City Council Work Session
Tuesday, March 1, 2022 at 6:00 PM
Public Meeting Room

AGENDA

1. **Call to Order**
2. **Items for Discussion**
   A. Update on Rice County North Block Development
   B. 2021 Investment Report
   C. Discussion Regarding Window AC Units in the Central Business District
   D. Restricting Utility Service Outside City Limits
3. **Future Discussion**
4. **Adjournment**

(The Council may meet as a group for dinner)

Please contact the City Administrator’s Office if you need special accommodations while attending this meeting

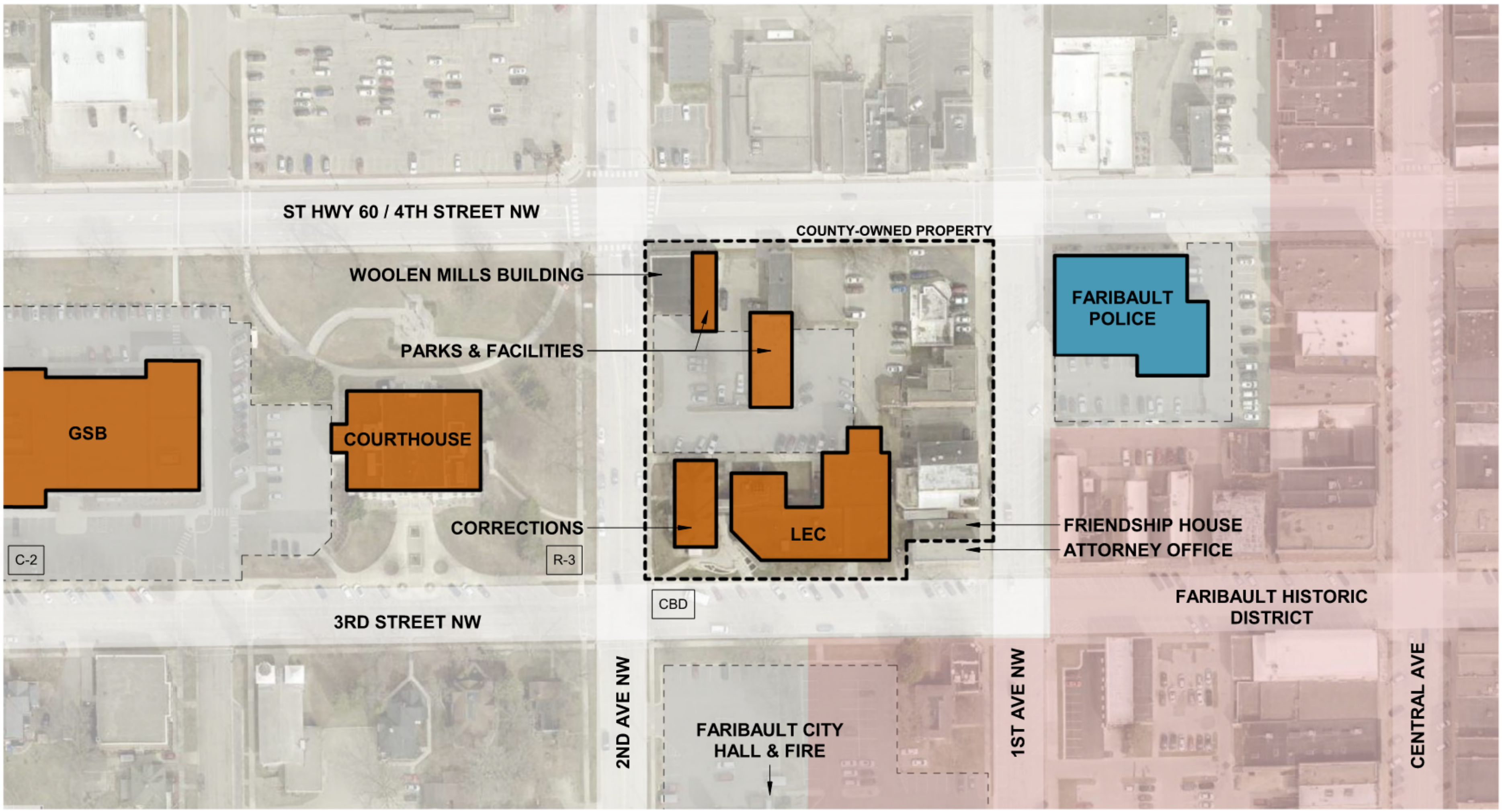
Council Work Session Memorandum

TO: Mayor and City Council
THROUGH:
FROM: Tim Murray, City Administrator
MEETING DATE: March 1, 2022
SUBJECT: Update on Rice County North Block Development

Discussion:
Representatives from Rice County will attend the Work Session to provide the Council with an update on their efforts on the re-use of the existing Law Enforcement Center and potential redevelopment of the property north of that building, once the new Public Safety Center would be completed. In a related matter to this item, we will be discussing options to provide additional parking for the City's Police Department, including an option that would involve closing a portion of 1st Avenue NW to through traffic.

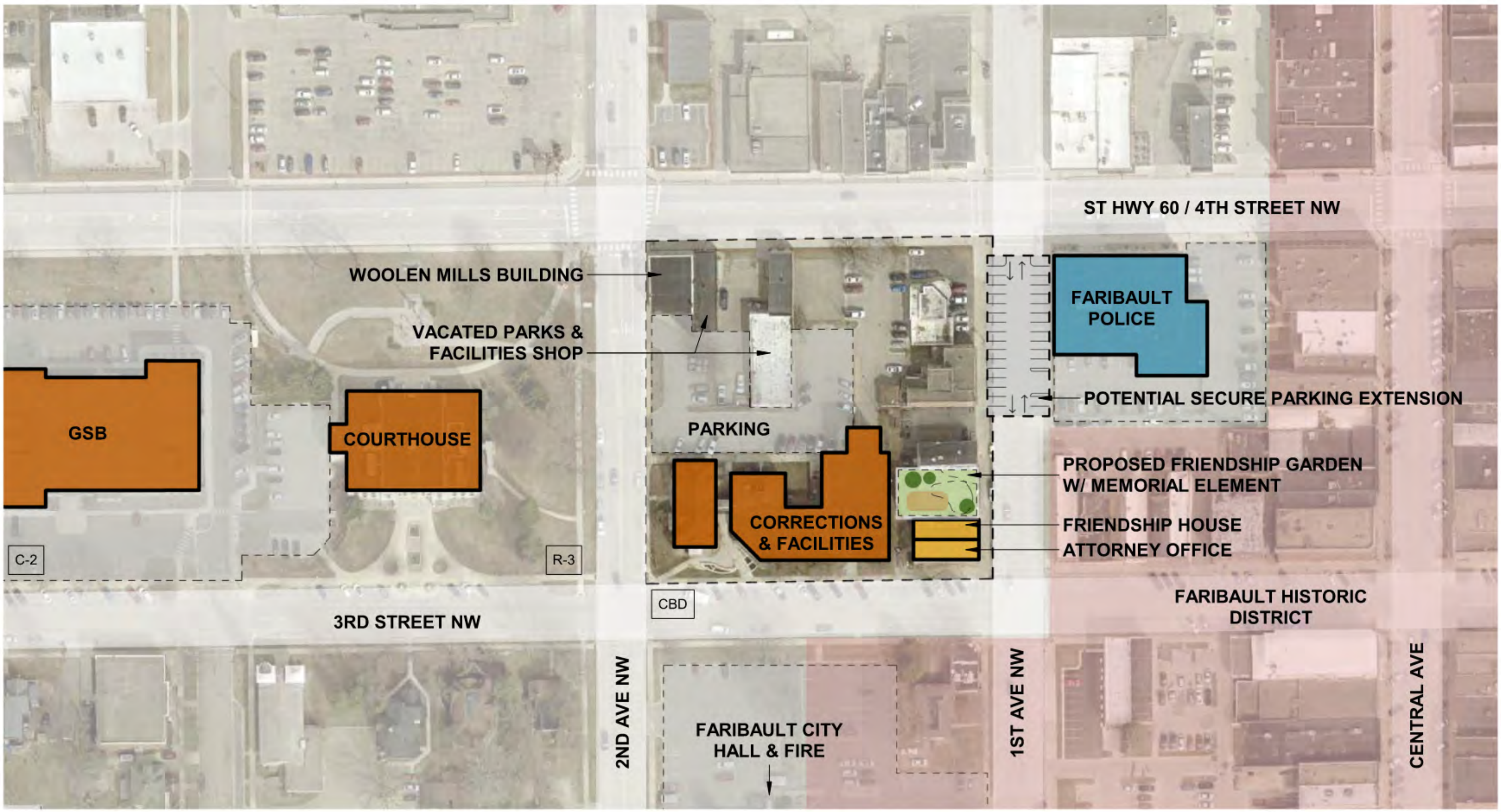
Attachments:
1. Existing Site - Rice County North Block Development
2. Concept Plans - Rice County North Block Development
3. 300 Block of 1st Ave NW Secured PD Parking Concept

Existing Site

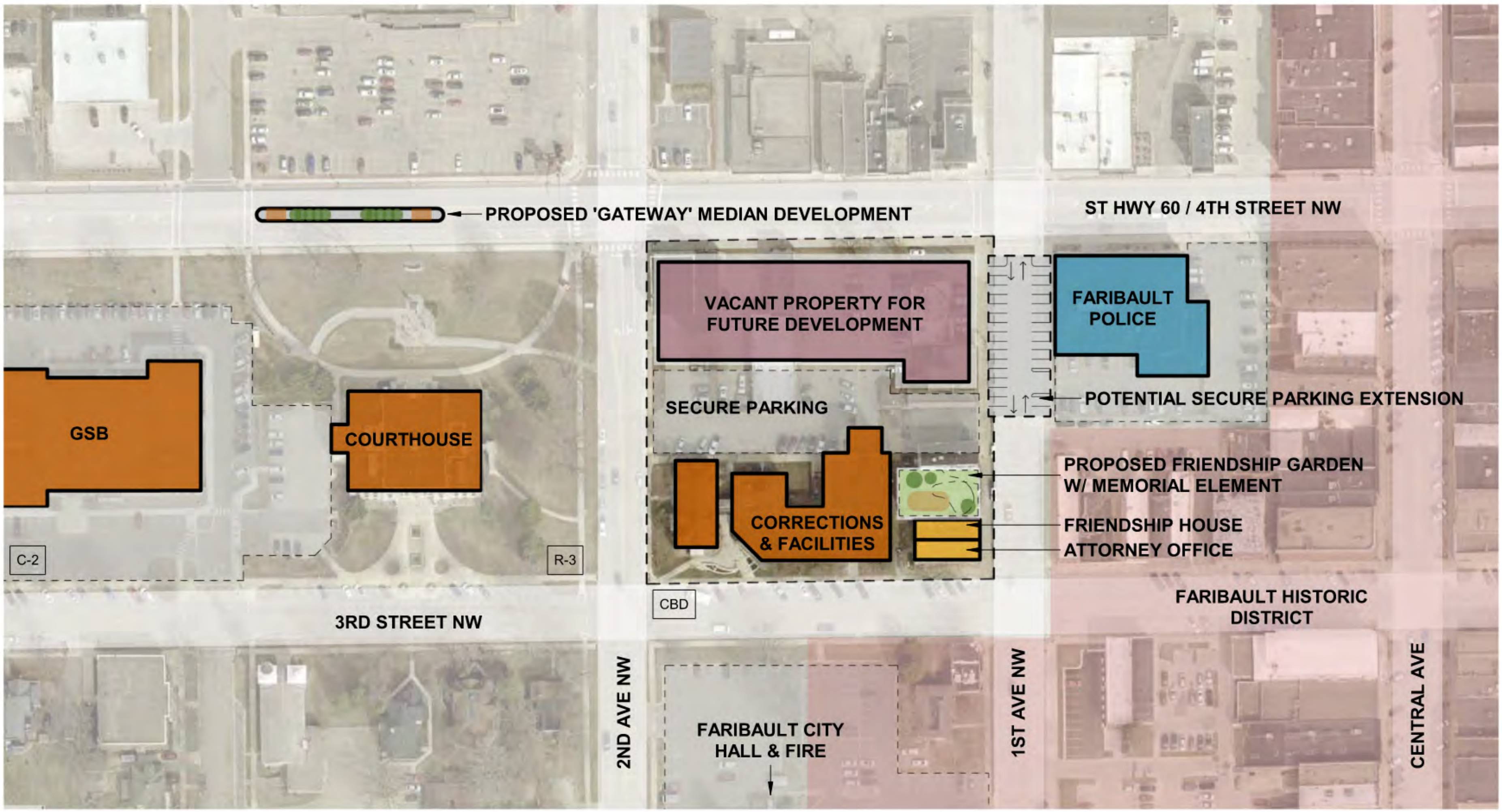


RICE COUNTY
NORTH BLOCK DEVELOPMENT

Concept I – Maintain Existing Site
Proposed Site Plan

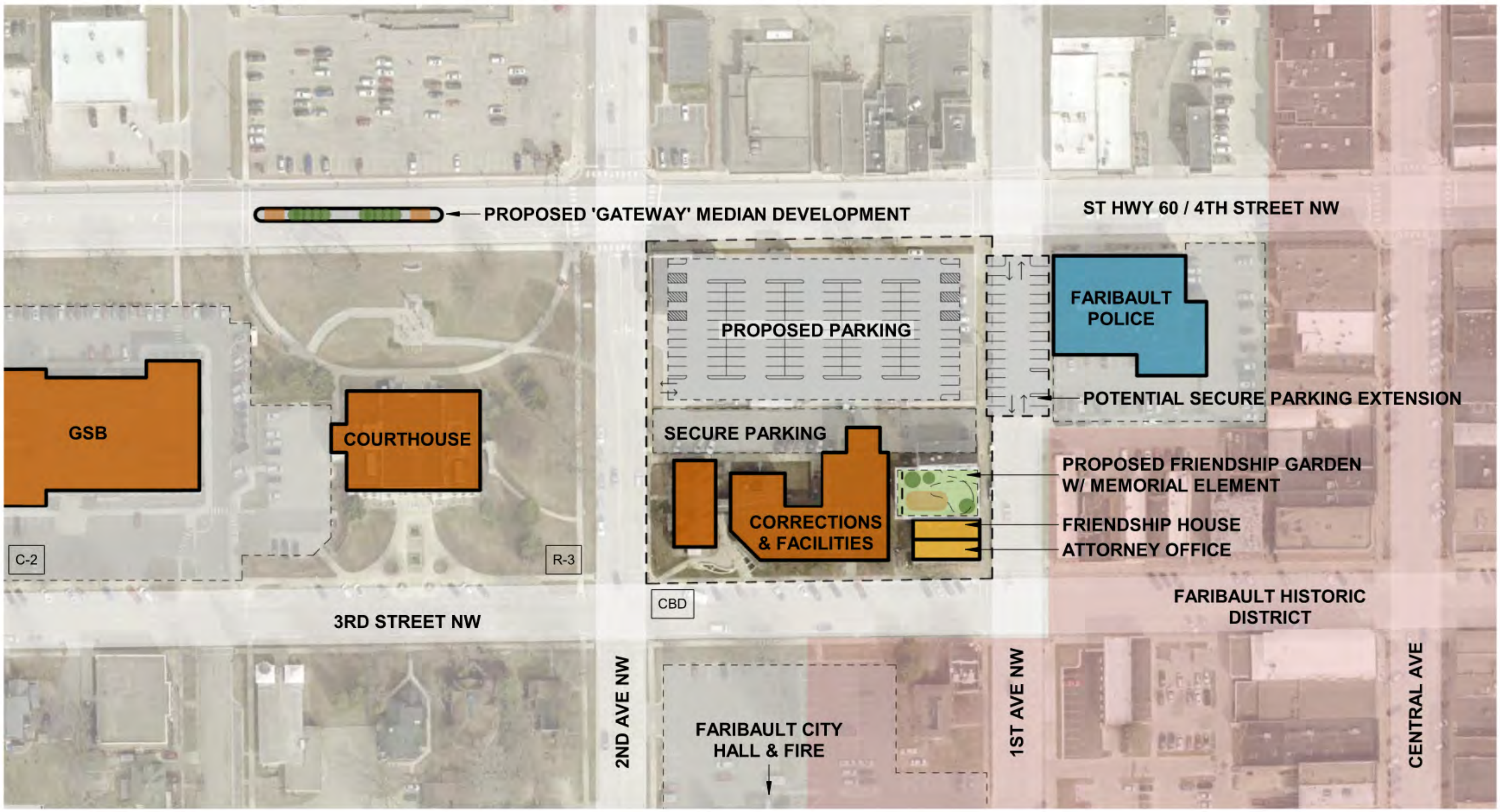


Concept 2 – Vacant Site
Proposed Site Plan



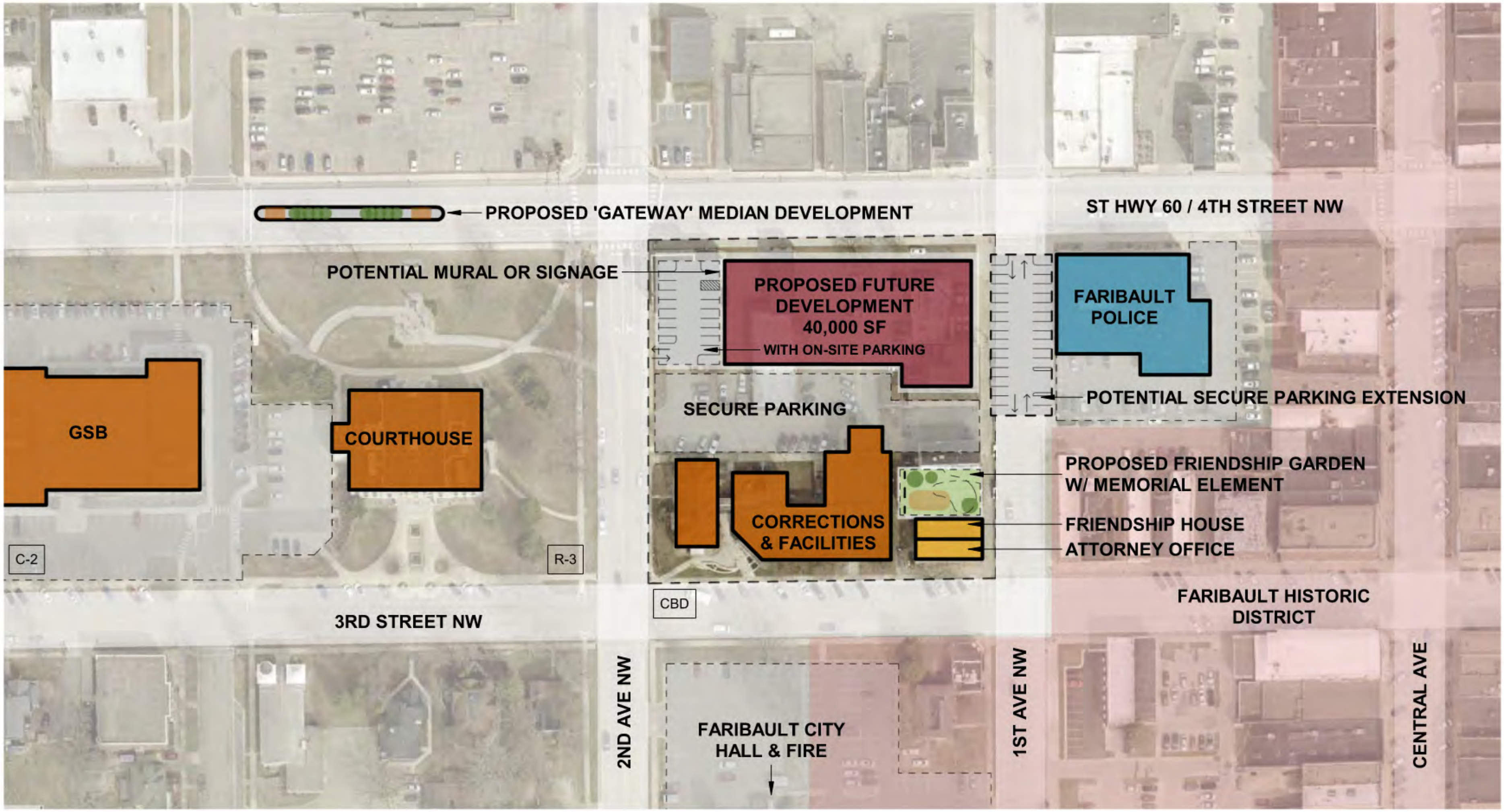
RICE COUNTY
NORTH BLOCK DEVELOPMENT

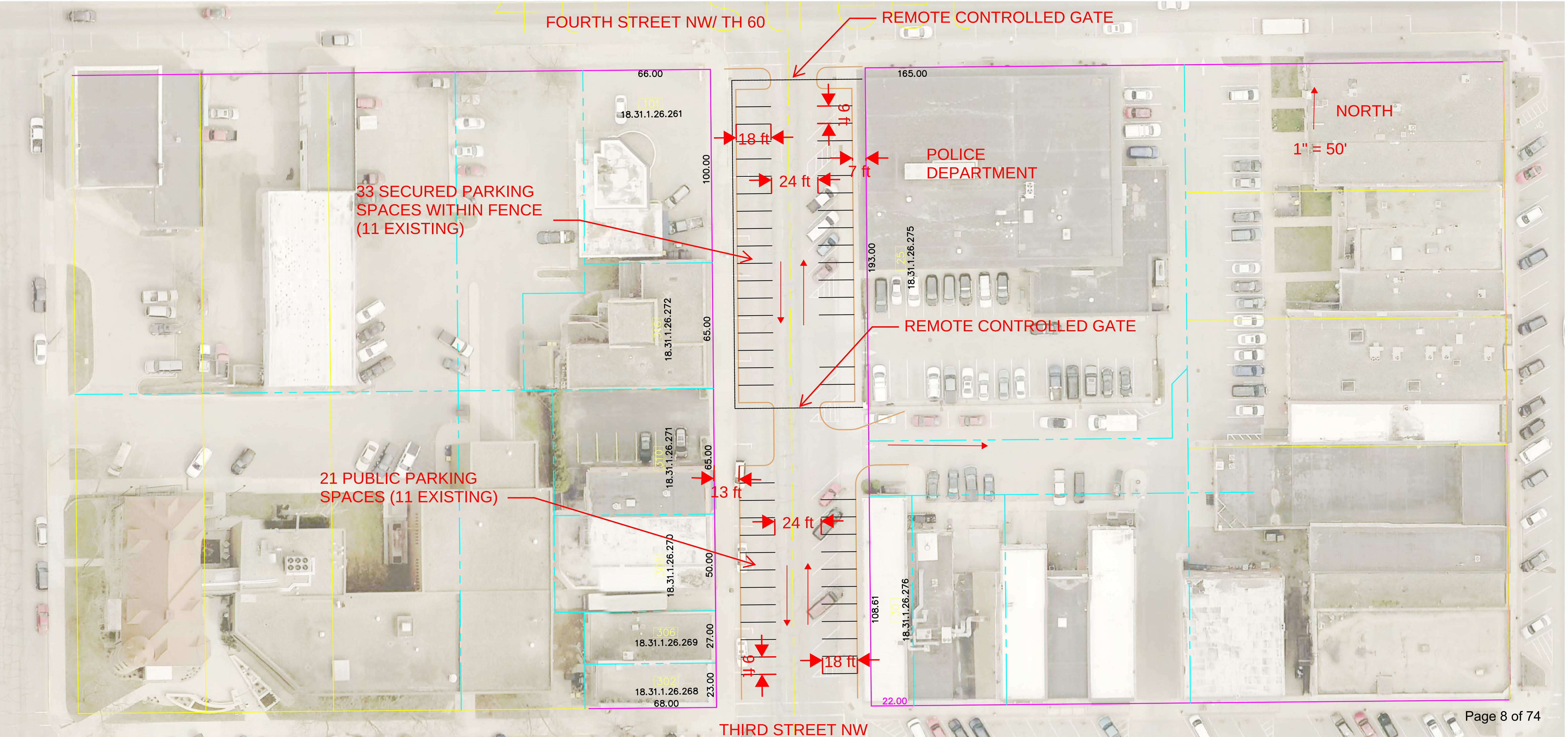
Concept 3 – New Parking
Proposed Site Plan



RICE COUNTY
NORTH BLOCK DEVELOPMENT

Concept 4 – New Development
Proposed Site Plan




FOURTH STREET NW/ TH 60
REMOTE CONTROLLED GATE
66.00
165.00
18.31.1.26.261
18 ft
9 ft
7 ft
24 ft
POLICE DEPARTMENT
NORTH
1" = 50'
100.00
33 SECURED PARKING SPACES WITHIN FENCE (11 EXISTING)
193.00
18.31.1.26.275
18.31.1.26.272
65.00
REMOTE CONTROLLED GATE
18.31.1.26.271
65.00
13 ft
21 PUBLIC PARKING SPACES (11 EXISTING)
24 ft
18.31.1.26.270
50.00
108.61
18.31.1.26.276
306
18.31.1.26.269
27.00
9 ft
18 ft
302
18.31.1.26.268
23.00
68.00
22.00
THIRD STREET NW

Council Work Session Memorandum

TO: Mayor and City Council
THROUGH: Tim Murray, City Administrator
FROM: Jeanne Day, Finance Director
MEETING DATE: March 1, 2022
SUBJECT: 2021 Investment Report

Discussion:

The City Council has adopted an investment policy to provide guidelines for the prudent investment of all financial assets of the City. The policy includes an annual reporting component to the City Council and the City Administrator. The City Council decided that this is to be done as a written report along with a presentation in a work session setting.

The report will be presented at the first work session in March of each year for the prior year-end investments.

Attachments:

1. 2021 Investment Report
2. 2021 Investment Report Presentation

FINANCE DEPARTMENT

INVESTMENT REPORT

DECEMBER 31, 2021

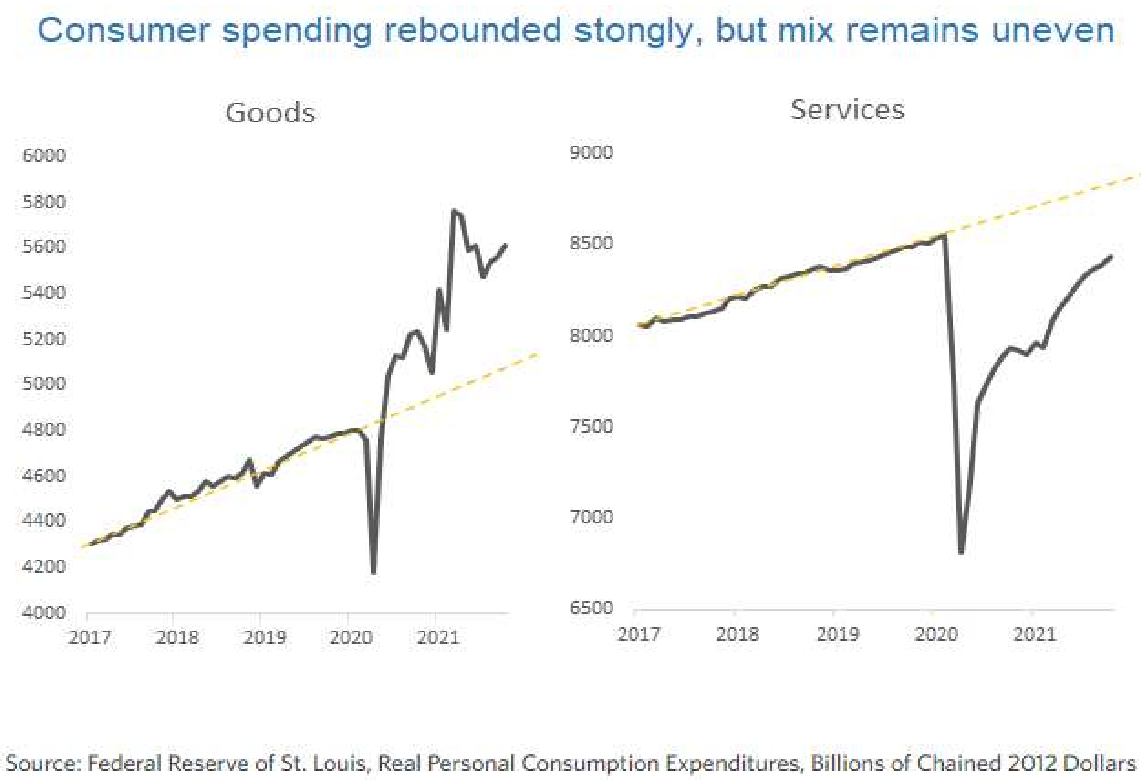
Table of Contents

MARKET COMMENTARY

2021 was a better-than-average year on many fronts. Stock market returns, economic growth, policy stimulus, and inflation were solid while volatility was historically calm. It was a solid year for financial markets, as the economy's ability to adapt to the pandemic, the rollout of vaccines, the passing of additional fiscal stimulus, and easy monetary policy all supported strong developed market equity and commodity performance. 2022 won't be a carbon copy as progressing Fed policy settings and economic trends are consistent with mid-cycle conditions, a backdrop that will produce more moderate growth and market performance. Nevertheless, the past year's gains can be appreciated while put into broader perspective.

In 2021, the world returned closer to normal, but the pandemic continues to pose unique challenges. Supported by a strong economic recovery and very accommodative monetary policy, the S&P 500 reached 67 record highs this year, the most since 1996 which continues to hold the 50-year record. In December it was up 4.36% bringing its 2021 return to 26.89% which ranked sixth in annual price gains.

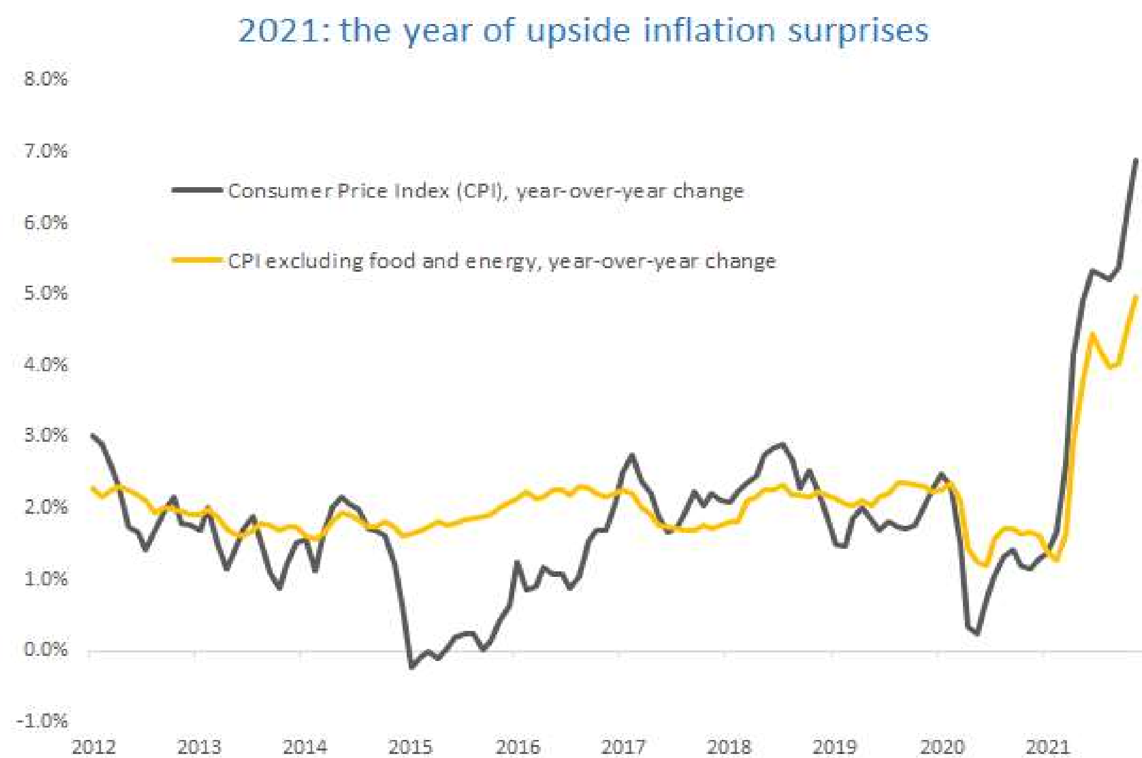
The economy grew at its fastest pace in nearly four decades. Powered by massive fiscal and monetary stimulus, a vaccine rollout, and pent-up consumer demand. Economic activity reclaimed its pre-pandemic peak in the second quarter. Household finances emerged from the crisis in better shape than they went into it, courtesy of government support and rising stock market and home prices. Spending on big-ticket items surged, pushing goods consumption well above its pre-pandemic trend. Spending on services is still trying to recover amid the ongoing pandemic.



Inflation, labor shortages, and supply chain disruptions posed threats but were outweighed by an unemployment rate that fell toward 4% with strong wage growth. Unemployment declined from 6.7% at the beginning of the year to 3.9%. This is down from a peak of 14.7%. There were 6.4 million more individuals employed at the end of the year than the beginning of the year, as the economy has gained back approximately 84% of the jobs lost since the start of the pandemic. There are increasing signs of labor market tightness. Job openings exceed the number of unemployed, and policymakers are not convinced the more than 2 million people who have left the workforce will return.

While economic activity across growth and employment expanded, inflation pressure continued to percolate. 2021 was the sixth best year for US equities since 1990, becoming the ninth year during that time frame with a return above 25%. Economic growth was reflecting strong consumer demand along with healthy housing and labor markets, and the reopening climb out of 2020's pandemic-induced hole.

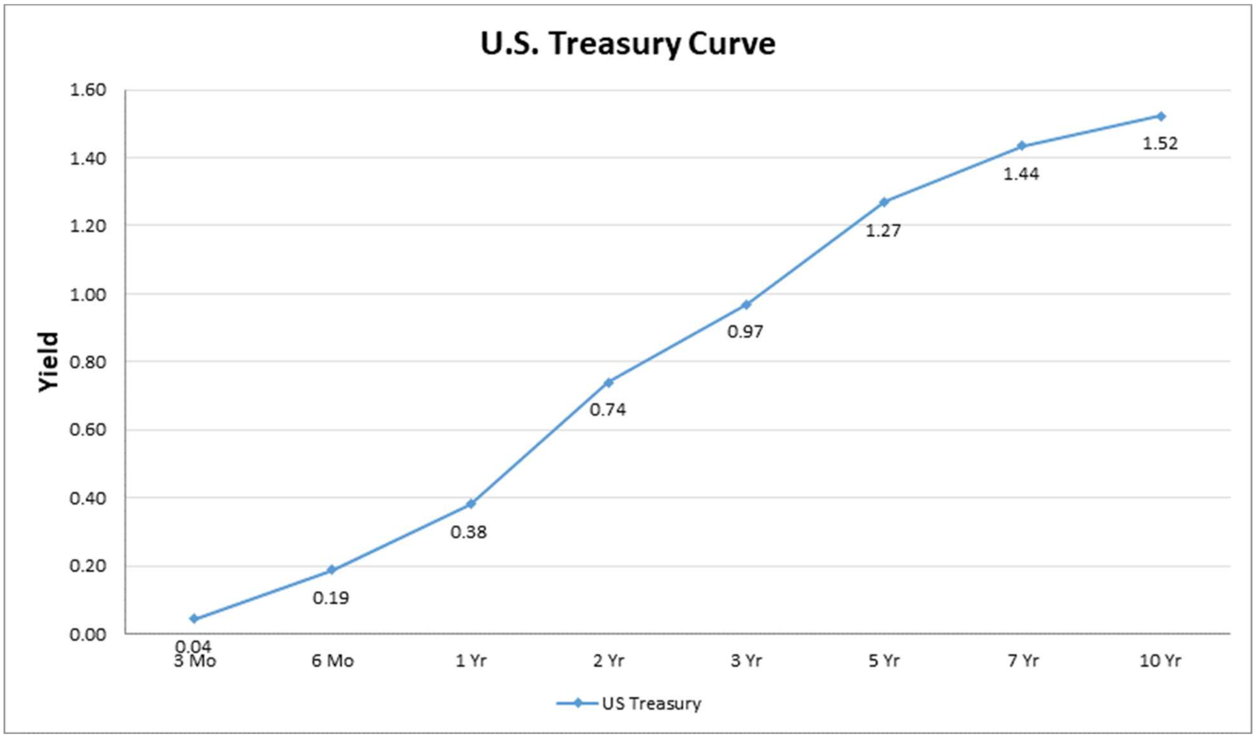
For 2021, the consumer price index (CPI) reported an annual inflation rate of 7.0%, the highest level since 1982. It has topped 5% for seven straight months. Inflation made a comeback as strong demand met constrained supply. 2021 has been the year of high prices and inflation surprises. Amid material and labor shortages, supply has struggled to keep pace with the rapid rebound in demand for goods, driving prices higher. US Department of Labor reported that inflation finished 2021 at its highest levels since 1982, which was annualized 7% in December verses a year earlier. December marked the third straight month in which inflation exceeded an annualized rate of 6%.



Source: Federal Reserve of St. Louis, 12/22/21.

The year has seen rapid growth, above-average equity returns, inflation, and some speculation. The economic outlook remains bright, but as the markets begin adjusting to slower growth and tighter monetary conditions, volatility is likely to increase, and returns will likely be moderate.

In December, the Federal Reserve cleared the way for higher interest rates when it forecast three quarter point interest rate hikes for 2022 and said it would now end its bond buying program by March, instead of June. Projections indicate they also see two rate hikes in 2023 and two more in 2024.



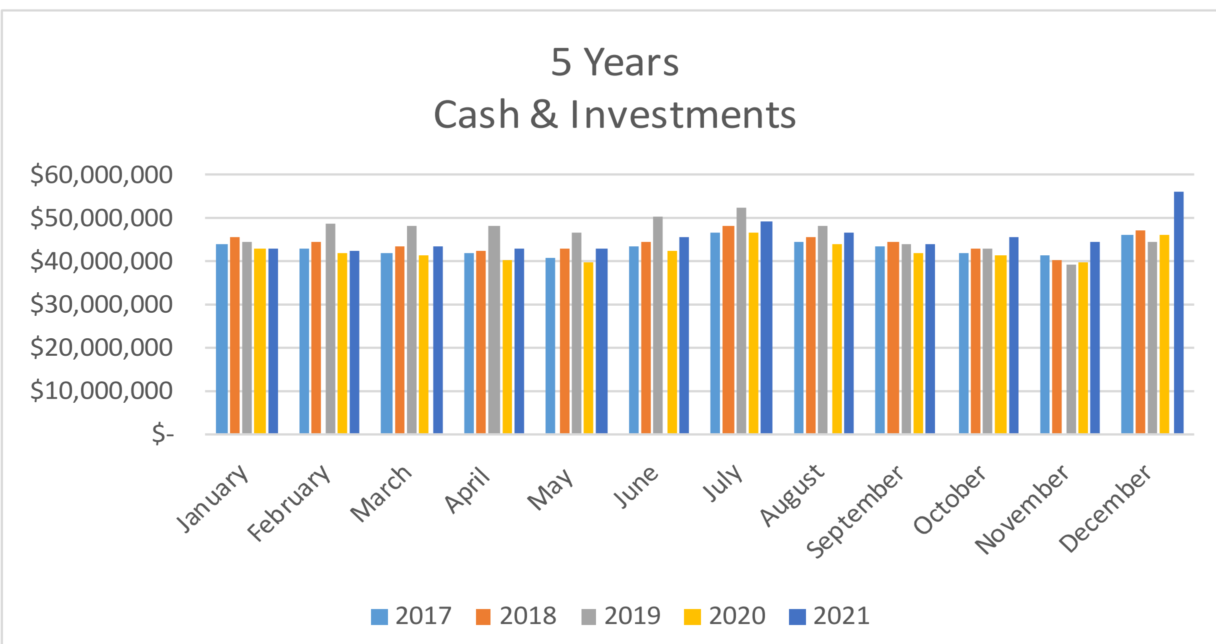
EXECUTIVE SUMMARY

The City's cash and investments include balances from all funds that are pooled and invested in certificates of deposits and other authorized investments. In accordance with the City's Investment Policy this executive summary provides an analysis of the status of the current investment portfolio and transactions made during the past year.

The City's Investment Policy sets some perimeters for investments to provide guidelines for the prudent investment of all financial assets. City funds are to be invested in a manner which provides for the safety, liquidity, and yield that conforms to all federal, state, and local regulations governing the investment of public funds.

Summary Characteristics			
Par Value ($000):	$ 51,359	Number of Investments:	105
Market Value ($000):	$ 51,261	YTD Number of Acquisitions:	31
Weighted Average Interest Rate:	1.414%	YTD Number of Maturities:	20
Unrealized Gain/(Loss) ($000):	$ (98)	YTD Number of Calls:	-
12 Month Cash Flow ($000)	$ 18,315	YTD Interest Earnings ($000)	$ 516
% of Portfolio Callable:	7.62%	Average Weighted Yield:	1.757
Average Years:	3.231		

The City's portfolio at December 31, 2021 was $51,359,392. As of December 31, 2020, the portfolio was $45,549,174. An additional $5,215,000 is held in trust for the crossover refunding bonds issued in May. This will be completed on February 1, 2022.



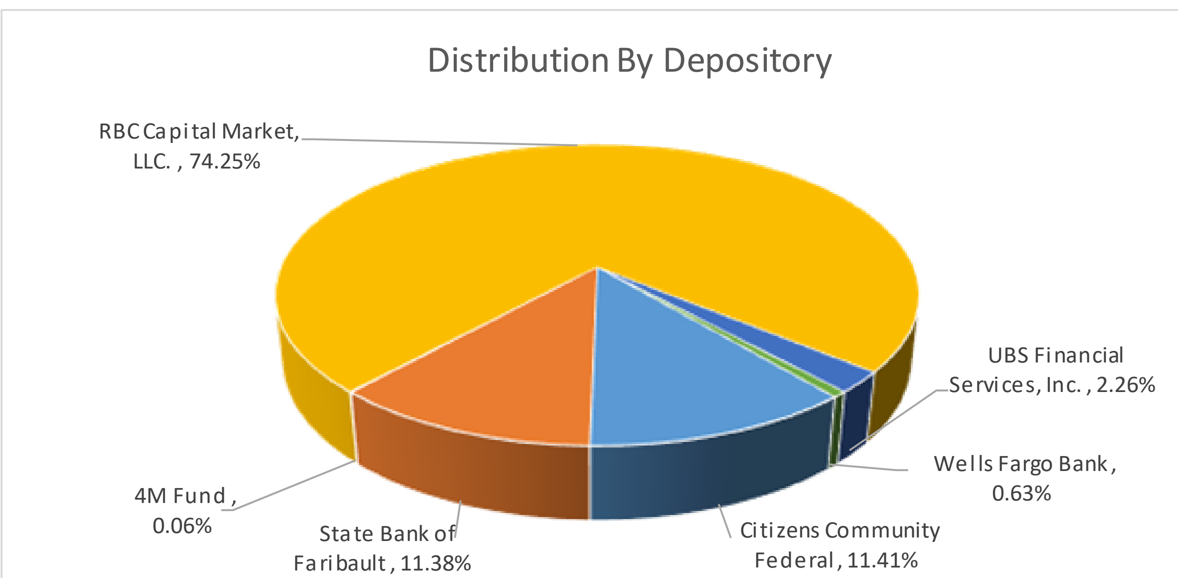
SAFETY

DISTRIBUTION BY DEPOSITORY

Minnesota law requires the governing body of each government entity to designate one or more financial institutions as a depository for public funds (*Minnesota Statutes 118A.02, subd. 1*). The City of Faribault adopted Resolution 2021-002 on January 12, 2021 approving the following depositories and investment brokers:

As of December 31, 2021, the City had the following amounts with official depositories:

Depository	Cost
Citizens Community Federal	$ 5,860,501
State Bank of Faribault	5,844,808
4M Fund	31,981
RBC Capital Market, LLC.	38,136,244
UBS Financial Services, Inc.	1,161,092
Wells Fargo Bank	324,767
	$ 51,359,392

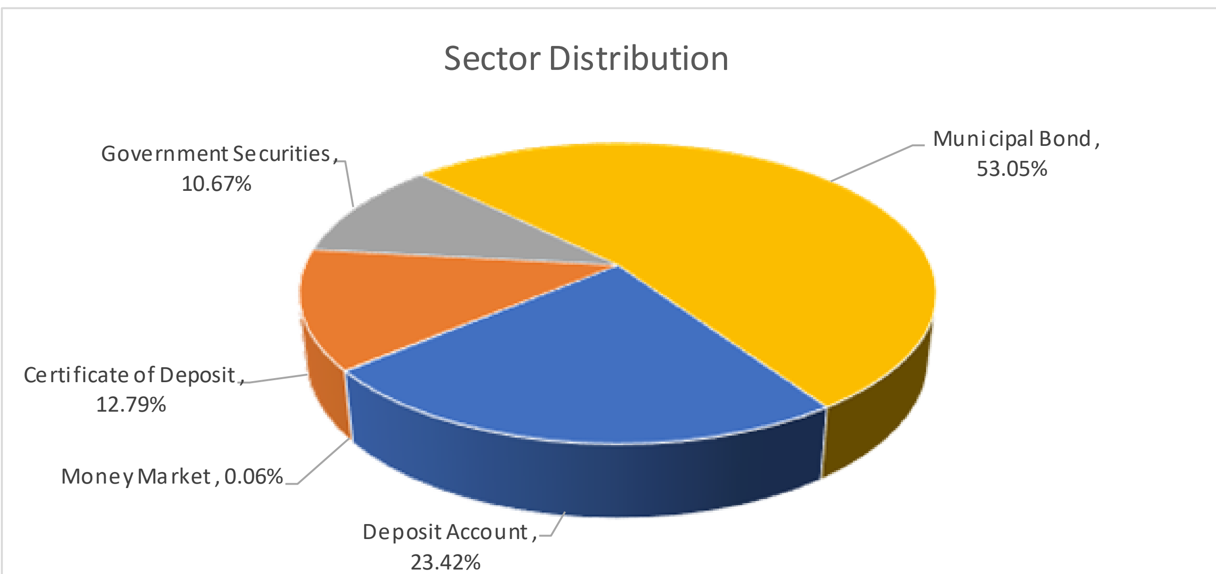


SAFETY

DISTRIBUTION BY SECTOR

As of December 31, 2021, the City had the following amounts in these sectors:

Sector Distribution		
Sector	Cost	%
Money Market	$ 31,981	0.06%
Certificate of Deposit	6,568,491	12.79%
Government Securities	5,480,569	10.67%
Municipal Bond	27,248,276	53.05%
Deposit Account	12,030,076	23.42%
	$ 51,359,392	100.00%

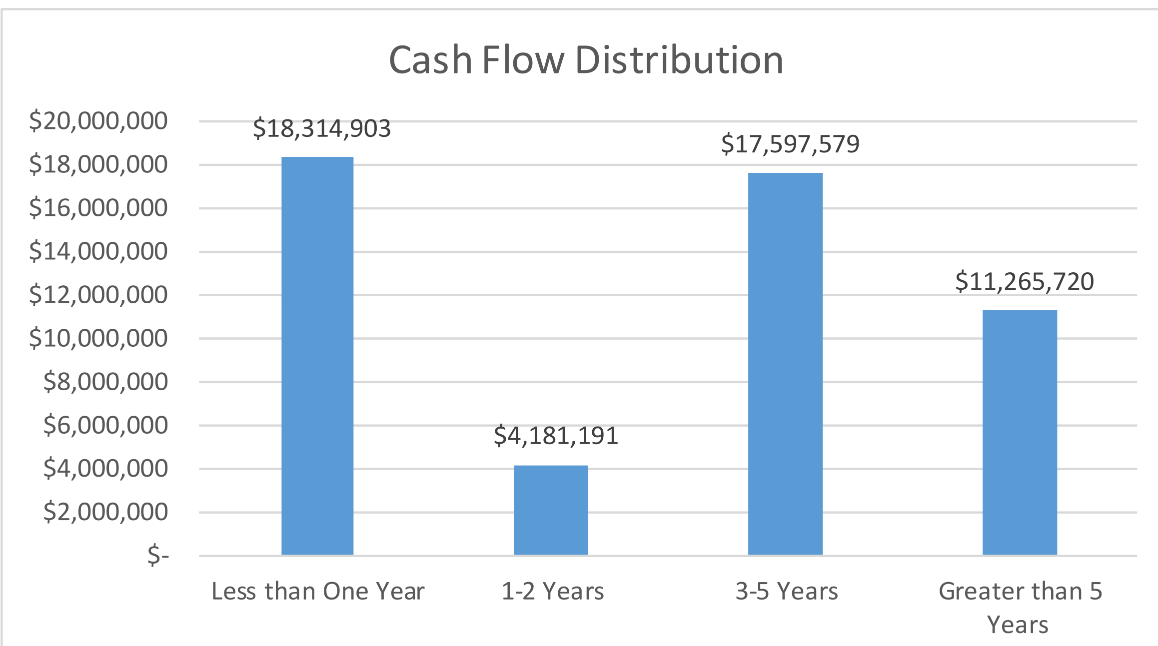


LIQUIDITY

PORTFOLIO BY DURATION

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with anticipated demands. A portion of the portfolio may be placed in money-market mutual funds or local government investment pools which offer same-day liquidity.

Cash Flow Distribution		
Type	Cost	
Less than One Year	$	18,314,903
1-2 Years	$	4,181,191
3-5 Years	$	17,597,579
Greater than 5 Years	$	11,265,720
	$	51,359,392



LIQUIDITY

INVESTMENTS BY MATURITY DATE

12/31/2021		Stated	Maturity	Purchases	Fair Value
Investment	Type	Rate	Date	at Cost	Month End
Wells Fargo Bank	DEP	0.010%	12/31/2021	324,767	324,767
Citizens Community Federal	DEP	0.300%	12/31/2021	5,860,501	5,860,501
State Bank of Faribault	DEP	0.300%	12/31/2021	5,844,808	5,844,808
4M Liquid Fund	MM	0.010%	12/31/2021	7,194	7,194
4M Liquid Fund	MM	0.030%	12/31/2021	24,787	24,787
Champaign Cnty Ill Comnty Unit	MUNI	1.300%	1/1/2022	97,824	100,000
Wells Fargo Natl Bank West Las Veg	CD	1.800%	1/18/2022	249,000	249,194
Firstbank PR Santurce	CD	2.150%	1/13/2022	249,000	249,172
Peoples United Bank	CD	2.050%	1/18/2022	247,000	247,222
Itasca Cnty Minn Indept Sch	MUNI	2.300%	2/1/2022	252,150	250,405
Rock Island Cnty IL Sch Dist	MUNI	2.750%	2/1/2022	439,829	435,740
New Jersey Economic Dev Auth.	MUNI	1.300%	2/15/2022	496,205	499,835
Jasper Ala GO	MUNI	5.000%	3/1/2022	299,642	282,058
State Bank of India New York NY	CD	2.250%	3/14/2022	247,000	248,000
Goldman Sachs	CD	2.350%	3/15/2022	247,000	248,065
New York St Dorm Auth	MUNI	2.700%	3/15/2022	1,031,470	1,004,700
BMW Bk North Amer Salt Lake	CD	2.250%	3/17/2022	247,000	248,042
New York NY Taxable Bond	MUNI	2.800%	4/1/2022	514,835	503,185
Bank Baroda New York BRH	CD	2.250%	4/18/2022	245,000	246,468
American Express Fed Svgs Bk	CD	2.350%	5/3/2022	247,000	248,771
Morgan Stanley Bank NA	CD	2.100%	8/8/2022	247,000	249,742
Discover Bank	CD	2.350%	9/7/2022	247,000	250,473
Connectone Bank Englewood Cliffs NJ	CD	1.200%	10/21/2022	249,000	250,780
Federal Farm Credit Bank	GS	0.350%	6/8/2023	2,696,463	2,691,630
Oregon School Board Assn	MUNI	3.050%	6/30/2023	499,351	619,555
EnerBank USA	CD	1.750%	7/28/2023	249,000	253,793
Western Bank Devils Lake ND	CD	1.700%	7/31/2023	247,000	251,572
Alpine Calif Un Sch Dist GO	MUNI	1.200%	8/1/2023	240,378	247,600
Industrial & Coml Bk China CD	CD	2.400%	9/20/2023	249,000	256,816
United National Bank Cairo GA	CD	1.550%	1/26/2024	249,000	249,299
JPMorgan Chase Bk NA Columbus OH	CD	0.600%	1/31/2024	127,491	134,082
Raymond James Bank	CD	1.750%	2/14/2024	247,000	252,562
First National Bank of McGregor TX	CD	2.300%	6/28/2024	249,000	260,026
Glendale AZ GO Bds	MUNI	2.764%	7/1/2024	261,255	259,675
Medallion Bank	CD	2.100%	7/3/2024	245,000	253,041
First Bank Highland Pk IL	CD	2.400%	8/9/2024	247,000	257,181
UBS Bk USA Salt Lake City UT	CD	0.550%	8/12/2024	249,000	247,364
Toyota Finl Svgs Bk Hend	CD	0.600%	8/12/2024	249,000	247,688

New York Cmnty Bk Westbury	CD	0.700%	9/10/2024	249,000	248,183
Davie Fla Wtr & Swr Rev	MUNI	1.504%	10/1/2024	255,255	251,975
Kane Kendall ETC Cnty ILL	MUNI	0.400%	12/15/2024	215,952	215,343
Fla Wtr Pollution Ctl Fing	MUNI	2.150%	1/15/2025	503,545	515,615
United States Treasury Note	GS	1.375%	1/31/2025	281,381	278,212
Eagan Mn Tax Increment Bonds	MUNI	2.850%	2/1/2025	240,100	250,819
NY City Transitional Fin Auth	MUNI	3.600%	2/1/2025	526,250	526,335
Chaska MINN Indp Sch Dist	MUNI	2.000%	2/1/2025	424,904	410,388
East Brunswick Twp NJ	MUNI	0.883%	3/15/2025	347,222	339,228
Antietam Sch Dist PA	MUNI	1.050%	4/1/2025	125,936	123,546
Allendale Mich Pub Sch Dist	MUNI	4.000%	5/1/2025	285,695	272,723
Monessen PA Sch Dist GO Bds	MUNI	4.000%	6/1/2025	387,818	384,223
Gunersville Ala Wtr Works	MUNI	1.200%	8/1/2025	487,406	476,568
San Marcos Tex Cons Indpt Sch	MUNI	2.280%	8/1/2025	220,095	236,255
Texas Exchange Bk Crowley	CD	0.900%	10/3/2025	249,000	247,324
Dauphin Cnty PA Taxable GO Bds	MUNI	0.984%	11/15/2025	1,010,220	988,070
Lake Ohio Loc Sch Dist Stark	MUNI	1.700%	12/1/2025	332,267	344,188
Johnstown-Monroe Ohio Loc Sch	MUNI	1.200%	12/1/2025	243,747	240,659
Fort Bend Cnty Tex Mun Util	MUNI	2.000%	12/1/2025	390,961	386,950
Buffalo Cnty Neb Sch Dist	MUNI	1.850%	12/15/2025	366,761	365,022
Baldwin Cnty Ala Taxable GO	MUNI	0.961%	2/1/2026	693,860	682,893
New York NY Taxable GO Bds	MUNI	1.450%	3/1/2026	254,760	249,868
East Windsor N J Reg Sch Dist	MUNI	1.105%	3/1/2026	207,765	199,291
West Orange Twp N J	MUNI	2.000%	3/1/2026	172,922	168,158
Fort Bend Waller Cntys Tex Mun	MUNI	2.000%	4/1/2026	208,202	204,536
Antietam Sch Dist PA	MUNI	1.250%	4/1/2026	333,838	325,218
Louisiana St Taxable Go Ref	MUNI	1.081%	6/1/2026	455,702	444,326
San Marcos Tex Cons Indpt Sch	MUNI	2.203%	8/1/2026	432,500	461,150
San Diego Calif Comnt College	MUNI	2.299%	8/1/2026	330,749	333,744
San Bernardino CA Cmnty	MUNI	2.398%	8/1/2026	965,430	1,043,710
Carpinteria Calif Uni Sch Dis	MUNI	1.300%	8/1/2026	386,300	373,863
Sallie Mae Bk Murray Utah	CD	1.000%	8/4/2026	248,000	245,336
Federal Farm Credit Bank	GS	0.670%	8/13/2026	500,000	485,045
Federal Home Loan Bank	GS	0.500%	9/30/2026	500,000	494,690
California State Taxable Var	MUNI	2.375%	10/1/2026	510,105	522,315
Palm Beach Cnty Fla Pub Imp	MUNI	3.000%	11/1/2026	527,910	536,495
Moon Township	MUNI	1.957%	11/15/2026	514,305	493,931
Johnstown-Monroe Ohio Loc Sch	MUNI	1.300%	12/1/2026	326,770	319,340
Sunray Tex Indpt Sch Dist	MUNI	2.500%	2/15/2027	219,583	227,743
Allen Tex Indpt Sch Dist	MUNI	1.200%	2/15/2027	933,890	913,410
Federal Farm Credit Bank	GS	0.780%	2/16/2027	500,000	485,365

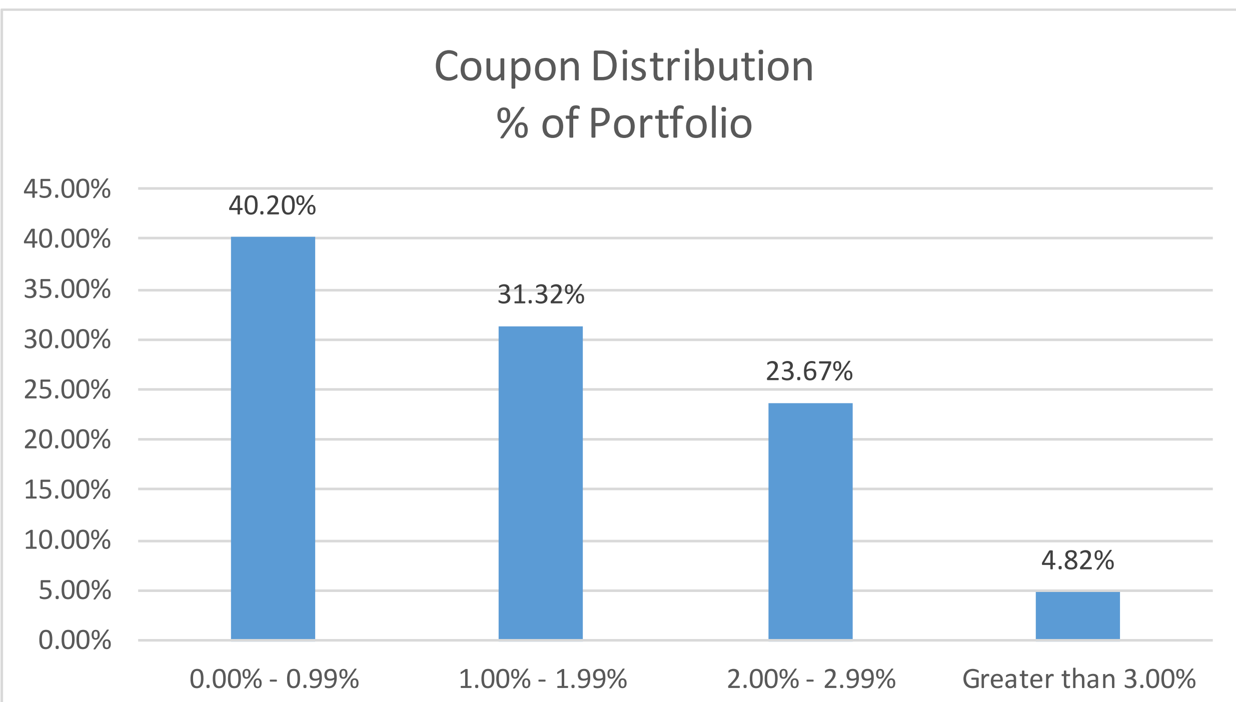
Hazelton PA Area Sch Dist	MUNI	1.470%	3/1/2027	195,090	187,693
St James Parish LA Sch Dist	MUNI	2.000%	3/1/2027	1,043,130	1,013,420
Fort Bend Waller Cntys Tex Mun	MUNI	2.000%	4/1/2027	207,272	203,418
Federal Farm Credit Bank	GS	1.200%	4/28/2027	501,485	492,220
Wisconsin St Gen Fd	MUNI	2.196%	5/1/2027	509,930	512,950
Wisconsin St Gen Fd	MUNI	2.483%	5/1/2027	547,050	520,230
Live Oak Bkg Co Wilmington	CD	1.000%	7/30/2027	249,000	243,355
Pajaro Valley Calif Uni Sch Di	MUNI	2.073%	8/1/2027	518,880	507,285
New York N Y Taxable Go Bonds	MUNI	1.250%	8/1/2027	502,565	489,085
New York N Y Taxable Go Bonds	MUNI	1.396%	8/1/2027	498,000	492,955
Wellman-Union Tex Cons Indept	MUNI	1.300%	8/15/2027	315,206	311,535
Lyndhurst Twp NJ	MUNI	1.389%	8/15/2027	355,880	347,246
Federal Home Loan Bank	GS	1.000%	8/26/2027	501,240	487,635
Cumberland Cnty NJ Impt Auth	MUNI	1.875%	9/1/2027	512,625	494,545
Brownsville Tex Util Sys Rev Bnds	MUNI	1.477%	9/1/2027	506,580	489,750
Sunfield Mun Util Dist No 3	MUNI	2.000%	9/1/2027	134,804	134,411
Cook Cnty Ill Sch Dist No 157	MUNI	1.500%	11/1/2027	158,477	160,008
San Francisco Calif City	MUNI	1.340%	11/1/2027	495,200	489,060
Defiance Ohio City Sch Dist	MUNI	1.600%	12/1/2027	262,287	262,057
Fort Bend Cnty Tex Mun Util	MUNI	2.000%	12/1/2027	523,215	523,050
Coles & Cumberland Cnty	MUNI	1.400%	12/1/2027	345,566	331,769
Dallas Tex Area Rapid Trans	MUNI	1.347%	12/1/2027	499,250	493,335
Big Stone Cnty Mn GO	MUNI	4.000%	2/1/2033	229,515	223,148
New York City Transitional Fin Auth	MUNI	2.050%	2/1/2022	399,892	400,516
Wells Fargo Bk NA SD	CD	3.350%	1/9/2024	245,000	258,272
New York City Transitional Fin Auth	MUNI	2.850%	5/1/2025	516,200	524,590

YIELD

COUPON DISTRIBUTION

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Coupon Distribution % of Portfolio	
Type	Cost
0.00% - 0.99%	$ 20,647,504
1.00% - 1.99%	16,084,110
2.00% - 2.99%	12,154,507
Greater than 3.00%	2,473,271
	$ 51,359,392

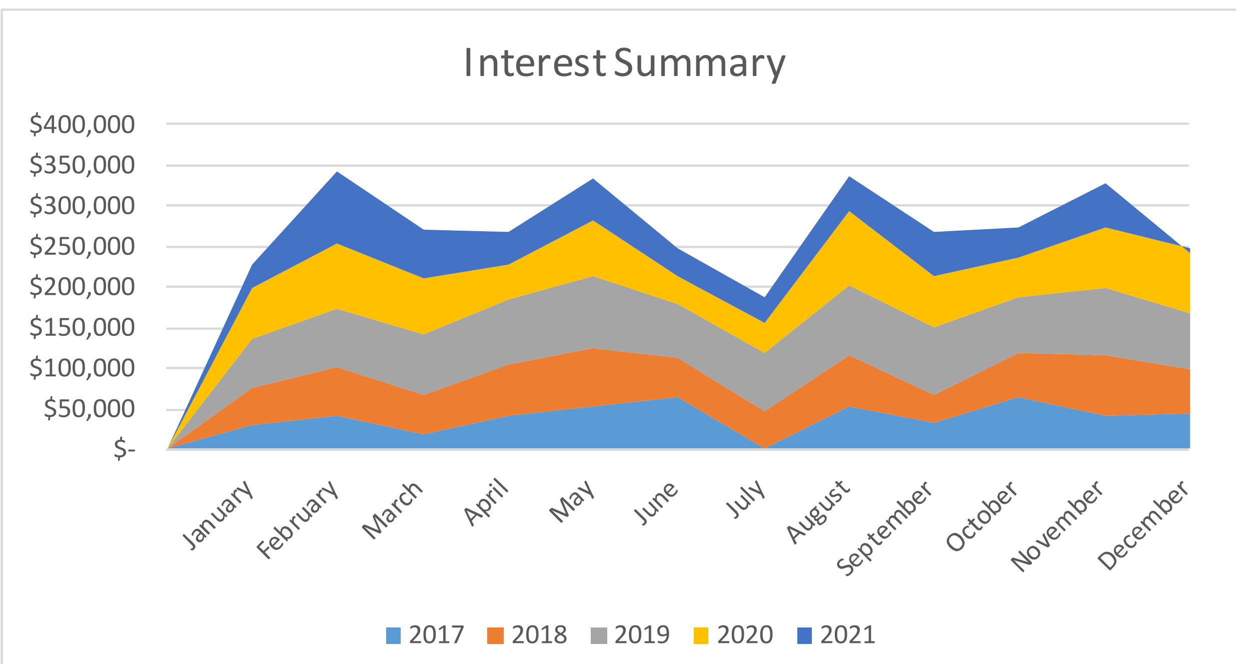


YIELD

INTEREST SUMMARY

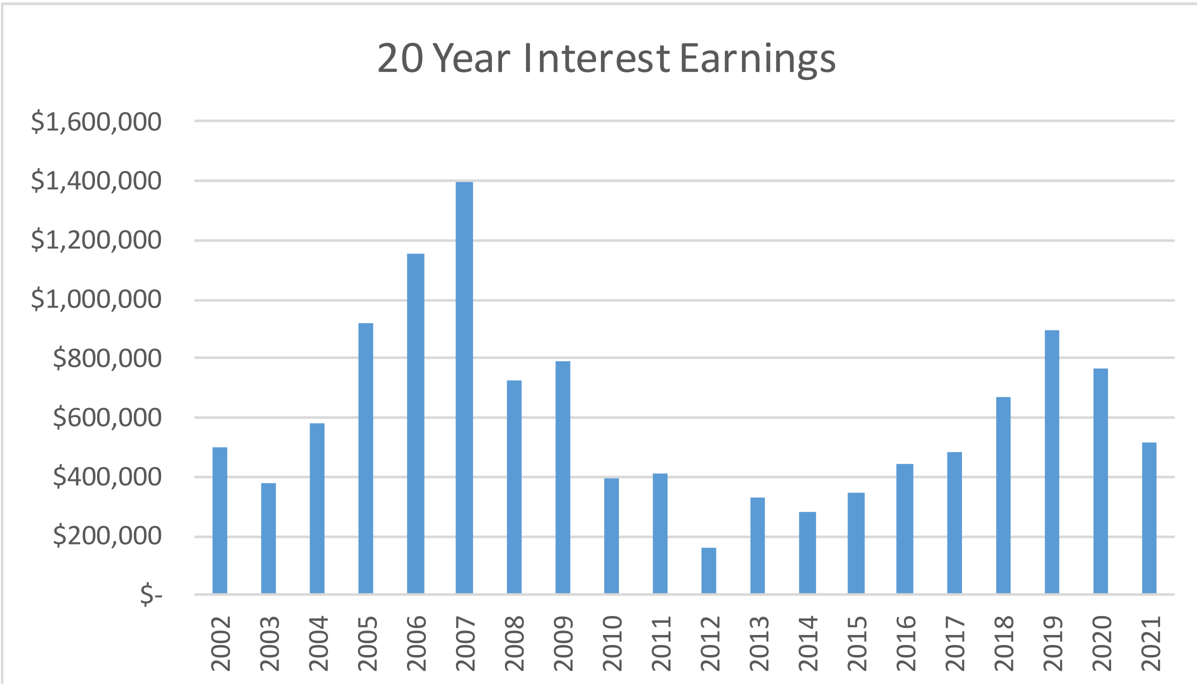
Interest earnings from pooled investments are allocated to the individual funds based on the applicable participation by each of the funds.

Interest Summary	2017	2018	2019	2020	2021
January	$ 29,282	$ 47,032	$ 58,806	$ 65,218	$ 27,275
February	41,906	60,012	71,636	80,527	88,742
March	19,435	47,086	74,950	70,112	60,081
April	41,382	63,723	78,472	45,069	40,514
May	53,849	71,263	88,658	68,929	52,448
June	64,550	49,046	64,669	35,220	33,644
July	-	46,183	73,227	37,955	29,760
August	52,411	64,546	84,727	93,224	42,273
September	33,908	33,543	81,936	64,584	55,104
October	64,550	55,109	67,454	49,324	38,634
November	40,403	76,958	82,959	74,037	53,551
December	43,441	56,546	68,346	80,534	(6,212)
Total	$ 485,116	$ 671,047	$ 895,840	$ 764,734	$ 515,814



YIELD

INTEREST SUMMARY (continued)



INVESTMENT TERMS

Liquid assets are deposit accounts and money market accounts.

1-5 Years are made up of certificate of deposit and US Government Instrumentality Securities.

6-10 Years are US Government Instrumentality Securities.

11-15 Years are US Government Instrumentality Securities.

15+ Years are US Government Instrumentality Securities and bonds.

US Government Instrumentality Securities are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, such as homeowners, farmers and students. Most active issuers are Federal Home Loan Bank, and Federal National Mortgage Association (Fannie Mae). Maturities range from three months to 30 years with fixed interest rates.

COLLATERAL TERMS

Collateral represents protection for public funds in the event of a bank failure. All public funds on deposit in a bank or credit union must be protected by deposit insurance (FDIC), corporate surety bond or pledged collateral. Most institutions choose to pledge collateral for amounts not covered by the deposit insurance. The process involves the depository placing securities it owns within an account in the trust department of a commercial bank or a restricted account at the Federal Reserve, and pledging these securities to the government entity. If the depository fails, the government entity can take the securities pledge to make up for any loss to its deposited funds.

PERMISSIBLE COLLATERAL

State law defines the types of securities that a financial institution may pledge as collateral for public deposits. These securities include:

- United State Treasury Issues
- Issues of U.S. Government Agencies and Instrumentalities
- Obligations of State and Local Governments
- Time Deposits (Certificates of Deposits fully insured by the Federal Deposit Insurance Company (FDIC) or any federal agency)

In addition to these securities, banks may pledge irrevocable letters of credit issued by federal home loan banks. All of these allowable forms of collateral must meet certain additional requirements.

As part of the audit process, the auditors review all collateral as it pertains to the requirements of *Minnesota Statutes 118A.03, subd. 2*.

AMOUNT OF COLLATERAL

As of December 31, 2021, the Federal Deposit Insurance Company provides $250,000 of deposit insurance for all accounts held by a single depositor to protect the amount of deposit. If a depository is located in the state, public entities have an additional $250,000 available.

State law requires that the amount of collateral pledged be 10% more than the amount not covered by deposit insurance. For example, if the government entity has on deposit $1,000 over and above the deposit insurance amount, the financial institution needs to pledge collateral with a market value of $1,100 to protect the deposit.

Since the amount a public entity has on deposit will vary from time to time, the financial institution needs sufficient amounts of pledged collateral to cover 110% of the uninsured amount on deposit during peak deposit times. It is important that City staff develop procedures to monitor the amount of pledged collateral throughout the year; usually the treasurer or City's chief financial officer monitors the deposit amounts against pledged collateral.

The City of Faribault invests excess funds for direct investment in securities authorized within *Minnesota Statutes 118A*, including joint powers government investment pools through the 4M Fund (League of Minnesota Cities).

It is recommended that each government entity have an adopted Investment Policy; the City of Faribault policy was last amended and adopted on January 28, 2020.

COLLATERAL COMPLIANCE

State law requires that the pledge of collateral be done through a written assignment from the bank to the government entity. To perfect the security interest in the pledged collateral, the federal Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) requires that either the bank's loan committee or the bank's board of directors approve the assignment. To document compliance, the Office of the State Auditor recommends that the public entities insist that the depository provide to the public entity a copy of the minutes or the resolution adopted by either the loan committee or the board of directors approving the pledge of collateral.

City Of Faribault

Council Work Session

Tuesday, March 1, 2022

2021 Investment Report

Cash & Investments

Report

Market Commentary

Executive Summary

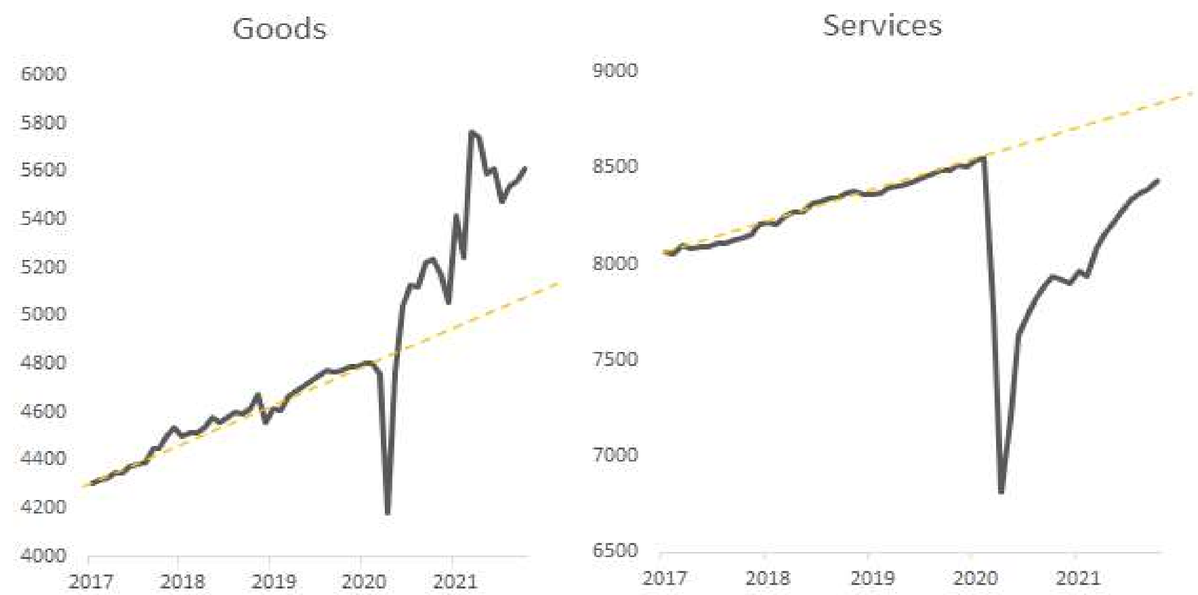
Portfolio

Market Commentary

- Stock Market Returns
- Economic Growth
- Policy Stimulus
- Revenue Volatility
- Inflation
- Budget Woes
- Vaccines
- Adapting to Pandemic
- Consumer Demand

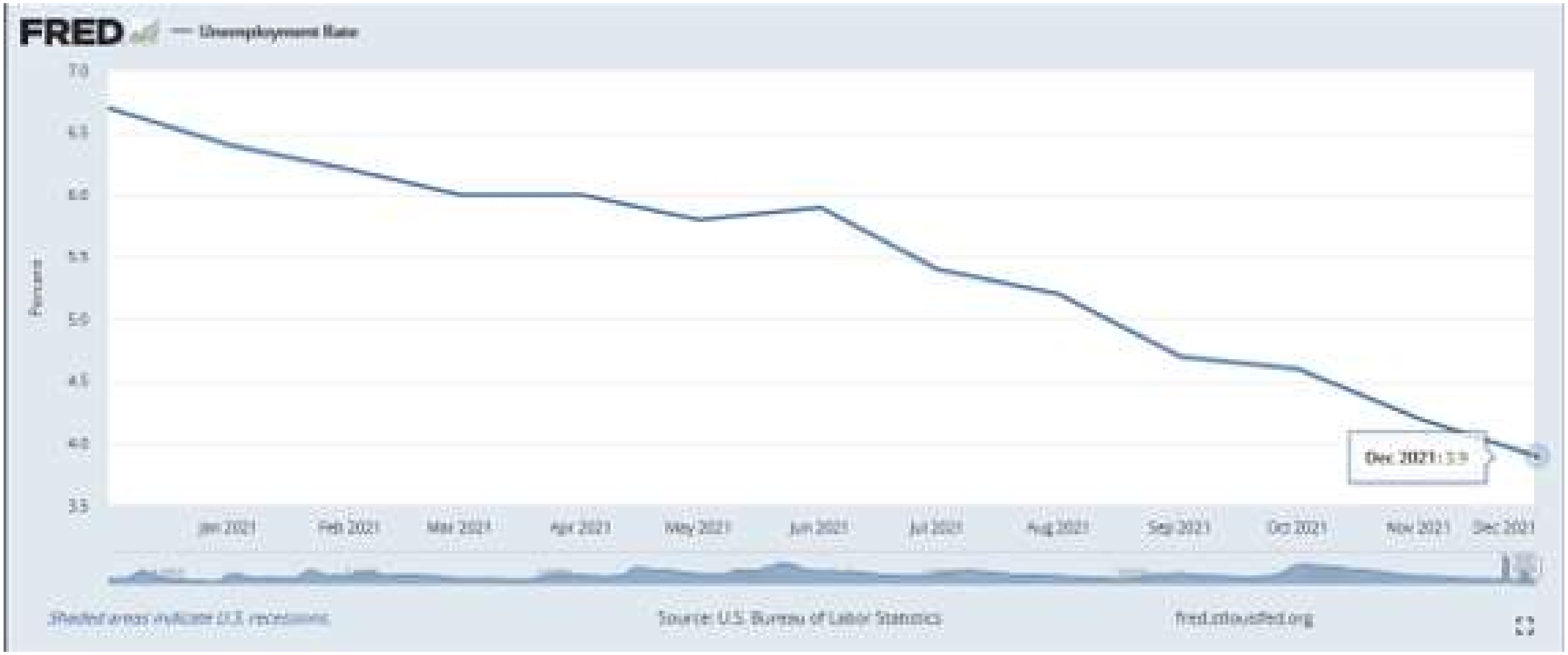
Market Commentary

Consumer spending rebounded stongly, but mix remains uneven

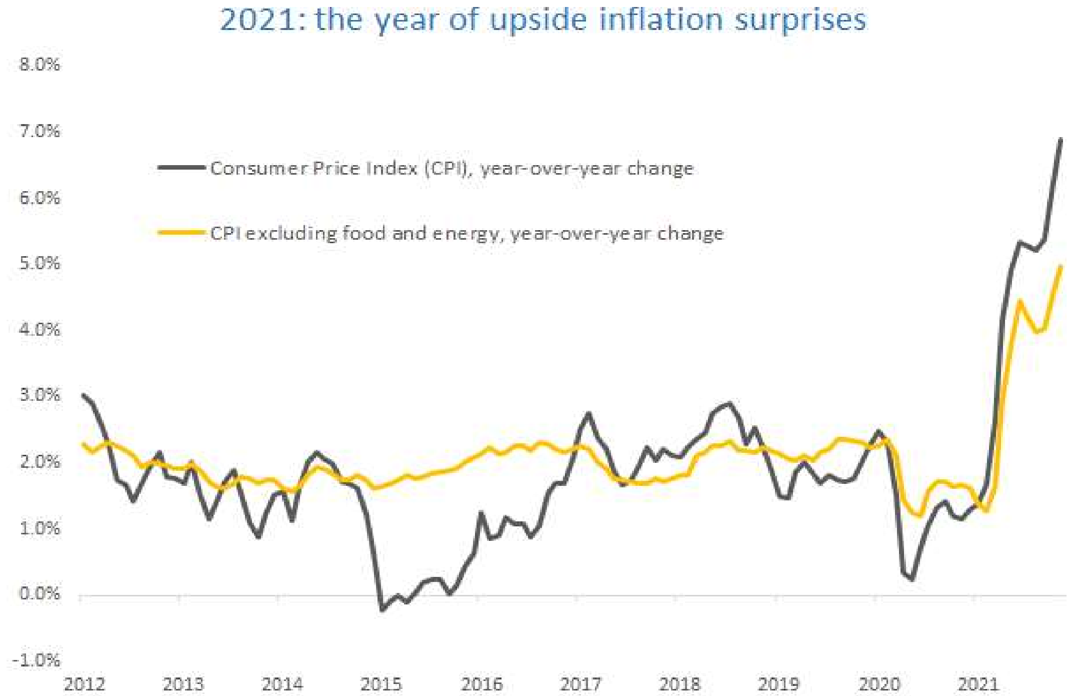


Source: Federal Reserve of St. Louis, Real Personal Consumption Expenditures, Billions of Chained 2012 Dollars

Market Commentary

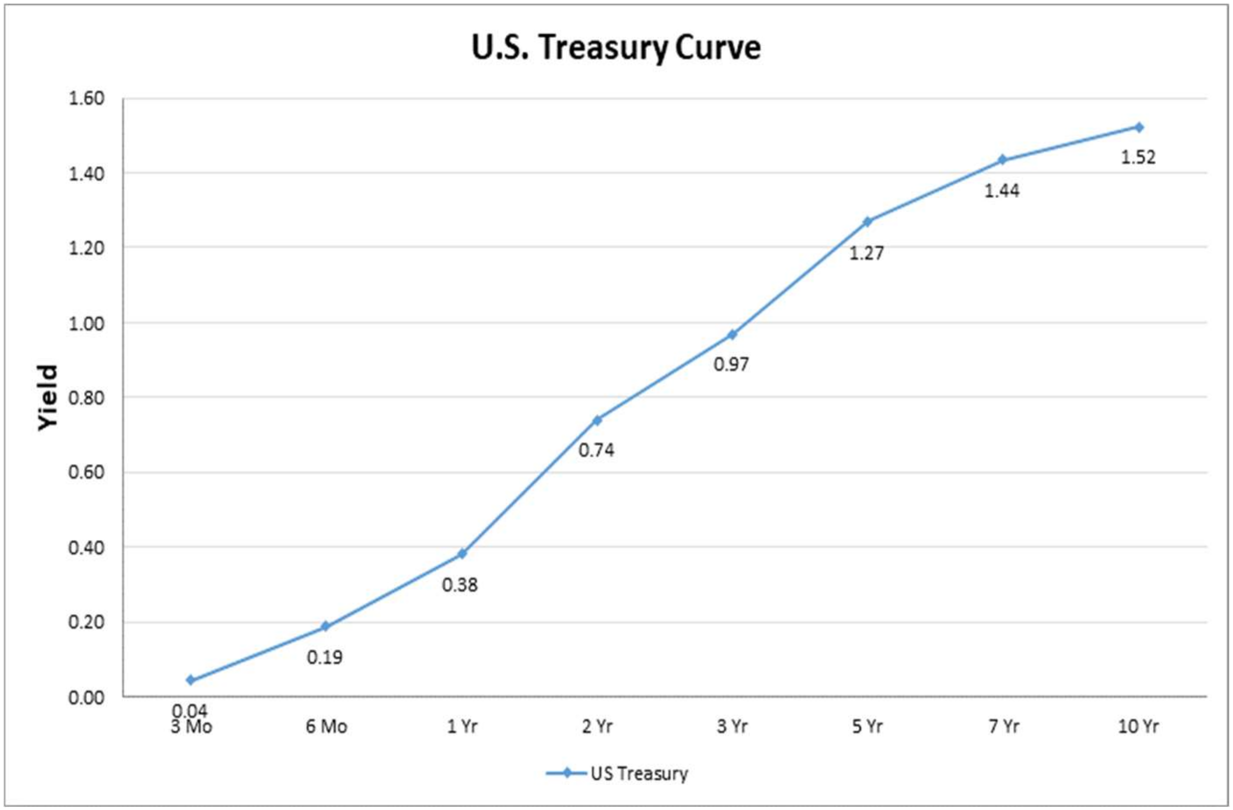


Market Commentary



Source: Federal Reserve of St. Louis, 12/22/21.

Market Commentary



Investment Policy

- Prudent Investments
  - Safety
  - Liquidity
  - Yield
- Conformity
- Operations
- Reserves

Safety

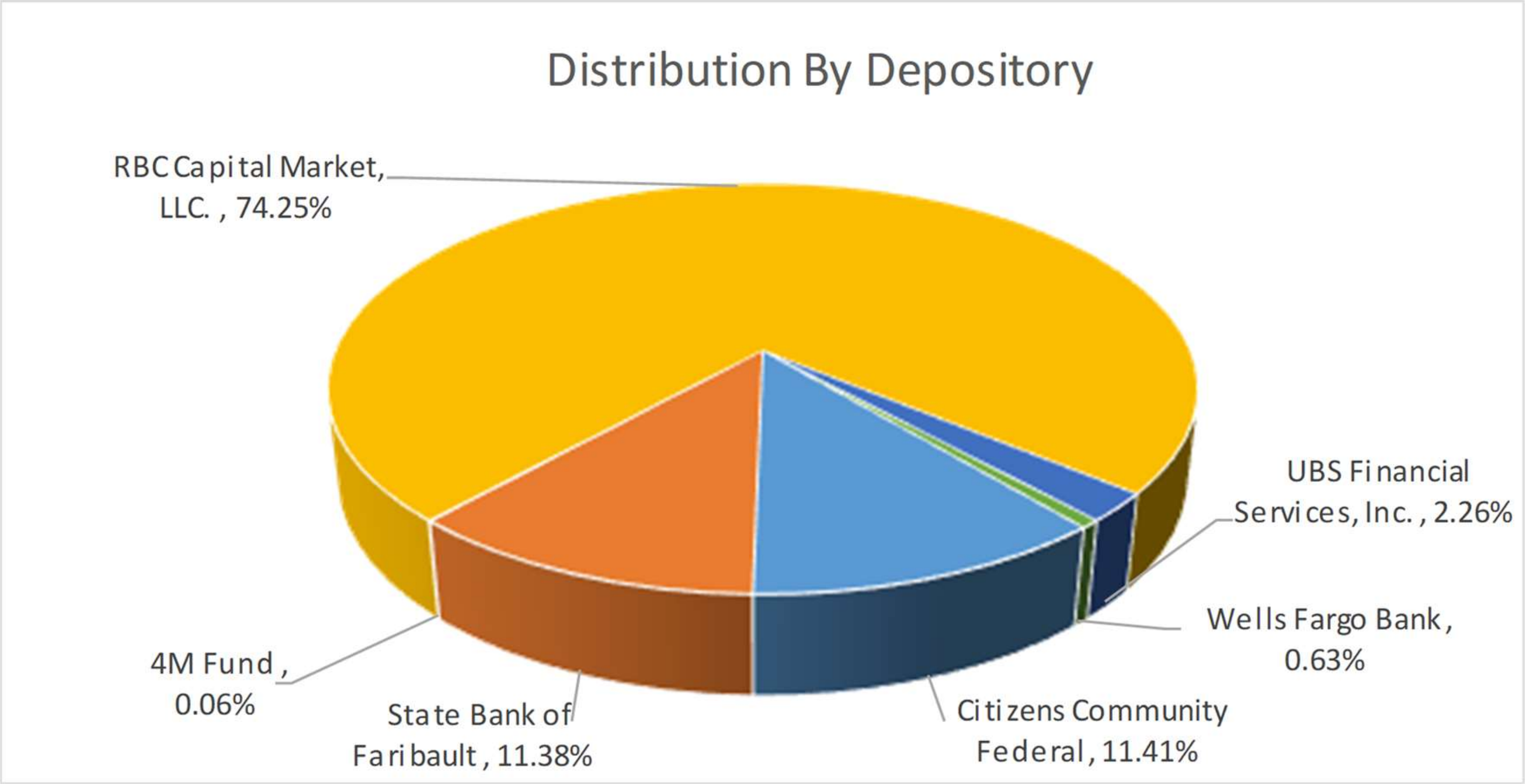
Liquidity

Prudent Investments

Yield

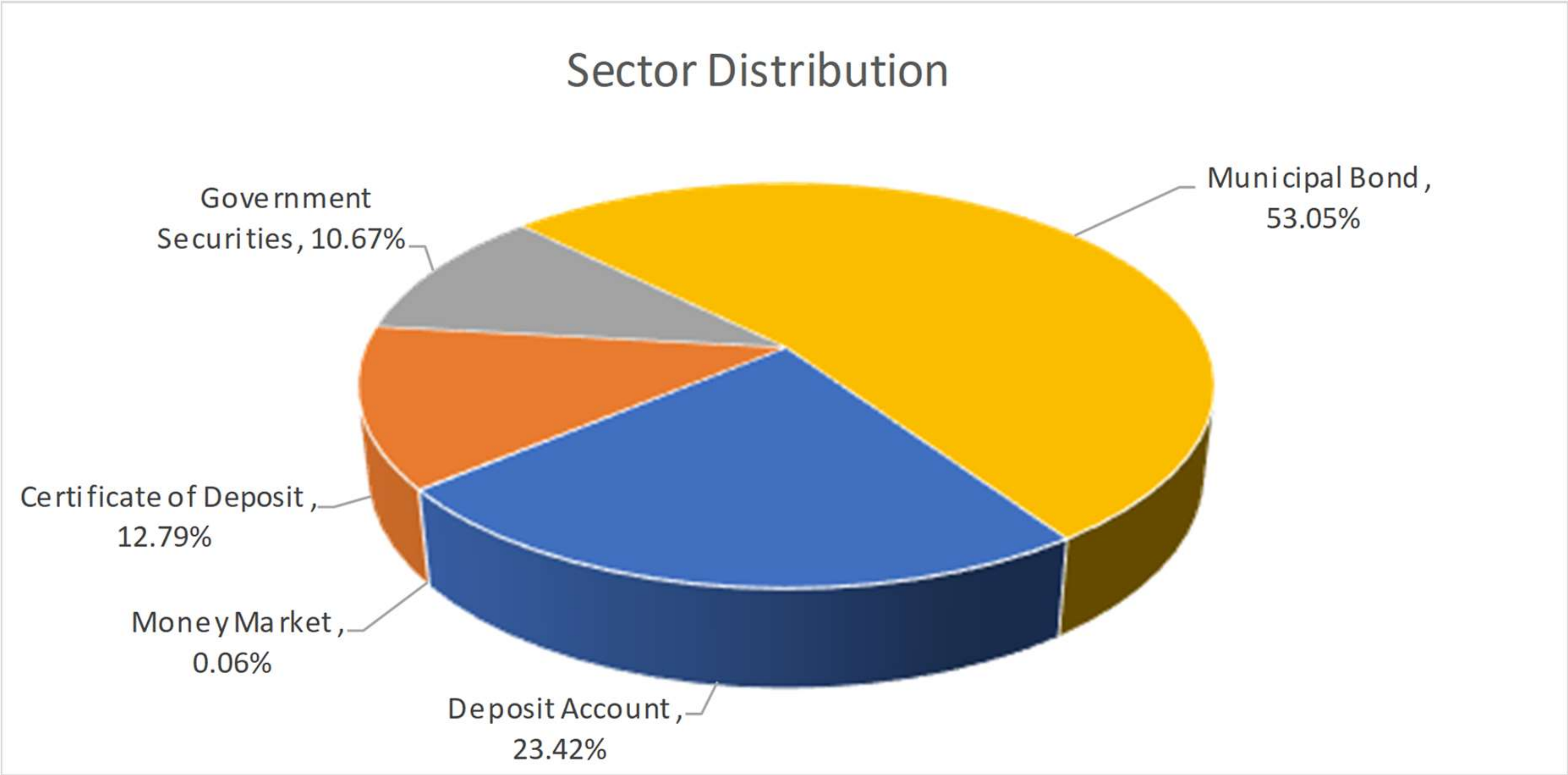
Safety

Distribution by Depository



Safety

Distribution by Sector



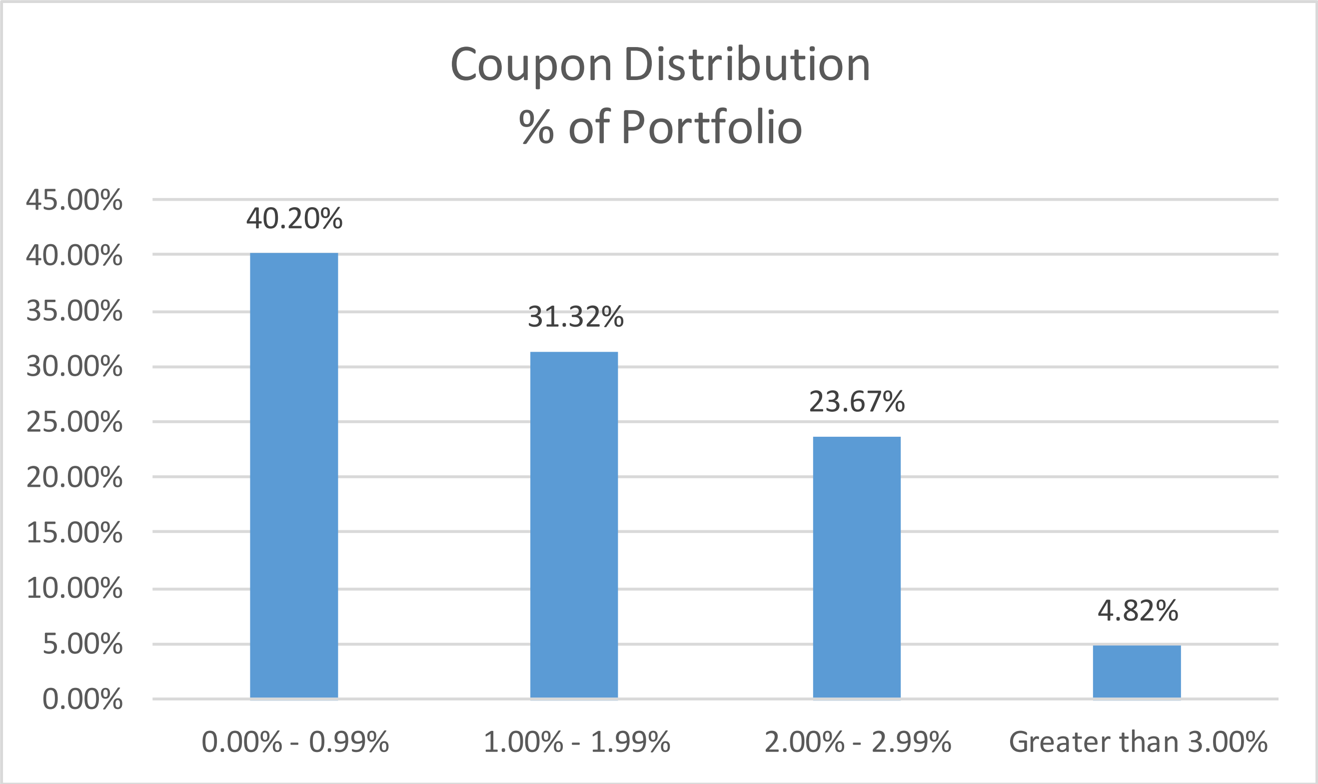
Liquidity

Portfolio by Duration

Cash Flow Distribution	
Type	Cost
Less than One Year	$ 18,314,903
1-2 Years	$ 4,181,191
3-5 Years	$ 17,597,579
Greater than 5 Years	$ 11,265,720
	$ 51,359,392

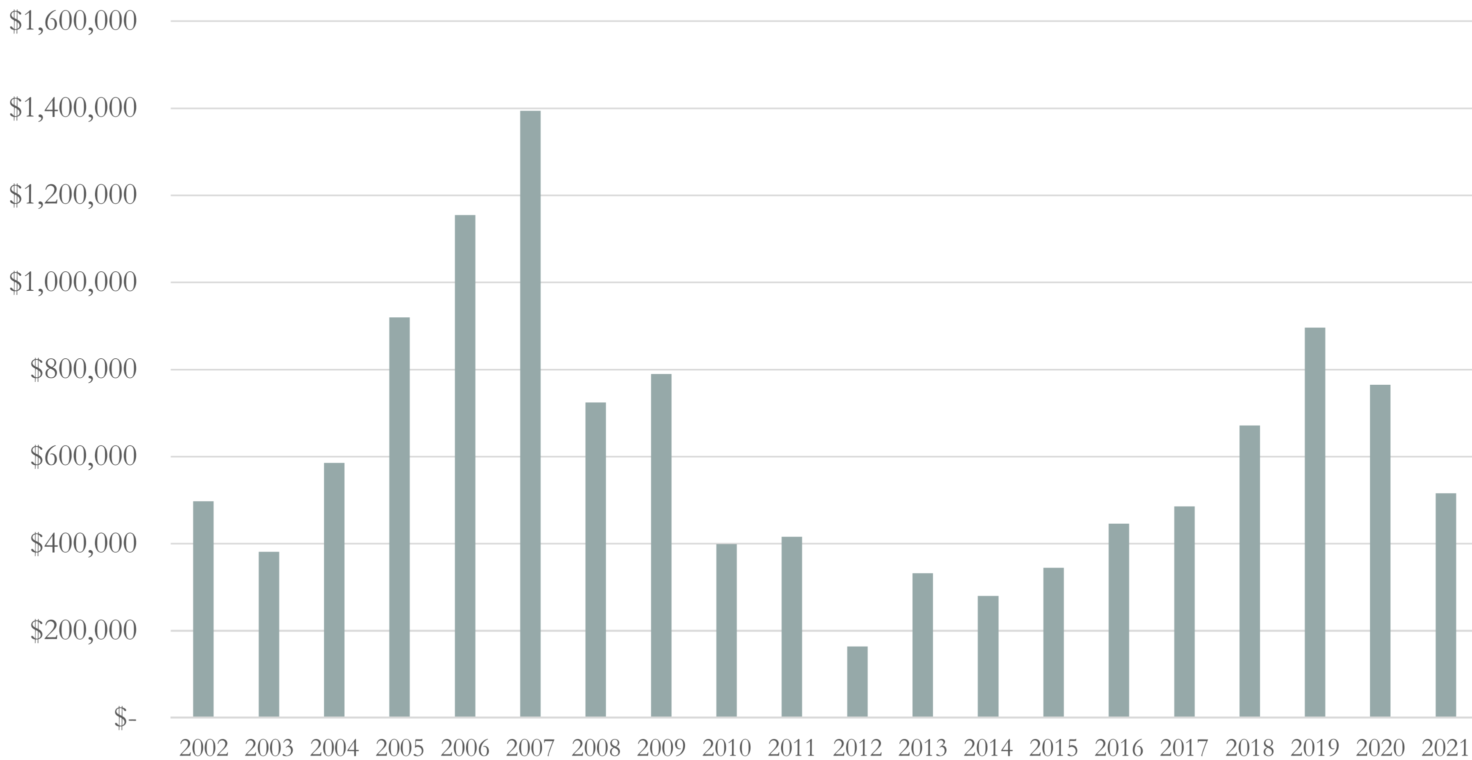
Yield

Coupon Distribution



Yield

20 Year Earnings



Questions

Annual Investment Report

Council Work Session Memorandum

TO:	Mayor and City Council
THROUGH:	Tim Murray, City Administrator
FROM:	Deanna Kuennen, Community & Economic Development Director
MEETING DATE:	March 1, 2022
SUBJECT:	Discussion Regarding Window AC Units in the Central Business District

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Discussion:

Concerns regarding window air conditioning units in the downtown is a topic that comes up each summer. The primary concern is safety, with numerous units hanging over the public sidewalks with the potential to fall and cause harm. In 2016, the City Council discussed the pros and cons of window air conditioning units and possible ways to regulate them in the downtown. The City Council ultimately decided that the use of window air conditioners, window fans, and ventilation hoses from portable air conditioners on downtown public rights-of-way would be prohibited starting May 1, 2022.

A brochure was sent to all property owners in 2017, distributed throughout the downtown to tenants, and posted on the City's website. The brochure included information on proper installation of units, the date as to when the units would be prohibited, and information about financial assistance available to offset costs associated with installing centralized HVAC systems.

There continues to be numerous window air conditioning units throughout the Central Business District (CBD). With May 1, 2022 quickly approaching, Staff is seeking direction on how the City Council would like to proceed. Some items to note:

- The brochure was distributed multiple times to property owners through mass mailings and handed out to owners of rental units in 2017/2018. The brochure has not been distributed recently.
- The Downtown Commercial Rehabilitation and Exterior Improvement Program partially funded HVAC system improvements for seven (7) properties in the CBD.

- The Downtown Commercial Rehabilitation and Exterior Improvement Program no longer provides funding for HVAC systems.

Attachments:

1. 2017 Brochure - Window AC Units in the CBD
2. 09-20-2016 Staff Report - Window Air Conditioning Units - Potential Regulations
3. 03-29-2016 Staff Report - Air Conditioning Units Policy Discussion

Downtown Commercial Rehabilitation and Exterior Improvement Program

Property owners interested in installing centralized HVAC systems in response to the upcoming restriction on window cooling units should consider applying for the Downtown Commercial Rehabilitation and Exterior Improvement Program. The program was created by the City of Faribault to provide assistance in the form of deferred loans to eligible applicants for the rehabilitation of commercial properties in the downtown Central Business District.

For full program description and guidelines, please contact the City of Faribault Community & Economic Devleopment Department at 507-333-0376 or communitydev@ci.faribault.mn.us.

Program highlights include:

- For successful applicants, the City pays up to 75-percent of project costs (with a maximum award of $15,000 per PID) for permanent interior or exterior building improvements. Installation of centralized HVAC systems is eligible.
- Interested property owners must apply for the program prior to beginning any work.
- Only one project per owner at a time.
- Loans are forgiven if the project is successfully completed and ownership is maintained for 5 years.

City of Faribault
208 1st Avenue NW
Faribault, MN 55021

Window Air Conditioning Units in the Central Business District (CBD)

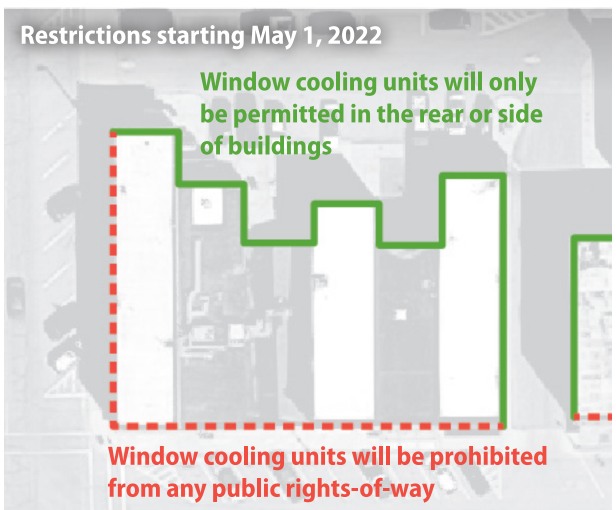
Summer 2017

City of Faribault Minnesota

Community & Economic Development
208 1st Avenue NW, Faribault, MN 55021
507-333-0376 | communitydev@ci.faribault.mn.us

In accordance with the International Building Code and to protect public safety, the City of Faribault will be prohibiting the use of window air conditioners, window fans, and ventilation hoses from portable air conditioners on Downtown public rights-of-way starting *May 1, 2022*.

During the transition, Downtown building owners and tenants are asked to ensure units are properly installed and secured to prevent them from falling or dripping on public rights-of-way.



Before Installation

- Obtain permission for installation from building management or landlord.
- Make sure that electrical service is adequate. AC units should have dedicated outlets.
- Ensure that the window and frame where the unit will be installed are in good condition.

While Installing

- Follow the manufacturer's instructions.
- Make sure the unit is installed securely, including supporting it from underneath or firmly fastening it from inside using metal brackets, mounting rails, etc. Units should not extend past the window frame into the public right-of-way
- Objects or shims used to adjust the position of the AC unit must have an independent source of fastening or attachment. Do not use loose objects – like wood blocks, bricks, blankets, etc – to support the leveling of the unit.
- Install the unit so it remains in place when the window is opened or affix it so that the window can't be opened accidentally.
- Tilt the unit slightly to provide water drainage, but don't over tilt.
- Do not place anything (TV antennae, satellite dishes, plants, etc.) on top of the unit.
- Do not block fire escape windows or other exits with the unit.

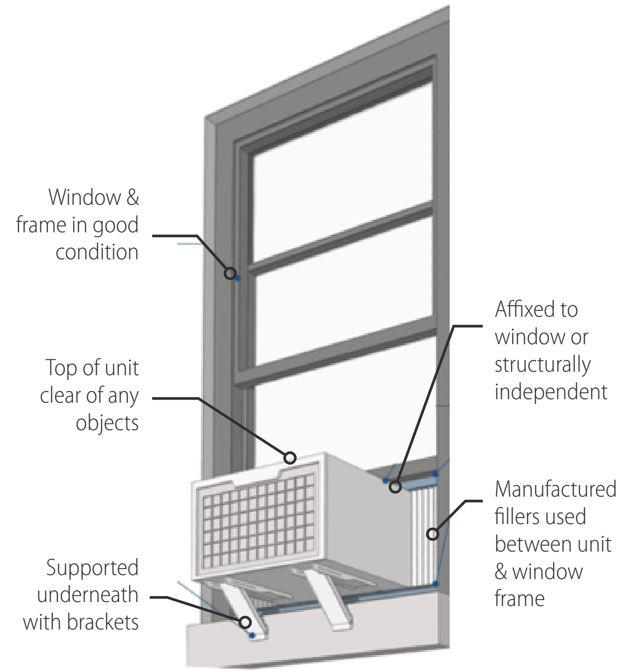
Unit Types


Window Air Conditioning Unit


Window Fan


Portable Air Conditioning Unit

Proper Installation



Improper Installation

City Of Faribault

Council Committee Memorandum

TO: Joint Council Committee
THROUGH: Brian J. Anderson, City Administrator
FROM: Deanna Kuennen, Community & Econ Dev Director
MEETING DATE: September 20, 2016
SUBJECT: Window AC Unit – Potential Regulations

Background:

Earlier this year the City Council directed Staff to develop regulations for window air conditioning units over public right of way. Research initially began on this topic in 2014, at which time the Council chose not to proceed. Staff engaged HKGI, the planning consultants who assisted the City in 2014, to continue their initial research, vet possible approaches to regulating window air conditioners, and develop potential regulations.

Rita Trapp, Planning Consultant has prepared the attached memo. Ms. Trapp will present the information to City Council, answer questions, and based on the City Council's input – will assist the City with next steps.

Attachments:

Window A/C Memos (2)

PLANNING REPORT

TO: Deanna Kuennen, Community & Economic Development Director
FROM: Rita Trapp, and Laura Chamberlain, Consultant Planners
DATE: September 14, 2016
SUBJECT: Window Air Conditioning Units

In 2014 the City of Faribault began exploring options to address the use of window air conditioning (AC) units in Downtown. Regulating these types of units was initiated due to concerns about safety relative to units falling out of windows and the overall downtown aesthetics. Research was conducted regarding existing city regulations pertaining to window AC units, as well as alternative types of cooling systems and their associated costs, including: portable interior units, in-wall units, and entire building HVAC systems. The research also involved an assessment of how other cities regulate window AC units. After reviewing the research findings, the City Council chose not to take action at that time.

In March of this year, the topic of window AC units was brought before the Joint Council Committee for further consideration. The direction from the Joint Council Committee was for Planning Staff to develop regulatory options to address the safety concerns about window AC units in Downtown with the intent of enacting an ordinance that would become effective in 2017.

BACKGROUND

A starting point to developing an approach to regulations was to review and update the research from 2014 to see if there were any new examples of regulations or if any of the communities had amended their regulations. Most of the policies previously reviewed have stayed the same in the last two years. These regulations generally use certificates of appropriateness in historic preservation districts. Additional information can be found in the materials from the 2014 research that has been attached.

One notable exception is the Village of Addison, Illinois. In 2014 it was the only instance found of a local government banning all window AC units in the front of buildings. Since that time the Village has changed its policy, banning frontage window AC units in the winter months (Oct 15 - May 1). A discussion with the Village Staff found that the policy changed because of input from the community wanting more flexibility for window AC units; the policy change was not the result of a lawsuit. The policy is an addition to the International Property Maintenance Code, which the Village adopted. It is referenced within their residential rental housing manual, and it is enforced through their rental housing license, with annual inspections of rental properties.

Consideration was given to whether it would be sufficient to simply ban units projecting into the public right-of-way. It should be noted that City Code Section 25-22 already states that "no person shall erect or cause to be erected any building, fence, or other structure, or any part thereof within the limits of any street in the city." Revising this section seems insufficient as some buildings do not come up to the property line. In addition, some older windows are deep set into the building façade, so the unit would not actually overhang into the public right-of-way.

POTENTIAL APPROACH

In response to concerns about safety, the recommended approach would be to ban any window AC units, window fans or ventilation hoses from portable AC units in windows fronting public right of ways. It is recommended that the regulation be added in the General District Regulations for the Central Business District (CBD) found in Chapter 11, Article 5, Sec. 11-410. This section was selected as it should be easy for property owners to locate. Suggested language is as follows:

> <u>*Mechanical systems in windows.* Window air conditioning units, window fans, and ventilation hoses from portable air conditioning units shall be prohibited from being installed or located in windows with frontage on a public right-of-way. Any exception to this standard shall require a variance in accordance with Chapter 2, Article 9, Variances, of this development ordinance.</u>

Changes to UDC definitions are not needed as the City currently has the following definitions in that can be referenced:

- *Frontage.* The distance for which a lot line coincides with the right-of-way line of a public street or the boundary of a private street.

- *Right-of-way.* A strip of land occupied or intended to be occupied by a road, crosswalk, utility line, railroad, electric transmission line, or other similar use.

ADDITIONAL CONSIDERATIONS

1. In addition to reviewing other city regulations, research was conducted to understand the ability of the City to require permitting relative to AC units. MN Rule 1300.0120 states that portable cooling appliances, which are those typically plugged into an electrical outlet, are exempt from building permit requirements. Given that a city may not be more restrictive than the state regarding permitting, Faribault would not be able to require permits for the use of window AC units, portable AC units, or window fans.

2. As was previously discussed in 2014, alternative cooling systems include in-wall AC units and ductless mini-split systems (which is a common AC solution for historical buildings without ducts). Given that these require external refrigeration units and are hardwired to the building, the City would be able to require a building or mechanical permit for their installation. However, it should be noted that these types of units are not able to be installed by tenants. MN Rule 1300.0120 states that only a building's owner, or their authorized agent, may conduct any work requiring a building permit or mechanical permit.

3. The City's rental licensing regulations require that all units meet zoning requirements. Thus, should a zoning ordinance amendment regarding mechanical systems in windows be adopted, the rental licensing program will be one tool for enforcement.

4. If safety is of concern, the City may want to encourage all landlords to write into their leases that only the landlord or a hired professional can install window cooling units, thus addressing safety concerns of improperly installed/secured systems whether or not they are above public or private property.

5. If an approach relative to aesthetics would be sought, the most appropriate would be to focus on regulations relative to the Historic Preservation District as aesthetics is already a basis for those regulations. Currently, the "Commercial Historic District Design Guidelines" states that "heating and air conditioning units should not be installed in the window frames when the sash and frames may be damaged. Window installations should be considered only when all other viable heating and cooling systems would result in significant damage to historic materials" (pg. 8). This could be revised to state that they are not allowed on frontages along public right of ways in the Historic Preservation District. The ordinance language would also need to be revised to allow for the Heritage Preservation Commission to grant an exception.

6. With the recent development of the Downtown Commercial Rehabilitation and Exterior Improvement Program – a new incentive exists to address this issue. Staff's recommendation would be to begin addressing this issue with the implementation of the Downtown Commercial Rehabilitation and Exterior Improvement Program rather than regulations due to the potential for future litigation. Recently discussed with the Council (and anticipated to be approved/adopted this fall), this program would provide assistance in the form of a deferred loan for the rehabilitation of commercial properties in the downtown central business district. Improvements eligible in this program include centralized HVAC systems. Marketing of the program to those buildings where this issue is of concern may result in improvements without the City needing to use regulations.

REQUEST FOR DIRECTION

Staff requests direction on which of the following steps should occur:

1) Implementation of the Downtown Commercial Rehabilitation and Exterior Improvement Program with targeted discussions with property owners where window air conditioner units have been an issue and an evaluation of program impact relative to this issue in six months.
2) Development of regulations prohibiting mechanical systems in windows. Clarification of the geographic focus of the regulations is requested.
3) Development of methods to encourage landlords to require installation of window units to address safety concerns as part of their leases.
4) Development of regulations for the Historic Preservation District to address aesthetic considerations with mechanical systems in windows.

Memorandum

TO: Brian J. Anderson, City Administrator

FROM: Peter Waldock, Community Development Director
David Wanberg, City Planner
Rita Trapp, Planning Consultant

DATE: August 29, 2014

SUBJECT: Window Air Conditioner Regulations

Overview

Each summer as the heat returns concerns begin to be raised about the use of window air conditioners in and around Downtown. Staff has conducted preliminary research to facilitate discussion on whether the City should regulate the use of window air conditioners and if so, what types of regulations could be explored.

Concerns

Public safety is of concern as the units hang over the public right-of-way, particularly sidewalks, and there is the potential for them falling and causing harm if they are improperly installed. Luckily, while this is a concern, there have not been a large number of serious injuries related to falling air conditioners reported in the United States. New York City, which had a few falling air conditioners reported each year prior to 2010, began addressing this concern by requiring brackets or mounting rails be installed for buildings six stories or higher.

Also of concern is the impact of the units on the character of the street. Window units in particular can detract from a building's character as they disrupt the proportion and relationship of the windows, exterior cladding, and fenestration. Units can be an eyesore – particularly if installed improperly with books, plants, blankets, and other materials that are not meant to be part of the installation. In addition to dripping water on people below, improper air conditioner drainage can cause stains on walls. Air conditioners, particularly when there are a number in the same area, also add noise to the street.

Existing City Regulations

There are few building regulations that pertain to window air conditioners currently. The City does not require a permit for their installation. A permit is required on occasion for units that require a new electrical outlet to be installed. Whole building air conditioners require an HVAC permit.

There are regulations that limit encroachments into setbacks and the right-of-way itself. Section 25-22 of the City Code states “No person shall erect or cause to be erected any building, fence or other structure, or any part thereof within the limits of any street in the city.” Given that many buildings in Downtown are constructed up to the property line, an interpretation that this provision includes air conditioners would mean that they are already prohibited from extending into the right-of-way. In addition, Section 6-120 (8) of the Unified Development Code limits the encroachment of mechanical equipment, including air conditioners, into the front setback or within five (5) feet of the side or rear property line.

The Commercial Historic District Design Guidelines, which includes a portion of Downtown Faribault, also requires a permit for remodeling or repair that changes the exterior appearance of a building, including mechanical equipment. This may include the primary façade and secondary facades if visible from the public right-of-way.

Page 8 of the Design Guidelines includes the following provision specific to air conditioners: *“Heating and air conditioning units should not be installed in the window frames when the sash and frames may be damaged. Window installation should be considered only when all other viable heating and cooling systems would result in significant damage to historic materials. Window installations may be acceptable in minor facades.”*

Types of Air Conditioners

As noted in the Commercial Historic District Design Guidelines, most historic buildings were built without significant mechanical ventilation. The building relied on natural ventilation through double-hung windows, transom windows, and awnings. Transom windows were used between interior rooms to facilitate air flow through the building.

Building owners and tenants now have a wide range of options to assist with climate control. Generally the types of air conditioners fall into one of two categories: those that are used to cool individual rooms and those that are used to cool entire buildings. Within each type there are a few options that can be considered.

Individual Room Units

- Window units are the most common in the United States. While professional installation is not required, it can be beneficial to ensure the units are properly secured to the window frame or exterior of the building with brackets. Prices can range from $100 to $600 per unit depending on the size of the room. Fire egress with these units can be of concern if they are placed in the only window exit from a room. While technology continues to improve, window air conditioners can create a noisy outside environment.

- Portable units are on wheels. These units are located within a room and just involve a hose that is vented to the outside. Prices range from $300 and $1,000 depending on the size of the room. Performance reviews have found that they do not work as well as window units though they are improving. Portable units are also noisier for the occupants since the entire unit is located within the room. Portable units can be useful for rooms that only have one window or where window units are not allowed. The venting hose can be a challenge with casement windows since the entire window needs to be open for a small area.
- Through the Wall units are located in the wall of the building. These are more prevalent in commercial applications. Average prices range from $500 to $1,500 depending on the size of the room and costs for installation.

Entire Building

- Split systems are the traditional system for United States, particularly in residential homes, with the evaporator coil located inside the building and the condenser and compressor outside. This system requires ducts to be located throughout the building so a blower can circulate cool air. It also requires ductwork between the unit and outside, which can be challenging in older downtown buildings where the basement is completely underground and ducts must be extended through the floors which can be as much as 12 inches thick and contain asbestos. Cost varies widely depending on whether ductwork needs to be installed in the building. In some historic buildings split systems simply may not be possible. A general cost estimate would be between $3,000 and $10,000 depending on the amount of ductwork needed.
- Packaged systems combine evaporator, condenser, and compressor in a single unit either on the roof or on concreate slab near foundation. This system sometimes works better for existing buildings as it only requires a few connection points to the interior of the building. Ductwork inside the building would still be required. Costs range from $5,000 to $15,000 depending on the amount of ductwork needed.
- Ductless mini-splits are an option for buildings that do not have ducts. The system combines an outdoor compressor and condenser with one or more indoor units with blowers that are mounted high on a wall. Tubing connects the indoor and outdoor units. Each indoor unit is installed in a separate room and can only cool that room, though some systems can connect up to 15 separate interior blower units. Costs generally range from $5,000 to $15,000 depending on the number of rooms to be cooled.

Case Study Research

A review of other communities found that while there are examples of communities that are regulating window air conditioners it is not a common practice. Many communities view air conditioners similar to window fans so as long as they are not causing damage to the surrounding window and no exterior changes were made to the building to accommodate the unit, it is not regulated.

In Minnesota, a search of more than 60 city codes only identified a few cities that have requirements for air conditioners, and those were all related to requiring air conditioners for multi-family buildings to be architecturally designed to blend in with the façade and not protrude from the exterior wall. Conversations with staff from the League of Minnesota Cities and the Main Street Coordinator for the Preservation Alliance of Minnesota did not identify any examples. Discussions with planners from other communities found:

- Duluth – does not have regulations regarding window air conditioners but units would need a concurrent use of street permit if it needs to overhang right-of-way, including the sidewalk.
- Stillwater – does not have regulations regarding window air conditioners though staff would encourage them to be on an alley. If it involves structure changes, like window replacement, and the cost is more than $5,000 then review by Heritage Preservation Commission would be required.

On the national level, the City of Addison, IL banned window air conditioners for the entire community in 2008 from the front of a building or the side of the building within 12 feet of the front wall. Generally, in other communities the bans or design guidelines are specific to historic, commercial or downtown districts rather than community-wide. Some examples found include:

- Albemarle, NC Historic District Design Guidelines requires the placement of window air conditioning in the rear elevations not easily seen from a public right of way.
- Bryan, TX Design Guidelines for the Downtown Historic District and Other Local Commercial Historic Resources discourages radically changing the appearance of historic buildings or damaging or destroying windows by installing heating/air conditioning units in the historic window frames.
- Manistee, MI Commercial Historic District policy states that exterior window air conditioners are not permitted in windows or over entry doors facing three specific streets. Units in windows facing other streets within the historic district need to be reviewed by the Historic District Commission. Interior window air conditioners are permitted anywhere as long as no part of the unit protrudes out of the window.
- Miami Beach, FL Design Guidelines for National Register or Local Historic Site or District state that no air conditioning equipment is permitted on elevations facing a public street or portions of elevations which have significant architectural features. Window air conditioners are discouraged throughout the whole building.
- Newburport, MA – Fruit Street Historic District Guidelines encourages the discreet placement of air conditioning units on the rear or side of buildings.
- New York Landmarks Preservation Commission's guidelines for landmarks and historic districts provide a permitting process for air conditioning units with detailed criteria for staff and commission level review. Permits are not required for units that are primarily installed

on the interior of the structure and do not involve the unit to be affixed to the window or exterior of the building.

- St. Louis, MO North I-44 Historic District Standards state that window air conditioner units shall not be placed on the front of the building.
- Torrington, CT Design Review Guidelines for the Downtown Historic Area recommends that window air conditioners not be placed on the front of the building or on walls that are visible from the street.

Potential Impacts

While the banning of window air conditioners on the front and/or public facades of buildings may have a positive aesthetic impact, there are some additional impacts that should be considered.

- Resident safety is a potential issue if there is a prohibition against window air conditioning units in facades that face a public right-of-way. In some buildings internal room configurations may mean that the façade along the public right-of-way is the only appropriate location for air conditioning. Portable air conditioners may be an alternative, but may still require a venting hose to exhaust through the front windows.

  It is also important to note that landlords are not required to provide air conditioning, so if window air conditioners are prohibited in the front facades, tenants may have to invest in portable units. In cases where tenants cannot afford the new units, they may simply go without. This could be a public health concern. It also may result in tenants congregating on the sidewalk or in other nearby public places when temperatures rise.

- There is also the potential for fiscal impacts on landlords from either increased vacancy or investment in building air conditioning systems. Vacancy rates for downtown buildings may be increase if air conditioning cannot be adequately provided. While whole building air conditioning is a possibility, it is an investment of $3,000 to $15,000 or more depending on the structure. In addition, both city inspection staff and a local HVAC installer noted that air conditioning upgrades in historic buildings also often involve electrical upgrades which is an additional cost.

Potential Ways to Address

The City has a number of options to consider in addressing the use of window air conditioners in the downtown area. As noted in the Existing Regulations Section, there are existing provisions in the City Code that code be interpreted to include air conditioners. The City could further clarify the prohibition by changing the code to specific delineate air conditioners. Staff does note that enforcement will take additional staff time.

The City could also begin by focusing on awareness by working with building owners and tenants to identify how to best address the issue. The City could also explore the development of grants or other incentives to support alternatives to window air conditioners.

Next Steps

After reviewing the information presented in the report, Staff would like to facilitate a discussion on this topic to garner direction on next steps. Next steps may involve additional research and/or the drafting of regulations for consideration. Key topics for discussion include:

1) Do window air conditioners need to be regulated?
    a. For public safety, should the regulations
        i. Require a permit/inspection, brackets for installation, or professional installation
        ii. Prohibit the use of window units when only one window in the room.
        iii. Prohibit the use of materials such as books, blankets, pots, etc.

    b. For aesthetics, should the regulations
        i. Limit window air conditioners on certain facades – such as front, side, alleys or other public facing locations?
        ii. Allow or prohibit use of portable air conditioners that use a hose to vent through a window on public facing facades?
        iii. Regulate the use of box fans as well?

2) What should be the geographic limits of the regulations – citywide, Downtown, Historic District, specific streets, other district?

3) Should grant/loan programs be developed to help offset the costs of the regulation(s)? At this time Staff is not aware of state or federal sources, so it would likely need to be local funding.

Council Committee Memorandum

TO: Joint Council Committee
FROM: Deanna Kuennen, Com. and Econ Dev. Director
THROUGH: Brian J. Anderson, City Administrator
MEETING DATE: March 29, 2016
SUBJECT: Window Air Conditioning Units

Background:

Each summer as the heat returns concerns begin to be raised about the use of window air conditions in and around downtown. The primary concerns involves the public safety of window air conditioning units that hang over public right-of-way, specifically sidewalks, and the potential for units to fall and cause harm if they are improperly installed. There is also a secondary concern regarding the visual (negative) impact that these units have on the streetscape when not installed correctly.

Discussion:

The City Council is being asked to discuss the pros and cons of window air conditioning units in and around the downtown, and provide direction to Staff regarding regulating these units. To facilitate the discussion, back in 2014 preliminary research was compiled looking at tools available to regulate the use of window air conditioners. This research looked at the City's exiting codes and regulations and found:

- Generally there are very few regulations that pertain to window air conditioning units and City permits are not required for their installation.
- The City Code does limit encroachments into setbacks and the right-of-way itself. Section 25-22 of the City Code states "No person shall erect or cause to be erected any building, fence or other structure, or any part thereof within the limits of any street in the city." This Code *could* be interpreted to prohibit air conditioners from extending into the right-of-way.
- Section 6-120(8) of the Unified Development Code limits the encroachment of mechanical equipment, including air conditioners, into the front setback or within five (5) feet of the side or rear property lines.
- The Commercial Historic District Design Guidelines requires a permit for remodeling or repair that changes the exterior appearance of a building, including mechanical equipment. And specific guidance is included about

not installing air conditioning units in window frames when the sash and frames may be damages.

The research also looked at how other communities regulate window air conditioner, explored what alternatives exist to the traditional window air conditioning units, and touched on options to address the units. In preparation for this discussion, Staff also:

- Found a “point in time” inventory of window air conditioners in the downtown (completed in June 2014) that could potential be impacted but future regulations/requirements. This provides an idea of the number of building owners who currently use and allow these types of units.
- Researched alternative cooling options and discussed these options with a handful of property owners.

This is a timely topic because there have been a number of property ownership changes/sales in the downtown, and Vision 2040 also focuses on enhancing the appearance of the streetscape in the downtown.

Recommendation:

Staff is seeking direction so that if any regulations or enforcement is desired, any modifications to code and policy can be made, property owners can be notified before the summer heat arrives, and an enforcement plan can be prepared.

Attachments:

- Point In Time Inventory of window air conditioning units
- Window air conditioning unit alternative

ATTACHMENT

Downtown Air Conditioner Units/Fans Inventory

June 20, 2014

ADDRESS	BUSINESS	A/C UNITS	FANS
111 Central	Brunswick	7 a/c	1 fan
209 Central	Sweetspot		1 fan
211 Central	Baniar	1 a/c	
218 Central	Weddings By Deb	1 a/c	
216 Central	B & J Sewing	4 a/c	
229 Central		1 a/c	
10 3rd St NE	301 Central	1 a/c	
302 NW 1st Ave.	Cajacob Law	2 a/c	
25 NW 3rd St	Lee Appraisals	2 a/c	
24 NW 3rd St	5 Star Training	1 a/c	
302 Central	Security Bank	2 a/c	
301 Central		2 a/c	
324 Central		2 a/c	
326 Central	Subway	1 a/c	
329 Central	Kays Floral	1 a/c	
401 Central		1 a/c	
317 Central		1 a/c	
313 Central		1 a/c	
401 Central		1 a/c	
429 Central	Hotel Fblt		3 fans

ATTACHMENT
Window Air Conditioning Alternative

Portable > $240 - $800

Portable air conditioners are intended for homes in which window configurations or building regulations prevent installation of window units.

Unlike a window air conditioner, all the mechanical parts of a portable air conditioner are sitting in the room you're trying to cool. Typically the units are slightly more noise "because the units are inside" and portable units use conditioned air from the room to cool the condenser and exhausts the hot air out an ungainly exhaust hose that resembles a dryer vent. This can create negative pressure causing unconditioned warm air from surrounding rooms or outdoors to be drawn into the room you're trying keep cool.

There are a number of properties in the downtown that are currently using this kind of air conditioning unit in the rental spaces.

Council Work Session Memorandum

TO: Mayor and City Council
THROUGH: Tim Murray, City Administrator
FROM: Travis Block, Public Works Director
MEETING DATE: March 1, 2022
SUBJECT: Restricting Utility Service Outside City Limits

Discussion:

The Council last discussed providing municipal utility service outside City limits at the April 6, 2021 Council Work Session. The discussion was part of a review of the draft Rice County 2040 Comprehensive Plan Update. A request to create a service district outside the City limits without annexation was part of that discussion. After discussion, the Council's response to Rice County Commissioners was that providing municipal sewer and water service outside City limits, with the exception of a lake shore sanitary district, was not supported. Council direction was to create a policy limiting access to utilities outside City limits.

Currently, Chapter 28, Section 156 of the City Code, has language allowing for special agreements to accept sanitary sewer waste from other jurisdictions for treatment. Staff recommends revising the code to prohibit outside connections (except lakeshore sanitary districts) for multiple reasons.

First, the Water Reclamation Facility (WRF) has a finite treatment capacity. Restricting service to properties outside of the City helps to ensure that future capacity remains in place for development within the City. Second, it reserves WRF capacity to allow current customers (Faribault Foods, Jennie-O, etc.) to expand. The reuse of the old Faribault Foods building is another example why reserving capacity is important. Lastly, tax revenue should be considered. The connection of outside properties has the greatest benefit to the Townships and Rice County, due to the large amount of property taxes that they both would collect. The cities of Montrose, Northfield, Saint James, Sleepy Eye, and Winonia have code language prohibiting certain connections outside city limits.

Staff has drafted revisions to the code to align with the Council's position to serve sanitary sewer districts, similar to Roberds Lake Sanitary District.

These types of connections potentially provide environmental benefits that the City could receive in the form of pollutant loading reductions to the receiving water that the WRF discharges into. Additionally, these types of connections are of a known quantity and quality (residential strength waste). Water service should not be extended to any property outside City limits.

The Fee Schedule establishes sewer rates and charges, including the Sewer Availability Charge (SAC). SAC charges are charged for properties connected to the sanitary sewer. The SAC charges are collected at the time of connection or redevelopment and are used to provide funding for future improvements to the sanitary system.

Should the Council choose to allow future connections to a sanitary sewer district outside City limits, it would be recommended that the following SAC fees and user rates apply: SAC charges should be the standard rate ($1,500/unit). A user rate of one and one-half (1.5) times the residential rate ($0.001928/gal). The Fee Schedule should be amended to include these recommendations. These recommendations are the result of Council direction from a previous discussion in 2019 on the potential connection of the City of Medford.

Staff is looking for Council direction on the prohibition of utility service outside City limits.

Attachments:

1. 2021-04-06 City Council Work Session Notes
2. 2021-04-13 Letter to Rice County regarding County Draft Comp Plan
3. Draft City of Faribault Chapter 28 City Code Revisions
4. Montrose - City Code
5. Northfield - City Code
6. Saint James - City Code
7. Sleepy Eye - City Code
8. Winona - City Code

City Council Work Session
Tuesday, April 6, 2021 at 6:00pm
City Hall – City Council Chambers

NOTES

Call to Order
The City Council Work Session was called to order at 6:00 pm by Mayor Voracek. Councilors Sara Caron, Royal Ross, Peter van Sluis, Tom Spooner, Janna Viscomi and Jon Wood were in attendance. Also in attendance were City Administrator Tim Murray, Assistant to the City Administrator Heather Slechta, Human Resources Kevin Bushard, Community and Economic Development Director Deanna Kuennen, City Planner David Wanberg, Parks and Recreation Director Paul Peanasky, Public Works Director Travis Block, and City Engineer Mark DuChene.

Review/Discuss the Draft Rice County Comprehensive Plan (North I-35 Corridor)
Community and Economic Development Director Deanna Kuennen and City Planner David Wanberg explained to the Council that Rice County has been in the process of updating their Comprehensive Plan for the last few years. The overall planning and approval process were delayed due to COVID-19. Last year, Rice County solicited comments from public entities, organizations, and citizens regarding the draft Rice County Comprehensive Plan. At that time the City did not provide comment on the plan. Of the comments received, many expressed concerns about the portion of the draft Land Use Plan that guides the area on both sides of Interstate Highway 35 for commercial/industrial use from County Road 9 to State Highway 19.

City Staff has expressed that commercial and industrial development should occur within cities and it should be served by municipal sewer and water. One of the obstacles that the City has faced over the years is the lack of available, suitable land to support industrial development. Due to limited available industrial land within the Faribault city limits, City Staff met with County Staff and representatives from the adjacent townships to discuss the City's Journey to 2040 Staged Growth Plan, which shows staged growth of commercial/industrial uses along the Interstate Highway 35 Corridor to County Road 9 Not all of the land within the staged growth area is suitable for development due to steep slopes, pipelines, wetlands, and other constraints. However, the City can reasonably serve the areas identified with municipal sewer and water. During the meetings with the County Staff and township representatives it was discussed that as opportunities for industrial growth increase, the City, Wells Township, and Cannon City Township will discuss orderly annexation to accommodate new industrial uses in the staged growth area. City Staff does not support random and/or premature commercial and industrial growth north of County Road 9 in Forest Township or Bridgewater Township, outside of the city limits.

City Staff facilitated a discussion with the City Council regarding the County's draft Land Use Plan, specifically the area along the I-35 corridor and how the proposed County land use supports/doesn't support the City's recently adopted 2040 Staged Growth Plan. Based on Council direction, City Staff will prepare an official response to the County regarding the draft Land Use Plan, and bring it back for City Council action. This discussion also provided feedback regarding the Council's view as it pertains to any discussion about future commercial or industrial development north of County Road 9.

City Administrator Tim Murray stated that Rice County asked for a service district outside the city limits without annexations and access to utilities. Mayor Voracek stated that he thinks the future is regional collection systems. Ross stated that city sewer and water service should be in the city limits. He supported the plan south of County Road 9 as it aligns with the City. Ross asked if the City should have orderly annexation agreements with the neighboring townships. Murray stated that we should, Dundas and Northfield have them in place. Ross was not in support of providing services outside the City limits. Spooner stated that there should be a cap at County Road 9, and a plan in place for anything north of County Road 9.

Through much discussion it was the consensus of the Council to send a letter to the County that mirrors city plans for development, Staff will draft this letter and bring it to a Council meeting for approval.

The consensus of the Council was to also create a policy on limiting access to utilities outside the city limits.

April 13, 2021

Rice County Commissioners
Rice County
320 3rd Street NW
Faribault, MN 55021
Delivered via email to CompPlanInput@co.rice.mn.us and jrunkle@co.rice.mn.us

Dear Rice County Commissioners:

On behalf of the Faribault City Council, thank you for the opportunity to review and comment on the draft Rice County 2040 Comprehensive Plan Update. City Staff provided the County with general comments on October 30, 2020. However, in light of recent preliminary discussions that others are having regarding potential commercial and industrial development along the Interstate Highway 35 corridor north of County Road 9, the Faribault City Council wants to share the following comments with the Rice County Commissioners:

1. **Faribault's Staged Growth Plan.** The City's adopted Journey to 2040 Comprehensive Plan includes a Staged Growth Plan that shows an area for future commercial and industrial development along the Interstate Highway 35 corridor from Faribault's northern boundary to County Road 9. If the City receives requests to annex properties within this staged growth area, the City could logically provide City sewer and water to the properties, provided the City and Town have an annexation agreement related to the properties.

2. **Faribault's Sewer and Water Service Policy.** The City Council does not support providing municipal sewer and water service to properties outside the City of Faribault's corporate boundary, except in highly extenuating circumstances like the Roberds Lake Sanitary Sewer Service Agreement. The City Council feels that municipal sewer and water should serve commercial and industrial development.

3. **Faribault's Approach to Annexation.** The City and surrounding Towns no longer have active orderly annexation agreements. However, if the Towns are interested in renewing orderly annexation agreement discussions, the City of Faribault would gladly participate in the discussions.

   Except for City-owned property contiguous to the city limits, the City of Faribault has no plans to pursue annexation outside the current corporate boundary. If the City were to receive an annexation petition for property outside the city limits, the City would then work with the property owner and Town to discuss the petition and potentially enter into an appropriate annexation agreement.

4. **Rice County's Draft Land Use Plan North of County Road 9.** The County's draft Land Use Plan guides the I-35 corridor north of County Road 9 for a mix of commercial and industrial uses. While unique opportunities may arise at any time for commercial or industrial development in this area, the City Council supports logical and sequential development within the City's staged growth area. If the City's staged growth area is developed over time, the City could support commercial and industrial development north of County Road 9. However, the properties should be annexed into the city and served by municipal sewer and water.

5. **Urban Design Standards.** The City Council recognizes that the City does not control land use outside the city limits. However, if limited commercial or industrial development were to occur outside the city limits, but in an area that could eventually be annexed into the city, the City strongly encourages the development to meet City design standards to minimize future nonconformities.

Again, thank you for the opportunity to review and comment on the draft Rice County 2040 Comprehensive Plan update. The City of Faribault is available to discuss land use issues and opportunities with Rice County and the Towns.

Sincerely.

Kevin F. Vor

Mayor Kevin F. Voracek

Sec. 28-26. Water service outside city limits.

Water service shall not be provided to properties outside city limits.

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Sec. 28-156. Sanitary sewer service outside city limits. ~~Special agreements to accept wastes from other jurisdictions for treatment~~.

~~(a) If another municipality or user located within another municipality contributes wastewater to the POTW, the city shall enter into an intermunicipal agreement with the contributing municipality.~~

~~(b) Prior to entering into the agreement, the public works director shall request the following information from the contributing municipality:~~

~~(1) A description of the quality and volume of wastewater discharged to the POTW by the contributing municipality;~~

~~(2) An inventory of all users located within the contributing municipality that are discharging to the POTW; and~~

~~(3) Such other information as the public works director may deem necessary.~~

~~(c) An intermunicipal agreement, as required above shall contain the following conditions:~~

~~(1) A requirement for the contributing municipality to adopt a sewer use ordinance which is at least as stringent as this article and local limits including required baseline monitoring reports which are at least as stringent as those set out in subsection 28-148(a) of this article. The requirement shall specify that such ordinance and limits must be revised as necessary to reflect changes made to the city code or local limits;~~

~~(2) A requirement for the contributing municipality to submit a revised user inventory on at least an annual basis;~~

~~(3) A provision specifying which pretreatment implementation activities, including individual wastewater discharge permit issuance, inspection, and sampling, and enforcement, will be conducted by the contributing municipality; which of these activities will be conducted by the public works director; and which of these activities will be conducted jointly by the contributing municipality and the public works director;~~

~~(4) A requirement for the contributing municipality to provide the public works director with access to all information that the contributing municipality obtains as part of its pretreatment activities;~~

~~(5) Limits on the nature, quality, and volume of the contributing municipality's wastewater at the point where it discharges to the POTW;~~

~~(6) Requirements for monitoring the contributing municipality's discharge;~~

~~(7) A provision ensuring the public works director's access to the facilities of the users located within the contributing municipality's jurisdictional boundaries for the purpose of inspection, sampling, and any other duties deemed necessary by the public works director; and~~

~~(8) A provision specifying remedies available for breach of the terms of the intermunicipal agreement.~~

~~(d) An intermunicipal agreement, as required above shall contain the following conditions:~~

~~(1) A requirement for the contributing municipality to adopt a sewer use ordinance which is at least as stringent as this article and local limits including required baseline monitoring reports which are at least as stringent as those set out in subsection 28-148(a) of this article. The requirement shall specify that such ordinance and limits must be revised as necessary to reflect changes made to the city code or local limits;~~

~~(2) A requirement for the contributing municipality to submit a revised user inventory on at least an annual basis;~~

(a) Sanitary sewer service shall not be provided to properties outside of city limits with the exception for a sanitary sewer district comprised of developed lakeshore.

~~(Ord. No. 2013-003, § 1, 7-9-13)~~

red= deleted
blue= new

manual read routes during the winter months due to deep snow cover making it impossible for a city employee to obtain meter readings safely. When this condition exists the Utility Billing Clerk will take the past 12 months usage to determine an average, and estimate the water usage for that particular month.

30.10. RIGHT OF ENTRY.

A) The City shall not enter a customer's premises if: the customer has not consented; or the City has not obtained a court order authorizing entry; or an emergency situation involving imminent danger to life or property does not reasonably appear to exist.

B) For monthly exterior manual water meter reading purposes consent is implied by acceptance of utility services to enter private property to obtain the monthly meter reading. Consent has to be granted by property owner before the authorized meter reader can obtain any interior manual water meter readings.

C) The City shall notify the jurisdictional law enforcement agency before entering the customer's premises without the customer's consent unless it would be unreasonable under the facts and circumstances to do so.

30.11. UNLAWFUL ACTS.

A) It is unlawful for any person to willfully or carelessly break, injure, mar, deface, disturb or in any way interfere with any building, attachment, machinery apparatus, equipment, fixture or appurtenance of any municipal utility or municipal utility system or commit any act tending to obstruct or impair the use of any municipal utility.

B) It is unlawful for any person to make any connection with, opening into or alter in any way any municipal utility system without first having applied for and received written permission to do so from the City.

C) It is unlawful for any person to turn on or connect a utility when the same has been turned off or disconnected by the City for non-payment of a bill, or for any other reason, without first having obtained a permit to do so from the City.

D) It is unlawful for any person to jumper or by any means or device fully or partially circumvent a municipal utility meter, or to knowingly use or consume unmetered utilities or use the services of any utility system, the use of which the proper billing authorities have no knowledge.

E) Any unmetered water service on the City distribution system is prohibited. Violators shall be subject to immediate disconnection of service and imposition of penalty.

30.12. SERVICE OUTSIDE AND INSIDE CITY.

A) No municipal utility service to premises outside the City shall be provided, except such as are being served on the effective date of this section.

B) Upon Annexation into the City, the affected properties have one year to connect to City utilities once they become available. In instances where only city water is available to the property owner, the property owner may hook up to city water at that time, or delay utility connections until both city water and sewer services become available.

C) All properties within the City for which sewer and water are available must connect to those services within one year of both services becoming available. All properties within the City that has both sewer and water available shall be charged a Sewer Access Charge, a Water Access Charge, monthly base rates and if applicable a monthly charge for sewer service without water service.

D) In the event an owner shall fail to connect to a public sewer or water when required by this Code, the City may undertake to have said connection made and shall charge the cost thereof against the property and said charge shall be a lien against said property. Such charge, when made, shall bear interest at the rate of 1.5% over the prime interest rate per annum and shall be certified to the auditor of the county in which the land is situated and shall be collected and remitted to the City in the same manner as assessments for local improvements. The rights of the City under this division shall be in addition to any other remedial or enforcement provisions of this chapter.

30.13. CONNECTION/TAPPING PROHIBITED; DELINQUENT.

A) No permit shall be granted to tap or connect with sewer or watermains when any assessment or connection charge for the sewer or watermain against the property to be connected is in default or delinquent.

B) If the assessment or connection charges are payable in installments, no permit shall be granted unless all installments then due and payable have been paid.

Sec. 82-179. - Service outside city limits.

The city shall not provide wastewater treatment service outside city limits except to another municipality pursuant to a joint powers agreement.

(Code 1986, § 1412:25(12))

§ 50.29 MUNICIPAL UTILITY SERVICE OUTSIDE THE CITY.

Premises located outside the city shall not be connected to, or served by, any municipal utility, except such premises as are publicly owned, or presently served. Persons needing utility service, and not within one of the foregoing exceptions, whose property is located outside the city must initiate annexation proceedings prior to being provided with the service, or services.

(Prior Code, § 3.05) (Ord. 96, second series, passed 9-19-1989)

8-1-9: MUNICIPAL UTILITY SERVICE OUTSIDE CITY:

Premises located outside the City shall not be connected to or served by any Municipal utility, except such premises as are publicly owned or presently served, with the exception of the electrical service. Persons needing Municipal utility service whose service property is located outside the corporate limits must initiate and complete annexation proceedings prior to being provided with such service or services. Exceptions may be made with a four-fifths ($^4/_5$) vote of the Council. (1988 Code § 3.04)

specifications approved by the City shall be borne solely by the licensee. In addition, any person performing work shall be registered to perform work in the City's right of way.
Ord. No. 4046 01/03/2017

27.04 WATER, SEWER AND DRAIN LAYERS LICENSE

(a) Application. Any persons desiring a license to make connections with water, sewers and drains in the city shall make application in writing therefor to the city engineer, and furnish the city engineer satisfactory evidence that he is, or has in his employ, a person regularly trained and skilled in the business and qualified to receive a license. If satisfied that the applicant is properly qualified, the city engineer may issue a license to him on his complying with the requirements contained in this section. All applicants must have a licensed master plumber or a certified drainlayer on staff and that person must be on site during connection and installation of sewer or water pipe.
Ord. No. 3452 05/15/00 Ord. No. 4046 01/03/2017

(b) Bond Required. No license shall be issued to any person to make water, sewer or drain connections until he shall have executed and deposited in the office of the city engineer a bond to the city in the sum of $10,000, executed by himself and a corporate surety or two sufficient sureties and approved by the city attorney, conditioned that he will indemnify and save harmless the city from all suits, accidents and damages consequent thereupon, for or by reason of any opening in any street, alley or public ground, made by him or by those in his employment, for making any connection to any public or private sewer or drain, or for any other purpose or object whatever, and that he will also replace and restore the street over such opening to as good a state and condition as he found it, keep guard by day and red lights by night and keep and maintain the same in good order, to the satisfaction of the city engineer for his acceptance, and shall conform in all respects to the ordinances relative to the streets, sewers and drains, and pay fine that may be imposed upon him by law.
Ord. No. 3452 05/15/00

(c) Record of License. Every person licensed shall have recorded in the city engineer's office his place of business, the name under which the business is transacted, and shall immediately notify the city engineer of any changes.

27.05 SEWER CONNECTION PERMIT

(a) Required. No connection shall be made with any sewers without a permit from the city engineer. No opening or connection shall be made into any sewer in any manner different from the specifications prescribed for such opening or connection by this chapter.

No permit shall be granted to any person to tap or connect with any sewer when the property sought to be drained is situated without the boundary lines of the sewer district as established by the city council. A significant industrial user, as defined above, shall obtain a wastewater discharge permit from the city.

A new industrial user or a new significant industrial user shall submit a statement to the city providing typical wastewater discharges anticipated. All industrial