MINUTES

COTTAGE GROVE CITY COUNCIL   July 12, 2023

COUNCIL CHAMBERS
12800 RAVINE PARKWAY SOUTH

<u>SPECIAL MEETING</u> - 6:00 P.M.
TRAINING ROOM

1. CALL TO ORDER

Mayor Bailey called the Special Meeting to order at 6:00 p.m.

2. ROLL CALL

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

3. REGULAR AGENDA

A. 2024 Budget Workshop/Tax Levy
Staff Recommendation: Provide staff with feedback and direction regarding the 2024 Operating Budget and 2024 Property Tax Levy.

B. Cottage Grove Fire Department Staffing Plan
Staff Recommendation: Receive Staffing Plan recommendations and provide feedback.

C. Dissolution of Fire Relief Association
Staff Recommendation: None.

City Administrator Jennifer Levitt stated we've worked all three items on tonight's agenda into tonight's presentation, so there are not three specific actions.

This week she tallied how many hours staff put into putting together a budget; her estimate is at about 4,000 hours. So, when you think about the organization as a whole, with every single department contributing, it's probably one of the largest undertakings we actually do in the City, and it's obviously one of the most critical functions. Tonight, our presentation on the actual budget items are very high level because obviously we spent a tremendous amount of time at the beginning of the year talking about the long-term Financial Management Plan (FMP). In that, Council gave us the nod of what numbers and items you want. All of the detail, which you're typically used to seeing, is all in your packet. So, the detail is there, as are the budget adds and supporting documentation.

Budget Cycle Schedule

July 12: Tonight, we're going to give the larger overview of where the budget is, where a lot of our different funds are sitting, cash balances, things of that nature. We'll have Police go first; then, after the Police budget, we'll spend some time on that Fire Staffing Plan and then the Fire budget. July 19: In the workshop after the regular Council Meeting, we'll talk about franchisee increases and then we'll talk about the general government side of things. We thought the Fire Staffing Plan tonight would consume more time, so we didn't want to try to put too much into one night. July 26: We'll be talking about Parks, Public Works, and Equipment Replacement. August 16: We'll move onto the CIP. August 21: Hopefully, we will get the final numbers from Washington County around this date. September 6: This will be if we need to do another budget check-in, with the goal of adopting the preliminary levy at the September 20th meeting. December 6: This is where we will make the final levy adoption.

Administrator Levitt stated with that, she'll turn the meeting over to Brenda Malinowski, Finance Director.

Director Malinowski spoke about the FMP that we worked on in January and February; what it incorporated was our Operating Budget, Equipment Needs, Current Debt, and then Future Debt. Some of those debt issues that we've always had are Pavement Management, but we're starting to have some Street Debt that we need to bring in the FMP, as well as the Glacial Valley Park building. We looked at Internal Service Funds because during the pandemic, although the expenditures still continued, the revenues going into those funds from our General Fund and our other funds we kept light to keep the levies low; so, we need to bring those funds back up. We have needs of a growing community, and then we spoke about the EDA Levy and where we want to take that in the future. The outcomes of the FMP she thinks really helped us to get that AAA bond rating, which was important. As we look at the FMP, it has the flexibility to grow with the needs of our community and to levy, and we became more flexible on our Fund Balance Policy for the General Fund; we had been at 55%, and now we are at 45%-55%. Council adopted that earlier this year, and so that is what is in the FMP, just to give us a little bit more flexibility as we go into the future.

Council Member Dennis stated just so he's clear on the AAA bond rating, when we examine what led up to the point of us achieving that, there really weren't any substantial changes that took place. We hadn't paid down a bunch of existing debt, we didn't have a tremendous flush of impact with tax base or other things, it just materialized quickly. The fact that we did the FMP clearly was the piece that caused the tipping point for us to not only achieve that, but also the term stable, used in association with that; he asked if that was correct.

Director Malinowski replied she thought it was one of the components. Another component that Stacie from Ehlers will lean on is that she felt that our income levels as a community increased. So, it's something that's out of our control, but that was another tipping point.

Council Member Dennis stated but the biggest thing, though, is the plan itself and having a stable, defined path going forward; he asked if that was fair to say. Director Malinowski replied yes, they're looking at 10 years, so it referenced that in their rating, that it's 10 years.

Director Malinowski stated the FMP is recommending, she wants Council to be clear, that we had budgeted the four contingencies. Council Members who were on the Council before can remember talking about Council Contingencies. In the FMP, we are doing that again for unforeseen circumstances that happen during the year. So, if building permit revenue isn't what we expect, we can react to that. If there's a storm, we can react to that, and, so, that is in our plan. For the 2024 budget, we have $200K earmarked as Council Contingency.

When we came to you the first time in January, we looked at four sample houses: House #1 had a tax impact in 2024 of $128, it fell to $122, and kind of fluctuated, and the average was $95. But Council said let's stabilize that, what can we do at $100 per year. So, we came back to you in February at $110 increase in 2024, but then $100 going forward. So, it's still an average of $99, but it's less of a spike in 2024.

<u>Revenues per Capita</u>: Director Malinowski stated KDB presented financial statements to you two Council Meetings ago, and wanted to show them again. We do a great job in the community, our property taxes for 2021 were $463; the most recent Statewide information that we have is from 2021. So, for populations of 20,000 to 100,000, that average is $557, so, we're lower. She also noted licenses and permits is a $53 Statewide average, and we're at $84; so, we're higher on licenses and permits and lower in property taxes. <u>Expenditures per Capita</u>: With 2021 data, current Statewide expenditures are $739, and we're at $762; we're higher, but $33 of the $762 is for us to run our water treatment operation. We get reimbursed by the 3M Settlement Fund for that, but that is hitting our current operating expenditures and throwing that off. So, we really do compare well. We compare even better when we think about because we pull in more permit revenue, we have more inspectors in the field and those types of permitting activities. So, we have current expenditures and would expect that we'd be higher than the Statewide average for that, so, that's good. <u>Debt Levy per Capita</u>: Statewide for 2021 is $144, and we're at $132; so, we compare well.

Housing Types & Population

Administrator Levitt stated she thinks one of the exciting things about this graph from Community Development is when you start to look at the changes of the household types; we've been focusing as a team about diversifying our housing stock. We wanted to have different options for people within the community to stay in the community. This graph is showing that has happened in our Strategic Vision; we have built that diversity of housing stock and we're continuing to see that development as we go forward. You can also see how much our population has grown and we are projected to grow. Even in this current housing slowdown, she doesn't see that our overall population projections are going to diminish. She believes as interest rates continue to fall, we're going to see kind of a roaring back of the single-family market pretty aggressively. <u>Lot Inventory</u>:

Administrator Levitt stated currently we have 618 units of lots available. It's a little bit concerning because we like to always manage our lot count, and that gives us a projection of how many new homes can come on. A couple of things that start to give us pause as we look forward is regarding our plats for single family; right now, we have 207 units for Graymont Village, which is still in 2023, and we have Ravine Crossing, which is about 72 units. We have one very large apartment complex, Norhart Apartments, with 299 market-rate apartments, that will start in October. Trellis hopefully will start this fall or early spring, with 52 units, which is affordable.

One of the things that we're looking at is in the FMP, we had some higher permit revenue, and we pulled that projected revenue lower due to this trajectory of the market that we're seeing. The overall permits issued to date are tracking below where we've been in the past. She told Council we have really been holding off on a staff level for large expenditures in 2023, waiting to see how this plays out. Right now, she thinks we have 124 single-family homes, which is lower than we like this time of year. As Director Malinowski said, with the snowstorm in April, we had some additional expenditures. The winter was far more difficult than we anticipated, and we spent more money on salt. So, right now, we're kind of pulling back on some of the larger capital expenses and things that were approved until we wait to see how the budget plays out in 2023; so, that's just food for thought.

Cash Balances: Director Malinowski summarized the cash balances by funds, in 2021 and 2022, by our fund types: General Fund, Special Revenue Fund, Closed Debt Fund, and Debt Service Funds. Debt Service Funds shows a decrease from 2021 to 2022 and that's just because we called a bond, and those funds were sitting at the City at the end of 2021, and we paid it off in 2022, so that was a one-year fluctuation there. Capital Project Funds: We did some area-funded projects this year, so we dipped into that cash a little, plus we did bond in 2022, so that's why that went down. As you look at the Capital Project Funds, that's part of the CIP process, so we'll look at those in further detail. TIF Funds can only be used for TIF expenditures. Enterprise Funds, Internal Service Funds, we're going to be building those up more in 2024 and 2025 budgets. Developer LOC funds belong to the City but we can't spend those dollars. Closed Debt Fund: Increased, but in the FMP, to put all the Pavement Management on it, the equipment we had identified, the street improvements we identified, and adding one full-time equivalent (FTE) per year, starting in 2025 to the budget, we needed to hold that levy steadier. So, we are using Closed Debt cash, not only in the 2023 budget but also in the 2024 budget. So, every year in the FMP they're using a little bit of that Closed Debt cash; at the end of year 10, that cash is gone. Now, there will be opportunities for us to build it back up, as we close funds. But we will need to watch that, and so we are using that Closed Debt to hold our levy increase steady.

Since the FMP

The FMP is only good until something goes wrong, and it's not going wrong, as we've got positive information, too: Assessment Values from the County: We were conservative when we did the FMP with a 2% increase of values per year; for 2024, we're at 9.9%. New Construction: In the FMP, we said $146M in new construction will be coming on, and we've got $176M coming on in 2024. Median Home: FMP had a 2%

increase, and they're going to experience an 11.8% increase. Insurance Premiums: Workers' comp. and property insurance premiums, received in April, were larger than we expected; she'll show a slide on that in a little bit to talk about the increases that we're seeing there. Continued Inflation: Especially with our fleet services for repairs. Budget Additions: From our departments, $1,289,965. Public Safety: Will receive a one-time Public Safety Aid of $1.7M from the State, which will come in December. There's a proposal on your table on how we would spend that down to alleviate the levy; we'll review that further later. Building Permits: FMP had decrease of 1%, but there's been a decrease of 3.88% in the 2023 budget.

Council Member Thiede asked how much of the Budget Additions are offset by the Public Safety One-Time Aid; Director Malinowski replied approximately $1M.

Council Member Olsen stated when we went through the FMP the first couple of times, he recalled one of the key conversation points was that it was a fluid document that could be adjusted based on variables, because there are a lot of variables that you just described. He asked if she had already input those variables; Director Malinowski replied yes, these variables are in the budget document that you have.

Council Member Olsen stated from the beginning of the process tonight, through when we have to ultimately make a decision, those variables are going to change more; for example, inflationary news came out today that was really positive. June inflation numbers were amazing, much improved. So, we'll have to watch if that is a trend. May was good, June was better than May, now the question is what will those July numbers be when we get into August. The home valuation for the County that you stated is not a final number, right? Director Malinowski replied that's correct; we won't know final numbers until November, but we'll have better preliminary numbers in August.

Council Member Olsen stated yes, August is usually when we sort of get pretty close to the right number so, we'll have to watch that, too. As we work through this process, ensuring that those variables get updated along the way could have an impact on decision making. So, he just wanted to make sure that that happens. Some of it will be good and some of it will be not so good, but ideally, the best data that we can potentially put in front of ourselves in August will have a good basis for making a final determination. The FMP will be talked about a lot, but one of the important elements of that FMP is its fluidity.

Council Member Thiede said that he fully believes in a Financial Management Plan. As he stated when we had that presentation, he wasn't all that pleased with the amount of spending that was in that plan. As he looks at this, though, in terms of the number, he knows you're saying that the Council all liked the $100, but he wasn't all that pleased with the $100.

Council Member Olsen asked Council Member Thiede if he voted for the FMP; Council Member Thiede replied he thought that he did. Mayor Bailey stated it was unanimous.

Council Member Thiede stated one of the concerns, and correct me if I'm wrong, but right now with all of the spending at the State level, they're projecting that the income tax is going to increase because they're putting in a bunch of ongoing programs with one-time money. Multiple things he's read are our income taxes are going to increase, instead of decrease, because of all that money that we had; he's sure they're going to give us a little money back, but he would imagine that people are going to be sensitive to that. He noticed that way out in 2032, you dropped the annual a little bit, probably to keep the average under $100. Obviously, things are subject to change, but he's just wondering if we can keep the front end at least for a year or two a little bit lower; granted, it's $2 or $3, but every little bit helps. Then, in the end, you change that $72 to $100; it'll probably fluctuate anyway, to keep that average under $100. So, it's just kind of a statement, an observation. Maybe our taxes won't go up; but everything he's read is that our income taxes in Minnesota are going to go up, he doesn't know how much.

Director Malinowski stated she thought in 2032, as we started to build up some of our reserves, our tax base, but she doesn't know if we can lower it right away, but maybe as we get into the plan further.

Mayor Bailey stated the Council's goal has always been to be more stable; so, one year we don't drop it really low, everybody likes that, and then the next year because we're pushing it higher, then the taxpayers ask what the heck. And that was part of the discussion through the FMP was to try to make it more even so that the taxpayer isn't on a rollercoaster. So, to your point on the $72 out in 2032, depending on what we decide this year, as an example, he believes we even used it in building contingency; so, if there are projects or certain things that are coming up in the years ahead, that we're putting money away to help fund those projects.

Council Member Thiede stated he agrees we have to plan for those things, we have to take care of the ups and downs. And $98 is just like in retail, it's perception; $98 is a lot less than $100. So, it's just his observation, and he knows his is probably not going to be a popular opinion, but he just wanted to bring that up.

Administrator Levitt stated she knows Director Malinowski is going to give you some advice about our Internal Service Funds, but when we kept the levy low, we were essentially taking cash and driving those funds negative. Obviously, that's not a way that we can be sustainable. So, now, we need to replenish those funds and create sustainability. We recognize when we had the COVID pandemic, we wanted to hold the levy low because obviously residents were incurring a lot of hardships. Unfortunately, now we do have to replenish those funds to stabilize them.

Director Malinowski stated we can get into this more when we look at the HERO Center, but we have a HERO Center Contribution of about $49K; we would contribute $49K and Woodbury would contribute about $84K. That contribution is funded based on our percentages of licensed police officers. We have an operating deficit per year when we budget; we usually end up okay, but starting in 2022, we had a deficit just because of high utility costs. So, we're talking about starting to fund that. Then, if it's not needed, it stays in the fund to fund future capital and maintenance needs. So, we'll look at that when we look more at the HERO Center budget.

Internal Service Funds for insurance, workers' compensation, and property insurance: Those increases were things that were unexpected since we did the FMP in January and February. In 2022, workers' compensation had a 38% increase and that was after a

52% increase in 2021, and in 2023, we had another 10% increase. As you can see, green is what we budget, and blue is our actual expenses, so, we just haven't been able to recover for three years there. The same with property insurance; we went with a new broker for 2023, and as they looked at the values on our insured properties, we weren't insuring ourselves high enough for replacement value, which is driving the 19% increase there. As you can see there, too, we just haven't been budgeting enough to cover the expenses.

Council Member Olsen asked if we need to go back to the previous broker. Council Member Khambata stated that's not going to work, most insurance is going up. Council Member Thiede asked if they made any commitment on value; do we have any recourse when we went with them, did we have a bid process for that.

Administrator Levitt replied we had an RFP process, and interviewed four companies and their services. To be honest, the bad thing is we were greatly underinsured; so, the previous broker wasn't doing a good enough job evaluating each of our buildings, the additions, etc. So, this broker was able to go through each and every property we own and insure, to make sure the proper replacement value was accounted for, but you saw that in your packet at the last Council Meeting; that was a $100K increase in our overall insurance package.

Council Member Thiede asked if they were still comfortable with these folks. Administrator Levitt stated yes, we just signed on with them, and the previous service wasn't very good.

Mayor Bailey asked what's the timeframe of these contracts, are they yearly, 5 years, 10 years? Director Malinowski replied we renew our workers' compensation and our property insurance annually with the League of Minnesota Cities. Our insurance broker contract is either 3 or 5 years; Administrator Levitt stated she thought it was 3 years, and we're required to have a broker. Mayor Bailey stated he was just unclear as to how often we go to RFP.

Council Member Olsen asked what the League recommends in situations like that; they insure us for certain things, but asked if they have any Best Practices that are updated every year.

Administrator Levitt replied she thinks their recommendation is to use a broker and to ensure that they're properly reviewing our full valued assets. Council Member Olsen stated then they can shop it around and see what's best.

Director Malinowski stated for 2024, Workers' Comp may come down, as the State had some changes to PTSD claims; so, whether that's going to have a change in our workers' compensation rate for police and fire, we don't know, so it's conservative on our budget.

Director Malinowski stated with our Self Insurance Fund, it's showing that in 2022 we used approximately $564K of the existing fund balance; in the 2023 original budget, another $166K of the existing fund balance is budgeted to be used so that levy dollars could be used for the IT Fund in the 2023 original budget. Due to higher than budgeted insurance premiums in 2023, $344k will be used of the existing fund balance. However, in 2024 and 2025, the fund balance will start to go positive in these years.

Council Member Olsen asked if that's where they put the SWCTC money; Director Malinowski replied yes, it's in the IT Fund.

Director Malinowski stated this is a Health Insurance increase of 10%, Workers' Comp of 7.5%, and then Property Insurance of 8%; those are assumptions that we're using for 2024.

Administrator Levitt stated just as a reminder about health insurance, we don't get real numbers until like August, so we won't have a real firm number on that. Just from our overall Self Insurance Fund, she wouldn't wager on a couple of percentages in our health insurance to change that value; you can see where our overall expenditures are in relationship to our revenue, so we need to replenish this fund.

Director Malinowski stated she alluded to our Fleet Services Fund and the outside parts and labor, and here it's showing our budgeted amount in green and our expenditures in blue. It's clearly showing in 2022 and 2023 how much inflation has played a part on this budget, for the parts that we had to pay for, for our repairs that we do inhouse, for our outside invoices that we pay to do repairs on our vehicles. The other thing she thinks is hurting this Fund a little bit is because of supply-chain issues, as we've got cars and trucks that we haven't been able to replace as quickly as we would like in our budget, so we're seeing some increased costs there. So, our aging fleet is having its impact on that budget. Here is what we're proposing for the Fleet Fund: We had a cash increase in 2022, 2023, 2024; as we concentrate really heavily on our other funds, we can't concentrate anymore on this fund, small loss, and then we start to get lower in 2025.

In the FMP, we said we weren't going to solve all these Internal Service Funds every year; we're just going to be extremely honest and do the best we can, which was done.

On the screen is the increase of $1,733,080 that we're getting from the State. We'll get that in December, it's a One-Time Aid, and there are specific types of things for which we can use it: Community Violence Prevention, First Responders, etc. We did a spreadsheet with our recommendation on how to use those funds. In 2024, we have one police officer in the FMP, and we're also recommending bringing on another police officer. We have Toughbook computers that need to be replaced per some State guidelines and our WatchGuard body-camera system. In the Fire presentation tonight, we already had one firefighter-paramedic in our FMP, and we're saying we can bring all three on with the Public Safety Funds in 2024.

We have $100K for the Fire Staffing Plan that we'll talk about later.

We believe that in the budget, we'll start to decrease the amount of Public Safety Aid that we use per year, until we use it all in 2026. So, in the far-right column is what we're adding to the budget, or the levy, per year. We have SCBAs in 2025; they are looking for grant funding for those SCBAs. We could not go out for grant funding requests until they got to a certain number of years, and that's not until 2024 when we can solicit grants for that. If we get a grant, then we would look at that Deputy Chief position to fund with the Public Safety Aid.

Mayor Bailey asked if we get the grant funding, is that Deputy Chief position then in those levy numbers for 2026 and 2027; Director Malinowski replied it wouldn't be yet, but she needs to make that change, so thank you. Mayor Bailey stated yes, just so we're good and would have that real number.

Director Malinowski spoke about various funds, which may impact the levy:
Municipal Building Fund: She said in the FMP, we looked at our goals. Right now, we are getting about $40K in antenna revenue down at Public Works; that is the only revenue that's going into our Municipal Building Fund. So, we are increasing that by just $50K, just to put some more funds in there for things that break on our buildings that we need to repair. It's not a lot, but that's been worked into the FMP.
Economic Development Fund: We discussed that we should at least fund our salaries for our EDA, and so we're increasing that by $150K in 2024.
Debt Funding: We'll go into further detail on another slide, but right now we're at a 9.99% increase to the levy. In 2023, we included the General Fund and then we transfer it out to our Equipment Replacement Fund. What we're doing for more transparency is we are doing a Levy Fund, called our Equipment Money. As you can see, we're not doing that in 2024 because we needed to use our levy dollars in other places, and that will be identified in the FMP. So, we're going to start funding equipment in 2025; in 2024, we're already replacing equipment, but we're going to use existing funds in our Equipment Replacement Fund. In 2025, it says we will have a 14.3% increase, and we do have this TIF District 1-12 decertification at the end of 2024, which will impact our 2025 levy. So, as we looked at the FMP, we said that we could have a higher levy increase in 2025.

Council Member Olsen asked if the number for 2024 is the number that is in line with the FMP that we discussed. Administrator Levitt stated no, the levy of 9.99% is not in line; Director Malinowski has a slide to show the comparison.

Mayor Bailey asked if a TIF District decertifies, doesn't that put more money into the budget, or into the revenue?

Director Malinowski stated if you don't increase your levy, it will lower your tax rate. And, so, we just need to put more into our levy and build up the same tax rate effect. Mayor Bailey stated he may have to just think about that separately. It's just we always talk about TIF and once things come off of TIF, the revenue from what used to be the portion captured for TIF goes up into our tax capacity. Director Malinowski stated it will go increase the tax capacity, so, we can increase our levy more because our tax capacity has just gotten bigger. Mayor Bailey stated he was thinking about it the other way, but now he understands what she's saying.

Director Malinowski stated even with TIF District 1-12 decertifying, we are showing a tax rate increase in 2025, but she doesn't want them to think that we're going to drop our tax rate in 2025 because we're not. We're using it to fund some of the street projects that we're bringing on and to start funding our equipment again.

Council Member Thiede asked with that $600K in Equipment Levy, he asked Director Malinowski to speak about that again in terms of having it called Equipment Levy instead of just the regular.

Director Malinowski stated right now it's in our General Fund levy, and then we do a transfer out of our General Fund; so, we have a transfer out in line items in 2023 that we're budgeting in our General Fund, and we're transferring it out into our Equipment Replacement Fund. This is a little bit more transparent when somebody looks at our levy that they will see that we are funding $600K in equipment, instead of having to go to our General Fund and find that transfer out of the General Fund and see the transfer into our Equipment Fund.

Council Member Thiede stated we should see the General Fund levy go down because we're taking that $600K out of there. Director Malinowski stated the other thing is we're having to fund our Internal Service Funds more, and our additional funds. So, yes, she agrees with that, but it was all a balancing act is how we looked at it.

Director Malinowski stated our sample properties still are favorable, and now we're looking at a 10-year history. It's showing that sample Property #1 is showing that tax increase, based on the 9.99% levy increase. The levy amount of 9.99% or 14.3% in 2025, so sample Property #1 lost $90 in 2024, and goes up to $148 in 2025. So, another option would be to start to levy for our equipment in 2024, $350K, so we'd have a levy increase of 11.68% and then a levy increase in 2025 of 11.05%, so sample Property #1 would be $110, which is what we showed in the FMP 2025 year. So, at $106, it's about $6 over what our FMP says, but it's a little bit more in line with what we're looking at.

Mayor Bailey said if he's looking at the numbers right, it's always important to look at the history. So, from 2014 through 2024, when it's the 9.9%, he asked if Property 1's average increase over that period is a 6% tax increase? Director Malinowski replied no, the market value is a 6% increase, the change in the City taxes is 3.6%.

Director Malinowski stated here's another option, which is more consistent, for 2025. In 2025, we had the $600K in equipment, so here we're putting $300K in 2024 so that we can blend it more into 2025. In 2025, we have $100 in the FMP, and right now we're at $106. For 2024, sample Property #1 is $110, with preliminary numbers.

Council Member Olsen stated that's with preliminary numbers, so that could adjust slightly, but that is what the FMP recommended, which Director Malinowski confirmed.

<u>Debt Issuance</u>: Director Malinowski stated just a reminder of what's in there: In 2024, we are putting on the levy for debt for Pavement Management, a Glacial Valley Park building, and we are starting to put East Point Douglas on there. So, the debt levy increase for 2024 is $875K, and that's consistent with what we had in the FMP. In 2024 and 2025, those are the projects that we're bringing on; we're already bonding for East Point Douglas and Jamaica in 2024 and 2025 Pavement Management, and then we start to levy for Shoppes at Cottage View.

Council Member Thiede asked where is potentially Keats Avenue at, in terms of if we're changing that whole road around with County and everything else.

Administrator Levitt replied at this point we don't have it specifically programmed. Council Member Thiede stated so it's not even in here, so that's going to potentially create quite a blip, right; how much do we anticipate that that's going to affect our debt?

Administrator Levitt replied if you think about a $33M project, usually, even if you get full Federal funding, you're still going to be responsible for 20% of that. So, at this point, you're probably easily going to be at probably $6 or $7M.

Council Member Thiede asked if we're doing any projection of that in these numbers; obviously, with the FMP, you're trying to maintain a level, and you're trying to anticipate some of these things like that, which we know that one is very important.

Director Malinowski replied we are working on the CIP right now, and we will be bringing it to you at the second meeting in August. At that time, we'll have a better picture of the next 5 years, about things to identify and put on.

Mayor Bailey stated that's a good question. Other than some of this other money that we're starting to get sprinkled in, there's $7M from Met Council, $3M from the Feds, so we're at $10M of that total number. He's assuming if we work with 3M, some of the property we're negotiating with 3M on, swapping land, and part of the value that you're talking about, what the cost would be to the City may be less; because what we would end up doing is our cost part of it will be the land swap, us giving up Miller Road to take over together. So, in our particular case, the goal would be, and he thinks 3M's been good with that, is whatever the value of that road project would be, or the value of the land where the new road is going to go, will be part of what our contribution will be. So, he hopes it won't be $6 or $7M, but he's keeping his fingers crossed, including some additional revenue would also help.

Council Member Khambata stated with the breakdowns for the 2024 and the 2025 levies, if the TIF is going to be decertified and we have more tax capacity, is there an accurate way to show how that offsets like a per household obligation? Because a 10% increase in levy, if 5% of that is coming from a decertified TIF District, then it's really a 5% increase per household levy, the effective rate.

Director Malinowski replied when we did the FMP, we are making assumptions in 2025 of those TIF Districts coming off; it's figured in that number.

Council Member Olsen stated Ehlers had that slide, where it showed the TIF Districts and when they were dropping off and what that would do to the levy. He doesn't know if we or Ehlers still has that slide, but maybe we can look at that again next time. Director Malinowski stated yes, and that TIF District coming off in 2025 is that $148 or that $106, and that is after it comes off.

Council Member Olsen asked if it can be adjusted for LGA, and that's in there, too, right? Director Malinowski confirmed that and noted that's a big number. Council Member Olsen stated but we didn't have any in the original FMP, so it's a rounding error, but it's something. Administrator Levitt stated $54K compared to $23M; Council Member Olsen stated that's huge cash. Director Malinowski stated there's also a COPS Grant that's falling off, and so it just replaced that; it worked out fine.

Director Malinowski stated our levy is in the packet and in front of you; it's just showing more of the detail. We've got our call dates there for our debts. There are two issues in 2024, but really we wouldn't have interest savings on those because the interest rates are lower on those debt issues, and we don't have any money in our Closed Debt Fund to essentially call them. She's circled the 2018 A Bonds, as we are using $100K of

Closed Debt so that Debt Levy in 2023, which is $350K, we're dropping that to $250K. And then in blue is the debt that we're bringing on; so, we're bringing on Glacial Valley Park building and the 2023 Pavement Management, and we're starting to put on the debts for the East Point Douglas Road Project. So, we're at a 9.99% levy increase. In 2025, we're bringing on our future Pavement Management debt there, and then we're starting to issue Equipment Certificates; that was something that we identified in the FMP that we needed to level out our levy, and so, we are issuing some debt in 2024 for equipment, and that starts to get paid off in 2025. We'll show that in another slide.

Council Member Olsen stated he knows we're not doing CIP right now, but he asked if we had an estimate on the Kingston Park building. Administrator Levitt replied off the top of her head, no. Council Member Olsen stated he thought Director Zac Dockter at one point had said 2024, but he just can't remember. It's been on the plan now for the last couple years, but we pushed it back once; he just didn't know if we were going to do that again.

Director Malinowski showed the history of our tax levy since 2014, and it shows that we increase our levy every year. However, our tax capacity or taxable values have actually increased at a higher rate every year. So, when we do our City tax rate, we continue to fall, so, we'll be at 3.215, which is a 5.25% decrease for 2024. So, Council is doing a good job.

Director Malinowski spoke further about the Equipment Replacement Fund; we'll talk about what the equipment is next time, but here's that fund. At the end of 2022, or beginning of 2023, we've got about $1.6M in the fund. We have paid for $99K in equipment so far this year. We have $694K of equipment on order, she thinks our dump trucks and then one other truck that we were able to order. We have $468K in equipment that we have in our 2023 budget that we've been unable to order because they're not opening up the fleet contract at the State yet. And, so, that $468K is based on budget numbers; we're not sure what that's going to come in at. So, that $809K that we've got in ending fund balance at the end of 2023 could be less if that equipment comes in higher. So, it's just a little bit of a caution there. In 2024, we had talked about if we needed to decrease our levy for our operating, we are not funding equipment, and there is $410K coming in, in 2023, for equipment.

Administrator Levitt stated one of the things, too, as Director Malinowski said, you authorize us to purchase vehicles, but let's say you authorize 6, and we were only able to get 1; so, that's why a lot of that is pending because we weren't actually able to make the purchase.

Equipment Purchases: In 2024, we've got about $1.5M, and we'll look at that next time in more detail. We are issuing Equipment Certificates for anything that we can, so equipment over 5 years. So, at the end of 2024, we will only have $57K in the fund.

In 2025, we know that we're going to have to push something else because we've got negative cash there. So, by starting a levy for that equipment this year, as we talked about, if you're comfortable with increasing our levy, that would give us some flexibility in 2025.

Council Member Thiede stated we have to pay attention to the things that we can control and things we can't control. Things like bonds and so forth, we don't have a whole lot of control over what's in place, really, right now. Things we do have control over is what we need to spend money on, and a decision has to be made on spending money. Like it or not, equipment is one of those areas; so, he thinks we need to really take a look and it used to be that we went through the budget process and identified purchases of equipment, etc. but the big ones still came through to be approved at Council before they got bought. He's not sure he recalls seeing over $1M of equipment coming through.

Council Member Khambata stated one of them was a new plow truck, at $250K for one truck; Council Member Thiede stated he remembers that one. There were two or three cop cars, those were $90K each. Council Member Olsen stated those were on our CIP last year. Council Member Khambata stated so that's $600K right there.

Council Member Thiede stated we used to still have them come through, just because they were on a previous budget. Administrator Levitt stated she'd pull the Council items for the vehicles.

Mayor Bailey stated he believed it is, but the only one he doesn't recall, but knows we tweaked it a bit last year, was if squad cars were still through Council, too; he thought we changed the one, the big stuff.

Council Member Olsen asked Greg Rinzel, Deputy Director of Public Safety-Police Captain, if they didn't have to buy a couple unmarked. Captain Rinzel replied yes, they went out to open market on one, but we bought that through a forfeiture. That one came through Council because it was through a forfeiture, and it wasn't already authorized in the previous year's budget.

Administrator Levitt stated any time a purchase is above the budgeted number, we bring that back for authorization; so, you've seen a bunch of equipment-related items due to increases.

Council Member Olsen asked if there's supposed to be another bonding bill next year because they missed a year; so, they did one for this legislative session, but they missed 2022, so they're looking at doing a second one in 2024. So, if there's anything we think we want State bonding money for, we should be really working hard at that right now.

Mayor Bailey stated we're actually already in there; Administrator Levitt stated the project we submitted down there was the 100th Street project.

Council Member Olsen asked if there was anything else. Administrator Levitt replied no, because the difficult part is we don't necessarily have the money to make the match. So, as Director Malinowski said, if we're using all of our cash, if you went to the FMP number, this is the place where we put that increase in, to be able to make this fund more stable.

<u>EDA and HRA Levies</u>: As we worked through the FMP, we talked about EDA Levy vs. HRA Levy. An EDA Levy is subject to levy limits; it can be used for one other thing that the HRA Levy can't, which is business loans and development. So, they're not the same, slightly higher amounts of our estimated market value that we can levy for, but

it's a base number either way, so that really isn't something to think about. EDA Levy: Those are included in our City property tax levy. HRA Levies: Are separate levies on our property tax statements. So, in the FMP, we are building that EDA/HRA Levy quite a bit; she thinks it's almost $1M at the end of the plan. So, it's something to think about if you want it to be an EDA Levy or an HRA Levy.

Council Member Olsen stated the HRA Levy would be more transparent, right, because it's a separate line item. He was told yes, it's a separate line item.

Administrator Levitt stated if you start looking at the HRA Levy, the legislature added the sales tax to go towards affordable housing. So, one of the things to keep in mind is if we have the HRA Levy, we might have more matching dollars to be able to bring in more of those funds. But we also know that redevelopment is probably one of the next things that is a big-ticket item; so, the HRA Levy would be used for that. So, at this point, the levy would be like .12% if you went with an HRA Levy, and that would be a separate line item; that would then also cover the cost of your staff salaries that was advocated for, and you could also put the Façade Improvement Program under an HRA Levy.

Mayor Bailey asked would you still then just leave the General Levy as the same, or would you say we wouldn't do the EDA Levy anymore? Or can we do both? He was advised yes, we could do both. He knows both are treated differently and legally they're different. Director Malinowski stated Ehlers pointed out that if we were thinking going HRA, our EDA has HRA powers, so we are allowed to do that, but we should talk to our attorney to make sure what we can or cannot spend HRA dollars on. Mayor Bailey asked if they were doing that and checking first; Director Malinowski stated we're asking if you would like us to check that. Mayor Bailey stated personally speaking, he would, just to see. We've had this conversation a couple different times, because depending what city you look at, some of them do one or the other, a couple of them do both; he's not against looking at the HRA, at least letting the attorney share with us what that is and then bringing it back to Council. Council Member Olsen stated there's no harm in getting that information. Mayor Bailey stated even with the Trellis situation, it either comes out of the EDA Fund or in this case, if it was the future, it would be an HRA. We could then look at using the EDA Fund for something that's more specific to maybe non-redevelopment, some of the projects that are out there, greenfield developments.

Council Member Khambata stated the nice thing is if we add the HRA Levy fund dollars to buy a property that we have earmarked for housing, as opposed to using EDA money and depleting that fund. Because what we're going to run into, if we continue to get a lot of development, is we're going to have more projects, more opportunities than we have cash flow. We're going to find ourselves wishing we had done this when the opportunity to levy was there, because when it's time for those people to come to the table and ask for $200K, then where are we going to get it from. We can't tell them to come back in two years, and that opportunity will pass.

Council Member Olsen stated there are different rules that apply to that fund, as opposed to the EDA Trust. So, we have to be cognizant of that because sometimes you can use EDA Trust for something like that, sometimes you can't, it depends on the project.

Administrator Levitt stated Director Malinowski put together a quick summary of the EDA Fund and the EDA Trust Fund, and you can see the balances in there. Just as a note, we did the Interfund Loan for the golf course to pay back. One of the big-ticket items is the South District streets, which we're going to front the money until the assessments come in on the back end of those properties south. So, like MWF, Norhart, Graymont Village, all of those will be close to the property, those assessments come into it. So, we're using that to not actual bonding for the 100th Street by NorthPoint for those projects. So, it's saving you Debt Service at the moment for those.

Council Member Olsen asked if they did not include the donation amount on purpose because we don't know that we can always count on that; Administrator Levitt stated that's correct.

Mayor Bailey asked so basically looking at it, as it sits today, with the EDA Trust in 2025 will be back at $3.5M, which was confirmed. Council Member Olsen stated but that's not including any rolling donations, which was confirmed.

Mayor Bailey stated the EDA Trust is separate from the EDA Levy, and the EDA Levy is only $275; Director Malinowski stated yes, it's up from $125 last year. Mayor Bailey stated and that's basically to cover the expense of the employees that are part of that, which he was told was correct.

Director Malinowski stated we're showing that the golf course loan will be paid back in 2024, when we issue debt for that in 2025.

Mayor Bailey stated he gathered and is hoping everybody's good to hear from the attorney regarding the HRA, and there is some interest in that.

Budget Changes

Administrator Levitt asked Director Malinowski to walk through the next section; this is taking all of the budgets from every division, and we'll kind of go through what was in that change, and then we'll also through budget cuts.

Director Malinowski stated in the FMP we included some increases on the Internal Service Funds as with the premiums, we needed to increase those even more. Utility increases in our Fire and City Hall buildings have been larger than we had anticipated. We've got that HERO Center contribution of $49,495 that will sit in the HERO Center Fund if they don't need it. Assessment Services with the County is the amount that we experienced in 2023; we know we can use that going forward, so we increased that. Then we've got the Budget Additions (BA) that were approved. Building Maintenance Costs: We had a janitorial contract that went out earlier this year, so we had to increase janitorial services. We're recommending that the Comm Study be done in 2024. The Fire Annual Mental Check, that will be similar to what's done in Public Safety, is $5,400. Glacial Valley Supervised Playground: That's at 0 in this list because they identified expenditures that they needed for salaries, but they also have residents to offset it, so that's at a 0. Increased salt costs for the Streets Division, the State contract came in over what we anticipated; there's not any additional salt, but just an increase in cost. A BA for Parks, and we'll talk about that more when they come in; right now, they've got a position that's funded 50% by Parks and 50% by Ice Arena. They're asking for the position to be 100% Parks and then another position to be 100% Ice Arena, and that's at a 0 also because they identified revenue to offset the General Fund cost. Recreation Coordinator, 40 hours per week, that's also offset by revenue. The BA for the fence at Public Safety is in there; she believes City Council is still looking at that, so, it's just identified that we need to look at that. We reduced Building Permits, we already talked about that, so that's increasing the levy, but to offset that, we are keeping an inspector position safe in 2024 and will bring it back on in 2025.

Administrator Levitt stated we had a building inspector leave at the beginning of June, and we're not backfilling that position; so, we're holding that position open and will hold it open all the way through 2024, and then monitor where the building permits are at, to bring back the position in 2025.

Director Malinowski stated we looked at engineering revenues, and so, we can actually decrease the budget because we've got public projects that we are funding that will bring in revenues for that. Credit card fees needed to be increased again; we're finally, though, at the amount that we need to be in credit card fees. We are moving 2/3 of the Public Works cleaning and utilities out to the Utility Fund; that hasn't been done in the past, but just to recognize the Water and Sewer personnel at Public Works, so, we can do that for a couple years. Public Safety Aid will lower the levy, but then we're bringing on the Toughbooks and WatchGuard. Hiring the additional police officer that wasn't in the FMP, the three paramedics, and then the Fire Aide to the City in the Fire Staffing Plan, which we'll go into more. So, we're at a 8.05% increase to the General Fund there. Director Malinowski spoke about items that weren't funded, so that's another 4.5% increase on the levy that we could've had; we should note the SBCAs are being funded in 2025 with Public Safety Aid.

Public Safety

Public Safety Director Pete Koerner stated our Public Safety team did a remarkable job; we had many spirited conversations as we're all very passionate about each of our divisions, so there were many challenges. When we started this, we were following the direction that was given from the Council, as well as what we saw in the FMP. A lot of our initial ideas changed when we got the State Public Safety Aid funding, but we went into this knowing that there were a lot of increases that were outside of our control, including utility costs, cleaning costs, the supply chain, and inflation. Expenses from 2018, when he was first promoted, to now have dramatically increased. We sat down as a team and tried to prioritize this; it's a challenge in a Public Safety Department for him to prioritize Police to Fire to EMS, as they're all valuable components of the Public Safety model under which we operate, but thinks they did a really good job of going through the details. They made sure to remove areas where they were underspending, and if there were areas that they were getting closer to, they adjusted them. With the different priorities, they really looked at staff as one of our priorities. Obviously, we followed the FMP, but that Public Safety Aid money changed things.

Unfortunately, Dan Anselment was unable to be here tonight, but the HERO Center is doing incredibly well. It was a challenge opening amidst COVID, as there were a lot of unknowns, but things are starting to stabilize, especially with utilities. We had to give utilities our best guess as to what those would cost. Unfortunately, with some of the changes other departments made with training during COVID, there was a shortage of officers in most agencies, which reduced some of their training, but Dan has done an incredible job.

Administrator Levitt, Director Malinowski, Captain Rinzel, and I are members of the Financial Operations Committee, so, he asked Dan to highlight some things. The big accomplishment was with Rasmussen University; they're still at four classes, and didn't have enough for a fifth, but they're hoping that things will start going that way. Dan is always trying to get more users in there. It's amazing how many agencies we have coming here now that already are members at South Metro, but they don't even have the availability.

A big push, too, is Dan wants to have the additional civilian courses for public users and different things for Public Safety. We're trying to learn what are the valuable training sessions that we could have, and many of them are based on deescalation; we're constantly trying to market that and make sure people are utilizing it. With the mat room, we could probably have four of them and still have a demand for that. Dan has also worked with a lot of outside venues, so, it's not all law enforcement using our training room; 3M has used the classrooms, as has the School District, who is there often. There is a need in the community and it's been well received.

Director Koerner asked Director Malinowski to comment on the finances. She stated in 2024 and 2025, she talked a little bit about the blue, which is the partner contribution; while they budget their revenues and expenditures conservatively, there is a deficit budgeted each year. When the Committee met, we talked about starting to do a contribution of that deficit. So, we took 75% of that deficit and we put it between Woodbury and Cottage Grove, based on the number of officers, and if it's not needed in the fund, it would stay to fund that capital in the future. So, for 2024, it'll be $84,271 for Woodbury and $49,403 for Cottage Grove. We've included this in the General Fund and Police budget, under Training.

Council Member Thiede stated he remembers when we started all of this, we said we'd be in the red for probably a couple years. You said we've done great, yet we've still not got revenues that are outpacing expenses.

Council Member Olsen asked if last year was in the black; Director Malinowski confirmed that 2021 was in the black, but 2022 was not, and that was due to increased utility costs.

Administrator Levitt stated she thought there were a few factors: We opened right after COVID. Another challenge was the civil unrest, and then there are the PTSD claims, people are leaving the profession, so a lot of cities actually had to cancel training because they were short staffed. So, the variables that have been affecting it unfortunately have been the perfect storm of challenges to even get to our operating model and the assumptions we had. We've been working with challenges since we opened, so, it wasn't ideal.

Council Member Thiede asked if our goal is still to have revenues outpace expenses for the HERO Center; Administrator Levitt replied absolutely. Council Member Thiede stated it doesn't look like it. Administrator Levitt stated no, because the cost to operate it with utilities, to operate a range, which is a key component, we have utility expenses from Xcel, electric and gas, that are outpacing anything that we could ever charge. We'd charge ourselves out of the market and drop our demand.

Council Member Dennis stated we see the graph; you've got a scale of dollars, but what is the difference for revenues vs. expenses?

Director Malinowski replied in 2021, we had a surplus of approximately $31,000, and then in 2022, we had a deficit of $26,000; so, we were able to combine those two and not have to have the cities contribute. But just looking forward, it makes some sense to start doing a partner contribution; if it's not needed for operating, then it can be used to fund future capital.

Council Member Dennis stated utility costs are fueling a lot of this problem, so, are there controllable measures that we could do that might not be earthshattering; for example, maybe the thermostat gets set two degrees different for temperature control. Maybe we don't have to run the lights fully on all night when nobody's there; he thinks when he drives by the facility, isn't it lit? Why are the lights on 24 hours a day?

Director Koerner replied that's a security feature; we have the armory there with all of the ammunition and guns.

Council Member Dennis stated but we have that fully alarmed though, so, if something were to happen, we're right next door. He's just thinking there are small controllables that we can do that might not seem very large, but if you add a number of items together, all of a sudden we'd balance it out.

Director Koerner stated yes, and Dan has reached out to Xcel Energy to see if there are any programs to do an assessment up there, also, an energy audit. He knows that Dan is in the process of doing that.

Council Member Dennis asked if we were on their system that allows them to turn off AC at different times based on electrical draw. Council Member Olsen stated that's the Saver's Switch. Council Member Dennis stated he knows that can be done with residential properties and with businesses, and he thought they were looking at doing that at Almar Village at one point; the savings are actually pretty decent. Council Member Olsen added and it helps you spread your costs evenly over the months. Council Member Dennis agreed and stated he's just looking at controlling controllables.

Council Member Olsen asked about its operating hours; Captain Rinzel replied there are varying hours. Rasmussen is a Tier 1 user, they're educational, they do 6:00 to 10:00, including weekends. Obviously, the range is open to the public on weekends. So, we run pretty extensive hours, so it's very difficult to do a lot of those Saver's Switch features other than we have room occupancy lights and other things that go off; the only lights that should be on past 10:00 p.m. are the main entry-foyer area, everything else is off unless the janitors are there.

Council Member Olsen said we have the security lights around the back, too; Captain Rinzel replied those will only go on when we turn those on, they're not automatic, as those are actually training lights.

Captain Rinzel spoke about the history: When we first did this initial plan, East Metro was our biggest comparable; their owner agencies each contribute, based upon a percentage. So, Bloomington every year, regardless of the use, contributes about $180K; that's their given cost. All the people that use this have costs of literally $150K, that's the least amount, and that includes Edina, who is an owner. We didn't want to do that. So, that's why he thinks, Council Member Thiede, we kind of talked about a five-year plan; we thought in five years, we're really going to start to know where we're at. We outpaced that to the point where we hired somebody this last year fulltime, Joe Montey, from Public Works to the HERO Center; so, the biggest change you saw is the cost of the employees. We went from Dan, to Dan and Bri, to Dan, Bri, and Joe; so, just the FTE is $120K including benefits and everything else, and that's really your change. That, along with the mechanical increases that we had; we had no idea what it was going to cost.

Council Member Khambata asked if our department still pays for our usage there; Captain Rinzel replied no. Council Member Khambata asked what would our department be paying if we didn't have the HERO Center, would it be more than or less than this amount? Council Member Olsen and Mayor Bailey both said it would be a lot more.

Council Member Khambata stated so, it's still a net gain, even though it's not clearing all of its own expenses; it's an offset for our Police Department budget.

Council Member Olsen stated when we used to have to do the highway, etc. it's a question of can we even get there, is there enough time. Captain Rinzel stated the biggest cost on that is employee time, travel to and from; we did an analysis when we were first looking at this, and we spent $300K a year on travel time. Traveling to and from the training site, lost wages, and more lost training time.

Council Member Khambata stated he's understanding that, with everything else. So, he thinks it's still a net benefit to the City, but then we don't have control over the Xcel Energy costs, the State regulates those; if they're going to go up, they're going to go up. But the amount of money we're talking about is equivalent to maybe encouraging people to not slide off the road in the snow and incur an accident on a squad. If we were going to focus that heavily on how to reduce our utility costs, that same amount of effort could curtail overtime expense by a disproportionately larger amount. So, if we really wanted to try and tighten things up, he thinks it's novel to think that we can do it by turning the lights off, which we should be doing; that's a pretty small line item in the grand scheme of things if we're trying to be cognizant of expenses.

Council Member Olsen stated it's smart, though, to have that energy audit, wouldn't you agree; Council Member Khambata replied, oh, heck, yes. Because like Council Member Dennis said, you can save $10K a year. Council Member Khambata said it's a parasitic loss.

Council Member Dennis stated in his mind, this is no different than what we had with River Oaks where we lost money for 25 consecutive years until we took it over. So, the thing is you can look at this and say wouldn't it just be nice if we could just balance the books; we don't have to make a dime, just have it pay for itself. The rest of the amenity, the rest of the cost that we get for being able to run our operations through there, that's all incredible icing on the cake. It would just be nice to have the business support itself.

Council Member Olsen asked Captain Rinzel if for 2021 and 2022 we basically are flat, with a $5K net gain for those two years. Captain Rinzel replied we were basically netting, yes. The big one is literally in the courses that we offered if we had just had people sign up for the courses that we already offered, it was literally a $45K deficit, and that in and of itself would have paid for it. So, you're looking at there's just a lot of variables that occur that makes this very difficult. He thinks what Finance wants us to do, and he's not speaking for Director Malinowski, is to have some buffer, too. If we do really well one year, we can still put money in there. So, if we don't do well the next year because of energy costs or other things, we don't keep coming back to the table; that becomes its own self-supporting business.

Council Member Olsen stated it's like the Ice Arena or anything else. Council Member Dennis stated it's how we do personal budgets; it's always recommended you have 6 months worth of living expenses put aside in case you lost your job or you got injured or something like that. Council Member Olsen stated right, and you'll have capital needs at some point; the building is going to age. Captain Rinzel stated that's kind of what we're trying to do is over a long term have a FMP so we'll keep putting money away, so we don't have to keep coming to Council asking if we need to do another energy audit, or how do we shut the lights off.

Council Member Khambata stated he thought moving forward it was a good idea.

Mayor Bailey stated we're talking about $30K, and so, we'll be digging into some bigger numbers a little bit later. He said when the original proposal came through to us, there was a more significant deficit projected for the first five years. Council Member Olsen stated it was projecting a $250K deficit. Mayor Bailey said so, we're markedly better than where we thought we were going to be. If the energy costs are a bit of a challenge, his thought process is we do the energy audit, which makes sense, but he asked if there's an option to do something like solar or something on that building that would help offset those costs.

Captain Rinzel replied we looked for grants last year and we went to the State, and we asked our Community Engagement Officer to dig around on any energy savings or anything to do with green energy, anything that we could do to put on there. We looked and there was nothing available; that doesn't mean we're going to stop looking because hopefully we could find something, either Federally or with the State.

Director Koerner stated there's a lot of real estate on top of the range. Mayor Bailey stated that's exactly what he was thinking, and the reason he's bringing it up is he'd heard on the news earlier today that part of this massive stimulus money that came through, come December a couple billion is going to be divvied out to all the states to use for like solar, wind, or whatever.

Council Member Olsen asked if that was tax credits or is it actual cash; Mayor Bailey replied it's actual cash. Administrator Levitt stated that's what we're actually looking at for the Ice Arena; we've already got proposals for the Ice Arena. Mayor Bailey stated if there's going to be a pot of money out there and we can help our expenses, whether it's the HERO Center, City Hall, the Ice Arena, or Public Works, we should.

Captain Rinzel stated we'll look both Federally and with the State and talk to them; specifically, Representative Angie Craig's office, because we really are looking for green energy or anything solar that we can put on this building. Mayor Bailey stated that's perfect. Council Member Olsen stated that's part of that GreenStep Cities thing that we're part of, too, so that makes perfect sense. That's a good idea, Mayor.

Captain Rinzel stated we raised rates on other things for the range, so we're doing those offsets. Mayor Bailey stated his whole point is he remembers it was $250K between us and the City of Woodbury from day one; do I want us to break even? Yes, our goal has always been to break even, and then have money left over for the future needs of the building.

Director Koerner stated he knows Council is well connected with what we're doing, but there are a couple accomplishments of which we are very proud: One of our goals was the Peer Support Group, and they've kicked it off this year. We've already been doing the neck-up checks, and to piggyback later on the Fire and EMS, we want to roll that out for all of our Public Safety folks. He thanked Council for all of their support on all of the things that were listed.

When we get into our goals, the main thing is in the FMP, one officer; as we've always told Council, when we do the onboarding, the academy, even numbers seem to work better. Right now, we have seven officers on each crew, and when we did the staffing plan, we've done really well on a lot of our specialities: We joined the Sex Trafficking Unit, we have a person in Narcotics, we have Case Management, so we have a lot of those, but we didn't really backfill. So, seven is a good number on patrol; however, when they start heading for training or take time off, that's psychological. Five people working a lot of times is adequate, but when officers come to work every day, look at the schedule, and see that we're on minimums, that was really our focus. You hear about all these state and national trends about recruitment retention; we've still done pretty well here in Cottage Grove, but we just had two laterals that came here, so there's something good happening in Cottage Grove. They know it's the community support and they like our commitment to training. One important goal is we really want to continue to work on our recruitment and retention; we area in which we felt strongly about recruitment and retention was adding Community Service Officers. Right now, we have them working from 7:00 a.m. to 11:00 p.m., 7 days a week. When we first threw this out there, there were very few things on the police side that we asked for; we asked for the officer, we asked for C.S.O.s, and we asked for the security fence. A couple things on the C.S.O.s: They're extremely valuable, they help with transports, they do the fingerprinting, traffic control; another thing that's really cool that our City does is our C.S.O.s actually go lock up the park buildings at night, too. So, that allows the community to be out there and using the restrooms, plus it's a way for our C.S.O.s to be out in the parks. He knows Council has been to a lot of our City festivals and events, where our C.S.O.s really engage with the public. They also do the Scout tours, all of those things that are community engagement, which is one of our top priorities. Another challenge we're having right now is finding volunteers to add to our Reserves; so, you've probably seen an increase with our C.S.O.s helping out, even on July 4, they were the ones out doing the traffic control. So, those are some things that he just wanted to throw out there when we talk about recruitment. We've also done pretty well with our hiring the last two years with some diverse candidates; right now, when we hire our C.S.O.s, we get a lot of females, so it's another part of that recruitment to get some diverse candidates. The legislature was always talking about recruitment and retention, and many departments have gone to a cadet program, and that's basically what ours is;

Captain Rinzel went back three years, and found that 50% of us were internal hires, were either C.S.O.s or Reserves; so, that's a remarkable number. Also, 45% of our officers are lateral transfers, so they've been police officers elsewhere; only 5% of our officers are fresh out of school, so most have some of that background. That's remarkable, and he doesn't think there's a department out there that can touch that, but we've been very successful with that program.

Council Member Olsen asked don't they do a little bit better on their F.T.O. since they already know the topography and computers, etc. Director Koerner replied Cottage Grove's geography is a challenge for people who didn't grow up here or work here; none of the roads are straight, and there are bays, alcoves, cul-de-sacs, coves, you name it. So, that is a good point that they already come in and know the County Records Management System and they know our Dispatch; there are so many benefits to that. With all these technologies, we like right now that we have a Toughbook in each squad, but now each officer is going to have to have one; that's a new requirement that the State is doing with authentication. IT Manager Brian Bluhm has looked at every way around it, but there's no other way, it has to happen. So, a lot of those costs are in here, and there are some different things, like the automatic license plate readers; our new squad system has different LPRs with that, so, that's why we wanted to really explore that, and any preventive strategies that we can do. We're still focused on the Employee Wellness initiatives and resiliency. We have a piece in there later about just our squad, and we put the numbers in there so you can actually see, it's pretty telling.

With the security fence, on May 25, 2020, our world changed with the civil unrest; when we first came to you, we asked what do we do about security fencing. Three years later, the cost increased from under \$100K to about \$140K; so, we're still looking at that. Now, we have the Fence Consortium, too, if we have a civil unrest situation, but it's a valuable thing to have. The biggest part of that is the gate; so, we have one amount \$140K, but thinks we can look at different numbers. Captain Rinzel and I talked today, wondered if it can go from 8' to 6'. The gate is a substantial part of that, \$60-\$70K, so, there's just a lot of options we want to look at. The fact that the cost increased to the point it did scared us, but there was rationale when we asked for it, and it's just the officers' peace of mind, coming and going, as not everyone likes us. It's just having that security when their cars are even parked here.

Council Member Thiede asked where that fence would go; Mayor Bailey stated it would be in the parking lot. Director Koerner stated it would be the lower lot, pretty much near the generator. Captain Rinzel stated it would be just the back lot, not anything in the front. When we originally did this, we matched it with the gate at the HERO Center, because it was going to be one continuous, and that's where we had the 8' fence. That's where we looked at opportunities, asked is 6' going to be big enough for the needs that we'll have with it. Well, we had the Fence Consortium, then you have a fence, and then another fence, so then this 6' is going to be high enough for just to keep people from coming in to record or want to do nefarious things; it's a barrier between the roadway and the parking lot.

Mayor Bailey stated he knows it's in the budget at the moment. He also knows what's not in the budget is the heated sidewalks for the Fire Station. There are things that we've cut in the past, which we regret in the future. If you're going to bring us back the 6’ or the 8’, he’d like to just know the difference in price between the two because he doesn’t want us to cut off our nose to spite our face. He thinks that 8’ should be the number because it isn’t so much that you’re going to have the Fence Consortium in the event something happens, but you might just have the crazy that’s going to jump a 6’ fence but will have a difficult time getting over 8’ to do damage to police officers’ vehicles. So, he just wanted to mention that between the two.

Council Member Olsen stated he knows when Council Member Dennis was part of the department, they had the garage, so you could park in the garage to secure your stuff. He suspects as we don’t have much room in our garage, this is probably a good idea.

Council Member Dennis stated there was always outside parking at the old station. Director Koerner stated we had more problems with that lot because we had so much foot traffic coming through there; he personally sustained thousands of dollars worth of damage to the hood of his first truck.

Council Member Dennis stated the thing about this, too, is it provides a barrier of security that increases the time necessary for someone to cause problems, and time is always one of the big elements that criminals dislike because they don’t want to be seen or stopped. It provides an extra measure of security relative to exiting the sally port, and it provides a protection and peace of mind for our officers, the people who protect us; so, this is an opportunity for us to return that protection, and they deserve that.

Council Member Thiede asked if it is like a barrier type or a solid type of wall. Director Koerner stated the one we have to bid on is like the one at the HERO Center. Council Member Khambata stated the tops of the spindles are a little spiky. Director Koerner stated yes, they’re wrought iron; Mayor Bailey confirmed that fence is 8’.

Council Member Khambata asked on the advanced sighting system for improved accuracy, has anyone scored with the new Red Dot system? Captain Rinzel replied we’ve all qualified with them. Director Koerner stated those have remarkable improvements, so, yes.

Director Koerner stated this next item we can go through really quickly. He just wanted to highlight it’s up to $90K to equip these squads. Captain Rinzel stated the $45K was last year’s contract bid, so, we’ll see what Ford says this next year.

Council Member Olsen asked what they’re paying in outside maintenance because he knows the guys in the shop said that they were having trouble keeping up at some points in time; are we suffering because of that on the P.D. side?

Captain Rinzel replied no, he wouldn’t call it suffering. We just have cars that are kind of down, here and there. Council Member Olsen asked if we’re having to outsource a lot of that work; Captain Rinzel stated it really depends. Director Koerner stated they have a pretty good maintenance schedule. And they try to work around when there’s a snowfall, mechanics are all busy as trucks are breaking, etc.; generally, we have good enough maintenance, we might have to wait a week on that, but he doesn’t know of any delays that we’ve had. Captain Rinzel stated our shop doesn’t do exhaust, alignments, some of those things that our cars have with those issues; they also don’t do any warranty work, so, maybe if it was under warranty, it’ll go out to whoever repairs those.

Council Member Olsen stated he's seen our vehicles at the Ford dealer in Inver Grove Heights many times. Captain Rinzel said there's a lot of recalls on Fords.

Mayor Bailey asked if all of our officers are going to need Toughbooks, he's assuming then what happens is when an officer is done in their car, they just take their computer with them.

Captain Rinzel replied the dock stays, but the computer goes with them. It's a single signoff authorization or something that the BCA and the F.B.I. are saying shouldn't have more than one person logged into a computer. But they're also going to be using their desktop; so, IT is working on at some point having a Cradlepoint within there. They'll keep the monitors up and you'll be able to plug your computer in, so they can go there, too. Mayor Bailey stated he's heard that that sometimes gets cumbersome where they're having to share, because not each officer has their own cubicle.

Administrator Levitt stated please note in Public Safety Aid, that's where the $117K in the Toughbooks comes in.

Director Koerner stated Fire Squad 1360 is our Fire Marshal's vehicle, and the other, 3117, is the District Chief's vehicle.

Emergency Management

Director Koerner stated we've done a lot with Emergency Management. There's a second item listed there, the camera trailer purchase with the grant proceeds. If you recall, Mayor Bailey, last year you challenged us, when you asked about Hastings. We originally were looking at $55K but when it's all said and done, he asked Captain Gwen Martin what the cost was; she replied $79K and change.

Director Koerner stated we've had it out, we actually have it down at River Oaks right now because they had a lot of their supplies dropped off. We've also had it at events, and we're actually going to use it at the Washington County Fair because the County had leant us theirs for so long that we're paying them back.

Director Koerner stated we had a snowstorm on April 1, and he asked Captain Martin to speak about that, as she's worked a lot with Director Burfeind on that.

Captain Martin stated with all the debris that fell, we have old trees and they all fell, we were able to get a State Disaster Declaration from that snowstorm. So, we've got 6 months to complete debris removal; Public Works and Parks and Rec are chipping away at it, little by little, trying to get our parks back to the state they were in before the storm. With all of our costs, the majority of which are labor and equipment for Parks and Rec and Public Works, we should be getting about 75% of that back from the State Disaster Contingency Fund.

Council Member Olsen asked if we had that factored into our budget; Captain Martin replied no, because we're tracking expenses on spreadsheets as they're being incurred. As soon as the work is done, then we can submit that.

Council Member Olsen asked if she knew the timeline between our submittal and our reimbursement. Captain Martin replied no; in 2019, when we got money back from our Flood Declaration, that was about 12-to-18 months later. So, no, she has no idea when the reimbursement will arrive.

Director Koerner stated we have three gaps left in the City's Outdoor Warning System: 1) Military Road; 2) Mississippi Dunes, so when we get the park down there, that's truly what an outdoor warning siren is for in that area, the kayakers and canoers and that river access; 3) Ravine Park area. We've been communicating with County's Parks Department, as they should have one, but since they don't have a campground, County hasn't offered to put one there. That's our goal, and he's been bantering with our Washington County Commissioner, trying to get that, so we're working on that, too.

<u>Forfeitures</u>: We purchased a vehicle out of the Criminal Forfeiture Fund. In April, we used DUI Forfeiture Funds and that really depleted that DUI Fund, but it was the perfect use for it and that was about $75K. So, we were down to $2K the other day, and Aly just put about $3K back in that fund. The Criminal Forfeiture Fund has about $28K.
<u>Settlement Funds</u>: Officer Schoen and I have been working with Washington County, as they have two people tasked with spending that money; they actually have oversight from the County. So, us and Woodbury have kind of put it temporarily on hold; Washington County is spending a significant amount of their fund, but they're doing a survey on what the needs are in Washington County. We have some different ideas on how that money can be spent, maybe naloxone training, some of those things. We feel there's a good connection with our Case Management Unit; they deal with a lot of folks with substance abuse, and we also think there's a good way to use it with our Community Paramedic Program, too. So, we have some really good ideas, but with Woodbury and Washington County, we decided to put it on hold until about September, and then we'll have some more ideas. Obviously, we'll come back to you and let you know some good ways of spending that.

Fire Department Staffing Plan

Director Koerner stated this plan is extremely lengthy, with a lot of data behind it. He highlighted a few of the things with this plan. In the introduction, it talked about all of our accomplishments. We truly do appreciate everything; our Fire Department and EMS Program have greatly evolved. Even when we transitioned from the Police paramedics to the Fire-based paramedic program, that freed up so many things on the Police side, and in the EMS side, it really helped our Fire side. Just with what the duty crews did, it brought us to a whole different level. We got the ladder truck a few years ago. Jon Pritchard was hired as our Deputy Fire Chief when P.J. retired as Fire Marshal, and we really wanted to put an emphasis on EMS. One of the District Chiefs has taken on a lot of the training. Deputy Chief Pritchard is our EMS guy right now, and he has done a lot, worked with Captain Martin on Emergency Management during the COVID era. When they put together a staffing plan, Council Member Khambata and I learned a lot; we had Chad from Ethical Leaders and Marty, who actually was a former Chief at Edina Fire, so he really understood the topics. We try to have not only a group of fulltime, parttime, but Kyle works fulltime in Hastings, but he's very passionate about the combination. Mike McCoy has been with us for 18 years, Nick Arrigoni came from within, previously was parttime. So, we really tried to use that group, but it was quickly established that we wanted to do this as a combination department; our focus was how do we do this with both fulltime and parttime staff. So, this Staffing Plan has really evolved and is really focused on the front line and maintaining a level of service excellence. We really wanted to focus on 25 or 30 parttime staff who had the ability and could do the hours. We focused on the Cottage Grove service area; so, even though we provide EMS to Grey Cloud Island, Newport, and St. Paul Park, all of our recommendations are based on Cottage Grove. The Plan is really structured on what our goals were, and that's to get at least two ambulances up 24/7 and also to have a Fire crew also.

Director Koerner spoke about the current crew: One fulltime captain, three fulltime firefighters, two 24-hour positions, and one 12-hour position. If we allow one of the fulltime staff to be off, we try to fill additional shifts with the parttime, and we've really struggled with that. The FMP had one fulltime firefighter each year, for the next three years, to kind of fill that gap. Of course, when we started discussing this Staffing Plan, the Public Safety funding wasn't out there, so, that kind of sped up our stabilization plan.

Director Koerner stated that as Cottage Grove's population is growing, our calls for service are increasing, especially now on the EMS side of it, with our aging population. Cottage Grove Public Safety has always had a higher level of service, as we're also doing the life safety inspections, community events, HEARTSafe Community, etc. We're doing so much more, and as long as he's here, he's committed to our agency doing this community outreach, and he knows Council supports that as well. Call volume factors include our aging population and higher-density housing. Level of Service Factors: We wanted to establish benchmarks, and for years we've talked about our great response times. We don't want to see those suffer, but we know as we get busier, those are easy numbers for us to watch. Mutual Aid: We all work together; we work with Woodbury and Hastings. Newport has done something incredible, as their Fire Department has really improved and they're doing a lot more mutual aid. We're also focused on community events and community engagement and just the different EMS initiatives we're doing. The life safety inspections are really important to us, but businesses are really frustrated when we say we'll be there at 10:00 tomorrow and then we get a medical; so, we really want to provide just good customer service, and he thinks our business community expects that from us. Recruitment and retention is a challenge; if you look at all of the departments that have gone from parttime to fulltime, there was a study done in 2014 when Ethical Leaders did our organizational study, they commented that Cottage Grove is still a novelty, that we were ahead of the curve with retention when departments were making that transition. We've learned a lot from these departments and we've talked with them; some did not do a good job, and we met with Woodbury and they've figured it out. They're still doing a fulltime, parttime, but we learned about their Relief Fund, and we'll get to that. Sometimes population is the determining factor that makes departments go to fulltime staffing; with this Fire Staffing Plan, we look out 5-to-7 years, and we're still focused on a combination department. Turnover Rates: In 2021, people think it's odd that we didn't add any staff, but COVID was still going on; so, people who were supposed to start in 2020 didn't start until 2021, so that's why there's a discrepancy there. We increased pay a couple years ago. He didn't really know what drives a parttime firefighter; is it that duty to serve, is it the money, or is it the benefits? We did a survey and got some really good responses from them. We've been really good with Century College and Inver Hills with the ride along program at the high schools; we just recently updated our Memorandum of Agreement (MOA) with those colleges, and we're one of the few departments that really works with their students. We obviously need to have a more robust recruitment and retention. Recruitment and retention challenges: From 2018, with number of hours worked, you can see a significant drop; while there are different factors, each day we have 15 hours uncovered, which is why we want a more robust parttime program, but we also need some fulltime to fill some of that. We had the requirements of 36 hours/month, and that's their minimum; we still have some of them who have to be told you can only do 120 hours a month. So, it's not all of them that are doing the minimum, and supervisors are doing 48 hours. Leaving shifts unfilled means that we can only get out one truck, and we don't want to be giving our EMS calls away to other departments.

Council Member Khambata asked Director Koerner if he knew what the average years of service is, if we're keeping the same core group of people, and maybe 10% is turning over. He wondered if it's new people that can't hang on or if it's older people leaving that we're having trouble replacing.

Deputy Chief Pritchard replied that's a great question; it's about 50% turnover by year 5 and about a 20-25% turnover by year 2. For example, Director Koerner had pointed that in 2020 and 2021, we had actually added 10, but 3 of them never started. He's been at this for 14 years, and he's made a lot of sacrifices with his family; it's really tough to maintain that number, and we understand that. So, that's what's really driving a lot of this. It sounds like they can do it, 36 hours a month, but it's very difficult; so, that's where we came up with turnovers, we're looking at 5 years, and that occurs depending on how big of a commitment they think that is.

Mayor Bailey asked at the 5-year mark, he doesn't know if there's anything out there that we could point to and say it's this; structurally, is it the parttime staff are maybe finding fulltime work?

Deputy Chief Pritchard replied that's also part of it; he doesn't know the exact number, but probably 10-15% of those folks are probably getting fulltime jobs, and that's one of the driving factors for people coming into this. As Director Koerner pointed out, we have them working maximum hours for those first couple years, they're in medic school, and then they get a fulltime job elsewhere. Fire Chief Rick Redenius said some of it, too, is when we hire younger staff, life changes occur: They can off to college or they decide not to do college, and this is going to be it. They get a girlfriend, they get married, they move, etc. or they just hit the 5-year vesting, and decide they've had enough.

Director Koerner stated as we moved through this process, we'd actually met with Woodbury on how they were able to retain, if it was the money, and that's where this discussion started. There's always that fear, when we're talking about staffing, that we're getting rid of people; so, at this meeting were Director Malinowski, Administrator Levitt, Chief Redenius, myself, and >20 parttime staff. We talked to them about what expectations they have, asked about their concerns, and so we ended up doing a survey with them. So, the first part of being supportive, 19 members voted yes and 6 members voted no, but we also asked them to rank things; when he met with the parttime staff, each one has ideas of what they think would help the agency or this is what hurts it. With the higher hourly pay, many of them said once they became an EMT, there was never any recognition of that, like a step payment, like we have for non-represented staff, the police, and fulltime firefighters. They all thought that experience pay was important, and bonus pay where you could get rewarded for a certain number of callbacks. The reason we have those highlighted right now is we already have that budgeted, what a pay increase would be; it would also be closer to the top pay scale, in comparison. Over the last few years, we've done a 20% increase; this is another bump for them. With the hourly requirement, with some of the callbacks, that's been a challenge with response distance. Before, we had the residency requirement because we counted on them to come back; then we went out to living 15 minutes from Cottage Grove. Maybe now we need to open that up more since we have duty crews, so those are all things when we do the new recruitment and talk about expectations that we really need to talk about. We've heard from the members loud and clear what their comments are; with some of it, we can't accommodate certain things.

Dissolution of Fire Relief Association

Administrator Levitt asked Director Malinowski to speak about dissolution of the Fire Relief Association, to give a brief overview of that and what that means.

Director Malinowski stated the members would have to vote; there's a process for that and we've received some information from our attorney on that. When they dissolve the Fire Relief, and that's with the State, they didn't necessarily do new bylaws, so we need them to do that. They would need to reestablish and then do that vote. We got some information from PERA of what those payments would look like, and we shared those with the parttime firefighters. We sent it back last week because we had some years of service that were incorrect, so those dissolution payments, if they dissolve, would likely be at the State maximum. They're quite high, and we will be working on those next week. If a member is less than 50, there is a net present value that's done on this; they can take those funds and roll them into another retirement vehicle, such as an IRA, and those funds will grow until they reach that age of service. We were very clear when we met with them that that would occur, because when we reached out to Woodbury, that was some of the misunderstanding that the parttime firefighters had; they thought that at that payment level of years of service that they would get that at their age. So, if they were 30 years, they thought they would still get that full retirement amount. So, there's a net present value that's done because it will grow in their retirement vehicle until they retire.

Administrator Levitt stated right now, the Fire Department gets $266K a year that goes into the Fire Relief Association; so, that is what is aiding in their retirement. Two years ago, the legislature changed the law and now allows the City to take possession of that if we desire. The commitment we made to them was to get them to approximately $10K a year; so, now, and the fact that we're at $15K a year, it more than satisfies our commitment to them in that regard. So, based upon 19 members saying yes, let's dissolve, 1 saying maybe, and 5 saying no, it seems advantageous for us to do that. And then as part of the Fire Relief Fund, we put $100K in that from that Public Safety Aid for Fire staffing, $100K to help cushion this transition and to put more effort into their recruitment and retention of part-time staff to get those three main things: The hourly rate, the more years of service, and the bonus pay for good standing. So, that's what we're advocating for based upon the parttime firefighters that are currently employed; they're advocating for dissolution because they get access to that money sooner than they anticipated, and they're all also maxing out at the State maximum of $15K.

Council Member Olsen stated the Woodbury process did not go well at all. Hopefully, as we've had conversations with them, we've learned some things based on their experience, but the things he would like to know more about are: 1) If we were to dissolve the Fire Relief and distribute that money, is it like a 401K where if you pull it out early, you get penalized? Director Malinowski replied yes, if you take it as cash. 2) So, if I'm an active firefighter, and I'm getting Relief funding each year that I'm an active firefighter, do I have the ability to take that money out anytime I want to if I'm still working? This is we're essentially forcing them to take their money, and then it's their choice at that point whether they want to keep it, reinvest it, or do whatever, right? Director Malinowski replied yes, it's either tax deferred or not tax deferred. 3) Let's say that I'm a firefighter and I just want to keep it in PERA, I don't want it, I'll just leave it there, it's fine, I'll get it whenever. Do I have that option? Director Malinowski replied no; Administrator Levitt added because they're going to get a different PERA, another retirement vehicle in addition. Council Member Olsen stated before they answer that, the Fire Relief Fund when it changed to PERA did very, very well. It's been really good for them. So, if I'm a firefighter and I'm thinking about my retirement, and I'm thinking I've got this nice pot of money that I've earned and it's in a really good retirement vehicle and it's earning really nice dividends for me, I could potentially have some heartburn saying well, you know, you could invest it somewhere else. Well, what's the average rate of return on an IRA right now? All you have to do is look at our City investments, and you know the answer to that. So, theoretically, they're losing on that proposal, but tell me about this second PERA plan.

Director Malinowski stated if they decide that they want to be hired back, they will go into PERA Coordinated, which is another pension plan through PERA; it's the one that the Administration staff is under. You get years of service, and then based on your top 5, Chief Redenius tells me it's the top 5 months, your high 5 salary, then you continue to get that top 5 times your years of service as a monthly benefit as the pension.

Council Member Olsen stated but if we make people reapply for a job and they get into that program, they're considered a new member, right?

Director Malinowski replied they are, and Chief Redenius stated they have to go at least 5 years. Council Member Olsen stated so, they don't get any credit for their past performance. Director Malinowski stated that's correct, but they're getting paid out on their past performance through the Fire Relief pension plan.

Council Member Olsen stated so, if they were to get paid out under the proposal, they have to reapply for a job in the City of Cottage Grove; they don't just get to stay, they have to reapply. So, they reapply, and they get hired, and they are considered new under this new PERA plan. Can they take the funds that they got at the payout and put them into their new PERA account?

Director Malinowski replied no, as it's two different types of pension plans. Council Member Olsen stated he's aware, but when you take money out of a retirement vehicle, you have the ability to roll it into a new retirement vehicle. So, if he was to quit his job at Dollar Tree, whatever I have in my 401K, I can roll into my next employer's 401K, which is easy to do. So, what he's asking is can it go from PERA to PERA?

Chief Redenius replied he doesn't believe it can; the reason he says that is because there's maximum yearly contributions. Almost every one of those people that received their money on a payout, if they decide to do it that way, would be above the maximum contribution for that; so, they wouldn't be able to do that.

Council Member Olsen stated so, to be clear, they can't leave it where it is, they have to reapply for their job, and they're considered new under the new program, and they can't move it from the old PERA program to the new PERA program. So, they have to find some other way to invest that money, or they're going to get a massive tax penalty, just like you would if you took your 401K early.

Administrator Levitt stated we'd be hiring them back at a higher hourly rate and a bonus. Council Member Olsen stated he's not concerned about that; he's trying to think about the money that they're going to be owed from the PERA fund that's earning really good interest right now. Administrator Levitt stated we could also say the market's in a really good position right now, too. Council Member Olsen said you could, that's not true, but you could; if you look at the stock market over the last 5 years, it's actually down quite a bit, but it's hopefully going to improve, yes.

Council Member Dennis stated so if we're looking at the one side, we know there could potentially be a challenge for some of these people, depending on what they choose to do with their funds; so, here's his question: We've got that as one consideration, what's the other side of the story? What is the benefit to the City, as far as operations for us, as far as cost measures for us, as far as keeping people employed in those positions, as far as implication for taxes to the community members that fund this? What's the other side of the coin?

Administrator Levitt replied if you think about it, you've got $266K going to the future, coming in to actually fund the Public Safety Fire and EMS programs. So, you're buying down that amount of money in the levy; if you were to think about that, just on a levy basis, you're buying down $250-$266K of the levy.

Council Member Olsen asked if that's factored into our next year's FMP.

Council Member Dennis stated so, the $266K benefits the whole 41,000 residents of the community; Administrator Levitt replied that's correct. Council Member Dennis stated or the number of taxpayers, right? Administrator Levitt stated and the entire department; Council Member Dennis yes, and the department itself. So, he guesses we'd have to weigh out this cost vs. this cost or this potential benefit to arrive at a decision. Administrator Levitt replied that's right; you can get a new ambulance or reduce that ambulance expenditure by one year's payment and that's significant.

Council Member Dennis stated so, you've got the one potential impact here, and then you've got this potential benefit.

Council Member Olsen asked what impact, if any, does that have on people who have already retired? Director Malinowski replied they have already been paid out; so, they're not part of the equation.

Chief Redenius said just a caveat, current retirees who have hit 50 and have chosen to take their payout, get paid out. We have retirees who are not 50 and haven't been paid out, they would be paid out at the same time. They're considered deferred.

Council Member Olsen said they'd be paid out at the same time, but they wouldn't have the ability to put it into the new PERA? Chief Redenius replied he didn't even think current employees could put it into the new PERA. People weren't going to be trying to put the max in PERA Coordinated, if it's allowed, because then they still have to cash out the remainder, and they're still going to get taxed. He thought the best thing for what he's heard them talk about it is they get to decide where they put their money.

Director Malinowski stated the retirees who have taken their payment are paid out at the benefit level that they were at that point. Council Member Olsen asked if they also had a vote; Chief Redenius replied no, because they're not active.

Director Malinowski stated she'd like to go back and talk about the two different pension plans to make sure we're clear on that. Right now, they're under the Defined Benefit, so years of service and you get a defined benefit; so, if you have 10 years of service, at $9K, you've got $90K. Under the new pension plan, the PERA Coordinated, it's defined contribution. So, the City contributes 7.5%, they contribute 6.5%; so, there's contributions that go into it, and then you grow your years of service so that when you retire, for as long as you live, you get a defined amount of money.

Council Member Olsen asked if the rate of return was the same on both, because the rate of return that they're getting now is really good. Captain Rinzel stated the big caveat is how long you live. Council Member Olsen stated if you look at their annual earnings, based on the investment strategy that PERA has employed, those employees are doing very well because PERA's doing very well, but this is a different type of PERA.

Deputy Chief Pritchard stated the caveat is if you have 10 years, you get $9K, but if you leave at 10 years, you only get 60% of that; so, actually, with this retirement, people will get the full 100% of that. That's one of the things, too, that's kind of a benefit to it. Then, just to clarify, he was new to PERA when he was 37 years old, so he had about 20 years until retirement. He couldn't move that retirement into his PERA account, so, it had to sit elsewhere; so, that's the same thing with this, you can't put money into PERA, it's only from the first day you start moving forward.

Chief Redenius stated he'd assume there's some way to be able to find out what the current rate of return is on the Coordinated Plan and their investments for that. But the ongoing benefit, like Captain Rinzel said, is this is a defined retirement that in the private sector he didn't know if you'd be getting more unless you did a 401K or 457. This one is much like P&F where whatever you leave at, then you'll get that retirement for the rest of your life. If you only put whatever it is in it, and it turns out to be $700 a month, that's $700 a month for the rest of your life, as long as you live. Unlike a 457, where you've got $300K, and that's what you've got unless you keep investing it.

Deputy Chief Pritchard stated he's very passionate about part-time staff and them getting paid fairly and that we keep that combination model. He thinks the Coordinated PERA plan is such a valuable thing, just from his perspective, because he didn't get on

PERA for 14 years, prior to coming to Cottage Grove for part-time; he only got 6 years of credit for that because he didn't stay at three departments because his life changed. So, he had 8 years that he didn't get credit for any pension. Both departments I was on for 4 years, I would have gotten PERA, and it sounds like that would have followed with me too, for Coordinated PERA. So, as we know, people move on in life; he thinks this is such a cool benefit for them. He would give up this Relief in a second to be able to do that because he would've got 8 more years of a defined pension for himself. That's what he's hoping is what we're talking about because that's such a cool thing that they're actually getting that defined benefit vs. having to wait 5 years and then end up maybe at 0 if he gets married when he's 4 years in or something.

Chief Redenius said on a side note, when this discussion came about, he spoke with some other chiefs and he hasn't come across a chief yet in any of the meetings he's been to where their parttime staff is in a Coordinated Plan. So, this would be very unique for the Cottage Grove people.

Council Member Khambata asked how does this benefit us more than just dissolution through attrition; if 15-20% of our parttime firefighters are turning over every year, and we just don't continue to hire parttime firefighters, doesn't that soften our transition to fulltime? Or we can keep the parttime firefighters who really matter, who really want to be there, and get rid of the ones who may have been contributing to some of the anxiety in the department; is that an option? Or, conversely, if we're going to do a dissolution, are we prepared to hire back all 19 of these firefighters, or are there a few who might not make the cut, which might free up space to bring in some new bodies rather than fulltime or parttime? He asked if they'd thought about how they would kind of use that as an opportunity to kind of restructure your teams at all or strengthen them or bolster your troops.

Director Koerner stated yes, when we talk about robust recruitment and how to increase our numbers, coming up with how we would hire back was a discussion at the parttime meeting. So, the things listed here came out of that meeting with them.

Mayor Bailey stated to the very last bullet point, *"As a Parttime employee, we should have the opportunity to become a fulltime-training, schooling, with a guarantee of hire,"* which he thinks is the right thing. There tends to be some concern about what are the requirements, etc., and maybe some don't realize what the expectations are. They may be complaining about something, but they didn't realize or didn't want to realize what the requirements or expectations are; whether it's training or hours worked. So, they're going to apply, and they'll be provided with an updated job description that says exactly what the requirements are going to be, going forward; if they say yes, I can do it, then they're held accountable and they're brought on board.

Council Member Khambata said his fear is 19 of 25 firefighters are maybe thinking they can take their full benefit, even though they didn't serve the full term; and we're going to end up jogging our parttime staff because they got their full payout and now their incentive to stay is gone. Again, he would say with the 5 that didn't want a dissolution, they might be people who had no plan on leaving anyway. His concern is that of the 19 who want to get their payout, maybe they don't want to come back. Are we prepared on the recruitment side if that were to happen?

Mayor Bailey stated we do know 2 of them aren't even at a year yet, so they're staying; they've made that very clear. Council Member Khambata stated he just wants to make sure that we've kind of explored all possibilities on that side. Mayor Bailey stated he thinks that kind of goes back to his comment about a robust recruiting plan, though he would hasten back to the feedback that we got from the group. What he thought was kind of interesting, we're talking in this group about the benefits piece of it. The top three things they were most concerned about is pay and benefits. So, doing this new program is going to increase the pay and their bonus potential. He also likes the fact that even though they can't do this PERA immediately, it takes 3 years to be vested, the fact is from a seniority standpoint as it relates to Fire, we're going to keep their seniority based on what they have been working for us. So, while we can't do it with the PERA thing because of those requirements, they're still going to get the seniority basis out of it.

Chief Redenius stated the discussions we had in the early part, when this came about, was we're just going to plan that there will be some who don't come back. So, what we'll do is as soon as we find out when this would take place, that's when we would finalize the job description requirements, expectations, and get that out to them so they can make an informed decision, and then we start our advertising for hiring. Then we'd at least have them in the queue, ready to go.

Council Member Khambata stated obviously they'd be front of the line for rehiring; that was confirmed by Chief Redenius, who said and this move is lateral, they're just filling out an application and they're back. Council Member Khambata confirmed they'd bypass the psychological and all of that, so they're ready to go. Chief Redenius said some of them were worried about that because there are some that never had to go through that.

Council Member Dennis asked as new employees, would there also be a one-year probationary period. Chief Redenius replied no, but if they're currently on probation, they stay on probation, but if they're off, they're a 5-year employee and there's no probation.

Council Member Olsen asked if we have the number of retirees that this will impact; Director Malinowski asked the number of those who still haven't taken their payout? Council Member Olsen stated that's correct. Administrator Levitt replied Director Malinowski can count that number.

Director Koerner stated moving forward, this is kind of a big thing; earlier, we'd listed some of the things that we had done. We keep saying robust parttime recruitment, and Council has suggested some things that work in their workplace, and we're stealing those. We really want to use the kickoff during Fire Prevention Week. We've already started working on a recruitment video, recruitment flyers, how do we get the message out there? College and high school visits, we're already do the ride along program, etc. Out of all of those things, word of mouth is significant. If you talk to any of our firefighters and ask how they first got started, you hear it's my neighbor was a firefighter, or they get to know someone, so, it's different events, like Strawberry Fest. We really need to streamline this process, too, and when someone's interested, they submit an application, and now we have an email that will be sent back to the applicant. We want to have our recruitment times match up with Century College, so we have people who have just finished Firefighter 1 or Firefighter 2; for years, once we had a certain amount of applications, then we'd do another class to streamline that process. Application and onboarding, and from conversations we've had, we've learned we lose a large percentage because they say they don't live in Cottage Grove; that's why we're looking at response distances. Obviously, the wages are significant, and that will be a recruitment topic that we're looking at. Community engagement: We want them to know they're not just doing 36 hours a month, but we also want them involved in the community, here's our level of service. We heard loud and clear with our current firefighter messages are leadership opportunities; we've had the fulltime and the parttime, and we've had that struggle between them. We want to make sure that we can clearly define roles.

Council Member Dennis needed to say this: He had spoken with Director Koerner a few years back, and he'd asked him to kind of map out or give him an understanding of if there's one fulltime firefighter working, what does that person bring in terms of equivalency of work contribution, based upon parttime. So, if we're looking at 36 hours a month, minimum, but he never got that answer. He asked if Director Koerner could give him his best estimate.

Director Koerner asked if he's looking for more of an FTE equivalent, which Council Member Dennis confirmed. He asked Deputy Chief Pritchard or Chief Redenius to answer that.

Deputy Chief Pritchard stated, currently, based upon 36 hours a month, it's roughly 7 parttime people per 1 FTE; so, it's a ratio of 7:1. So, a fulltime person works 7 times the hours of a parttime firefighter, if they're working the minimum.

Council Member Dennis stated we know that it's expensive, of course, to fund fulltime. As the leader of our Public Safety group, you intrinsically know every aspect of the operation; you know how things are structured and you know the people that we have. He wants to just very briefly commend the operations and the way that our Police Department runs; he thinks it's exceptional. He's always had an open door policy for any employee of the City, any management member of the City, people in the community can come in and talk to me if they've had concerns. He never has any problems ever being brought forward by people out of the Police Department, ever.

Over the years, where the complaints, disgruntlement, and the discord is coming from is out of Fire. Because he wasn't a fireman, he doesn't understand and that's why he's asking, there seems to be a different type of psychology within this group; you've heard me say it before, every vocation draws a certain psychology. So, beyond the things that our Council has done and we've talked about this, some of us have been here long term, way back in the old days; we remember how hard things were, how hard it was to get support, the lack of tools, the lack of training opportunities, and other things necessary to really elevate the status and allow people to fully do the best job that they could on behalf of the community. We've changed that, we've got a new Central Fire Station, new pieces of equipment, new trucks, everything. And without reservation as a Council, we've authorized the spending of the people's money to provide the best of the best opportunities available. And yet we continue to have these things. What is this, what is at the root of this? Why are we continuing to have, year after year, example after example having to deal with these types of issues? And you're a great leader, fantastic, probably the best he's ever seen here. What is going on? What do we need to do? How can we find a way to make these 25 people happy and end this, so that we can all get a team put together. He knows we've had Ethical Leaders in Action try to be part of it, they're great at what they do, yet these things are continuing to happen. And it's a perfect moment to have this dialogue because we're here again at a table dealing with another major issue of trying to make this group happy. Can we do it? He knows it's a tough question.

Director Koerner replied it is a tough question, and he appreciates the compliments on how we've run. It's a challenge running a combination department, it really is, and we've always been really fiscally responsible, and when everyone else has just gone to additional fulltime, we haven't jumped on that. Honestly, right now, that would be the easy thing to do, but financially, we cannot afford it. We've had that conversation. The Fire Command Staff has met on this; Chief Redenius and Deputy Chief Pritchard hear it loud and clear. Deputy Chief Pritchard hears that we need help from some fulltime, but we've committed to this parttime model. All of the things that we're talking about with the hiring back and doing some more robust recruitment and retention he thinks shows that we're listening to them. Administrator Levitt and he have spent countless hours meeting with them and getting feedback; he knows he's not pleasing all of them. With just the comments in the survey, each of them gave a little bit different answer. Right now, if you talk to the two-or-three-year firefighters, they're going to give a different answer than someone who's been there for 18 years. If you look at the amount of change that they've gone through, from duty crews of the old days, it's been a lot, and many of them don't want to change; but there are a lot of them that are on board with this. Council Member Olsen brought up the fear of now they're losing this good pension, but when we had that meeting, one of the firefighters is an investment person, and he was trying to explain things to them. Director Koerner stated his biggest thing is they sit down with him and Administrator Levitt and tell us something right to our face; obviously, behind our backs they're saying well, this isn't working. He feels like he's had really candid conversations, and he thinks everything he's put in here is what he's heard; whether it's the callback times, the 36 hours, the leadership opportunities. We're listening to them, and we're still a professional organization that is going to hold them accountable. If you look at our firefighters that have left to go to fulltime, it's kind of like our C.S.O. program, as they're also parttime; and there are some who have no desire to be fulltime anywhere, they like doing the 36 hours or 48 hours. So, honestly, we've done a lot, and the best thing we ever did was no one ever wanted to transition from a police-paramedic program, that was our bread and butter; we were the first ones to do it in 1974, but things have changed, and unfortunately, with the Fire service, we're dealing with that right now, with the number of certifications and training, we need them there a certain amount of shifts. Most Fire Departments, like Eagan, don't have a combination department, but they also don't have EMS. So, we are expecting a lot of our parttime firefighters.

Council Member Dennis stated but we give them a lot; Director Koerner stated he agrees. Council Member Dennis stated you guys have bent over backward to try to make this be a great place to work. We made a decision as a Council to make our choices on these types of things, where tremendous investments have been made in people, focusing on success and not failure. We want to see a good outcome happen, and it seems a little bit hopeless sitting on this side of the room that these things are continuing to happen over and over again. He appreciated Director Koerner addressing the question, and he knows Director Koerner as a man and he knows what he stands for; he just really hopes that whatever do here as a decision, that these firefighters would look at this in good faith and at a point be humble and grateful that they work for such a great organization and be willing to say okay, now it's time for me to come in and do my job and be a team player and give something back to the people in the community for the investments made. He's not saying that a great job isn't done in responding and handling our customers, etc. because we know that it is, but it's these types of things, this is like the one last piece that brings it together and we really need to see that happen.

Council Member Olsen asked Chief Redenius and Deputy Chief Pritchard, under the recruitment, it says onboarding and field training. He believes there are some departments in the metro who do the training of their new firefighters inhouse, as opposed to asking them to go to EMT school or whatever. He also thinks, and needs to be corrected if he's wrong, that we have some certified trainers on staff, do we not?

Deputy Chief Pritchard replied we have certified trainers or qualified instructors, it's still the same; so, if we send them to Century College, it's the same time commitment. We still have to do the same number of hours.

Council Member Olsen stated but they could do it at home vs. having to travel, is that right? Deputy Chief Pritchard replied no, they'd still train at the station because we're a member of East Metro, but that's where we do most of the training anyway, what Century does. In EMT class, they'd still be in class just as much because it's the same standardized certifications and licensing, but they still have to do the same amount of hours and same amount of things. Now, if we get like 3 people, we're using 1 instructor and would have to pay overtime, etc., so the cost benefit they're really not going to save any time; we're talking about it's like if they're driving to the Central Fire Station or Oakdale or Maplewood, that's really the only difference. If we're ever at the point where we had like 15 people, we'd absolutely look at doing our own certification with the same amount of hours and same descriptive pieces. When we look at textbooks, etc., he just doesn't know if we'd have any incentive. Because there's really no benefit to the student in saving time or even convenience, especially if we increase our distance people can live from us. He would love to do that, our own academies and training like that, but he really doesn't think the cost benefits of that is towards the student or the new person, nor is it in terms of the finance or logistical matter. Frankly, he taught at Century, and Lieutenant Mike Dandl is also teaching at Century, so, it's very likely they're seeing Cottage Grove folks at Century. We have our EMT license as well, but again, it's incredibly expensive, with staff time, salaries to do that. We only had 2 or 3 students, so he doesn't think it's a benefit to them or us, as an organization.

Council Member Olsen stated to be clear, he doesn't believe that offering that inhouse vs. having somebody train at Century, or elsewhere, would be a tool that might be enticing to a potential new recruit. Deputy Chief Pritchard replied we're still going to do the F.T.O. and our academy, getting them used to Cottage Grove. He really doesn't in that we're following a similar model, and all the suburbs use the basic model that goes through Century. We just don't have the numbers, even in Dakota County, as they all pooled their resources together to have a County model. So, no one is really doing that, as it's really a problem of size. When you have 1 or 2 students in a class, it's definitely a detriment because then they're not working in teams, they're not learning that stuff.

Council Member Olsen asked what if we offered it at the HERO Center and you could supplement your own students with students from other member departments, is that even a thing? Deputy Chief Pritchard replied that would be fantastic; he doesn't know if the market is there, and some we've evaluated, and that's why we got this EMS license through EMSRB, but when we started kind of looking around to offer EMT classes, the market is currently so saturated that we're competing with other people. He just doesn't know if we could bring the students. Woodbury did that with EMT and they didn't have great class sizes; so, it's something he would love to do just because he has a passion for teaching, as do a couple of our people. In terms of economics to scale and the ability to do it, he just doesn't know if there's a piece for that.

One thing we're exploring for recruitment and retention is like an Explorer Program. If that's a robust thing that works, it might be something to offer them.

Council Member Olsen asked don't we have that already? Deputy Chief Pritchard replied no, it's been defunct because of low enrollment, which is common to most Explorer Programs. But if that gets off the ground and running, he would love to offer those folks certification. Right now, it wouldn't benefit us and it wouldn't benefit the recruits or the students for that.

Council Member Olsen asked Administrator Levitt if they'd explored this conversation at all and put a pencil to paper or anything like that; Administrator Levitt replied no, we've just talked about it internally about the options. Because really when we talk about it, it's the numbers. So, if you can get a large, massive recruitment effort, then we have an amount to put to scale to make it cost effective. But if you only get 1 or 2 people, then it's not as cost effective. Council Member Olsen asked what is the magic number to make it cost effective; Administrator Levitt replied she didn't know if we brought in the numbers.

Director Koerner stated we've had the conversation with Dan Anselment about hosting them, too, at the HERO Center. So, we did send people, but he doesn't have a number.

Deputy Chief Pritchard stated as an example, when Woodbury would run an inhouse EMT class, they needed 12 to supply 3 or 4 instructors inhouse to become budget neutral, if he remembers correctly, and they were charging $2,200 a student. And, again, they're doing it by just higher cost, and that's why they kind of had those windows; they had to charge higher than local colleges. Now, if we look in the future at possible other programs and supporting some of that stuff, we'd probably go in with probably some other local suburban departments, and then we'd probably do a team approach. If we had a large recruit class, we could look at it, but it's still probably cost effective to go with a local college. Council Member Olsen stated he just wanted to see if it would be something to consider.

Administrator Levitt asked Director Malinowski if she had the total number of the retirees impacted by this; Director Malinowski replied yes, it was 28. She stated she had 27 current firefighters, so, she'll take a look at that.

Director Koerner stated our goal has always focused on two ambulances, 24/7; we really want to step that up to two ambulances 24/7 and the one Fire engine. With this stabilization plan that we're talking about, in the FMP it said adding 1 per year for 3 years; we're looking at 3 fulltime firefighters, which would bring stability, more reliable shift coverage, reduction of overtime, and that we're not at minimums. Right now, with the fulltime, 1 person can take off, which brings them to minimums; that has a psychological effect. He'd just like that relief factor where we can have on shift training opportunities, etc. Again, we're super focused on those life safety inspections; that was a big part of Steve Zaccard's job was to really implement that, and a couple of our firefighters have really embraced that with Steve. So, we don't want to be going to these businesses and then having them getting called away all the time.

Administrator Levitt asked Director Malinowski what is the percentage of the fulltime firefighter-paramedic in ratio to the General Fund and EMS. Director Malinowski replied the 3 that we're bringing on when we looked at the FMP, we said we need to start right now our current firefighter-paramedics are 75% EMS, 25% General Fund. The EMS Fund just cannot support that, so going forward, with just the 3 additional staff, we reduce that to 75% in the General Fund and 25% in the EMS Fund, just those 3.

Council Member Olsen asked if parttime firefighters were the same ratio; Director Malinowski replied that's about a 50%-50%.

Director Koerner stated after stabilization, just moving forward with the Staffing Plan, we had all of the different drafts with mutual aid response times; so, we just want to make sure with the level of service that is expected of us and that it matches our stated growth. He noted we'll explore grant opportunities; Council has always challenged us to go out and find them, and we'll continue to look at some different opportunities.

Accomplishments: HEARTSafe, working on the Staffing Plan, Fire radios. Goals: We are a Public Safety team, and those wellness checks are very important to him; its been well received on the Police side. When we started the Peer Support Group, he didn't want 48 people trying to do it, so that's why we started with a smaller group in Police, and now we'll be able to expand it. Sometimes the groups get too big, and then we don't get things moving.

EMS: We just got the second EMS Excellence Award. A big thing was the EMS billing; when Director Malinowski came on, that was one of her tasks. Now, we're with LifeQuest and we're very happy with them. Woodbury has reached out to us, and he thinks they're looking at them, too, after they heard of our success. We want to continue to expand our Community Paramedic Program. The new ambulance was ordered and will come to Council; he confirmed with Chief Redenius that we're still way down on the list. As our equipment ages, the cardiac monitors, AEDs and ventilators, we're actually looking at a lease option, which is not a huge savings in price, $150K over the course of however many years. At least we'd not be paying these maintenance agreements, and we'll be receiving new gear quicker. We got a grant for all of the AEDs; so, in the future, those will still be under an agreement so that will ensure that in the future we have a good replacement plan.

Director Malinowski stated financially, 2022 wasn't that great, 2023 is just budgeted, and she would expect that to flip the other way, that our revenues and expenditures would be at least equal. In 2024, we have more expenses, but that's just because we have the ambulance that we ordered last year hitting that expenditure column. In 2025 is when we run a little bit even. Remember, those numbers are conservative so every day we're looking at the EMS Fund to see where we're trending on our revenue side.

Council Member Khambata asked if there's any opioid settlement money coming to us, and is that going to stay consistent for a number of years or is that a one-time payment.

Director Koerner replied some are a one-time payment, some are over the course of 18 years, some are 20; so, we're still trying to figure out exactly where they're all coming from. Some of the smaller ones just do it one time, but the larger ones are more often.

Council Member Khambata asked if we're budgeting for that as revenue, or are we leaving that off because it's unpredictable at this point. Director Malinowski replied it is in the Special Revenue Fund, there's about $123K so far that we've received. It's in the Special Revenue Fund of the City until we can determine allowable uses from that Fund.

Director Koerner stated we've had to report to the Department of Health on it, and we were one of the only departments that even brought up ideas when we talked about the naloxone training and the Community Paramedic; they asked if they could share that with other agencies.

Council Member Olsen asked if that money can be used to offset the salary for our Narcotics Task Force cop; Director Koerner replied he asked that, but the Department of Health thought that was outside the scope. So, that's why we're leaning more towards our Case Management Unit as they deal with mental health issues.

Council Member Khambata asked if we are equipping our EMTs with naloxone; Director Koerner stated yes, we expanded our program to all of our Parks and our Public Works employees have all been trained in it, and now they have it in their vehicles. They're out in the parks and out and about, so, we're one of the first ones. We spoke with Mary Divine, and she thought that was wonderful, so she's asking every city she talks to if they've expanded the use.

Deputy Chief Pritchard stated just to expand on that, there is a current grant for each department, which will be reimbursing for Narcan. So, that's a nice way, a dividend in our Narcan Fund to submit our purchases and get reimbursed through it. So, that's the good part of it, we don't have to use money for that.

Mayor Bailey asked Council if they had any other questions. We went through some of the budgetary things, and a lot of this will be going forward, as will the other ones in the future. He asked if staff needed any additional direction at this point as it relates to the Fire Staffing Plan or the Fire Relief Association.

