

**OSSEO CITY COUNCIL
WORK SESSION MINUTES
August 29, 2022**

1. CALL TO ORDER

Mayor Duane Poppe called the work session of the Osseo City Council to order at 6:00 p.m. on Monday, August 29, 2022.

2. ROLL CALL

Members present: Councilmembers Juliana Hultstrom, Harold E. Johnson, Larry Stelmach, Alicia Vickerman, and Mayor Duane Poppe.

Members absent: None.

Staff present: City Administrator Riley Grams, Public Works Director Nick Waldbillig, Police Chief Shane Mikkelsen, Fire Chief Mike Phenow, City Accountant Shelly Cisewski and Financial Consultant Gary Groen.

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. 2023 BUDGET REVIEW

Grams stated this coming year appears to be a perfect storm for the budget unfortunately. There are a number of revenue decreases and a number of expenditure increases lined up for 2023 that are hitting at a difficult time with high inflation continuing to be a factor. A number of the budget issues were discussed at this work session and the hope is that the Council will discuss items and provide some general direction to Staff to update the budget head of the September 12, 2022, Council meeting in which the Council should approve the 2023 preliminary budget and tax levy. The City will not be able to raise the tax levy after it has been preliminarily approved at the September 12 meeting, it can only be lowered, which is why the preliminary budget is referred to as the "high water mark" during the budgeting process.

Grams reported that preliminarily approved tax levy would then be sent to Hennepin County to develop the projected property tax statements that would be delivered to property owners at some point in October. The Council will then have the opportunity to discuss the final budget further at the November 28, 2022, work session meeting, before approving the final version of the budget and tax levy at the December 12, 2022, meeting. Staff commented further on the property tax levy and net tax numbers for the 2023 budget compared to the 2022 budget.

Grams commented further on the proposed expenditures and revenues for 2023. Staff stated as mentioned, this appears to be a perfect storm of a budget as the tax levy is

projected to increase sharply for 2023. With expenditures increasing by \$417,000, revenue only increasing by \$38,000, and the addition of \$49,000 for the fund balance policy, the net result is an increase in the tax levy of \$428,549 (a 24.55% tax levy increase).

Stelmach requested Staff define tax capacity. Groen provided the Council with a definition for tax capacity which was the City's market value with a specific percentage applied. He noted the City's tax capacity increased by almost 15% this year.

Fire Chief Phenow reviewed the budget for the Fire Department with the Council and provided an overview on the compensation for his firefighters. He commented on how he had to institute duty crews on holiday weekends in order to have proper coverage for the City. The funding needed for training was discussed along with how some of this funding was reimbursed by the State. He commented further on his recruiting efforts for the department.

Hultstrom questioned when benefits were offered to fire fighters. Fire Chief Phenow explained fire fighters had to work 32 hours per week in order to receive benefits.

Johnson reported he was an advocate for fire fighters receiving more pay and noted he supported the proposed raise. However, he suggested the raise be split between 2023 and 2024, if possible. Fire Chief Phenow stated his number was lower than the number Grams included in the budget.

Johnson asked if the new staff member working for the Fire Department was also supposed to be assisting the Public Works Department. Grams stated this could be broken down further by Staff.

Stelmach commented on how the proposed wage increase and scheduling for the fire department would benefit the fire fighters, especially given the competitive job market at this time.

Hultstrom indicated she fully supported the wage increase being completed in 2023. She encouraged the Council to be mindful of the competitive job market. She stated the police and fire departments were the cornerstones of the community and had to be properly funded. She stated she wanted the fire fighters to know that they are valued by the Council and the entire community.

The consensus of the Council was to move forward with the pay numbers in the budget for the fire department.

Police Chief Mikkelsen reviewed the police budget in further detail with the Council. He reported the increases were based around adding another officer to the department. He discussed how the use of part-time officers would decline after the new officer was hired. He explained the new position had been posted but he was uncertain when this individual would be brought on full time.

Hultstrom indicated she supported the proposed police budget given how short staffed the department was at this time and that officers were having to respond to domestic calls alone.

Stelmach agreed stating he hoped the department would have the new Lieutenant on board prior to May or June of 2023. He thanked Police Chief Mikkelson for cultivating a positive culture within the police department. He noted he supported the proposed police budget as presented.

Hultstrom questioned what the usage was on the Tips 411 app. Police Chief Mikkelson stated he received two or three tips each month. He explained he wrote an article for a newsletter that encourages the public to utilize this app. He commented further on how the app was used by the department for social media posts.

Stelmach stated he appreciated the chaplain program, and he appreciated the fact there was no price increase proposed for 2023.

Vickerman asked if there were any grants available to assist the police department with getting an electric F-150 that could be used as a squad. She indicated this would assist the department with reduce fuel costs. Chief Mikkelson stated the City would be paying more for an electric squad and would also have electric bills. He explained he has had discussions internally and even with gas prices as high as they were, he did not believe it was worth this expense. He reported there was also concern that an electric squad would not make it through a 12-hour shift given the amount of electronic equipment in each squad. He stated he did not want to be the first to venture into this market, but rather would see how electric squads were working for other departments, prior to making a large investment.

Hultstrom indicated the City of Minneapolis was not happy with their electric vehicles.

Stelmach supported Chief Mikkelson moving forward with the lieutenant position. He questioned what date in 2022 the City could afford to move forward with the new police officer. Grams explained this position was not in the 2022 budget and Staff would have to make adjustments in order to fund this new position.

Stelmach requested Staff provide the Council with further information on the predicted turnaround time for the new hire and back fill timeline. Grams anticipated the hiring process would take anywhere from six weeks to three or four months.

Council's consensus was to direct Chief Mikkelson to move forward with the lieutenant position with the hiring to occur as soon as possible.

Public Works Director Waldbillig reviewed the public works budget with the Council. He discussed the "fence", which would essentially be trees, that would be installed near Sipe Park.

Stelmach asked if the price of salt was up. Waldbillig reported the cost was slowly going up per ton, along with the cost for delivery.

Council consensus was to support the public works budget as presented.

Further discussion ensued regarding the City's health insurance.

Hultstrom questioned if all ARP money was allocated. Grams stated he could provide the Council with an update on how much remains. He noted the remainder was potentially allocated for two remaining infrastructure projects.

Hultstrom suggested the carpet cleaning at the Community Center be reduced to three or four times a year to assist with cutting costs.

Stelmach stated the City could consider sending its newsletter out electronically in order to save on postage and Staff time.

Hultstrom asked if the CIP transfer could be reconsidered in order to assist with addressing the proposed tax levy increase. Grams reported Staff would be meeting to discuss the CIP. He suggested the amount remain the same within the preliminary levy and noted changes could be made before the end of December. He discussed how delaying CIP purchases impacts the City down the road if purchases were pushed off too long.

Hultstrom inquired if the wage increase had to be 8.2% plus a 3% merit. While she valued the staff members working at City hall, she stated she was having a hard time supporting a double digit wage increase, especially considering the fact employees were now able to work remotely from home. She reported residents wanted to see City employees working back in the office and not working from home. She stated she would like to know how the Council felt about this matter.

Hultstrom commented on the alley project that was delayed in 2020 to 2021 to help the budget. She questioned if the City should consider taking this same action with the 2023 project.

Stelmach explained employees are not getting paid less when they were working remotely. He discussed how COVID changed the world and proved how much work can be done remotely. He stated historically, the Council has reviewed COLA and CPI when considering wage increases. He commented on the COLA rates that were being proposed for social security and the military, which were approaching 10%. He stated the 8.2% being proposed was under COLA. He noted this number could always be reduced in December, if the market were to readjust.

Hultstrom stated she was hearing concerns from residents asking why Staff was not working in the office at City Hall. She explained she has visited City Hall several different Fridays and the only person working onsite was the City Clerk.

Stelmach suggested Councilmember Hultstrom inform City Administrator Grams when she receives these types of complaints. Grams stated it was very rare that there was only one staff member at City Hall. He indicated there could be two or three staff members very often if people are at lunch or training. He discussed how Staff worked to stagger lunches in order to keep City Hall covered.

Vickerman explained she was not going to argue with the COLA increase because this was an adjustment that allowed people to cover the cost of living. She reported a COLA increase should not be considered a raise. She stated she believed having employees at

City Hall was a perception issue. She discussed how working remotely was a tool but was something that may have to be adjusted in order to meet the needs of the public.

Stelmach agreed stating he could support the proposed wage increases from Staff and looked forward to reviewing these numbers again in December.

Johnson stated he had a problem with the 11% wage increases. He anticipated residents would not appreciate a 15% to 20% property tax increase especially when this included an 11% wage increase for City employees. He suggested the Council reconsider this matter given the financial situation the City was in. He discussed how much the Tyler software has cost the City. He stated he wanted to better understand how much the City has spent on this software. Grams stated he can put together accounting for the expense of the Tyler software along with the fees from ABDO. Groen reported the software purchase was originally part of a bond issuance that would be repaid over 10 to 15 years.

Johnson explained he was hearing complaints that the City's utilities were quite high. He feared that the expense for the Tyler software was adding to this growing concern. Groen further described how payments are made to cover the expense of the Tyler software.

Hultstrom questioned if Staff knew how much had been spent on training from ABDO and for the Tyler software. Groen stated when he ran the numbers for the audit, which was his last point of reference, the City had bonded for \$125,000 for the Tyler software and half had been spent.

Stelmach anticipated the Tyler software would be a great benefit to Staff in the end. Groen discussed how the SCADA and water meter reading software has needed updates and the new software would benefit the City long-term.

Further discussion ensued regarding the utility rate structure and the updates that were made to the sewer rates.

Hultstrom expressed frustration with how the new Tyler software was not meeting the needs of the City, was requiring a great deal of training from ABDO, and was costing the City more than was originally anticipated. She explained she has not received a raise while she has been on the Council, even though she was going above and beyond by visiting with residents in the rain to address the concerns with the 2022 alley project. She encouraged the Council to reconsider the percentage of a raise Staff would be receiving in 2023, especially when considering the average mean income in Osseo.

Stelmach thanked Councilmember Hultstrom for interacting with the public and stated this was part of the job as a Councilmember. He reiterated that Staff was providing the Council with a high-water mark and these numbers could be reconsidered in December.

Vickerman commented a City was different than a private company and discussed how much it cost to bring in, properly train and retain high quality candidates for City positions. She stated she did not support cutting off COLA increases.

Hultstrom explained she had a problem with providing double digit raises when there were residents who could not pay their rent increases, utilities or property taxes. She discussed how every staff member at City Hall had turned over in the past five years and stated she would not be able to support a double digit pay increase.

Poppe reiterated that the Council was being asked to consider the high-water mark at this time. He noted the COLA could be further discussed going forward. He reported the budget was reduced every year after being preliminarily approved in September.

Hultstrom requested Staff provide her with further information on the donations the City has received. Groen stated he would provide this information to the Council.

Stelmach reported the City's proposed levy increase was lower than the school districts. He was of the opinion the City's budget would be pared down by the end of the year.

Hultstrom indicated the preliminary budget would be considered by the Council on September 12, 2022. She anticipated residents would react very poorly when they receive their preliminary tax statements if the City's was proposing a 20+% tax increase along with the school district.

Hultstrom asked if the Council would consider delaying the 2023 street project. Groen explained the estimated cost for this project was rolled into bonds the City already sold, which meant the street project could not be delayed.

Stelmach stated he supported the budget moving forward with the understanding the fire department budget would be adjusted prior to the September 12, 2022, Council meeting.

5. ADJOURNMENT

The Work Session adjourned at 8:53 p.m.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial