

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

1. CALL TO ORDER

Mayor Duane Poppe called the work session of the Osseo City Council to order at 5:04 p.m. on Monday, February 27, 2023.

2. ROLL CALL

Members present: Councilmembers Juliana Hultstrom, Harold E. Johnson, Mark Schulz, and Mayor Duane Poppe.

Members absent: Councilmember Alicia Vickerman.

Staff present: City Administrator Riley Grams, Public Works Director Nick Waldbillig and Gary Groen.

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. DISCUSS UTILITY RATE STUDY - EHLERS

Rebecca Kurtz, Ehlers & Associates, discussed the work she had been doing on the City's water and sewer rate study in detail with the Council.

Jessica Cook, Ehlers & Associates, commented further on the utility study and explained utilities are enterprise funds, which meant these funds had to be self-sufficient. She then reviewed the sewer rates that have been charged to property owners. She reported prior to 2022, winter quarter averaging was in place. However, in 2022 winter quarter averaging went away. She indicated the Council asked if a credit could be provided to residents that paid sewer rates without winter quarter averaging and noted this could be done for customers that used more than 15,000 gallons in the summer and less in the winter. She reported it would take some time for Staff to calculate each customers bill. She anticipated this work would be done by the time 3<sup>rd</sup> quarter bills were sent out in 2023.

Schulz questioned why credits would not be offered to commercial and multi-family property owners. Ms. Cook stated commercial and multi-family properties have never received winter quarter averaging.

Ms. Cook reviewed the proposed rates for 2023 and recommended winter quarter averaging resume. She noted the base fee would increase from \$55.44 to \$58.77, plus a 7% rate increase in 2024. She reviewed how the proposed changes would impact the health of the sanitary sewer fund.

Schulz stated that at the proposed rates, even with increases, if the City would still not be recovering its expenditures for the next seven years. Ms. Cook reported this was the case.

Hultstrom explained if the City were to receive grant funding to assist with the lift station expenditures, this would greatly assist with the health of this fund. Grams stated this was the case.

Johnson asked how the credits would impact this fund. Ms. Cook estimated approximately \$100,000 would be refunded to residents in the 3<sup>rd</sup> quarter of 2023. She indicated this refund was accounted for within her graphs.

Poppe questioned when rates would be to get back to normal. Ms. Cook stated rates would need to increase 10% to 12% in the near term and then could be scaled back.

Ms. Cook commented on the City's tiered water rate structure. She understood the Council wanted to make the minimum less than 8,000 gallons to make water more affordable to low volume users, while also creating a fourth tier for high volume users. She discussed a potential rate structure that would increase the lowest volume to 10,000 gallons for the same price in order to assist with providing greater affordability for residents. She noted 38% of residents would fall into the new proposed tier 1. She commented further on the proposed tiered rates.

Hultstrom stated she did not like increasing the minimum number of gallons. She feared this would move the City away from conservation efforts. She believed the low users were paying more than their fair share. She did not support the new 4-tiered system. She explained she was paying more for water than her friend who lives in Arizona in the desert. Ms. Cook explained the City of Osseo had comparable water rates to fully developed cities in the northwest metro area.

Ms. Cook commented on how all users had to pay to support the fixed costs for the infrastructure the City had in place in order to deliver water. She estimated half of the City's costs to supply water was in fixed costs.

Schulz inquired if it was more expensive to maintain water lines if less water was moving through it, versus having more water. Ms. Cook stated it did benefit the City to have more water moving through the water lines in order to keep the water fresh. Waldbillig added that if not enough water volume was being pushed through the water lines, the chlorine levels would be impacted, which would require more flushing.

Hultstrom feared that the conservation efforts were being lost through the new tiered system. She wanted to see residents being rewarded for being conservative when it comes to their water usage.

Further discussion ensued regarding the water meter fee.

Schulz asked if the water meter fee could be increased and then the usage could come down. He stated this would provide more funding for fixed costs. Ms. Cook explained she called it a water meter fee, but noted this fee was not dedicated for the water

meter, but rather paid for fixed costs such as utility billing, pipe replacements and Staff time.

Hultstrom suggested the meter fee be increased across the board and that low volume users be rewarded for their water conservation efforts. She believed this would be more equitable for users that are paying for services they are not receiving.

Schulz stated this would be interesting to see. He anticipated the low volume should be pushed down to 6,000 gallons. He wanted to see how this would impact the numbers for the water rates. The Council was in agreement and asked Staff to rerun the tier system shifting the low volume down to 6,000 gallons while increasing the meter fee.

Ms. Cook reviewed the current health of the water fund noting future rate increases would only need to be approximately 2% to 2.5%.

Schulz indicated Staff was looking at alternative water options for the City.

Ms. Cook reviewed several sample bills and commented on how their sewer and water rates would be impacted through the new rate structures.

Schulz indicated he would like to see a positive impact on the water rates with the increased accuracy of the water meters. Ms. Cook commented the data shows about the same amount of water billed from 2017 to 2022.

Ms. Cook recommended the Council reinstitute winter quarter averaging and noted she would report back to the Council in March with new water rates.

Johnson asked how many commercial properties have separate meters for their lawns. Waldbillig estimated there were 20 properties with an irrigation or deduct meter. Further discussion ensued regarding the rates charged to commercial and multi-family properties for water.

Hultstrom appreciated the fact that the water fund was healthy and recommended further consideration be made to support the efforts of those conserving water. Ms. Cook noted she would report back to the Council in March with new water rates to address this concern.

Grams commented the hope was to receive final comments on the rate structure in order to approve the rate structure in March. He asked when the Council expected to approve the new rates.

Hultstrom supported the Council reviewing the new rate structure in March prior to approving. She anticipated the new rate structure would not be approved by the Council until April.

Schulz requested Ms. Cook come back to the Council in March with graphs on how the water rate structure would be impacted based on the feedback provided. He feared that if the water meter fee were increased too much, the low end users may still be paying more for their water.

Ms. Cook noted she would come back in March with water rates that address the concerns that were raised by the Council at this meeting. The Council agreed to review this information at the March worksession for consideration at the second Council meeting in March.

5. ADJOURNMENT

The Work Session adjourned at 6:41 p.m.

Respectfully submitted,

Heidi Guenther  
*Minute Maker Secretarial*