

**OSSEO CITY COUNCIL
WORK SESSION MINUTES
November 28, 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 28, 2022.

2. ROLL CALL

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

Members absent: Councilmember Alicia Vickerman.

Staff present: City Administrator Riley Grams and Financial Consultant Gary Groen.

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. DISCUSS FINAL 2023 BUDGET AND TAX LEVY

Grams stated the Council last reviewed the preliminary 2023 City budget at the August 29, 2022 work session meeting. The Council approved the preliminary tax levy of \$2,018,055 at the September 12, 2022, Council meeting which was then sent to Hennepin County to generate preliminary property tax statements and should have been received by property owners. Since then, Staff has been hard at work refining the budget which includes obtaining better expenditures and revenue numbers. The Budget and Finance Committee also met on November 22, 2022, to discuss the updated 2023 budget and made several recommendations which have been incorporated into the proposed budget.

Grams explained comparing the 2022 and 2023 budget shows an overall tax levy increase of \$205,230 (11.76% increase). However, if the Council does approve the removal of the Bell Tower parcels from TIF District 2-4, the valuation of those parcels will be added to the overall City-wide tax capacity by roughly \$199,000. This alone spreads out the needed tax levy increase and results in a lower tax capacity rate when compared to the preliminarily approved tax capacity rate in September (58.09% in September to 52.72% here in November). If this budget is approved, this would mark the tenth straight year that the City has lowered the tax capacity rate (2013 had a rate of 76.99% to a projected 52.72% in 2023). This is something Staff was quite proud of. Staff reviewed the proposed budget and tax levy in further detail with the Council and asked for questions or comments.

Financial Consultant Groen discussed how property values had increased in 2022 and described how this would impact property taxes for 2023. He commented further on how the City's reduced tax rate benefited all properties in the City. He then reviewed how different homes with varying property values would be impacted by the 2023 proposed tax levy.

Johnson requested further information regarding fiscal disparities. Mr. Groen described how fiscal disparities were paid to communities based on the value of commercial/ industrial properties versus their tax rate. He explained what the City contributes and what the City receives was pretty close to the same each year.

Johnson questioned if Staff knew what the year end cash balances would be. Mr. Groen stated he did not have very good numbers at this time. He estimated the City's fund balance would be around 40% at the end of the year.

Johnson commented further on his projections for the general fund balance for the remainder of 2022, noting he anticipated the City would remain even this year. He explained he was concerned with the fact the City was \$150,000 short in 2021. Mr. Groen encouraged the Council to be patient with Staff. He stated he anticipated the legislature would be making LGA payments in 2023, given the fact the State has a \$9 billion surplus, and this could help the City with its fund balance.

Stelmach thanked Staff for providing examples on how properties in Osseo would be impacted by the proposed tax levy. He stated he was proud of how the City continues to improve its tax rate.

Hultstrom indicated she was concerned with the fact the City was hovering right at the 40% rate for the fund balance.

Stelmach commented that this comes up each year for the Council. He indicated he supported the Council keeping this amount close to 40% versus being over, because this would adversely impact the taxpayers of Osseo. He understood the reserve balance was necessary, but he did not support overburdening taxpayers. Grams explained having a 40% fund balance was very healthy for the City.

Poppe stated the City used to have a fund balance of 20% and this has increased to 40% over the years. Mr. Groen discussed how fund balance limits varied from city to city depending on their budget size and property tax receipts from June and January.

Johnson reiterated that he would like to see a fund balance higher than 40% in order to cover the City from June to January. He stated he would feel more comfortable with the City having a fund balance over 40% and not hovering at or below 40%.

Grams explained it was difficult to see where the 2022 budget would end up, but he did not believe the City would have a \$150,000 shortfall.

Further discussion ensued regarding the City's fund balance.

Stelmach supported the City holding the line at 40% for the fund balance.

Johnson asked how the ARP funds have been disbursed. Grams explained the Council agreed to pay for a portion of the utility bond and the remainder would be placed in the utility funds.

Johnson questioned how the City accounted for the overages to Abdo in 2022. Grams stated he did not anticipate the City would be using Abdo as much after 2022. He discussed how Abdo had helped Staff to get up to speed on the Tyler Tech software system. He indicated he supported the City spending a bit more this year in order to properly train Staff on how to use this software going forward.

Hultstrom commented she would like to see the Council compensated more than \$300 per month. She suggested the Council review this matter at a future worksession meeting.

Poppe questioned what the increase in Council pay should be.

Hultstrom proposed raising the pay \$100 per month for Councilmembers. She noted Osseo was considerably lower than all surrounding communities. Grams discussed how the City reviewed the Council pay every other year. He noted when Council reviewed its pay, he provided information on the pay from surrounding communities and Osseo worked to keep its pay somewhere in the middle, not too high and not too low. He reported the Council would review slated to review its pay again in 2023.

Hultstrom stated the last time the Council reviewed and approved a pay increase was 2018. She explained the Council opted to not approve an increase during COVID. She believed now was the time for the Council to consider an increase. Grams commented on how it would benefit the Council to wait one more year in order to let the new Council make the decision on their pay versus the outgoing Council making this decision.

Grams commented if the majority of the Council wanted to make a change to the pay and there was Council consensus, this could be done within the budget.

Hultstrom requested Staff speak with surrounding communities on their pay rates prior to the December 12 Council meeting. Grams stated he would have this information for the Council to review in December.

5. ADJOURNMENT

The Work Session adjourned at 6:53 p.m.

Respectfully submitted,

Heidi Guenther
Minute Maker Secretarial