

**OSSEO CITY COUNCIL
WORK SESSION MINUTES
November 7, 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, November 7, 2022.

2. ROLL CALL

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

Members absent: Councilmember Larry Stelmach.

Staff present: City Administrator Riley Grams, Public Works Director Nick Waldbillig, Financial Consultant Gary Groen, Alyson Fauske, WSB & Associates; Emily Brown, WSB & Associates.

Others present: Barry Super, City Resident; Michealle Wallgren, City Resident; Douglas Wallgren, City Resident; John Hall, City Resident; Frank Ruzicka, City Resident; Deanna Burke, City Resident; Karen Meyer, City Resident; Sharon Jones, City Resident; Jackie Fair, City Resident; Jim Mikolai, City Resident; Richard McGlynn, City Resident; Carolyn McGlynn, City Resident; Brent Maves, City Resident; Collen Stanton, City Resident; Peter Stanton, City Resident; James Kelly, City Resident; Audra Plackner, Student; Darrell Healy, City Resident

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. DISCUSS UTILITY RATES

Grams stated after the third quarter utility bills were delivered to property owners, Staff and City Council received several complaints questioning their utility bills.

Councilmembers Johnson and Hultstrom asked Staff to prepare a discussion item on the City's current utility rates for the November 7 work session. At the December 13, 2021, Council meeting, the City Council reviewed a completed utility rate study conducted by Ehlers and approved updated utility rates for 2022 and 2023. The overarching goals of the utility rate study were to ensure that the City's enterprise funds is self-sufficient, pay for the operations, maintenance and capital expenses/debt service needed to operate the system, and maintain an adequate cash balance reserve.

Grams commented one of the other major driving forces of changing the rates was the Council's desire to ensure that lower consumption users did not financially subsidize higher consumption users. In order to accommodate the Council's direction, Ehlers and

Staff developed a rate structure that accomplished that. Utility rates, particularly sewer rates, were structured in a way that those who consume high volumes of water on a quarterly basis (i.e., those with irrigation systems, pools, etc.) paid a higher rate in both water and sewer. This recommended utility rate structure met the Council's direction, and the Council approved the rate structure as presented. The water utility rate was approved by a 5-0 vote, the sanitary sewer rate was approved by a 4-1 vote (Johnson opposed), and the storm sewer rate was approved by a 5-0 vote. A copy of that meetings minutes were included in the packet.

Grams reported one of the other recommendations of the utility rate study was to conduct an updated study in 2023 in order to set rates for 2024 and beyond. This would have allowed the City to complete the then on-going water meter replacement project (which was completed shortly afterwards) and allow the City at least one full year of data using the updated smart meters. The meter replacement project was a massive project in which every single meter in the City was changed out. The old meters, in some cases, were well over 20 years old and were highly inaccurate at metering water entering each property. This is noted through the City's higher than normal water loss data (water loss is the amount of unbilled water that the City pays for but does not charge for, usually due to leaks at properties or aging and inaccurate water meters). Previous to the new water meters, the City was experiencing approximately 20% water loss throughout the entire City. Again, this is water used by properties, but not billed by the City. Once the new meters have been installed, we are currently collecting data to determine our new water loss percentage. However, because the meters are so new, we have not been able to collect a meaningful set of data yet to determine our updated water loss amount. We hope to have this new data sometime next year.

Grams explained the new smart meters are far more accurate at metering actual water consumption at each property. It's likely that many residents were receiving a high volume of "free" water which placed a cost burden on the City's utility system. The new smart meters allow City Staff to observe actual water usage down to the minute. The City can more accurately determine if there is a probable leak at a property and recently City Staff has been contacting residents and property owners in cases where there is a suspected leak. Those residents have then been getting the leaks fixed, and Staff can actually see the amount of water used decrease. Many times, residents report that even though they have an irrigation system, they "rarely use it". Staff can go into the utility system and determine just how frequently a residents irrigation system is being used as well as the number of gallons. In most cases, residents simply were not aware that their irrigation systems were being used that frequently or just how much water is actually used during a typical watering session.

Grams stated the City has also been aggressive in its attempt to overhaul the City's utility infrastructure system in recent years. Several water and sanitary sewer projects needed to be completed in the past few years in order to maintain a healthy and adequate utility system for the City's property owners. Unfortunately, this has placed a larger financial burden on the utility accounts. City staff did attempt to get the lift station project included in the Governor's bonding bill request, but ultimately the Legislature were unable to reach a bonding deal during this past session, and no projects were funded. However, we remain hopeful that in next year's bonding session, Osseo's lift station project will again be considered for possible funding. Should that be successful, those funds would go directly into the City's sanitary sewer system to pay for

the project bonds, reducing the financial burden on the sewer account. Staff has included a spreadsheet showing the capital expenses that have been included in the City's utility accounts for Council's review. Each of these projects have been approved by Council in the past, including how to finance the projects. Likewise, the Met Council rates to handle and treat sanitary sewer water have continued to increase each year, increasing by 8% alone in 2022. The sanitary sewer rates have been built with an estimated 5% increase year after year. For 2022 alone, the cost for the City to send all of its waste water through our system to the Met Council's system for eventual treatment was \$186,000.

