

**OSSEO CITY COUNCIL
WORK SESSION MINUTES
March 27, 2023**

1. CALL TO ORDER

Mayor Duane Poppe called the work session of the Osseo City Council to order at 5:30 p.m. on Monday, March 27, 2023.

2. ROLL CALL

Members present: Councilmembers Juliana Hultstrom, Harold E. Johnson, Mark Schulz (attending remotely), Alicia Vickerman, and Mayor Duane Poppe.

Members absent: None.

Staff present: City Administrator Riley Grams, Community Management Coordinator Joe Amerman, Public Works Director Nick Waldbillig, City Accountant Shelly Cisewski, Finance Consultant Gary Groen, Rebecca Kurtz, Ehlers & Associates; and City Attorney Mary Tietjen.

Others present: RoseAnna Garibaldi, City Resident; Karen Ruzicka, City Resident; Frank Ruzicka, City Resident; Judy Mikolich, City Resident; Char Mead, City Resident; Sue Nelson, City Resident; Liz Lyman, City Resident; Mick Lyman, City Resident.

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. DISCUSS WATER UTILITY RATES

Rebecca Kurtz, Ehlers & Associates, reported that the City asked Ehlers to update its water and sewer utility rate study. The impetus for the update was to base rates on the usage measured by the new water meters and to address customer complaints regarding sewer utility billings. She reviewed the discussion that had been held on the utility rates at the January 20 and February 27 meetings. She noted at the March 13 Council meeting, the Council adopted sewer rates for 2023. She indicated the Council still needs to consider and adopt water rates for 2023.

Ms. Kurtz explained water rate increases are needed to provide sufficient funds to purchase water from the City of Maple Grove, pay debt service on bonds, and pay for the operations and maintenance of the system. Currently the cash balance of the Water Fund is meeting the target cash balance, however, annual rate increases will be needed to maintain the fund's health. She reviewed different rate structures with the Council and requested direction on how to proceed.

Johnson passed out a sheet to the Council with information regarding the cost of the Tyler Tech software, along with how bond proceeds were impacting the City's utility funds. He explained he has asked Staff for comparison information on how Osseo and Maple Grove bill their water but this information has not been made available to the Council. He asked how the Council could be assured meters and billing were operating properly. Ms. Kurtz stated she does not have the spreadsheets and detail with her that evening to compare to this information. She reported she has the bond documents and noted she has been working with Staff to ensure she has all necessary information.

Johnson indicated he has asked for this information for the past six months and was not supplied any of this information until recently. He stated he was really bothered by this and why it took so long. Ms. Kurtz commented she could not answer this question, but noted she did not have to request information from Staff for a portion of this because she had all of the bond information on hand. She believed she has worked long enough with staff on this process that if there was a concern, it would have been brought up by now. She indicated her staff did not have any concerns when the utility study was completed.

Johnson expressed concern with the fact the Ehlers may not have had enough details. He commented this was the first year the new meters have been used and he understood some issues were being found. He questioned if these issues were being documented and recorded with information on how the issues were resolved. He then discussed the billing increases that occurred at the Realife Cooperative. He noted he was a resident at Realife and he wanted to make this known for the record in case it was seen as a conflict of interest. He stated he had a problem with how Staff will be working with Ehlers to calculate the refunds. He believed current Staff should be able to complete this task. Lastly, he questioned why irrigation water was charged at a higher rate.

Hultstrom indicated she was struggling with the fact meters were installed two years ago, and yet the City was being told they don't have any idea if water was being recaptured. She questioned how long it would take for the City to make this determination. Grams reported the City was able to produce this information. He explained it took a lot more time and effort than the Council understood to install the new meters, install a new finance system and tie all of this information together. He anticipated some of the Council believed this would happen like a flip of a switch. However, swapping out all of the meters has not gone 100% according to plan and the City was working through these issues.

Hultstrom believed Staff should have some sort of idea if the City was saving water and what was being billed to Osseo versus what was being paid to Maple Grove. Grams commented the City could run a report of how much water has been sold versus how much has been purchased. However, without calibrating each and every meter, this information may not be accurate. He stated Staff was working through the issues with the meters which would assist in creating more accurate information.

Hultstrom questioned how long it would take the City to work through all the bugs. She asked if now was the right time to update and address the water rates. She indicated she was frustrated with the entire situation. Ms. Kurtz stated it was common for new meters to take up to three years to become fully calibrated in order to collect data. She

noted the City was reviewing its rate structure in order to take a wholistic look at the water and sewer funds. She noted the irrigation rates were the most expensive because the City took a conservation approach towards water usage and irrigation water was viewed as optional.

Hultstrom reported the City's water fund was healthy and the sewer fund was below the proper balance. She inquired if the current water structure should remain in place until the proper information can be provided to the Council. She feared the City was spending a great deal of money on a study that it did not have the proper information in order to make decisions.

Ms. Kurtz explained the State bonding would not impact the City's water rates.

Schulz stated he was disappointed with Councilmember Johnson's submission because this was not provided to the Council prior to this meeting. He indicated he was aware of the conversations with Staff and he understood several meters were not submitting information in real time. He explained the real point at hand was to provide Staff with feedback on how to proceed with a new water rate structure. He was of the opinion Option 1 should move forward.

Johnson commented he felt the situation was garbage in/garbage out at this time. He did not believe the Council should be looking at a water rate increase because the City did not have enough information on the figures. He recommended the City wait another year before altering the water rates. He was frustrated with the fact the Council was just being told the water meters were not properly functioning as promised.

Hultstrom believed Staff would be able to manage the refunds without needing the assistance of Ehlers. She explained she would like to see this issue resolved in-house.

Johnson reiterated that he would not support the City moving forward with any water rate increases at this time.

Vickerman commented without being aware of the information brought forward from Councilmember Johnson prior to this meeting, it was going to be difficult for her to make a decision on which rate structure should move forward. She stated she saw merit in stabilizing things.

Poppe questioned how dire things would get if the water rates were to remain as is. Ms. Kurtz indicated if the Council chose not to adjust the rates in 2023, the City would be okay for the year, but noted more significant rate increases would then be required in 2024.

Hultstrom asked if it was possible the City would learn, after all of the information was collected, that the City would have more cost savings than was being considered. She expressed concern with the fact the City still had meters that were not calibrated or working correctly after two years. Ms. Kurtz stated there were a few meters that had issues, but noted for the most part, the majority of the meters were working. She explained just because a few meters were not working, it didn't mean all of the information was bad.

Hultstrom commented on how frustrating it was that the City did not know how much it was saving with the new meters, versus what was being billed by Maple Grove. Waldbillig commented it wasn't that the meters were not calibrated or working properly. He stated every meter he has visited was working accurately gallon for gallon. He reported the issue was with gathering the information properly from the meter signal. He indicated he was down to 20 properties that needed to be addressed.

Johnson expressed frustration with the fact residents were not cooperating with Staff in order to have their meter installed properly. Waldbillig stated with the Council's permission, Staff could go through and turn water off in order to get the residents to cooperate with the water meter installation.

Johnson indicated the Council was not made aware of this problem until this meeting. He asked that Staff inform the Council when there are problems because the Council were the ones taking complaint calls from the public.

Vickerman questioned why 20 meters would skew the data. Waldbillig reported this was a large percentage considering the City had only about 800 meters. He commented further on how there were a lot of moving parts within the water meter system.

Vickerman stated she appreciated the fact that the City had not turned off water in order to resolve these issues, but rather was working with the residents.

Hultstrom asked if the meter had to be installed within a certain amount of time, or there was some recourse. Waldbillig reported the language on the door hangers was brought to the Council. He explained it was difficult for Ferguson to argue with homeowners about the importance of a 1/8 inch hole that had to be placed in the house in order to get it to properly transmit the water signal.

Vickerman inquired if staff could do the rebate calculations in-house. Cisewski explained this would be a very time consuming project and staff would require assistance.

Johnson asked that the individual from Realife Cooperative be allowed to speak about the concerns with the utility bills at this property.

RoseAnna Garibaldi, 12 6th Street NE, questioned when the Tyler Tech system went into effect for utility billing. Grams reported this program went into effect during the second quarter of 2022.

Ms. Garibaldi then reviewed a letter she received from the City noting Realife Cooperative that they would have to pay \$13,032.42 in sanitary sewer fees for the 2nd, 3rd and 4th quarters of 2021. She noted this correction was necessary because Realife's meter was reading incorrectly. She questioned why the mistake was caught during the 1st quarter of 2021, but it was missed during the 2nd, 3rd and 4th quarters in 2021. Grams stated he would have to look into this further.

Hultstrom stated she was not comfortable moving forward with a new water rate structure until she could understand where the City was at with its water meters. She expressed frustration that the proposed rates structures were still putting a burden on

the low end users. She recommended a decision be made at a later date when the Council has accurate information and data.

Vickerman questioned what the ramifications were of leaving the rates as is.

Poppe reported this will lead to larger rate increases in 2024.

Grams explained if the Council decides to do nothing in 2023, the Council would be going through the same rate study process in 2024 and the proposed increases would be greater than what was being proposed for 2023. Ms. Kurtz commented if the Council were to wait for new and updated information, the utility rate study would need to be redone.

Hultstrom asked if it was fair for the Council to make a decision when they didn't have all of the information. Ms. Kurtz stated at this point in time, the Council was being asked to make a policy decision. She explained she was bringing forward a recommendation with the data she had. She recognized that there were some outstanding issues and the data was not perfect. However, she did not believe waiting seven months would allow the City to have perfect data.

Hultstrom questioned when the City would understand what portion of water was not being captured by the old water meters. She believed the City should be seeing something after two years.

Johnson stated he understood the City was losing thousands of gallons with the old system and now the City was not generating enough revenue to cover its water expenses. Grams reported the cost of the new meters and all of the other improvements outweighs what was made up in more accurate billing and meters.

Johnson commented he would not be able to support a rate increase at this point until the City has more accurate information.

Ms. Kurtz asked if the Council was looking for the data behind how many gallons are being used.

Johnson stated he would like this information. Ms. Kurtz reported she had this background information and this data was used in the utility rate study. She commented she could provide the spreadsheets of information to the Council.

Johnson indicated he would like to better understand what the revenues were before and after the new water meters were installed. He reiterated that the Council did not have enough facts to move forward with a rate increase at this time.

Schulz stated he believed it was important to move ahead with a new rate structure. He noted he supported Option 1 because it provided an equitable distribution across all of the rates. He explained if there was more precise data that was required from Council, this information could be reviewed with Ehlers. He appreciated the detail being requested from the Council, but he did not want to spend additional work session meetings discussing the water rate structure. He believed the Council had to trust that the money that was spent on consultants and Staff was fair and accurate.

Grams questioned how the Council wanted to proceed.

Hultstrom explained she would like to see more data before this item was brought to a vote. She wanted to understand what was being saved today versus the expenses from the old meters. She indicated if she had these numbers she would have a better picture on what the cost savings were with the new meters and she could move forward with a recommendation on the rate structure.

Poppe commented Ms. Kurtz has the data the Council was requesting and asked if this information could be provided to the Council at their next meeting. Ms. Kurtz reported she could provide this information to the Council.

Vickerman asked if there was a chance the City would not see an immediate cost savings, due to the upfront costs of the project. Ms. Kurtz stated this was due to the one-time charges from this project.

Hultstrom stated she needed to understand if there were cost savings before moving forward with a new water rate increase that would adversely impact Osseo residents. Ms. Kurtz reported the City may be saving dollars by being able to fully charge for the water that was being used, but there were still increasing costs to operate and maintain the water system.

Vickerman commented she did not have a clear picture about the three options before the Council. For this reason, she supported the Council freezing the water rates with the understanding the water rates would be going up in time and would continue to go up over time.

Johnson reiterated that he wants to know what total revenues were prior to making a decision on the rate structure.

Poppe requested Councilmembers Johnson and Hultstrom provide Staff with the questions they would like answered prior to the next City Council meeting to ensure the Council could take action on the water rates in April.

B. DISCUSS ASH TREE PRESERVATION AGREEMENT

Amerman stated in response to the growing incidents of Emerald Ash Borer infestations, both in Osseo and the wider metro area, Staff recently began looking at ways to take preventative action in the hopes of preserving the City's Ash tree population (120 trees). In the last few decades, the Emerald Ash Borer population, an invasive beetle endemic to North-East Asia, has moved through the United States feeding on Ash trees with a nearly 100% fatality rate. In response municipalities across the country have undertaken efforts to preserve their trees, or at least mitigate the damage done by the beetle. The most effective means found so far is treat each endangered ash tree with a cocktail of insecticides once every two years. These insecticides are injected directly into the trunk of the Ash tree to kill the larvae, and recent studies have found the treatment to be 99% effective. To make these treatments more affordable for public entities and private residents, many cities have begun partnering with tree care companies like Rainbow Treecare to provide injections at a reduced price. Minnetonka-based Rainbow Treecare

has been treating Ash trees since 2004, and has partnered with more than 35 metro cities to provide this service to both public and private trees. Staff commented further on the cost of care and requested the Council provide direction on how to proceed.

Hultstrom noted last spring she had three trees removed and it cost her \$1200. She explained each of the trees were infested with EAB. She indicated she supported the City trying to save its Ash trees, especially if neighboring cities were working to save their Ash trees.

Vickerman stated she supported the City saving the Ash trees as well.

5. ADJOURNMENT

The Work Session adjourned at 7:08 p.m.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial