



South St. Paul

WORKSESSION AGENDA
SSP City Hall
125 3rd Avenue North
Training room

Monday, September 9, 2024
7:00 pm

AGENDA:

1. Second Quarter 2024 Financial Report
2. 2025 Preliminary Budget and Levy Discussion
3. Proposed Project Development Agreement w/ Johnson Controls (Energy Conservation Measures @ High Rises)
4. Truck/Trailer Parking on EDA/City-owned Vacant Lots
5. Council Comments & Questions



COUNCIL WORKSESSION REPORT

DATE: SEPTEMBER 9, 2024

DEPARTMENT: FINANCE

Prepared by: Clara Hilger

ADMINISTRATOR: RG

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AGENDA ITEM: 2024 Second Quarter Financial Report

DESIRED MEETING OUTCOMES:

Discussion on the 2024 Second Quarter Financial Report

OVERVIEW:

2024 Second Quarter Financial Report

The second quarter of 2024 is complete and financial results are available. The Finance Director prepared the attached second quarter financial report for Council review. The following items are important to note when reviewing the report:

- The Benchmark is roughly 50% and is based on a fluid calendar year of operations.
- Many of the variances result from seasonality and not all financial transactions occur evenly throughout the year. Some are one time or periodic activities that do not occur in each quarter.
- Investment income is recorded and allocated to the funds on a semi-annual basis.
- Large revenue sources (i.e. tax settlements and LGA) are received in June, July and December, which underscores the importance of a strong fund balance as a tool to avoid General Fund borrowing for operations.

Finance has not noted any worrisome variances in the operating funds for the second quarter. The variances that have occurred are noted in the attached report.

The attached financial report includes a budget revision that affects only one department:

- The Engineering budget was adjusted to account for a road improvement projects special benefits analysis approved by the City Administrator. This analysis was deemed necessary to fulfill a request by Council that Staff review and potentially update the City's Special Assessment Policy.

Status of 2023 Financial Audit Findings

There were no Financial Audit Findings associated with the 2023 Financial Audit.

NEXT STEP:

The 2024 second quarter financial report and budget amendment will be presented for formal action at the September 16, 2024 City Council meeting.

SOURCE OF FUNDS:

N/A

Description	2024 Original Budget	2024 Amended Budget	Actual thru March 2024	Benchmark 50% Percent of Budget	
GENERAL OPERATING FUND					
GENERAL FUND - REVENUES					
Taxes	13,320,065.00	13,320,065.00	3,384,054.98	25.41%	A
Fees	2,160,455.00	2,160,455.00	839,537.76	38.86%	B
Intergovernmental	3,438,850.00	3,438,850.00	234,965.66	6.83%	C
Charges for Services	2,021,606.00	2,021,606.00	839,053.67	41.50%	
Other Revenues	94,210.00	94,210.00	141,997.21	150.72%	D
Transfers In/Fund Balance	190,000.00	190,000.00	95,010.00	50.01%	
Total Revenues	21,225,186.00	21,225,186.00	5,534,619.28	26.08%	
GENERAL FUND - EXPENDITURES					
General Government					
Mayor & Council	178,459.00	178,710.00	96,842.24	54.19%	E
Administration	607,774.00	636,052.00	299,050.31	47.02%	
Human Resources	282,269.00	297,000.00	122,373.75	41.20%	
City Attorney	98,000.00	98,000.00	64,918.59	66.24%	F
City Attorney - Criminal	170,000.00	170,000.00	65,020.74	38.25%	G
City Clerk	313,997.00	279,215.00	117,103.89	41.94%	
Information Technology	800,076.00	815,244.00	340,041.28	41.71%	
Recycling	23,350.00	23,885.00	1,604.61	6.72%	H
Finance	487,827.00	524,305.00	224,698.46	42.86%	
Total General Government	2,961,752.00	3,022,411.00	1,331,653.87	44.06%	
Public Safety					
Police	8,263,184.00	8,634,370.00	3,717,818.45	43.06%	
Fire	2,772,182.00	2,772,182.00	2,070,950.64	74.70%	I
Total Public Safety	11,035,366.00	11,406,552.00	5,788,769.09	50.75%	
Public Works					
Engineering	720,601.00	795,100.00	349,142.53	43.91%	
Streets, Alley's and Blvd's	2,282,487.00	2,335,843.00	1,023,310.26	43.81%	
Buildings	372,692.00	399,965.00	203,383.96	50.85%	
Parks Facilities and Maintenance	1,376,503.00	1,411,243.00	568,580.21	40.29%	
Total Public Works	4,752,283.00	4,942,151.00	2,144,416.96	43.39%	
Community Development					
Development Services	619,384.00	643,535.00	267,468.22	41.56%	
Code Enforcement	169,852.00	188,303.00	76,860.52	40.82%	
Total Community Development	789,236.00	831,838.00	344,328.74	41.39%	
Leisure Services					
Parks Administration	297,261.00	313,211.00	135,004.26	43.10%	
Splash Pool	92,176.00	94,105.00	33,340.76	35.43%	J
Northview Pool	107,976.00	109,905.00	28,016.61	25.49%	J
Recreation Programs	257,449.00	273,098.00	123,482.52	45.22%	
Community Affairs	131,687.00	137,074.00	63,331.70	46.20%	
Total Leisure Services	886,549.00	927,393.00	383,175.85	41.32%	
Nondepartmental					
Contingencies	800,000.00	109,041.00	0.00	0.00%	
Total Nondepartmental	800,000.00	109,041.00	0.00	0.00%	
Total Expenditures	21,225,186.00	21,225,186.00	9,992,344.51	47.08%	
Revenues Over (Under) Expenditures	0.00	0.00	(4,457,725.23)		

Description	2024 Original Budget	2024 Amended Budget	Actual thru March 2024	Benchmark 50% Percent of Budget	
OTHER OPERATING FUNDS					
DOUG WOOG ARENA					
Revenues	1,215,500.00	1,215,500.00	631,663.50	51.97%	A
Expenditures	1,501,767.00	1,521,421.00	600,602.30	39.48%	
Revenues Over (Under) Expenditures	(286,267.00)	(305,921.00)	31,061.20		
AIRPORT OPERATING FUND					
Revenues	1,427,720.00	1,427,720.00	790,162.75	55.34%	
Expenditures	1,626,847.00	1,645,951.00	644,447.17	39.15%	
Revenues Over (Under) Expenditures	(199,127.00)	(218,231.00)	145,715.58		
STORM WATER UTILITY FUND					
Operating Revenues and Grants	800,420.00	800,420.00	358,393.97	44.78%	K
Expenditures - Operating	948,832.00	948,832.00	616,644.81	64.99%	
Transfers - Capital	66,700.00	66,700.00	42,186.24	63.25%	M
Revenues Over (Under) Expenditures	(215,112.00)	(215,112.00)	(300,437.08)		
STREET LIGHT UTILITY FUND					
Revenues	375,385.00	375,385.00	160,689.11	42.81%	K
Expenditures	316,501.00	316,501.00	138,899.83	43.89%	
Revenues Over (Under) Expenditures	58,884.00	58,884.00	21,789.28		
WATER AND SEWER UTILITY FUND					
Revenues					
Administration	60,000.00	60,000.00	125,127.13	208.55%	C
Water Utility	3,771,955.00	3,771,955.00	1,351,549.85	35.83%	K
Sewer Utility	5,093,975.00	5,093,975.00	2,016,422.52	39.58%	K
Total Revenues	8,925,930.00	8,925,930.00	3,493,099.50	20.28%	
Expenditures					
Administration	562,614.00	573,204.00	270,529.75	47.20%	
Water Utility	1,376,751.00	1,392,166.00	591,308.87	42.47%	
Sewer Utility	4,327,476.00	4,344,081.00	2,447,095.19	56.33%	L
Total Expenditures	6,266,841.00	6,309,451.00	3,308,933.81	52.44%	
Transfers					
Water Utility	109,100.00	109,100.00	72,402.00	66.36%	M
Sewer Utility	171,700.00	171,700.00	121,552.00	70.79%	M
Total Transfers	783,414.00	783,414.00	193,954.00	24.76%	
Net Income (Loss)	10,178,289.00	10,135,679.00	(9,788.31)		
CENTRAL GARAGE - INTERNAL SERVICE FUND					
Revenues	1,886,792.00	1,886,792.00	1,028,287.17	54.50%	
Expenditures	2,213,648.00	2,226,971.00	784,828.13	35.24%	
Net Income (Loss)	(326,856.00)	(340,179.00)	243,459.04		

Description	2024 Original Budget	2024 Amended Budget	Actual thru March 2024	Benchmark 50% Percent of Budget	
OTHER OPERATING FUNDS					
ECONOMIC DEVELOPMENT AUTHORITY					
Revenues	412,221.00	412,221.00	162,321.59	39.38%	A
Expenditures	412,221.00	412,221.00	104,360.13	25.32%	
Revenues Over (Under) Expenditures	0.00	0.00	57,961.46		
EDA - HOUSING (HRA LEVY)					
Revenues	1,127,694.00	1,127,694.00	497,469.77	44.11%	A
Expenditures	1,127,694.00	1,127,694.00	398,813.50	35.37%	
Revenues Over (Under) Expenditures	0.00	0.00	98,656.27		
HRA - PUBLIC HOUSING					
Revenues	2,248,520.00	2,248,520.00	566,926.57	25.21%	N
Operating Expenses	2,146,000.00	2,146,000.00	1,001,395.73	46.66%	
Capital Expenses	0.00	0.00	733,682.48	100.00%	O
Net Income (Loss)	102,520.00	102,520.00	(1,168,151.64)		

Budget amounts in blue include 2nd quarter proposed budget adjustments

Tickmark Explanations for Budget VS Actual Variances

- A Taxes will be received in June/July and December/January
- B 2nd quarter Franchise fees payment is received in July
- C LGA received in July and December
- D Interest earnings are posted semi-annually and other minor revenues are unpredictable
- E 3+ quarters of insurance payments made through the end of June
- F Legal service invoices for five months
- G Legal service-criminal invoices for May & June paid in July
- H Compost site costs occur May through October; clean up day in September
- I Fire Department 3rd quarter invoice paid in June
- J Pools are only open June through August
- K Utility revenues are based on service delivery, bills issued in Jan, Feb, Mar of 2024 are accrued back to the 2023 books as they are for services delivered in 2023. This is an annual occurrence.
- L Sanitary Sewer has 7 months of MCES charges
- M Transfers for bond principal and interest made in February and August
- N Activity from the tenant software has not been updated for 2024
- O Capital expenses for Public Housing are not budgeted



Agenda item: 2025 Preliminary Budget Discussion

Desired Meeting Outcomes:

- Review and discuss preliminary 2025 budget and property tax levy. Provide updated data related to the City's anticipated 2025 Property Tax Rate and anticipated impacts to typical property tax bills in the City. Council and the Public are encouraged to review Item #1 on the August 12, 2024 Worksession Agenda for the full preliminary budget document, including the 2025 – 2029 Capital Improvements Plan (CIP).
(https://www.southstpaul.org/AgendaCenter/ViewFile/Agenda/_08122024-1333)
- Discuss, in the context of the budget, major fixed costs related to Insurance.
- Discuss, in the context of the budget, whether the City should consider creating a new position to focus on grant writing and administration.
- Provide direction to Staff regarding the preliminary 2025 Budget including any additional information required to aid in the decision-making process.

UPDATE for September 9, 2024

At the August 26 Worksession, the City Council requested a follow-up budget discussion to afford additional opportunity to review the following topics:

- Council was interested in reviewing information related to the City's costs related to Employer-Provided Health, Dental, Life and Long-term Disability Insurance Benefits, Workers' Compensation Insurance, Property, Liability, and Casualty Insurance. In addition, Council expressed an interest in discussing costs and procurement practices related to 3rd party Insurance Broker services and the City's participation in the League of Minnesota Cities Insurance Trust.
- Council also expressed an interest in discussing the potential creation of a Part-time grant writer position within the City.

Insurance Costs and Procurement Discussion

Like each of our peer cities in Dakota County, South St. Paul has for decades operated under a brokerage agreement for insurance products, with a contracted insurance broker tasked with helping to manage and negotiate on our behalf to get the best possible combination of benefits and costs for health, dental, life and long-term disability coverage for our employees. South St. Paul has had a brokerage agreement with Marsh & McLellan Agency (MMA) since 2014, following a fall 2013 RFP process. Per the terms of the agreement with MMA, the City pays an annual brokerage fee of \$10,800. This fee has not increased since 2019.

The City has an internal Insurance Committee, made up of members of each of our bargaining units and non-represented employees, that reviews our insurance coverages throughout each year and forms consensus around the selection of insurance products as well as whether/when to RFP or otherwise market for competitive bidding on insurance products. State Law requires Cities to competitively bid Employee Health Insurance at least once every five years; the Insurance Committee most recently opted to RFP health coverage for the 2022 Insurance Year, at which time Health Coverage was switched to

Medica (from Health Partners). Year over year employee health insurance premium costs (paid by the City and employees) decreased by 15% due to that RFP process. Based on a particularly high claim year in 2022, our 2023 premiums did increase (although to a level still below 2020 and 2021 premium levels), and MMA has successfully negotiated for a “no change/flat” premium for 2025. Life and Long-Term Disability Insurance was most recently re-bid in 2024 and we’ve switched to Lincoln Financial (from The Hartford) at a modest cost savings but significantly improved account management and service.

All told, through collaboration by and between HR, MMA, and the Insurance Committee, every reasonable effort continues to be made to secure insurance products that accommodate the desires and expectations of our bargaining units in terms of coverage at pricing that is as competitive as possible. At the risk of stating the obvious, there is a direct correlation between premiums paid in one year and the number (and financial magnitude) of claims in the year(s) leading up to that premium... when covering over 100 employees and in many cases one or more of their dependents, some of these contributing factors are entirely out of the control of Staff, our brokers, or the Insurance Committee. Thus, we do see a fluctuation in benefit costs at times.

In addition to the above-mentioned employer-provided insurance benefits to our employees, the City also carries insurance covering the City against Property, Liability, Casualty, and Worker’s Compensation Loss. South St. Paul, like the vast majority of Cities in Minnesota (and all in Dakota County, with the exception of Eagan who self-insures for worker’s comp), currently procures these coverages through the League of Minnesota Cities Insurance Trust (LMCIT). The benefit of LMCIT is that the Trust exclusively represents governmental entities, and can provide coverages to account for the unique and dynamic risks associated with being a local government. Most communities – particularly small to mid-size communities like SSP – have found that procuring the level (and composition) of coverages necessary to insure against our unique set of risks and liabilities can be challenging to find in the “private market”. All that said, we certainly acknowledge the concerning increases in policy premiums found in this “bucket” of coverages. Worker’s Compensation has been particularly skyrocketing, but this is largely attributable to some quite significant claims (PTSD-related) that impact our premium for this coverage. There is optimism that we’ll see premiums decrease beginning in 2025 (100% reliant on avoiding any other significant claims) as some of the largest claims begin to fall “off the books” for underwriting purposes.

The table below may be helpful in summarizing plan costs and illustrating recent trends related to the premiums paid in recent years for various insurance coverages. Staff will be prepared to provide additional detail and answer additional questions – with help from MMA – at Monday’s meeting.

	<u>Work Comp</u>	<u>P&C</u>	<u>Marsh McLennan</u>	<u>Employee Health</u>	
2020	259,096	336,695	10,800	1,407,000	HealthPartners
2021	214,826	380,553	10,800	1,415,619	HealthPartners
2022	366,309	374,993	10,800	1,257,038	Medica
2023	484,237	330,991	10,800	1,362,269	Medica
2024	549,423	357,445	10,800	1,136,554	Medica (thru Sept)

Considerations Related to Adding a Grant Writer on Staff

City Staff anticipates finalizing and presenting for adoption an update to the City's Parks Master Plan within the next month, with the Plan identifying numerous investments in the City's Parks and Recreation system citywide over the next 20+ years. Zooming out, the City's CIP has identified even more broadly that there are public facilities, buildings, and other investments needed to continue to provide our community with core services and quality of life amenities. With these key policy documents emerging into the public consciousness it is natural for community members and the Council to contemplate "how" the City might prioritize and ultimately fund an ever-growing list of desired and/or necessary investments. In this light, Councilmember Bakken has requested a discussion related to adding a staff position that would lead grant application and administration processes. I would offer the following perspectives on the topic, to hopefully prime Council Discussion at the Worksession:

- In concept, a dedicated "grant writer" would identify, research, coordinate applications for, and administer (awarded) grant programs for public projects and initiatives in SSP. At this point, it is not entirely clear whether there are specific initiatives/projects on which the Council would expect this position to focus ("the pool" was suggested anecdotally; it should be noted that there are no recurring grant programs made available through any known public or private organizations which offer construction financing for public swimming pools). It should be understood that many of the items in the City's CIP and other planning/policy documents are generally not eligible for any particular grant program; a grant is always for a very narrow and targeted activity or type of project (often to address a **critical** public need or deficiency) and as a rule grants are not provided in such a way as to allow for any meaningful level of discretion as to how and for what purpose(s) funds can be expended on a grant recipient's part.
- Currently (and historically), several City Departments have successfully identified, applied for and been awarded grant funding for initiatives and projects uniquely tailored to that department's discipline. More often than not, preparing a grant application *requires* very specific subject matter expertise in order to make a cogent and compelling case to the granting agency for funding. This is an important point to make because, even if the City hired a general "grant writer", relevant department staff will continue to be heavily relied upon to provide the content and data that may make a grant application successful; the "grant writer" will serve little more purpose than that of an editor/wordsmith and compiler/packager for many technical grant applications outside their presumed area of technical expertise. In other words, unless we are only seeking out a grant writer for a specific department (and successful in finding an applicant with a very specific range of expertise), hiring a grant writer will have less of an impact in reducing burden on existing staff than it may seem.
- Related to the above point, I think it would be difficult to keep a dedicated Grant Writer busy throughout the year, year after year, even on a part-time basis. The evidence in discussion with my contemporaries in Dakota County, as borne out in City organizational structures throughout Dakota County would suggest the same – not one City in the County has a position dedicated exclusively to grant writing/administration. West St. Paul (Communications Specialist) and Eagan (Parks Special Projects and Sustainability) do explicitly include some grant writing and administration tasks in certain job descriptions, while Farmington is piloting a JPA with Southeast Service Cooperative on a shared REGIONAL Grant Funding Manager position (this pilot has just started).
- I would concede that it is possible – even probable – that there are grant funding opportunities "out there" that City Staff may not be aware of and could be chalked up as missed opportunities.

At the same time, I would caution Council and the community against any assumption that there “is a grant for everything” and that all we have to do is dig deeper/look harder/make the right phone call to find these “pots of money” and our projects will get funded. Many projects have very limited (if not nonexistent) grant opportunities, and when there are grants available they are typically extremely competitive and/or come with relatively modest maximum awards in the scope of a project.

- It would seem that the closest analogue to a Grant Writer position within our current structure is the Communications Coordinator position. A half-time position at this salary range would come with a 2025 cost of between \$36,065.12 - \$47,454.16. Assuming this position would be 100% levy funded and would start with a salary at the “midpoint” and eligible benefits, adding this position would bump the levy increase from 9.06% (as presented at the August 12 Worksession) to an approximate 9.37% increase.
- Finally, while it is probably clear to Council that I would recommend against adding a new position that exclusively focuses on grant writing and administration, I would support exploring the possibility of engaging with the [“Grant Navigator” program offered through the League of Minnesota Cities](#), specifically for a priority project we might identify through the CIP as being a reasonably strong candidate for grant funding. This program offers \$5,000 in assistance to Cities on a rolling basis to “understand, identify, and apply for grant funding for city projects”. This measured approach would come at little to no direct cost to the City, and may result in some valuable lessons learned about grant availability for the City’s current and future priorities.

As a reminder, the City is required to set a preliminary 2025 Property Tax Levy by September 30, 2024. In consideration of this, we are prepared to receive any further direction from the Council received at the Monday meeting, combined with the information discussed and presented on August 12 (reintroduced below) and deliver a proposed 2025 Preliminary Property Tax Levy and Annual Budget at the Monday, September 16 City Council Meeting.

From the August 12, 2024 meeting:

Overview:

At the May 13th Council worksession, Staff and the City Council discussed the 2025 budget process and identified the convergence of several factors unique to 2025 (Decertification of the Concord Steet No. 2 Tax Increment Financing District, Infrastructure Funding (additional \$1,000,000 for 2025), all labor agreements settled through 2025, etc.) that would impact the 2025 Budget and Levy. Following that discussion, Staff has prepared a Preliminary 2025 Annual Budget and Preliminary Proposed Property Tax Levy for Council’s consideration. As we have done for the past several years, departments began developing their budgets in mid-June and Finance and Administration conducted individual departmental budget review meetings in July prior to preparing the Preliminary Budget Document, which is attached to this memo.

As a result of these efforts, Staff has arrived at a preliminary proposed Property Tax Levy for 2025 of \$17,278,271. This represents an aggregate increase of **\$1,434,762 – 9.06%** - over the Revised 2024 Levy. The notable levy increases proposed in this preliminary levy are to support General Fund Operations (a \$434,678 – 3.26% increase over the 2024 Levy to support General Fund Operations) and the Infrastructure Levy (a \$1,000,000 – 137.93% increase over 2024). Staff notes that these increases are aligned to direction received by the Council previously: keeping the operating levy within a 2% - 4% increase and “ramping up” the investment in the Infrastructure Fund as identified in the Council’s Goal Setting Session(s) from 2019 - 2024. To supplement this high-level synopsis of the 2025

preliminary levy and to provide a summary of the 2025 preliminary budget, Staff would offer the following:

- Local Government Aid (LGA) is anticipated to increase by \$11,683 for 2025 to a total of \$3,760,748. LGA funding to support Capital Programs is proposed at \$1,268,129, providing funding for capital items that don't have another funding source.
- Non-levy revenues in 2025 in the General Fund are up (about \$381,680 or 4.83%) year over year against 2024. As this relatively moderate figure would indicate, most non-levy revenues are anticipated to change very little in 2025, with a few small exceptions:
 - Charges for Services are proposed to increase by \$189,187 (9.35%) year over year against 2024, with virtually all of the net increase being found in Administrative Charge revenues and Engineering Charges to major infrastructure projects.
 - Fees & Fines are only budgeted to increase by \$15,140 (0.70%) for 2025, with increases related to Fines and Forfeits and Business Licenses and Permits offset by a decrease in Franchise Fees collected (as discussed and agreed upon in principle by the Council at a July Worksession) and all other Licenses and Permits.
- In keeping with the Council's commitment to continue to "stay ahead" of the City's many infrastructure needs, the 2025 proposal shows \$1,725,000 in levy support for the Infrastructure Fund. This is an increase of \$1,000,000 over the figure for this line item in the 2024 budget. As Council will recall, the establishment of this Fund was first identified as a priority in the 2019 Goal Setting Sessions. The fundamental premise of utilizing levy support for the infrastructure fund is to minimize if not altogether avoid the need to take on debt for routine road and utility reconstruction and rehabilitation projects. Given the expectation that significant investments in Public Facilities such as the Central Maintenance Facility, Aquatics Facilities, and Recreational Facilities will need to be evaluated and potentially programmed in the near future, Staff feels it is important to avoid borrowing for routine road and utility projects to the extent possible.
- General Fund Expenditures are proposed to increase by a total of \$816,358 (3.85%) over 2024 General Fund Expenditures. If adopted, this would represent the smallest year-over-year dollar increase in the General Fund Expenditures since 2021 (the "COVID" budget), and the second smallest (to 2020's 2.94% increase) year-over-year percentage increase in General Fund Expenditures for more than a decade. No new positions are proposed within the 2025 Budget, and no major new initiatives requiring additional levy support are proposed in the 2025 Budget; this is a budget that generally focuses on maintenance of services and a commitment to making a strong investment in the City's Infrastructure Program.
- Related to the above point, at the May Worksession the City Council directed staff to prepare the Preliminary 2025 – 2029 Capital Improvement Plan and present it at the same time as the Preliminary Budget and Property Tax Levy (typically the CIP is rolled into "Phase 2" of the annual budget process, later in the fall). The CIP is included for discussion and feedback. The 2025 CIP proposes more than \$21 million in Capital Projects for 2025. Council should note Page 13 of the CIP Document (Sources and Uses of Funds – Capital Programs Fund) and Page 16 (Sources and Uses of Funds – Infrastructure Fund), which highlight those projects for which LGA and Infrastructure Levy (both highlighted in the Annual Budget) serve as the primary sources of funding.
- Some notable projects found in the 2025 CIP:

- In Buildings, we plan \$3,270,000 for 2025 which includes the feasibility and design phases for the replacement of the Central Maintenance Facility (“Public Works”) and the first of three HVAC unit replacements at City Hall. The Council will note that the Central Maintenance Facility replacement project (see Page 19 of the CIP for detail) is estimated as a \$30,000,000 project, and proposed to be funded through a new debt levy.
- In the Central Garage (see pages 3 – 4 for summary), we plan to replace \$738,000 in vehicles, including three police cars, one large plow truck and three small vehicles for various departments.
- At the Doug Woog Arena (see page 4 for summary), we anticipate \$830,000 in capital projects including the replacement of several rooftop HVAC units and the addition of dehumidification for Rink 1. We also plan to replace one Zamboni and refurbish the other; the cost for these two items will be paid from the Central Garage fund.
- Engineering (see pages 4 – 5 for summary) intends to have a busy year in 2025 with more than \$15,000,000 in projects scheduled. These include the Lead Service Line Replacement project funded with PFA settlement proceeds, phase 1 of the Marie Ave Reconstruction project partially funded with a Safe Routes to School Grant, the Verderosa Extension project primarily funded with a Federal Community Project Funding Grant, and the 4th Street S Pavement Rehabilitation project.
- Parks and Recreation (see pages 5 – 6 for summary) also have a busy year planned with four park play structure replacements, the Kaposia Park Building Restoration and Parking Lot Mill & Overlay projects, and resurfacing the tennis courts at Summit Park. The planned projects total just under \$1,000,000.

Staff looks forward to receiving Council’s input and feedback on the preliminary Proposed 2025 Budget, Property Tax Levy and Capital Improvement Plan, and continuing towards our shared goal of providing our community members with a high level of service in a professional, responsible, cost-effective manner.

BUDGET SUMMARY INFORMATION

**SPENDING AND TAXES
ALL TAX LEVY SUPPORTED FUNDS**

	Revised Budget 2023	Revised Budget 2024	Proposed Budget 2025	24 TO 25 CHANGE	
				\$	%
<u>TAXES</u>					
General Fund	\$12,691,168	\$13,320,065	\$13,754,743	\$434,678	
Library	821,312	0	0	0	
Doug Woog Arena	323,000	323,000	323,000	0	
Capital/Infrastructure Program	350,000	725,000	1,725,000	1,000,000	
Debt Service	1,472,290	1,475,444	1,475,528	84	
TOTAL	\$15,657,770	\$15,843,509	\$17,278,271	\$1,434,762	9.06%
<u>SPENDING</u>					
General Fund	\$19,107,848	\$21,225,186	\$22,041,544	\$816,358	3.85%
Library	828,312	0	0	0	0.00%
Doug Woog Arena	1,062,077	1,521,421	1,439,677	(81,744)	-5.37%
Capital/Infrastructure Program	1,268,129	1,268,129	1,268,129	0	0.00%
Debt Service	1,472,290	1,475,444	1,475,528	84	0.01%
TOTAL	\$23,738,656	\$25,490,180	\$26,224,878	\$734,698	2.88%
Increased Taxes for:					
Operations					2.75%
Infrastructure Replacement					6.31%
Debt Service					0.00%
					<hr/> 9.06%

2024 BUDGET SUMMARY								
ALL LEVY SUPPORTED FUNDS								
	2025					<i>Revised</i>	2024 to 2025 Change	
	General	Doug Woog Arena	Capital Programs	Debt	Total Budget	2024 Budget		
REVENUES								
Property Tax Levy:								
Property Taxes	13,754,743	323,000	1,725,000	1,475,528	17,278,271	15,843,509	1,434,762	9.06%
Total Property Taxes	13,754,743	323,000	1,725,000	1,475,528	17,278,271	15,843,509	1,434,762	9.06%
Local Government Aid (LGA)	2,492,619	-	1,268,129	-	3,760,748	3,749,065	11,683	0.31%
Fees and Fines	2,175,595	-	-	-	2,175,595	2,160,455	15,140	0.70%
Intergovernmental	1,102,763	-	-	-	1,102,763	957,914	144,849	15.12%
Charges for Services	2,213,003	936,500	-	-	3,149,503	2,886,316	263,187	9.12%
Miscellaneous	112,821	30,000	-	-	142,821	122,000	20,821	17.07%
Transfers In	190,000	-	-	-	190,000	190,000	-	0.00%
TOTAL REVENUES	22,041,544	1,289,500	2,993,129	1,475,528	27,799,701	25,909,259	1,890,442	7.30%
APPROPRIATIONS								
General Government	3,237,985	-	-	-	3,237,985	3,159,485	78,500	2.48%
Public Safety	11,768,953	-	-	-	11,768,953	11,406,552	362,401	3.18%
Public Works	5,213,095	-	-	-	5,213,095	4,927,951	285,144	5.79%
Community Development	835,518	-	-	-	835,518	831,838	3,680	0.44%
Recreation and Library	824,993	1,439,677	-	-	2,264,670	2,311,740	(47,070)	-2.04%
Contingency	161,000	-	-	-	161,000	109,041	51,959	47.65%
Debt Service (external)	-	-	-	1,475,528	1,475,528	1,475,444	84	0.01%
Capital Improvements	-	-	1,268,129	-	1,268,129	1,268,129	-	0.00%
TOTAL APPROPRIATIONS	22,041,544	1,439,677	1,268,129	1,475,528	26,224,878	25,490,180	734,698	2.88%



AGENDA ITEM: Proposed Project Development Agreement w/ Johnson Controls (Energy Conservation Measures @ High Rises)

DESIRED MEETING OUTCOMES:

- Review and discuss a proposed Project Development Agreement Contract with Johnson Controls, Inc. for the John Carroll and Nan McKay Highrises
- If supported, receive Council Direction to place on a future EDA agenda for approval

OVERVIEW:

The Nan McKay and John Carroll Highrise Buildings, as you may be aware, have several large and expensive projects that need to be completed at both buildings. The purpose of this Project Development Agreement (PDA) is to confirm the intent of Johnson Controls and the South Saint Paul Housing and Redevelopment Authority to develop a proposed solution and infrastructure plan utilizing the most efficient resources possible, at the lowest cost to us, in order to complete these projects.

In addition to this, the South St. Paul HRA has had a twenty (20) year-long Energy Performance Contract (EPC) with HUD that has been successfully managed by JCI for its entirety. This contract will expire this year (2024) along with the Rate Reduction Incentives (RRI) that we have been receiving annually through this contract. JCI will ensure that a new EPC is in place for the upcoming years, so that we can continue receiving these incentives from HUD.

Typically, HUD requires us to use a process to obtain bids from multiple vendors; however, Johnson Controls is a single source vendor, meaning they are authorized by HUD to be used by us without the need to get multiple bids or quotes for the same project.

On top of planning these much-needed projects at the high-rise buildings, Johnson Controls will also ensure that all grants and rebates are obtained for any items that qualify. If during the project planning stage, we find that the EPC or PDA would be unsuccessful monetarily, we are not obligated to pay JCI, as stated in the agreement.

Some of the projects that will be considered in this PDA are as follows:

- Federal Pacific Electric Panel Replacement
- Highrise Roof Replacement Project
- HVAC Upgrades to more efficient Heat Pump units
- New HVAC MUA for Common Areas
- Lighting Upgrades to LED

- Efficient Water Fixtures
- Solar Photovoltaic
- Building Envelope Efficiency
- Others to be considered.
- Some notable projects found in the 2025 CIP:

Each of these projects can also be found in the South St. Paul HRA's 2025 Annual Plan along with the 2025 Capital Funding Activities Plan, which are both discussed first with our Resident Advisory Board, and then reviewed and generally approved by Council at the HRA's Annual Meeting in October 2024.

Staff's opinion is that these projects are necessary in the very near future to ensure that the longevity of the building is not negatively impacted. Staff's opinion is that it is equally necessary to enter into an agreement with Johnson Controls, who we have partnered successfully with for over 20 years, to assist us in planning these projects and building a new EPC, while securing all funding, rebates, and incentives available. It should be noted that if project planning in its early stage reveals no positive results, the South St. Paul HRA will not be obligated to pay JCI the contracted amount in this agreement.

SOURCE OF FUNDS:

Public Housing Capital and Operating Grants (from HUD)

ATTACHMENTS:

Johnson Controls – Project Development Agreement
Energy Performance Contract Information

PROJECT DEVELOPMENT AGREEMENT BETWEEN

City of South St. Paul HRA
125 Third Ave. No.
South St. Paul, MN 55075

AND

Johnson Controls, Inc.
3850 N. Main Street
East Peoria, IL 61611

The purpose of this Project Development Agreement (PDA) is to confirm the intent of Johnson Controls (JC) and the South Saint Paul Housing and Redevelopment Authority (Customer) named above to develop a proposed solution and infrastructure plan utilizing the Equalis Contract. This agreement will provide the basis of the scope of the PDA, the obligations of both parties, the financial metrics to be met, the intended outcomes and timeline.

1. Scope of Services

It is the Parties' mutual understanding this Project Development Agreement will:

- a. Provide for the development of Energy Conservation Measures (ECMs) at the Customer's facilities; where possible, assist the Customer by providing additional improvements to reduce a Customer's utility spend, deferred maintenance backlog or desired Energy Conservation Measures not affordable otherwise;
- b. Assist the Customer in capitalizing on the Inflation Reduction Act, Energy Performance Contracting Program and any other funding sources identified and arranging for project financing;
- c. Utilize the Customer's most recent 36 months of utility consumption data, generally covering the time period of 09/01/2020 to 09/30/2023. Consumption data will be utilized as part of this agreement and includes the following utilities that are applicable: electricity, natural gas, water, and sewer;

Housing Authority Locations:

- 1) Nan McKay Building
200 Marie Ave, South Saint Paul, MN 55075

- 2) John Carroll 300 Grand Ave
South Saint Paul, MN 55075

2. Development Schedule

It is the intent and commitment of all parties identified in this Agreement to work diligently, and cause others to work diligently under their direction to achieve the Milestone Schedule identified herein:

*These milestones may be modified by subsequent work plans mutually agreed upon by both parties.

Notify Minneapolis HUD Field Office of Intent to Enter into EPC Program	7/08/2024
Johnson Controls Notified Selected by South Saint Paul HRA	8/15/2024
Execution of Project Development Agreement (PDA)	8/22/2024
Customer Kick-off Meeting	9/6/2024
Start Field Audits at Selected Sites	9/6-10/30/2024
Weekly Coordination Meetings (as required)	TBD
Board Meeting Presentation and Update (if required)	9/2024
Final Scope Workshop	9/2024
Measurement and Verification Workshop	9/2024
Financial Workshop	9/2024
Final Scope and Contract Review Workshop	10/2024
JCHA Board Meeting Approval of Financing & JCI Energy Services	10/7/2024
HUD Submission For Approval	10/9/2024
HUD Approval Received	12/1/2024
Energy Services Agreement Approved	12/15/2024
3 rd Party Financing & JCI Construction Contract Signed and Executed	12/20/2024
Notice to Proceed Issued	12/27/2024
Project Construction	12 months
Measurement & Verification Workshop and Reporting	Up to 20 years

3. Deliverables

Upon completion of the project development, JCI shall deliver to the Customer:

- a. A written description of each ECM proposed to be implemented;
- b. A financial pro forma cash flow documenting the proposed project. The pro forma will include applicable annual costs and savings that affect the project outcome such as financing, energy, water, sewer, labor and maintenance, incentives and rebates, and Redirected M&O Budget Savings Contribution values
- c. A preliminary schedule for implementation of the project;
- d. Comprehensive Energy Audit;
- e. HUD submission documentation and package meeting 24 CFR 990.170 and 24 CFR 990.185
- f. A summary of the Measurement & Verification for Annual OpSub Submission plan;
- g. A firm offer by JCI to implement a project that meets the Energy Performance Contracting Program requirements including a positive cash flow at term.

4. Customer Priority ECMs

JCI will provide some Energy Conservation Measures (ECMs) that are essential to creating a project that meets the Customer’s financial buying criteria. Examples of such ECMs may include but not be limited to ECMs such as lighting modifications, water saving fixture modifications, HVAC upgrades, Solar PV and control system modifications. Normally, in addition to those ECMs which are essential creating a project that provides a positive cash flow, JCI can include other

ECMs that help the Customer to achieve certain other desired results, such as building improvements (Windows) or implementing improvements from the Customer's deferred maintenance budget.

Listed herein is a list of Customer Priority ECMs. The Customer Priority ECMs are listed in priority order in terms of importance to the Customer achieving their objectives. JCI and the Customer acknowledge that JCI will provide as many of the Customer Priority ECMs listed as possible while still meeting achieving the criteria listed in the Deliverables paragraph.

The Customer acknowledges that the project may or may not include all the Customer Priority ECMs listed:

1. HVAC Upgrades to more efficient Heat Pump units
2. New HVAC MUA for Common Areas
3. Lighting Upgrades to LED
4. Efficient Water Fixtures
5. Solar Photovoltaic
6. Building Envelope Efficiency
7. Others to be considered

5. Records and Data

During the project development, the Customer will furnish to JCI upon its request, accurate and complete data concerning current; equipment performance data if available, costs, budgets, facilities requirements, future projected loads, facility operating requirements, collective bargaining agreements, etc.

JCI will provide a separate document with a formal request for the required data shortly after touring the Customer facilities. The Customer shall make every effort to provide that information within 10 days of request.

6. Preparation of Implementation Contract

JCI will develop the framework of the subsequent Implementation Agreement and the Financing Agreement. JCI and Customer shall work diligently during the project development to complete and populate contract documents. The form of the documents will vary depending on Customer requirements, state statute where applicable and JCI requirements, but where prudent shall utilize JCI standard documents.

7. Project Development Cost and Payment Terms

Customer agrees to the cost for JCI to provide project development services identified here in is \$19,500.00 and is payable within 60 days after JCI provides the Deliverables identified herein.

- a. Obligation to pay if JCI satisfies requirements - Customer shall pay the amount indicated if JCI satisfies the requirements set forth in Paragraph 3 "Deliverables" and the Customer elects not to implement a project with JCI.

However, Customer will have no obligation to pay this amount if:

- a. JCI and the Customer enter into the Implementation Agreement, (outlined in Paragraph 6) within 60 days after JCI provides the Deliverables. Costs for project development will be transferred to the total cost of the Implementation Agreement and be subject to the payment terms outlined in the Agreement.
- b. The project fails to provide a set of ECMs with a positive cash flow, (outlined in Paragraph 3) in which case the Customer is not obligated to pay JCI for the development services.

8. Indemnity

JCI and the Customer agree that JCI shall be responsible only for such injury, loss, or damage caused by the intentional misconduct or the negligent act or omission of JCI. To the extent permitted by law, JCI and the Customer agree to indemnify and to hold each other, including their officers, agents, directors, and employees, harmless from all claims, demands, or suits of any kind, including all legal costs and attorney's fees, resulting from the intentional misconduct of their employees or any negligent act or omission by their employees or agents. Neither JCI nor the Customer will be responsible to the other for any special, indirect, or consequential damages.

9. Disputes

If a dispute arises under this Agreement, the parties shall promptly attempt in good faith to resolve the dispute by negotiation. All disputes not resolved by negotiation shall be resolved in accordance with the Commercial Rules of the American Arbitration Association in effect at the time, except as modified herein. All disputes shall be decided by a single arbitrator. A decision shall be rendered by the arbitrator no later than nine months after the demand for arbitration is filed, and the arbitrator shall state in writing the factual and legal basis for the award. No discovery shall be permitted. The arbitrator shall issue a scheduling order that shall not be modified except by the mutual agreement of the parties. Judgment may be entered upon the award in the highest State or Federal court having jurisdiction over the matter. The prevailing party shall recover all costs, including attorney's fees, incurred as a result of this dispute.

10. Confidentiality

This agreement creates a confidential relationship between JCI and Customer. Both parties acknowledge that while performing this Agreement, each will have access to confidential information, including but not limited to systems, services or planned services, suppliers, data, financial information, computer software, processes, methods, knowledge, ideas, marketing promotions, current or planned activities, research, development, and other information relating to the other party ("Proprietary Information"). Except as authorized in writing both parties agree to keep all Proprietary Information confidential. JCI may only make copies of Proprietary Information necessary for performing its services. Upon cessation of services, termination, or expiration of this Agreement, or upon either party's request, whichever is earlier, both parties will return all such information and all documents, data and other materials in their control that contain or relate to such Proprietary Information.

JCI and Customer understand that this is a confidential project and agree to keep and maintain confidentiality regarding its undertaking of this project. JCI shall coordinate its services only through the designated Customer representative and shall provide information regarding this project to only those persons approved by Customer. JCI will be notified in writing of any changes in the designated Customer representative.

11. Miscellaneous Provisions

Any evaluation or implementation of disinfection or related technology is intended to be used as a tool for helping Customer manage its response to the unknown and challenging environment in which Customer is working to address the unprecedented COVID-19 pandemic, or to be prepared for future outbreaks of COVID-19 or other pandemics. JCI cannot guarantee that the products provided will prevent the spread of COVID-19 or any other disease or keep any person safe. JCI EXPRESSLY DISCLAIMS ANY WARRANTY THAT THE PRODUCTS WILL ELIMINATE, PREVENT, TREAT OR MITIGATE THE SPREAD, TRANSMISSION, OR OUTBREAK OF COVID-19 OR ANY OTHER PATHODEN, DISEASE, VIRUS, OR OTHER CONTAGION.