Grams explained the main complaint that the City has received with this most recent quarterly billing has been how the sanitary sewer rates are structured. Currently, the rates are structured so that all water coming into the property is charged for sewer rates regardless of how the water leaves the property (whether that's through the drain, or through a residential lawn or garden) gallon for gallon. This means that for every gallon of water a resident used, they paid the sewer charge on that same gallon of water. Back in 2019, the Council reviewed utility rates and one of the options was to structure the sewer rates by winter quarterly averaging. Winter quarterly averaging is a method of stabilizing sewer rates by calculating an average sewer usage during non-outdoor watering quarters. This method is used by a majority of cities currently to calculate sewer rates. However, in 2019, the Council opted not to move to that method of sewer calculations because doing so would raise the base sewer rate significantly. The rates themselves would go up, but the number of actual gallons used would be lower for properties. This would shift some of the financial burden from the higher consumption users to the lower consumption users. Because of this, the Council maintained the existing sewer rate structure into 2022 and 2023.

Grams stated in reviewing potential options for the Council to consider, Staff would suggest that the Council freeze the current utility rates heading into 2023. Right now, the rates, as approved by Council last year, are scheduled to slightly increase in 2023. If the Council would like Staff to conduct a new utility rate structure in the first quarter of 2023, we might be able to recommend new rates and possibly a new rate structure to take effect at the beginning of quarter two in 2023 (April 1, 2023) which would be before the bulk of the watering season begins. The Council would need to pass a new Resolution prior to the end of this year, that rescinds Resolutions 2021-66 and 2021-67 (which set the 2023 water and sewer utility rates for 2023) and freezes those rates heading into 2023. Staff would not recommend any changes to the storm sewer rates, as those are unaffected by water and sanitary sewer usage. Staff and Council would then conduct a utility rate study, with the assistance of Ehlers, in early 2023 to set new rates for quarter two or quarter three of 2023 moving forward. Staff commented further on the proposed new rate structures and requested feedback from the Council on how to proceed.

Waldbillig discussed how the new ultrasonic water meters were working for the City. He reported the previous low flow meters were very inaccurate in the past. He stated staff has completed dozens of meter tests over the past year and all of the new meters were reading accurately. He encouraged residents to get familiar with their water meter.

Grams stated he was pleased to report the City was purchasing 9% less water from Maple Grove after installing the new water meters. He commented further on the

infrastructure projects the City had completed to enhance the City's utility services. It was noted the cost to remove waste water from the City continued to increase yearly from the Met Council, which has contributed to increasing the City's utility rates.

Groen reviewed a schedule of financial obligations from the water, sewer and stormwater funds with the Council. He explained the City has made significant improvements and investments into its infrastructure system in the past several years, which included improvements to the City's lift station.

Grams discussed the proposed rates for 2023 noting they were approved by the Council in 2021. He recommended the Council freeze the water and sewer rates for 2023, keeping them at the 2022 levels. He also suggested a utility rates study be completed early in 2023.

Hultstrom commented on the Central Avenue improvement project noting payments would be made on this project through 2029. She discussed how these improvements, along with other improvement bonds had to be paid off by the utility funds.

Vickerman stated in her conversations with the public the main concern was with the sewer rates for people using over 15,000 gallons of water. She suggested a cap be put in place, in order to assist these residents because they are not high users, but rather are moderate users. She asked if the City was collecting too much money to pay its bills.

Johnson expressed concern with how high water and sewer bills were getting for Osseo residents. He did not support keeping the current rates for 2023. He supported the Council taking action to reduce the sanitary sewer charge because it was too high.

Poppe opened the meeting for public comments.

John Hall, 808 3rd Street NE, stated he previously served on the City Council and noted the January through March water usage was used for the sanitary sewer rates. He reported this was not the case anymore. He explained June through September half of his water does not go down the sanitary sewer yet he was still paying a high fee. He recommended the City have irrigation water be separate from household water usage. He explained he had a pool in his backyard that needed filling each summer, and he also planted some new grass seed, all of which required a great deal of water. He stated he received a water bill that was \$1,090 and noted half of this water did not go down the drain. He feared there was a glitch in the City's water system. He encouraged the City to be conservative with its own water usage and requested the City reconsider their sewer rates.

James Kelly, 624 3rd Avenue NE, commented on the City's water and sewer rates noting the City spent \$400,000 on new water meters. He reviewed documentation he had on when his meter was read each month. He expressed concern with the fact he was required to water new sod in his yard in order to keep it from dying. He expressed frustration with the fact the City was not reading his meter on the right date and his bills were inaccurate.

Deanna Burke, 640 3rd Avenue NE, stated her problem was not with her water bill, but rather was with the sidewalk that was installed in 2020. She explained her water could

not be turned off at the street because the key could not go down the shaft in order to turn off the water. She reported the main water valve in her basement was leaking very slowly and it needs to be replaced. She learned the water to her house could not be turned off in June of this year and has been asking when this could be fixed at the street level in order for her to fix her interior plumbing. She asked that the City address this concern.

Peter Stanton, 625 5th Avenue, stated he spoke with Administrator Grams last week. He feared that the City was operating its utilities in a for-profit manner. He discussed how he has been working to locate the water purchasing agreement between the cities of Osseo and Maple Grove. He reviewed the rates the City was paying to purchase water from Maple Grove. He encouraged the City to be more transparent with this information and that this information be provided to the public. He understood the City needed to make improvements to its infrastructure, but he feared the City was charging too much for its water and sewer rates. He encouraged the Council to reconsider its rates to be more fair for the residents of Osseo.

Barry Super, 224 7th Avenue, discussed how his water bills have increased in 2022 and noted he intentionally let his lawn go brown this summer. He encouraged the Council to reconsider the sewer rates that are being charged to residents because at this time they were extremely high.

Poppe closed the meeting for public comments.

Poppe thanked all of the residents that voiced their concerns at this meeting. He stated with the information that was presented in 2021, the Council did not take into consideration what occurred during watering seasons. He discussed how the new water meters were impacting bills, along with the sewer rates. He supported the Council looking into the utility rates further early in 2023 in order to make changes.

Vickerman supported the Council taking another look at the utility rates in early 2023 in order to adjust the tiers and structure. She anticipated this would take more than one meeting to figure out, especially if the City were to move to setting the sewer rate seasonally. She supported the City freezing rates for 2023 and that further workshop meetings be held in early 2023.

Mr. Hall encouraged the City to complete an audit to ensure people were paying the correct amount for their utility bills. He stated he would hate for this community to become too expensive for homeowners to live in.

Vickerman supported the City pursuing State funding to assist with future infrastructure projects because this would greatly assist the City with its utility funds going forward.

B. REVIEW 2020, 2021 AND 2022 STREET AND ALLEY PROJECTS

Alyson Fauske, WSB & Associates, provided the Council with an update on the 2020, 2021 and 2022 street and alleyway projects. She discussed how she and her staff have addressed the concerns from the 2020 and 2021 projects. She reviewed how the 2022 soil washouts were addressed, along with Alley 5.

Hultstrom asked if paving could be completed yet this year on Alley 5. Ms. Fauske reported cold weather paving plans were in place and noted the work would be done during the warmest part of the day.

Johnson questioned if the ground that was torn up along Alley 2 was City or private property. Emily Brown, Project Manager for WSB, explained this area (Wiley Properties) was torn out in order to repour some concrete to assist with better drainage. She indicated this work was completed by the contractor.

Further discussion ensued regarding how water would drain from the new alleyways along with the challenges of getting new storm sewer connections in place.

Johnson commented on the property who had driveway drainage concerns stating water would continue to drain into this garage. Ms. Fauske explained the concrete driveway was removed in order to reconstruct the alleyway. She noted the property owner requested the driveway be replaced with bituminous. Ms. Brown discussed the pitch and elevations of the new driveway and alleyway.

Ms. Fauske described how the 2021 windowpane sidewalk panels along Central Avenue were addressed. She reported she reached out to the League of Minnesota Cities to see if this was a loss prevention matter.

Johnson reported the tapered edges of the windowpane sidewalk was the most concerning. He suggested these portions be roughed up in order to prevent a slip and fall. Ms. Fauske explained there was a solution that could be applied to the windowpane portions of the sidewalks, but noted she was waiting to hear back from the League of Minnesota Cities before making a recommendation to the Council.

Johnson requested further information regarding the watering system along Central Avenue. Waldbillig spoke to the issues that occurred noting there was a break in the watering system. He reported the bad valves and pumps were replaced. He commented further on how the raised bed soaker lines were repaired and replaced.

Ms. Fauske discussed the in progress repairs that were being made at 532 2nd Avenue and 440 2nd Avenue as part of the 2020 street project. She described how the retaining walls were being addressed by the contractor. Lastly, she commented on the 2020 sod work noting this project would be rebid in 2023. She stated going forward she would continue to communicate with residents and the Council as work finishes up on these projects.

Hultstrom requested staff follow up with a letter to the one property owner that has been unreachable.

Johnson asked if WSB had an onsite inspector that oversees these projects during construction. Ms. Fauske stated she has inspectors on these projects, however, these inspectors were not onsite 24/7. She noted WSB communicates with contractors on when work would be done to ensure inspectors can be onsite when necessary.

Hultstrom commented she did not believe public works had failed at any point during these projects. She indicated that have done a tremendous job throughout each of these projects.

Johnson requested the Council address the water shut off concern that was raised this evening. Waldbillig noted there was a curb stop within the 2020 project that was in question. He explained typically all curb stops are tested before and after a project. He believed this was done, but noted the curb stop in question had a slight bend in it. He reported a contractor would be pulling out the sidewalk panel in order to assist with determining if the bend was in place before or after the project.

5. ADJOURNMENT

The Work Session adjourned at 7:54 p.m.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial