City levy; it's a special levy outside of that. It doesn't necessarily matter which levy you choose to do or how much you choose to levy, it's just how it's going to show up on the property tax statement. In Washington County, an HRA levy will show as a separate line item on the property tax statement. They will not do that for an EDA levy because they view that as a City levy. It's all a matter of how you want your residents to see it on their tax statement: If you have an HRA levy, they will see it. If you have an EDA levy, they will not. That should be discussed as you're doing your budget, if you're going to choose to do an EDA levy; here's what it is and here's the impact.

Council Member Khambata asked if there are statutory constraints specific to an HRA levy that are not specific to an EDA levy, in terms of how the money can be used.

Ms. Kvilvang replied yes, and this will be a further discussion with your legal counsel, but an EDA levy has statutory powers; so, you can do housing, you can do business loans, you can do redevelopment. An HRA levy is for housing and for redevelopment, but maybe not necessarily for business development; so, that's the caveat. Attorneys will opine differently on that, so that's why we like to have further discussion.

Property Tax Levy: Your levy in 2024 on the first home of \$329,600, that's about \$17 or .05 a day. If you go to your maximum in 2032, the reason why that's higher than it is today is obviously your valuation is growing, that home is now valued at almost \$400K, so it would be \$74 a year or .21 a day.

ED Trust Fund: You have a balance of about \$4.7M in there today, and we wondered how we could actually keep that around \$5M. You'll be a little short, so we eliminated the \$100K transfer to the EDA Fund, we added in the \$1M land sale estimates that we're planning in 2023, so you're only \$300K short.

Pavement Management Fund: This one was always good before, and it hasn't changed. You're falling below that recommended fund balance; you're getting to about 30% and

you're hoping to be about 35%. Again, you have a pretty significant balance in that fund, so we're not overly concerned that you're not meeting that minimum threshold. So, this fund we really view as an opportunity to maybe utilize those dollars to help offset the levy.

Closed Debt Fund: When you issue debt, collect assessments, and have levy that's coming in there, at the end most of those funds will always have a balance because you're levying at 105% or you have extra assessments in there. So, that goes into the Closed Debt Fund; what we're doing is we're taking that fund and we're just keeping it down, and we're using those dollars to invest back into projects so we don't have to increase the levy by that much.

Municipal Building Fund: The buildings are starting to age, so we have to make sure that we have cash to take care of some future issues; we'll eventually get there by 2032. A big part of the negative fund balance is your Interfund Loan from the Sewer & Water Fund, and that's being repaid so it works itself out.

Property Tax Impact: In 2023, the tax impact on Home #1 is \$114. In 2024, it's down to \$110. From 2025 on, we're at about \$100; that's what we tried to level it out at, and that's about .31 a day on Home #1. She also displayed the tax impacts for Home #2, Home #3, and Home #4: On Home #2, the average over 10 years is \$112, on Home #3, it's \$122, and on Home #4 it's \$142.

Levy Per Capita: Where does your levy put you per capita in relation to other cities in Washington County; in current dollars, Cottage Grove is second from the bottom. In 2027, you'll move up to about the middle of the pack, but that's without any of the other cities ever increasing their tax, which we know is not really a true statement.

Conclusion: Ms. Kvilvang stated this is a long-range plan; we've looked at it long and hard, and she thought it met the Council's strategic direction and priorities, things you want to get done. You're well managed, you're getting what you need for staffing, you're getting your roads done, parks completed, etc., and we tried to keep the tax impact at an average of \$100. Next Steps: Have a discussion tonight, see if we're going in the right direction; we'll use this as a road map for the 2024 budget session, so none of this should be a surprise when you do budgeting. We recommend that you monitor the plan yearly, and that you update it at least every couple of years. She stated they'd be happy to sit down with anyone who wants to discuss numbers in the spreadsheets and review it in more detail; just let Administrator Levitt and/or Director Malinowski know, and we'll be happy to arrange that.

Discussion

Council Member Thiede asked what was our average over the last 10 years; Ms. Kvilvang replied they reviewed 9 years, and it was 3.5% per year. Council Member Thiede noted this is about 6%, which was confirmed. The City tax is about 25% of the overall tax, \$100 a month would end up being \$400 a year, or \$4K at the end of 10 years. We don't know the exact impact because there's still valuation of properties and other factors; to him, it just sounds like we're spending too much money. We're a growing community. In terms of value to the residents, he thinks we definitely should focus on trying to stay in the bottom third of the Levy per Capita chart with the other cities.

Director Malinowski stated we stay in the bottom third for 2024 and 2025 with the \$100 per year increase. In 2024, we're still the second lowest; if we look at 2025, we'll move just above Woodbury, and that's based on Woodbury staying at that same levy.

Council Member Thiede stated ultimately we're giving it a worse value than Woodbury; in terms of the quality services we provide, he thinks the lower we are on this chart, the better the value to the residents.

Council Member Olsen stated the chart assumes no changes in any of the other communities; the only change they're factoring in is ours, which really isn't realistic.

Director Malinowski stated she thought it was very conservative to show it this way. What she meant to show the Council was even through 2025, we are just going above Woodbury, and that's if Woodbury or Oakdale doesn't increase their levy or do anything for two years. We know that will not be true, so she suspects that we will be second, third, or fourth from the bottom of the chart in 2025. Ms. Kvilvang agreed, stated you'll likely stay in the bottom third.

Mayor Bailey stated in the levies, you're proposing it will be about \$100 or so a year, that's including 80th Street, maybe part of the Shoppes at Cottage View, and pavement management. He wondered about the loan to River Oaks; he asked if that was in the EDA Trust Fund. Director Malinowski replied that was the ED Trust Fund, and we're showing bonds to be reissued in 2025 to replenish that. Mayor Bailey stated they've incorporated that in there, so asked if that money goes back into the EDA; Director Malinowski replied it will go back into the ED Trust.

Council Member Dennis asked where that is represented in the ED Trust; Director Malinowski stated it's coming into that fund in 2025, but we have other expenses coming out of the ED Trust, so it's not dollar for dollar. Council Member Dennis stated he's still not seeing where that would be represented on this; what other fees would be coming out of that, as he didn't recall the EDA authorizing anything else to be paid.

Director Malinowski stated what it's not showing in the ED Trust is we've got some special deferred assessments for the South District Utility Improvements; we were conservative in that, but we suspect that would be coming in. She told him we could look at that again to see when those bonds are coming back into the ED Trust, because the bonds are issued. Administrator Levitt stated there are also fee expenditures related to the fund. Mayor Bailey confirmed they'd get back to us on that to confirm the numbers.

Council Member Khambata asked if the upcoming additional Tax Capacity is also accounted for in these projections; that was confirmed. He asked if that was through 2025. Ms. Kvilvang stated it's longer than that because we looked at your average permit growth for residential, as well as the growth for your commercial-industrial.

Council Member Khambata asked if that was averaged over the previous 10 years, or were we using our most recent few years of growth. He thought a more conservative approach would be to average it over 10 years because then we've got some of those down years to balance out some of the peak years we've experienced. Our last 2 years were our biggest gains, in terms of housing starts and commercial development.

Ms. Kvilvang stated staff looked at that because in 2008 to 2010, you were very low, so the past couple years were very robust, and then you'll probably decrease from there.

Council Member Khambata stated if he was making long-term projections, he would probably remove the last 2 years of that data and base it on the data that's older than that; he thought that would give us a more accurate historical trend. He stated he just didn't want to get caught 3 or 4 years out where we didn't have 600 new homes; especially in the current economic climate, he didn't think that was a good barometer of what we should expect long term.

Council Member Dennis noted we dropped down to approximately 350 or 360, and now we're on pace for 175, so it's really come to a halt; we did 10 this January and 4 in December.

Council Member Khambata noted data comes out tomorrow for new housing starts, but he read today that builder confidence is up 7% over September 2022; that's encouraging, but we don't know how long we're going to have to ride this dip.

Administrator Levitt stated we have Ravine Crossing coming with a final plat probably in April, so the builder confidence is starting to rise. She asked Director Malinowski if she was able to read off what we did for commercial valuation and single-family home permits by each year.

Director Malinowski stated in 2024, we have 320 units; in 2025, 230; in 2026, we're going up to 380. For commercial, we were at \$50M. Council Member Khambata stated we went more with the historical average, so that's good.

Council Member Thiede stated so we assumed conservative growth in here, too. Administrator Levitt stated the growth is going to balance between your single family and your commercial. We went pretty low on the commercial, so even though we may have overestimated the single family, we should make up for it on the commercial side. When we calculated the overall tax capacity and growth, those are the numbers we're using for both commercial and residential.

Mayor Bailey asked as they were looking forward into the next year or so, did they incorporate any of the apartment complexes that are looking here, in addition to what we already have; he knew that those won't come on for about a year or two after.

Administrator Levitt stated when they pull the permit, we get the valuation on the commercial side, which will probably make up for the single family, too, as we're not going to hit that. Mayor Bailey stated it seems that a shift has been happening for us; the commercial is getting better, but more apartments are showing up, so at the moment there's more value in that.

Council Member Dennis stated with the apartments, there might be TIF; usually, they ask for something. Mayor Bailey stated one of them would, if we did low income or affordable housing, but the other ones wouldn't.

Ms. Kvilvang stated we tried to be conservative. We sat down with staff, looked at building permits and valuations, and then we challenged that data, as we've had recessions or downturns. We also take into consideration any projects that might be TIF Districts, as you're not getting that. So, we don't have NorthPoint captured in here because that's in a TIF District. You also have some TIF Districts that are coming off

during these 10 years, so that will also bring that Tax Capacity up. We looked at everything.

Council Member Olsen appreciated the amount of analysis that went into the plan that we're getting an opportunity to review. That's not an easy thing to do, especially when you're making assumptions and decisions. It's good to have this plan; it's a smart thing to do. When you mentioned utilizing the plan as a complimentary piece to our budget dialogue, that really struck him because there are so many variables and all of those can't be captured. State and Federal government actions are also variables. Having this plan enables us to have the foundation, but it allows us to manipulate the data in real time; so, when we have the budget conversation, we can factor that in along with all the other unknowns, like home valuations and what other communities are doing. As data becomes clearer, we can make better decisions.

A key variable is the State currently has a record surplus of funds. He just went through the Capitol Budget Projection for this year for the bonding bill; they're going to do two. There's much grant funding in this one, so are we going to be able to capture some of that grant funding to offset our levy. He encouraged our staff team to be very focused on capturing revenue from other sources: Federal, State, and Local. They've got \$1.96B in a bonding bill that they're proposing, but the caveat is the House and the Senate and the governor are aligned and they don't need anybody else to help them. There are opportunities now and through the legislative session this year that we have to be dialed in on, in order to help us lower whatever some of these costs might be.

Council Member Thiede is right; being in that lower quadrant says value, it's a selling point. It's definitely something that we've all been proud of for a really long time. The chart that showed where we'd be without anybody else doing anything speaks to our past practices, our current practices, our future practices, and where we're going to land. We know that other communities are going to do things, too, but we're still going to be in the bottom two or three, all things being equal. We certainly know Woodbury has their share of challenges right now with funding public safety, as they're down several officers. They also have road issues, water issues, so they're not coming in at zero. It's good to see that even if everybody else was at zero and we just stayed the course of this plan, we're in the middle.

All of that is good data, but none of it really counts until we get to the budget. It's a great tool, and it's really nice to have as a reference point. A lot of work and analysis went into it, but when we get to the brass tacks of the budget, that's where we're really going to have to identify if the elements of this plan are going to serve us well. Until then, it's all theory. There's a lot of good information in there, but we still have to do what we do; we still have to go after any other funding we can find, we still have to watch our spending. He has every confidence we will. He thanked them for doing the work, as it's really helpful.

Council Member Olsen stated if we could just get a little bit of help from our friends in Newport and St. Paul Park for our EMS service, that would make a big difference, too. Those are things that we can wish for that probably won't come true, but these grant proposals and the two bonding bills are real money. Those are things that we can get if we're smart about it.

Council Member Thiede stated he agreed with Council Member Olsen, the planning is good, and he has always been impressed with the staff finding other ways to finance things. He wants to have that confidence again and to make sure that we don't just complacently accept 6% a year; again, there are a lot of other factors, but that's all a part of what future planning is, making estimations, and then making adjustments.

Council Member Olsen asked if they'd heard any preliminary data on home valuations; Director Malinowski replied she didn't think they'd hear anything until March.

Council Member Khambata stated the National Association of Realtors predicts that home values will rise 3%-4% this year, depending on the specific market. What that translates to is prices staying pretty much flat because they'll basically track with inflation. He stated market value versus appraised value are different; however, he knows Washington County uses sales data to make some of their assumptions. As the sales data trend is flatter, it would only make sense that assessments will trend flatter as well. Council Member Olsen said that's a key piece of information as we enter into our budget conversations.

Mayor Bailey commented on Council Member Thiede's remarks. One thing we hope to do is to keep our City taxes fairly steady from year to year, which means we won't rob from Peter to pay Paul. If you think about what just happened last year, we ended up having to bump up to 12%. What they're projecting here is 6%, so it's kind of a flat rate going all the way through. He prefers to have it be as even as possible, as it will help us plan on our end, but it also helps the residents; they won't have a tax that's high one year and low the next year, and won't be wondering why it's fluctuating so much.

Mayor Bailey asked about the EDA/HRA levies; with the numbers they're projecting, he asked what the staff cost per year is for the EDA. Ms. Kvilvang stated for 2024, we'll levy \$275K just to cover staff, and we'll be doing that for several years because we're trying to balance other things. Eventually, in 2027 or 2028, we'll be able to start increasing that more; by 2032, we'll try to get you up to the statutory minimum.

Mayor Bailey stated it's amazing to him that we're looking at \$275K to break even on our staff, and Woodbury is averaging \$250K at this point per year; he doesn't know how they fund their EDA, maybe they have other money coming in, just doesn't know how they're able to do that. Administrator Levitt and Ms. Kvilvang stated they might be funding staff operations out of their General Fund, which would reduce their levy. Director Malinowski agreed that they might be doing that, but we're not sure.

Mayor Bailey asked how Burnsville went from \$297K to \$1M. Ms. Kvilvang replied economic development initiatives were huge for them; they had all these programs and ideas, but they had no funding. If they wanted to get things done, they needed to start building that EDA levy to start implementing those programs. Their goal was to get their fund balance up to around \$8M or \$9M, so they could have those funds in the future. They bit off all they could and went up to their statutory maximum for a year or two. Mayor Bailey stated he knows one of their Council Members, knows they're doing a lot of redevelopment, but that's a big jump; he wondered what percent that was to their residents. Ms. Kvilvang stated their overall increase in their budget this year was about

14%. Mayor Bailey stated he wanted to make sure that we were still covering the staff salaries for the EDA.

Mayor Bailey stated we need to understand about the golf course loan. Director Malinowski stated the ED Trust Fund is actually a fund balance, and an Interfund Loan is only a balance sheet item; when we loaned out to the golf course, it was credit cash and debit receivable, just a balance sheet item. This is fund balance, so an Interfund Loan never shows. When we repay that loan, it's not shown in the fund balance. So, we'll get to a slide with the cash balance, that might be a better representation of the fund. After 2025 and beyond, the fund balance is really the cash balance; it's just when there's an Interfund Loan there can be a difference between fund balance and cash balance. The decrease between 2022 and 2023 is that South District Street & Utility Project that the ED Trust Fund is partially funding. We're conservative, so we didn't show the assessments coming in for that project, and we can get that for you, too.

Administrator Levitt stated that's Hadley Avenue and 100th Street, so approximately \$2M was from this fund, and then when the assessments come in from those parcels, it will fund back into the ED Trust. That's really the largest expenditure, and then obviously the loan to the golf course; those are the two expenditures. Director Malinowski is right, the cash and the payments coming back in is just not showing up there in cash.

Council Member Olsen stated it was mentioned that there was an adjustment made to our policy relative to reserves, and that was based on the recommendation of the State Auditor of what percentage we need to have. He asked if we're targeting that 45%. Ms. Kvilvang replied our goal is to get to 50%, but we kept it pretty much at the minimum of 45%, just to balance other issues that you have to take care of.

Council Member Olsen stated at 45% we're still meeting the requirement of the State Auditor, but we're freeing up cash for some other things like equipment needs, etc. He asked when do we project that we'll climb back up to that 50%; Ms. Kvilvang stated she thought that was in 2031 or 2032. He stated when bond houses look at different communities for their bond ratings, there are several factors, one of which is cash on hand fund balance. He's assuming that the team discussed that by adjusting this down, that it would not impact our bond rating; he asked if that was an accurate assumption, which was confirmed. The last thing he would ever want to do is risk our bond rating; so, as long as we feel that's not going to be a problem, he can sleep better.

Ms. Kvilvang stated that's why we have the range of 45% to 55%, because rating agencies don't care, especially if you stay within that range. They always don't care, even if you dip below that in a year; they just want to see your plan to replenish it up within your range. So, we're staying within our range and you're safe.

Administrator Levitt highly encouraged the Council to arrange a meeting and play with the model; we can take things out, add things, subtract things, and you can see the effect. We can do that via Zoom and show you the model.

Council Member Thiede stated if we kept the increases the same as we did the last 10 years, what would you have to take out, or in terms of what Council Member Olsen

was saying about finding other sources for the funds, what are the probabilities of finding other sources of funding.

Council Member Khambata stated one thing to keep in mind with that average of 3% increase over the previous 10 years, for a long time as an economy we were struggling to get above 2% inflation. So, the average over the last 10 years was maybe 1.8% to 2.1%. So, a 3% increase is really a 1% increase in cost of goods with 2%, and we're increasing our budget by 1% effectively each year. He thought the challenge that we're facing at least last year and this year is we went into this hyperinflationary period; retrospectively, in 10 years we'll be able to look back and have a similar conclusion, that we increased a percentage point over the average rate of inflation or something like that. He stated he thought that was still being fiscally responsible; things cost what they cost, and as long as we're being good stewards with the dollar, we need to repair aging infrastructure. Looking at the rate of increase without looking at the relative cost of things that's driving that rate of increase is only looking at half of the picture.

Council Member Thiede stated inflation is going back down, so it could very well do the same thing it did. Council Member Khambata stated if in 2 years inflation is back down to 2%, our spending will track accordingly; when those surpluses come, that's why we're going to check in on this plan every couple of years.

Council Member Thiede stated he personally didn't think we should have the plan; everything is good with it, but we shouldn't be looking at 6% as being a good place to be. Council Member Khambata stated he agreed with Council Member Thiede, and we need to be smart about every dollar.

Ms. Kvilvang stated percentages don't really mean anything to the average homeowner. When we look at the dollars, you can only control your budget; you can't control the economy or the schools. Your 2024 estimated tax on Home 1 is basically \$1,200 a year, \$100 a month, or \$3.33 a day. So, what is a resident getting for \$3.33; streets are plowed, you have good parks, you have the amenities that you want. So, you can say it's a 6%, 8%, or 10% increase, but what is that in real dollars and what does that mean to the residents.

Mayor Bailey stated if Council recalls, that's what we asked for; we wanted to look at real dollars versus percentages.

Director Malinowski clarified that for 2024, we're adding our Glacial Valley Park building, our 2023 Pavement Management, and then we're starting to levy for our street debt for East Point Douglas Road & Jamaica. So, that is a large portion of our increase in our levy for 2024. Our operating levy for 2024 is just 6%; it's the debt portion for 2024 that we're starting to layer. So, that's what this plan was to look at not only the debt that we're issuing in 2023 for pavement management, but also the 2024 pavement management and beyond, and the street debt.

Council Member Olsen stated he knows staff wants some certainty because there's nothing worse than having a plan, and then having Council say wait a minute, we need to cut that by a certain percent. The amount of work that went into this plan is good, it's awesome, and hopefully it provides some of that more stable, linear planning opportunity. We know with confidence we're going to get our pavement management

done; we're not going to cancel it. When the rubber meets the road during the budget conversation, there's just so much more information we'll have at that time. This plan is good, but additional information will really help us make a smart choice about our 2024 levy and beyond.

Mayor Bailey stated we're doing this quite early, looking all the way out to 2032; he asked if Council was comfortable with what staff was presenting to us to start going back with their budget plans to put things together. The first budget meeting is usually held in May. He asked Council if they were comfortable with the direction that we were given tonight, or do we need to have another workshop. Are we good with staff starting the process, using the percentages we've been given. Because we're looking at this proposal very early, we would just forego a budget meeting in May; obviously, we'll be given the data, find out what the property values are from Washington County, and we'll start our budget meetings in July.

Council Member Olsen stated for him it seems like a reasonable assumption, it's a good place to start, with good data. He didn't know that we need to talk about it anymore until we get into the budget, as that's where all those variables are going to come into play.

Council Member Thiede stated it's his opinion that they're going to have to do a fair amount of work to find other sources of income for what we want to pay for and not burden the residents that much more.

Council Member Dennis stated he had nothing to add.

Mayor Bailey stated he didn't think we needed another workshop; he liked the plan that they've laid out, they've given us the numbers. The only thing that will change for us is if the property valuations come back differently; then we'll have a clear number for 2024 and 2025, which is how we do it, it's a two-year budget cycle. By then, we'll also have a better understanding if there might be some bond money available for us. At a meeting today, he also heard that some of the governor's money would come to the Metropolitan Council to fund projects; 100th Street is on the cusp, so if that money flows through, our project for 100th Street is on.

Council Member Olsen stated he had a conversation with Senator Housley, Chair of the Bonding Committee, and it feels like they are going to be very aggressive from an infrastructure perspective, roads, bridges, pipes, etc. They feel like the State is behind in several different places. He certainly thinks for some of the things that we've got planned for 100th Street, etc., we're going to have a chance.

Mayor Bailey stated next week he'll be meeting with the governor, so he'll need some talking points on the projects that we want; as the Mayor of Cottage Grove, he's been invited to sit with him and his staff.

Director Malinowski stated we put the Fund Balance draft in the packet, which has the new range that we're recommending for the General Fund between 45% and 55%. We're putting an Interfund Balance Policy, some of those targets for our Equipment Replacement, Park Capital Improvement Fund, and Pavement Management Fund. She

asked if they were okay with that. Mayor Bailey stated they should bring it back to the Council for final approval.

14. WORKSHOPS – CLOSED TO PUBLIC - None.

15. ADJOURNMENT

Motion by Council Member Dennis, second by Council Member Olsen, to adjourn the meeting at 8:38 p.m. Motion carried: 5-0.

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