

Pursuant to the due call and notice thereof, a regular meeting of the North Mankato City Council was held in the Municipal Building Council Chambers on July 17, 2023. Acting Mayor Steiner called the meeting to order at 7:00 pm, asking everyone to join the Pledge of Allegiance. The following were present for roll call: Council Members Peterson, Oachs, Whitlock, Steiner, City Administrator McCann, Finance Director Ryan, Community Development Director Fischer, and Public Information Officer Brown. Absent: Mayor Carlson, Public Works Director Arnold and City Clerk Van Genderen.

Approval of Agenda

Council Member Oachs moved, seconded by Council Member Whitlock, to approve the agenda as presented. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Approval of Council Minutes from July 3, 2023, Council Meeting.

Council Member Peterson moved, seconded by Council Member Oachs, to approve the July 3, 2023, Council Meeting Minutes. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Public Hearing, 7 pm to Consider Public Hearing-Tax Increment Financing District No. 2-2 (Hotel Redevelopment) within Development District No. 2.

Tammy Omdal, the City's financial advisor from Northland Securities, appeared before Council. She reported the request for TIF assistance comes from the developer (1111 Holdings of Mankato, LLC) to redevelop an existing sub-standard building (hotel property) and construct a new space providing sixty (60) new apartment units, 30,000 square feet of commercial space, including restaurant and retail space by the developer. Ms. Omdal reviewed the requirements for a TIF Plan in Minnesota. She reported that the TIF Plan would describe the project to be financed and provide specific information about the redevelopment activity. The TIF is created by the City, reviewed by the county and school district, and approved by the City. To date, no comments have been received from the county or school district.

Ms. Omdal reported the proposed project area within the TIF district meets the criteria for establishing a redevelopment TIF District. She reviewed the boundaries of Development District No. 2 and TIF District No. 2-2.

Ms. Omdal explained how a TIF works. Property taxes are based on base valuation. The value that existed before the development will be payable to local taxing jurisdictions and not captured for TIF. The difference between the base value and the new taxable market value (capture value) is estimated at approximately \$11.3 million. Taxes on the captured value will generate tax increment to assist the project.

Ms. Omdal reviewed the estimated taxable market value upon project completion in 2026, along with the annual captured taxes and estimated annual taxes payable from the property for all jurisdictions. In 2023, the property had a current tax of \$73,948. In 2026, the estimated annual taxes received by taxing jurisdictions from property within the TIF District is \$90,276, and the annual captured taxes (Tax Increment) from the TIF District is \$178,826, so the total combined estimated annual payable from the property is \$269,112.

Ms. Omdal discussed the proposed budget for the TIF District. The total projected Tax Increment over the life of the TIF District is \$5,978,413, which would provide approximately \$5.4 million to the developer to be used for reimbursement project costs up to a present value of approximately \$2.6 million. The City would retain approximately \$253,000 to cover administrative costs.

Ms. Omdal reviewed the terms for assistance to the developer, which includes the City considering approval of the TIF Plan. The TIF Plan provides the framework for the terms for assistance to the Developer, and the City will consider approval of a TIF agreement with the Developer. The TIF will reimburse up to a present value of \$2,616,000 of land and site improvements paid by the developer on a pay-go basis for a maximum term of 26 years. The City will use TIF not paid to the developer to reimburse administrative costs and other qualified costs for the district.

Ms. Omdal stated that based on current market conditions, the proposed project would not happen solely through private investment; without TIF return, the developer is not at sufficient levels, so it is reasonable to assume the project would not proceed. The Draft TIF Plan was distributed to the county and school district on June 23 for a 30-day review and comment period, and the City has yet to receive any comments.

Acting Mayor Steiner closed the Public Hearing with no one appearing before Council.

Public Hearing, 7 pm to Consider City Code Chapter 73: Recreational Vehicles.

City Planner Lassonde reported in 2020 staff received a request for motorized golf carts (MGCs) to be permitted on the North Mankato roadway system. Currently, the City Code does not allow the operation of a motorized golf cart on streets, alleys, sidewalks, or other public property. The Traffic & Safety Committee and City staff presented a draft ordinance to the City Council at a council work session in 2020, but no further action was taken at that time. In early 2023, the request was brought to City staff again. City staff presented a revised draft ordinance to the Council at the June 20th work session, and the Council set tonight's public hearing at the July 3rd council meeting.

City Planner Lassonde reviewed the current City Code and proposed changes, which include authorizing and defining recreational vehicles and designating permitted motorized roadways. These revisions exclude all-terrain vehicles (ATVs) as defined by the DNR, and utility task vehicles (UTVs). City Planner Lassonde reported that the ordinance identifies designated roadways, operational requirements, seasonal limitations, vehicle requirements, and states that all recreational vehicles must be inspected and receive a permit. He emphasized again that this ordinance only applies to motorized golf carts and is a good starting point if there is an interest in extending licensing to ATVs and UTVs.

Acting Mayor Steiner questioned if the map would be available on the City's website. City Planner Lassonde reported that if approved, the ordinance and map would be available on the City's website.

Council Member Peterson inquired if a permit fee had already been set. City Administrator McCann responded that there is not a set fee at this time, but it would be discussed at a later date.

With no one appearing before Council, Acting Mayor Steiner closed the Public Hearing.

Consent Agenda

Council Member Oachs moved, seconded by Council Member Whitlock, to approve the Consent Agenda.

- A. Bills and Appropriations.
- B. Approved Resolution Accepting Donations/Contributions/Grants.
- C. Approved Block Permit for Shanda Walters at 203 South Lake Street on August 20, 2023, from 9:00 am to 11:00 am and 5:00 pm to 10:00 pm.
- D. Approved the Parade and Event Permit for Saturday, September 30, 2023 for BENCHS Tails N Trails Event.
- E. Approved Cannabinoid License for BL Worldwide Investments Inc. DBA PJ's Liquor Emporium located at 407 Belgrade Avenue.

- F. Approved Parade and Audio Permit for The Mankato Beer Run 5K and .05K November 5, 2023, from 10:00 am to 12:00 pm.

Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Public Comments Concerning Business Items on the Agenda.

None.

Business Items

Resolution Establishing Tax Increment Financing District No. 2-2 Within Development District No. 2 and Adopting the Tax Increment Financing Plan Therefor; and Authorizing an Interfund Loan.

Acting Mayor Steiner and Council Members Peterson and Oachs noted their support of the project, recognizing the project's vision and positive impact.

Council Member Oachs moved, seconded by Council Member Peterson, to Approve Resolution Establishing Tax Increment Financing District No. 2-2 Within Development District No. 2 and Adopting the Tax Increment Financing Plan Therefor; and Authorizing an Interfund Loan. Vote on the motion, Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Ordinance No. 159, Repealing and Replacing Sections of City Code Title VII: Traffic Code, Chapter 73: Recreational Vehicles.

Council Member Whitlock suggested setting a 3-year permit and inquired if there was a suggested fee. City Administrator McCann reported that Blue Earth County's permit is \$15 and suggested a \$30 permit could be feasible, but it would be determined at a future meeting. He confirmed that once the ordinance was adopted, the permit would be created, the fee would be set, and the license would be available.

Council Member Peterson moved, seconded by Council Member Whitlock to Adopt Ordinance No. 159, Repealing and Replacing Sections of City Code Title VII: Traffic Code, Chapter 73: Recreational Vehicles. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Receive and Approve the 2022 Comprehensive Financial Audit.

Layne Kockelman, Abdo CPA, appeared before Council and presented a high-level summary of the 2022 audit. Mr. Kockelman reported the results of the audit are the auditor's unmodified opinion of the City's financial statements and targets. They found no instances of Minnesota Legal noncompliance, and no instances of noncompliance with the OMB Compliance Supplement requirements.

Mr. Kockelman reported that the 2022 Audit Findings were in regard to Internal Control during Preparation of Financial Statements and Internal Control during Material Audit Adjustments. He noted these findings are very common and were the same as in previous years.

Mr. Kockelman presented the General Fund Balances and stated that the City's balance has been consistent in recent years and above the recommendations for a Fund Balance Policy. The Fund Balance is compared with the Budget, and the City's Fund Balance Policy is 50% of the Budgeted Property Taxes, LGA and MSA funds. He reported that when comparing the final budgeted amounts with the actual amounts, the budget overall balanced out. The revenue from licenses and permits was higher than anticipated, demonstrating healthy development in North Mankato, however, the expenditures were also higher than anticipated due to staffing and CIP costs such as the Splash Pad

project. Mr. Kockelman reported that the main sources of revenues for the General Fund are taxes and intergovernmental dollars. He also stated that the largest type of expenditures from 2023 the General Fund are attributed to Public Safety.

Mr. Kockelman reviewed the Special Revenue Fund Balances and noted that the most significant change was a decrease in funds from the Local Options Sales Tax Fund, as those dollars were used to help pay for project costs. He reported the Debt Service Funds included outstanding General Obligation bonds in Governmental Funds, and that the city typically nets approximately 3 million dollars per year in debt service obligations. Mr. Kockelman noted in the Capital Projects Fund Balances there was a decrease of about 1.9 million dollars due to street projects and the Caswell Improvement Project. Most dollars in this fund are reserved for the future indoor recreation facility.