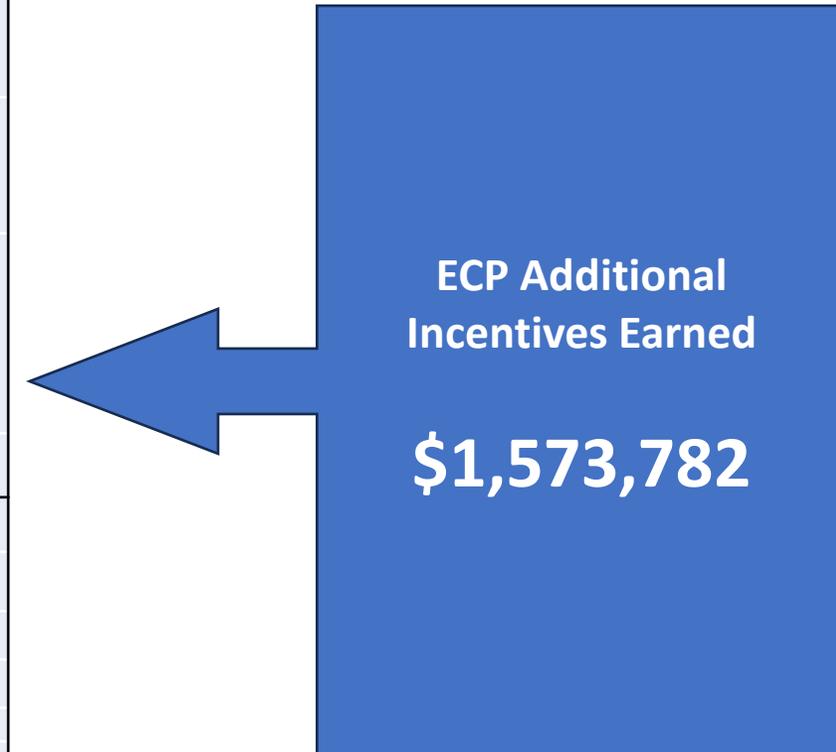
This Agreement cannot be assigned by either party without the prior written consent of the other party. This Agreement is the entire Agreement between JCI and the Customer and supersedes any prior oral understandings, written agreements, proposals, or other communications between JCI and the Customer. Any change or modification to this Agreement will not be effective unless made in writing. This written instrument must specifically indicate that it is an amendment, change, or modification to this Agreement.

This document represents the business intent of both parties and should be executed by the parties who would ultimately be signatory to a final agreement.

JOHNSON CONTROLS, INC.	CUSTOMER
By Bradford G. Estadt	By Ryan Garcia
Signature	Signature
Title Area General Manager	Title Director of Economic and Community Development
Date	Date

SSPHRA Prior EPC Program Success

2004	Original Contract	\$ 2,066,439.35	Water conservation, refrigerators, controls. repair pneumatics, MUA unit upgrades, boiler system repairs, new motors and VRF controls, common area self contained temperature regulator valves. Garage door with opener.
2008	Boiler	\$ 1,055,166.65	Term Extension from 12 years to 20 years. Three High Efficiency dual fuel boilers installed.
2012	FEMA Grant	\$ 562,929.00	Bring both SSP HRA high-rise buildings up to 100% fire code with the implementation of a new fire alarm system that provides audible and intelligible emergency messaging to occupants during fire/life safety events.
2015	Boiler	\$ 714,500.00	High Efficiency Dual Fuel Boilers installed.
	Total Improvements	\$ 4,399,035.00	
	Capital Contribution	\$ 1,783,439.00	
	<u>Total Grants</u>	<u>\$ 1,162,929.00</u>	
	Total Financed	\$ 886,667.00	
	Principal & Interest	\$ 1,934,507.00	
	Earned Incentives (20 yrs)	\$ 3,508,289.00	
	Additional Incentives Earned	\$ 1,573,782.00	



How Could an Energy Performance Contract Benefit SSPHRA?

An Energy Performance Contract (EPC) could benefit the South Saint Paul Authority in several ways:

Cost Savings: EPCs allow housing authorities to achieve energy and water savings without upfront capital investment. Private lenders provide funds for installing energy conservation measures (ECMs), and the debt is repaid using utility savings generated over up to 20 years.

Modernization of Equipment: EPCs allow Housing Authorities to upgrade HVAC equipment, Lighting Fixtures, Water Fixtures and other equipment to the most modern, efficient and reliable solutions on the market.

Energy Efficiency: EPCs enable cost-effective retrofits, improving energy efficiency across Housing Facilities. These upgrades enhance resident comfort while reducing utility expenses which are utilized to pay for the EPC project.

Guaranteed Success: Johnson Controls often provides guarantees of success and ongoing measurement and verification of performance. This ensures that the expected savings are achieved. This puts the risk of performance and outcomes of the EPC project on Johnson Controls; not the Housing Authority.

Sustainability: EPCs contribute to environmental sustainability by reducing energy consumption and the carbon footprint.

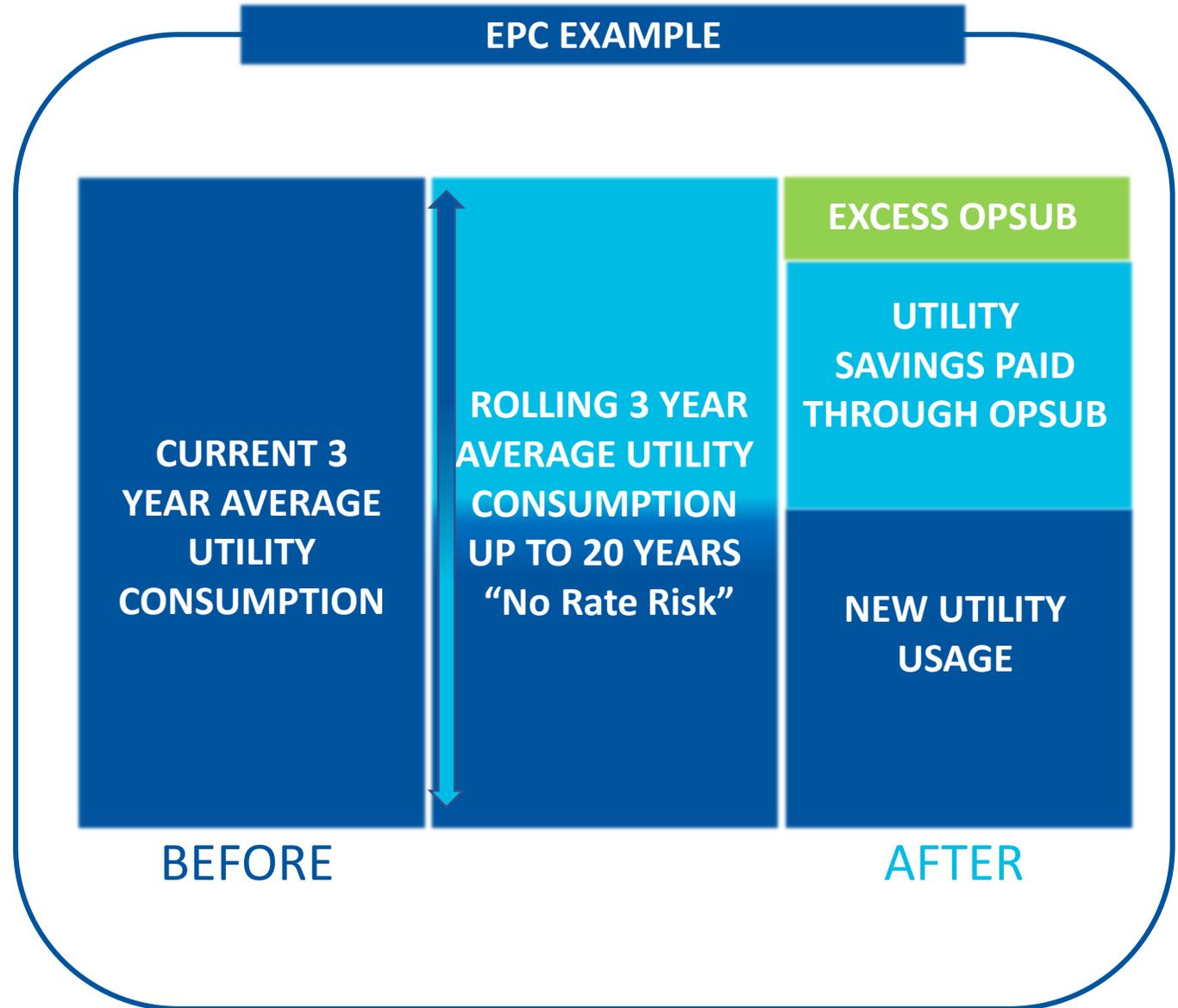
Unique Funding Solutions: EPCs completed with Johnson Controls utilize many funding sources including Grants, Rebates, ITCs and other sources to ensure that the Housing Authority's Budget is not put at risk.