Administrator Levitt stated it would be nice to get a full read on Council on the dissolution, if there's direction or additional information that we need to bring forth.

Council Member Olsen stated he's personally not ready to vote for that yet. One of the things he'd like to know is of the 28 retirees, what is their average age, and what percentage of their pension would they lose because they're getting it before they're 50 years old. Council Member Khambata stated that sounds like a lot of math; Council Member Olsen stated yes, it is.

Chief Redenius asked if he's saying if they cash out before they're 50; Council Member Olsen replied that's right.

Council Member Khambata stated if we go the dissolution route, they get the full amount. Council Member Olsen stated he understands that, but if they are under 50, he thought what he heard Chief Redenius say was they get a percentage, they don't get it all, they'd lose some. Chief Redenius replied no, they'll pay tax. Council Member Olsen thought he'd said something about 60% based on where their age is, if they're under age 50. Chief Redenius replied that is dependent upon PERA's formula, yes.

Council Member Olsen stated he's talking about retirees only; he's not talking about current people. Because if I'm a retiree, and I have my money sitting in PERA and I'm thinking to myself I'm just going to leave it there until it's time to retire, and I'm feeling pretty good about it. Then, all of a sudden, we now force them to take that money in some way, shape, or form. Their choices are they either need to reinvest it in something, or they can take it as cash. But the question is if I force you to take your money before you're ready to take it, are you going to experience any kind of a loss based on what you're projecting. When I was going to take it when I turned 50, and now I have to take it and I'm 45. Does that cause harm? Council Member Khambata stated he believed there was a penalty for taking it. Director Malinowski stated they can get him that information.

Mayor Bailey polled the Council:

Council Member Khambata stated if the majority want a dissolution, and if, through dissolution, we can address pay and benefits and some of the other factors that have been contributing to some anxieties that this department has been communicating, then he thinks it's a win-win. They want to do this and there's a better option with the new PERA, so yes, they're investment is stopping and starting again, if they choose to reinvest new dollars; there are IRAs and other investment vehicles for them to keep those other dollars invested. They don't have to realize the tax penalty of taking it now. So, he thinks as long as we tread carefully, and make sure that we're communicating well so that there's not an acute backlash, he's in favor of dissolution.

Council Member Dennis stated he thinks that what has been laid out here, the plan by the staff, makes reasonable accommodation and provides a lot of opportunity, it's well thought out, and it's reasonable. Understanding that there'd be potential concerns if some people didn't want to move the money out, but they've already had their money in there, it's just an investment account; it's not a big thing to move it from one into another. What he brought up about looking at the number of people impacted vs. the greater return to the entire community, the old adage that the needs of the many outweigh the needs of the few is right on. So, he votes for dissolution.

Council Member Thiede stated he's good with it.

Mayor Bailey confirmed that Council Member Olsen is not good with it at this point; Council Member Olsen stated he's not prepared to vote on it yet, one way or the other. He would like to gather some more information on potential ramifications.

Mayor Bailey stated he thinks what staff has come up with for a plan makes total sense to him.

Mayor Bailey stated based on some of the feedback he's heard, he has one question on the way the PERA situation is for the firefighters, as it is today; let's say the ones that are already retired or maybe haven't retired but they've met their 5 years or whatever. Does that number just continue to grow, or is it capped?

Administrator Levitt asked Director Malinowski to explain it because when they terminate, it locks them into that rate.

Director Malinowski stated it locks them into that rate. So, we have one who had a benefit level of $1,800 per year when he left, and so that's where that locks.

Mayor Bailey stated that person isn't going to get $1,900; they're getting $1,800, that's what he's trying to say. Administrator Levitt stated the only thing they're going to gain is if the remaining funds are distributed, they get part of that redistribution, so, they will get a little extra. Council Member Olsen stated it grows every year if it stays there.

Chief Redenius stated active members, if they vote dissolution and that goes through, it has determined whatever level; the max rate now by PERA standard is $15,000. And right now, we can probably say the fund will sustain that for the members that are active right now, for each member you paid out $15,000 per year of service. That doesn't go to the deferred members; the deferred members, when they left, they are locked at the amount for year of service when they left. So, it's $1,800 per year of service, or it's $2,100, there's also some $4,000s, there's some $8,700s, and some $6,000s; so, they're all getting that at the $6,000 level, not the maximum. Then, if there's still money left over, redistribution, then it goes through everyone but it's prorated at 30 years of service. So, someone that had 5 years of service, the bare minimum, they may not see as much as the person who has 25 years of service.

Mayor Bailey stated he gets exactly what Chief Redenius is saying, but to that end, based on what you just shared, there is a possibility that if somebody were to take their current money in that account and reinvest it somewhere else, they could make more money than the money that they would be gaining, if you will, by that redistribution.

Chief Redenius replied they could; it all depends on what investment strategy they're comfortable with. Currently, with PERA, they don't have a choice; they get what they're given, and PERA invests cautiously; that's why their returns have been steady. If they choose to be high risk, they can go to whatever they want, delegate what they want it at, and sure, they can make 15% returns. But that's on them, their decision to make.

Mayor Bailey stated but there's also no guarantee that they're going to get the extra, correct? Chief Redenius asked what extra? Mayor Bailey replied this extra bump; if there's nothing extra, there's no guarantee that they're going to get more than the cap.

Council Member Olsen stated but if their investment strategy is I'd like to keep it in PERA because I like it there, they can't do that.

Mayor Bailey stated he agrees, but he thinks that's putting their head in the sand, that's his opinion. Council Member Olsen asked how so? Mayor Bailey replied because if they just don't want to touch it because they don't want to invest in anything else, there's more of a chance for them to take that money elsewhere, put it with an investment firm or whatever, and make more money for when they want to retire than to leave it in PERA with no guarantees. Council Member Olsen stated we don't know that. Mayor Bailey stated but we don't know if they're going to get any more money either. Council Member Olsen stated if they're happy with where they're at, if they're happy with PERA, and PERA's been delivering very nice returns so there are people who are happy with it, just like I'm happy with my 401K. If you force me to take my money out of my 401K that I'm happy with, I would not be happy to do that. Now, I would have no choice but to then determine is there a different place to invest it. But that's not for you to decide how I invest my money, that's not up to you, that's up to me.

Mayor Bailey stated well, actually, it is up to us.

Council Member Olsen stated no, it isn't, because if it's in PERA now, and they want to leave it there, they should be potentially allowed to do that. What is up to us is do we continue to contribute to Fire Relief; that's what this whole conversation is about. It's about do we want to continue to contribute to Fire Relief or don't we? All the rest of it is secondary to that, and the City has not wanted to contribute to Fire Relief since City Administrator Ryan Schroeder was here. So, this is a way to get us out from contributing to Fire Relief, because we won't, it will be gone, and yes, we can dress it up with they're going to make more money, they're going to get a bonus, all those kinds of things. He's not saying those are bad things, I think those are good things. But it's the way we're choosing to fund it; we're choosing to fund higher wages and a bonus and others by eliminating the Relief. Now, at the end of the day, that might be the right thing to do. For him, personally, he's not at a place where he can determine that yet because he'd like to see a little more information about what are the potential penalties, what are the unintended consequences, etc. Now, that's just him, and he's one guy. So, if there are four other people who want to do it, it'll happen, he gets it. But he personally is not comfortable putting his name on that at the moment because he just doesn't understand the unintended consequences well enough yet; that's just one guy, that's him.

Chief Redenius stated he doesn't think it's been brought up yet, but in the list of 25 members on the deferred list, there are several who have been gone from the City and were over 50 for a number of years and have not collected. For some reason, they chose not to collect. So, it's not only people who have left at 5 years and they're not at the age of 50 yet, but there are those that have left with many years of service and are well over age 50 but just haven't collected yet either. So, there's both there.

Mayor Bailey stated he thinks staff got direction then, we're going to get additional data for Council Member Olsen and to share with everybody. The majority consensus is to proceed forward with the Fire Relief Association Dissolution plan, and the Staffing Plan that goes with it, because they're really tied together.

Mayor Bailey asked if we come back and say officially that we're going to go through with the Dissolution Plan, it goes to the current staff to vote?

Administrator Levitt stated here's what's difficult, and legal counsel has reviewed it because as Director Malinowski said, they didn't do any of the stuff they were supposed to do: They were supposed to register with the Secretary of State, and they did not do that, and they did not establish new bylaws. So, technically, they don't actually exist. So, from legal counsel, we need to figure this out. At this point, in all honesty, the City can probably just dissolve because they don't actually exist as an entity. We have met with them, they have cast their vote, and 19 said yes, 1 said maybe, and 5 said no. So, at this point, we feel we would have enough direction if legal counsel is saying they weren't a legal entity to begin with and didn't establish them, that we can move forward with the dissolution process.

Mayor Bailey asked who was responsible for that; Council Member Olsen replied at the time it was Bob Gray because he took over for Al Beasley. Mayor Bailey stated so, he never followed through with doing whatever they needed to do. Council Member Olsen stated yes, he didn't do that. Mayor Bailey stated that is just unbelievable. Council Member Olsen stated he was the driving force.

Chief Redenius stated there were some people at that time as well who he remembers didn't want to go with PERA either. It was a majority vote that did it, but it wasn't a unanimous vote. Mayor Bailey stated he doesn't know if he'll ever get a unanimous vote, you might get a majority or simple majority.

Council Member Olsen said if we move forward with this, one of the paths is that they would have to establish themselves as a Fire Relief, with new bylaws, etc., and then that would precipitate a vote of the current membership, who are part of that new Relief Fund, to affirm that they want to do this.

Administrator Levitt replied it would cost them money, so our recommendation would be not to encourage them to go that route. Because they're probably going to engage with an attorney to create this, going to have to pool the funds to create their bylaws, register with the Secretary of State, and establish themselves. So, she doesn't think anybody on the part-time staff wants to go through that or spend the cash to do it. So, her suspicion is legal counsel will give you the option to just move forward as a Council to dissolve. In theory, technically the City had the super majority vote of the Fire Relief to begin with; we had 3 votes, they had 2 votes.

Chief Redenius stated as was mentioned earlier, we talked with the other agencies that have gone through this about what downfalls they had, what landmines they stepped on, and what they tried to avoid. To be upfront, at the meeting with part-time staff where Administrator Levitt and Director Malinowski were present, it was nothing but good comments after that because they feel they're being heard. They are being heard and being asked thoughts, feelings, ideas, and found out that they didn't have to be asked that. So, he thinks showing the willingness of the City to work with them on that is also helping precipitate some of the answers in the surveys and the transparency that's going on between the two entities, it's helping that. They knew what happened in Woodbury, they knew what happened in Maplewood, etc., as they have friends and know people who work in those agencies, and they talked with them, and they did their homework. But what they didn't know was that they didn't even get registered. So, when they found that out and the City was still willing to work with them to come to a resolution of this in some form or fashion, that they had a save per se, they were more than happy to hear that, instead of it just being this is what we're going to do and you can't do anything about it.

Council Member Olsen asked as you look at that retiree question, maybe another element of that is if our recommendation is to just do it, is there any legal recourse for the retiree to come back at us. He'd be curious about that, as opposed to following the process that they would have to follow if they were actually registered as an entity.

Administrator Levitt replied the retirees, though, still don't have a vote. Council Member Olsen replied he knows that; that's not his question. His question is if you're telling me we already had a vote, and by the way, they don't even exist so we can just do it, can the retirees come back at us and say the City did not follow a legally binding process or whatever the case might be. And is there any skin in the game for them that would potentially precipitate a lawsuit; he doesn't know that there will be or wouldn't be, but it's just a question to ask. Because, basically, the control of their money is being dictated by 19 people who currently work here, but they're not even part of the Relief Fund. He asked Administrator Levitt if she followed what he was saying; she replied yes, but they don't have a vote today, even if they were a legal entity.

Chief Redenius said he believed PERA, in our discussions, said that we're only looking at active people.

Council Member Olsen stated so, if he's a retiree, and he knows you're going through this process, and you have bylaws and you're a Fire Relief Association, he could potentially start making some phone calls, telling others hey, man, don't do this. This is a bad thing, this is going to kill me as a retiree, don't do this. You could advocate for yourself with the people who then are expected to vote on the formal process. What we're saying, though, is there will not be a formal process; we have an informal process, we've polled the firefighters, and 19 people said yes, 1 said maybe, and 5 said no, and so, we're just going to do it. The retiree doesn't have the ability at that point to work with the current leadership to say hey, as a longtime member of the department, somebody who's retired, I would really appreciate that you don't do this vs. you do. Again, he's not saying that's going to be a problem, he's just asking the question if it could potentially be a pitfall. His point is he doesn't want anybody to feel disenfranchised.

Mayor Bailey stated well, based on what you're sharing, though, they're going to be. Council Member Olsen asked how so? Mayor Bailey replied because what you're stating is that there's going to be some people who are going to be upset because you've said it earlier. Council Member Olsen stated well, there could be. Mayor Bailey stated his point of the whole thing is we have been doing the Fire Relief program for quite a long time, and our model, as it sits today, is not sustainable. The only way we can make it sustainable is to make the changes, which we've heard from the current Fire staff; to be frank with you, a lot of the angst back when Administrator Schroeder was here was also pay. So, nothing has really changed. Council Member Olsen stated that's never changed; he was part of the Fire Relief Council back in the day when

Beasley was doing it. Mayor Bailey said all he's saying is that you can cast the net out and if one retiree says I don't want it to change, we should not?

Council Member Olsen stated that's not what he's saying, I don't know what you're hearing, let me say it very clear: Do they have the ability to sue us is my question. Council Member Dennis said anyone can sue anyone for anything. Council Member Olsen said but do they have a good chance of winning? Council Member Dennis replied no, it would be baseless because they don't have a vote, there's no structure in place, there's no format that would allow it. Council Member Olsen stated he'd love to hear that from an attorney is all he's saying. Council Member Dennis stated we could probably talk to 10 attorneys and get 10 different answers, too. It was stated earlier we had legal look at this and give us advice already that we would be cleared to move forward, and we all know Attorney Land; she is very risk adverse, we know that. We're fine. Mayor Bailey stated we'll get to that, but his point is that she may give us that, but there may still be somebody out there, who knows?

Council Member Olsen stated as long as he knows we're protected, legally, then he's good. He just doesn't know the answer to that question yet, that's why he asked.

Mayor Bailey thanked staff for a vigorous and good discussion to start off the budget process.

4. ADJOURNMENT

Council Member Dennis made a motion to adjourn; second by Council Member Thiede. Motion carried: 5-0. The meeting was adjourned at 9:24 p.m.

Minutes were transcribed by Judy Graf, reviewed by Tamara Anderson, City Clerk.