Mr. Kockelman next discussed the enterprise funds. He stated that these funds are not supported by the tax levy, but by user charges. The fund cash flows from operations and cash balances, and he noted the Operating Disbursements are available for operating costs, and the Debt Payments are reserved for future project costs. He reported that both the Water Fund and Sewer Fund are generating positive cash flow and building up cash reserves. The Storm Water Fund operates uniquely due to ravine costs and one time variability costs, and currently the City's Fund is right in line with the recommendations for a minimum target balance of about \$200,000. The Recycling and Solid Waste Funds are also both building up cash reserves, and the Recycling fund's cash is significantly higher than the Minimum Target Balance at \$343,000. Mr. Kockelman noted that the Solid Waste Fund is not as efficient, and that the actual cash amount is much lower than the Minimum Target Balance. The Minimum Target Balance is almost \$145,000, but the fund's cash amount is nearly \$20,000. He reported the Hotel Fund contains unspent bond proceeds, and bond payments will begin in 2024.

Mr. Kockelman reviewed the Cash and Investments Balances by Fund Type and stated that the City's cash balances totaled approximately \$24.5 million, which has doubled since 2020 due to an increase in enterprise funds. He noted a majority of the funds are reserved for future capital projects.

Mr. Kockelman presented the findings of the City's taxes and noted that the tax rate was lowered again in 2023, which is an indicator of growth. North Mankato's tax rates are comparable to other Class 3 cities of North Mankato's size, and other cities in Nicollet County, and North Mankato's taxes per capita are in line with other Class 3 cities, but higher than other cities in Nicollet County. He also reported that in terms of debt, North Mankato is higher than Class 3 cities and other cities in Nicollet County due to recent debt taken on in 2021. In terms of current expenditures per capita, North Mankato is higher than other cities in Nicollet County, but lower than other Class 3 cities.

City Administrator McCann stated that the audit process went well this year, especially as this was Finance Director Ryan's first year working with the audit. He noted that the audit informs the budget process, which will begin with the August 7th Council Work Session.

Council Member Oachs moved, seconded by Council Member Peterson to Approve the 2022 Comprehensive Financial Audit. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Consider Approving the Joint Economic Development Services Agreement Regarding the Greater Mankato Regional Marketplace.

Greater Mankato Growth (GMG) President & CEO Jessica Beyer and Economic Development & Research Manager Ryan Vesey appeared before Council to present the Joint Economic Development Services Agreement. They noted they attended the Council Work Session on April 17th and highlighted the Regional Economic Development Alliance (REDA) partnership at that time. Mr. Vesey reviewed the different sectors within GMG; Visit Mankato supports the area's tourism, City Center Partnership promotes the downtown, and Green Seam represents agriculture in Southern

Minnesota. He also noted the organization's core focus areas: Business Growth & Development, Talent Growth, Retention & Attraction, Regional Livability, and Advocacy of the Marketplace.

Mr. Vesey reviewed the REDA Partnership and alliance partners: Eagle Lake, Lake Crystal, Mankato, North Mankato, St. Peter, Blue Earth County, and Nicollet County; these partners and GMG investors fund the alliance's services. He reported recent REDA Activity Highlights with the City of North Mankato, which included their assistance with joint RFPs and a site selection request, connecting a recent developer (Gordini) with City staff, and awarding \$206,000 to North Mankato businesses through the Main Street Economic Revitalization Program.

Mr. Vesey reported that GMG's Resident Recruitment Campaigns refocused to recruit for businesses and organizations already located in the Mankato region. These recruitment efforts have included billboard campaigns, Facebook campaigns, and KEYC- Digital Ad campaigns. GMG also recently launched a new comprehensive website that highlights the visitor cycles: visit-live-invest-grow. Ms. Beyer noted that this new website will promote the Mankato region in all areas as a comprehensive resource.

Mr. Vesey reviewed the Return on Investment (ROI) for REDA partners. He stated that in regards to private capital investments in construction projects over the last 5 years, North Mankato received the second highest ROI, receiving \$309 in private investments after investing \$143.

Ms. Beyer overviewed the language adjustments in the 2023 Joint Services Agreement. These changes included adjusting the Guiding Principles to include workforce development, clarifying the language regarding the business expansion process, limiting the advisory committee to one seat on the GMG Board and financial rate adjustments. Ms. Beyer concluded their presentation by thanking involved City staff in their efforts on the sub-committee, and noted there are no other changes to the agreement since their presentation on April 17th.

Council Member Oachs moved, seconded by Council Member Whitlock to Approve the Joint Economic Development Services Agreement Regarding the Greater Mankato Regional Marketplace. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Consider Review of CU-1-22.

Community Development Director Mike Fischer reported that in January of 2022, the City Council granted a Conditional Use permit to Northtown Auto. Since opening, City staff have received complaints that violations of this permit have occurred. These violations are in relation to the parking of the vehicles, the lack of striping on the parking lot, and double parking on the property. City staff met with the property owner and while small improvements were made, they were not long-term and the issue was brought to the Planning Commission for new recommendations. At the Planning Commission meeting on June 8th, a new parking plan was developed with the property owner, and the commission amended the original conditions. The amended conditions include:

1. The parking lot be striped to identify parking spaces and driving lanes as shown on Exhibit A by January 17, 2023.
- 1.2. No more than fifty-eight (58) vehicles be stored in Area B at one time.
- 2.3. Except in Area B, no stacked or double parking of vehicles is permitted.

The remaining conditions (1.4-1.9) were not amended. The Planning Commission recommends approval to the City Council of these amended conditions.

Council Member Oachs noted she has received on-street parking complaints for this property and questioned if that was addressed with the property owner. Mr. Fischer responded that the on-street parking by his staff was acknowledged by the property owner, however, as long as the parking is in

compliance with city code, no further action is required. Council Member Peterson added that the on-street parking for staff was for valid reasons and he did not believe it to be an issue.

Council Member Peterson moved, seconded by Council Member Oachs to Approve the CU-1-22. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Discuss Golf Cart License Fees.

City Administrator McCann reviewed a variety of golf cart license fees from other Minnesota cities and recommended \$25-30 as a good starting point. City Planner Lassonde stated he researched comparable fees in 2020 and seconded \$25-30 as a good starting amount for a 3-year license.

Council Member Peterson stated he believed the fee should be higher at \$45-50 per year, in an effort to not inundate the city with license applications.

Council Member Oachs inquired if another public hearing was required to set the fee cost. City Administrator McCann responded that it was not needed and could be supplemented to the fee schedule.

Acting Mayor Steiner suggested setting a \$50 fee for 3 years and questioned if there was a fee recommendation in 2020.

City Planner Lassonde stated that no fee preference was given in 2020, since the ordinance did not reach that point of discussion.

Finance Director Ryan noted that time is needed to develop the license application, stickers, and other documentation after adoption, and allows for time to determine a fee at a later date.

Discussion was held comparing other cities' comparable fees and determining if the fee could be set now or at a later date. Council Member Whitlock suggested the Traffic and Safety Committee meet and discuss the fee.

Council Member Steiner moved, seconded by Council Member Oachs to table the fee discussion and discuss at a future meeting. Vote on the motion Peterson, Oachs, Whitlock, Steiner, aye, no nays. Motion carried.

Open Forum

Joseph Erkel and Alma Erkel, 1586 Sherwood Drive, appeared before council to discuss the deer issue on Ms. Erkel's property. They reported that after completing thorough plantings on her property, the deer consume her plants and grass. She has replaced her plants and grass many times and placed protective measures on her property without success. They believe that the deer population in upper North Mankato has increased and needs to be addressed.

City Administrator McCann responded that staff are currently working to address the deer complaints. City Planner Lassonde noted that he has visited the property in question and is working on the issue.

Barb Church, 102 Wheeler Avenue, appeared before Council and stated that the City's city code regarding natural lawns is not in compliance with a recent state statute change, and should be repealed.

Tom Hagen, 927 Lake Street appeared before Council and stated he concurred with Ms. Church and believes the City's code regarding natural lawns is not in compliance with state law and needs to be repealed. He also stated public comments at council meetings need to be moved to the start of the meeting.

Acting Mayor Steiner requested that City staff compare the new state statute regarding natural lawns with the existing city code to determine if it is compliant. City Administrator McCann responded that City staff will review the issue and he will speak with Mayor Carlson on next steps.

City Administrator and Staff Comments

Finance Director Ryan noted the audit process went well, and the budget is underway and will be presented at the next Council Work Session.

City Administrator McCann invited residents to review the Lookout Drive Area Plan through a virtual open house on the City’s website. The virtual open house will open for comments on Wednesday, July 19th and close Wednesday, August 2nd.

City Administrator McCann invited everyone out to Music in the Park at Wheeler Park on Thursday afternoons.

City Administrator McCann reminded residents that Blues on Belgrade will be held on Saturday, July 29th on Belgrade Ave., and invited everyone to attend.

City Administrator McCann stated that Night to Unite will be held on Tuesday, August 1st, and encouraged neighborhoods to register their event on the City’s website.

City Administrator McCann reported the North Mankato Police Department will host Cone with a Cop on Sunday, August 13th at Culver’s in upper North Mankato. Residents are invited to attend and get to know the officer in their neighborhood.

Mayor and Council Comments

Council Member Oachs thanked those who made donations.

Council Member Peterson noted it was good to see new attendees at the council meeting and agreed with Mr. Hagen’s ideas regarding public comments. He noted he also encounters deer issues on his property.

At 8:31 pm, on a motion by Council Member Whitlock, seconded by Council Member Peterson, the Council Meeting was adjourned.

Mayor

City Clerk