Risk Transfer: With an EPC, Johnson Controls acts as the Designer, Implementer and General Contractor of the EPC project. Johnson Controls, as the HUD approved EPC Company owns the risk of price controls, sub-trade pricing and performance and the overall successful outcomes of the EPC project.

Energy Performance Contracting

The ability, to use utility savings and cost avoidance to offset the cost of major improvements and environmental sustainability solutions for Housing Authorities

The Program Summary - The Energy Performance Contract program (EPC) is a financing technique that uses energy and/or water cost savings from reduced energy and/or water consumption to repay the cost of installing Energy Conservation Measures (ECMs).



Process & Next Steps

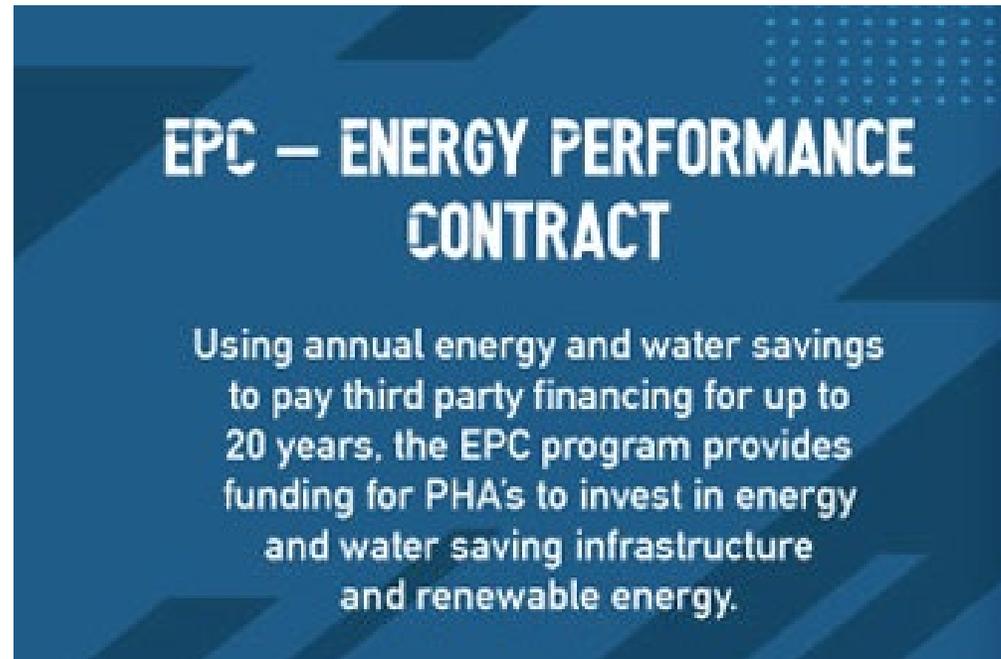


Activity	Timing
Sign Project Development Agreement (PDA)	September, 2024
Finalize Engineering and Pricing	October – November 2024
Submit Project Scope and Cashflow to HUD for Approval	November, 2024
Contract Execution	December, 2024
Construction Mobilization	Spring, 2025
Ongoing Savings Verification Services	20 years

HUD Approved Energy Performance Contracting

The Energy Performance Contract program (EPC) is a financing technique that uses energy and/or water cost savings from reduced energy and/or water consumption to repay the cost of installing Energy Conservation Measures (ECMs). EPC can pay for today's facility upgrades with tomorrow's energy and/or water savings. Performance contracting is used in other sectors, including federal facilities, schools, and universities.

[HUD EPC Informational Website](#)





AGENDA ITEM: Truck/Trailer Parking on EDA/City-owned Vacant Lots

DESIRED MEETING OUTCOMES:

Staff will provide an update on the status of several vacant lots owned by the EDA or City, which periodically draw inquiries about permitting outdoor storage and/or truck/trailer parking. We hope to accomplish the following at the meeting:

- Review vacant lots under EDA or City Control
- Discuss any desire to change 2018 EDA/Council directive to generally move away from leasing vacant lots for parking

DISCUSSION:

In June 2018, the EDA discussed a long-standing business practice of the South St. Paul HRA to lease out vacant lots to private entities for the parking of vehicles, trailers, trucks affiliated with those entities' businesses. At that meeting, the EDA's direction to staff was to generally seek to "sunset" most parking leases and move towards redeveloping most of these sites. Between 2018 -2024, we've seen this strategy mostly pay off as numerous new developments (Holiday Station on 12th/Southview, Asian Mart, The Yards/The Backyards) arose on previously leased parking lots.

Within the past year, the City amended its parking ordinance which has the effect of limiting the amount of commercial/recreational vehicles parking on residential property and most City streets. At the same time, the City continues to receive periodic inquiry about City-owned property, including 135 – 139 Grand Avenue East (James Co./2020 Brands and Twin City Pallet sites), 400 Concord Exchange (the proposed Animal Hospital site), and 316 Malden Avenue (former Thompson Motors). These inquiries often include requests that the City permit residents with semi trucks or trailers to use or lease these properties to store their vehicles when not in use. Staff is seeking Council discussion and direction as to whether there is an appetite to change course from previous direction as it relates to parking on vacant City/EDA property. While these parking arrangements can serve as a source of revenue for the EDA/City, by and large these revenues tend to be merely enough to perform routine upkeep and maintenance of the parking areas. Nonetheless, Staff continues to be of the opinion that opening up these properties for leased parking/storage sets an undesirable precedent and would be short-sighted in view of the longer-term redevelopment aims of the City.