

**SPECIAL WORKSHOP MINUTES
OAKDALE CITY COUNCIL
August 4, 2022**

The City Council held a workshop on Thursday, August 4, 2022 at Oakdale City Hall, 1584 Hadley Avenue North, Oakdale, Minnesota. The meeting began at 5:30 PM.

Present: Mayor Paul Reinke

Council Members: Jake Ingebrigtsen
Susan Olson
Colleen Swedberg
Kevin Zabel

City Staff Members: Christina Volkens, City Administrator
Jason Zimmerman, Finance Director
Andrew Gitzlaff, Community Development Director
Lori Pulkrabek, Communications Manager
Nick Newton, Police Chief

Guests: Ryan Pesch, U of M (via Zoom)

LOCAL OPTION SALES TAX ANALYSIS – U OF M EXTENSION

Communications Manager Lori Pulkrabek and Finance Director Jason Zimmerman worked with the University of Minnesota to get a L.O.S.T analysis done for the City of Oakdale, City Administrator Volkens, Ms. Pulkrabek and Mr. Zimmerman have been working with Ryan Pesch from the U of M on this report. He has done these types of analytic reports for a number of cities.

Ryan Pesch (via Zoom), reviewed a PowerPoint presentation and stated the state sales tax data that is published by the Department of Revenue. It includes group data that is given through the state for anyone responsible in reporting sales taxes and paying sales tax from the cities and or in the municipal boundaries. It is very local to OUR community.

Overview on taxable sales;

2010 - \$294M
2019 - \$418M
2020 - \$287M

Mr. Pesch clarified he used 2019 data to complete this report as 2020 was a pandemic year and not a typical year. The sense he got about the changes from 2019 – 2020, is consistent with what was seen across the state and nationally.

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For the City itself, in 2020 the obvious loss was amusement and recreation (fitness, Skyzone, Marcus etc.), however, a number of big categories had an increase in sales (building materials, food and liquor stores, general merchandise and vehicle and parks) with a small decrease in furniture and electronics sales.

The Initial graph gives you an idea how consistent this tax is over time. There is an even trend in 2019 then a drop off in 2020 (due to COVID). The report shows the trendline from 2019 – 2022 and then 2020 – 2023.

Mr. Pesch explained to the group how he did this analysis in identifying estimated resident spending vs non-resident spending. It's a calculation of potential sales, taxes per capita sales in Minnesota, multiplied by the population of Oakdale, then multiplied by index of income, and then comparing that to actual sales.

The report (ES202) includes data about where residents live and work. There is a significantly greater number of people that live in Oakdale and work outside of Oakdale (15,500 approx.) as opposed to the number of people that live elsewhere and come into Oakdale.

An example of captured sales is electronics which came in over 14% in taxable sales. Actual taxable sales were \$50M and the potential sales calculation was \$10M. This points out a clear surplus in the electronic sales arena showing people are coming in to Oakdale to shop (Best Buy).

There was also an adjustment in the non-resident category, which was up 86% (capturing 72% of spending of Oakdale residents),

City Administrator Volkens asked Mr. Pesch when the 2021 data would be available. Mr. Pesch that information will not be available until May 2023.

L.O.S.T. BALLOT LANGUAGE OPTIONS

Communications Manager, Lori Pulkrabek stated to the group that this topic was discussed at two prior workshops and the direction at the last workshop was to come up with some language that addresses the confusion over two ballot questions that request .5% of a sales tax increase for the Public Works and Police Department facility projects. The concern is that residents may read this as it being a 1% sales tax increase in total.

Ms. Pulkrabek shared four different language options with Council for them to review and consider. She also suggested it may be clearer to the residents what the sales tax increase is for if in the language the project is mentioned before the dollar amounts being requested.

Council Member Zabel agrees he would like to see the project referenced in the language before the dollar amounts and feels the first option does a good job of specifying what the dollar amount is as requested and for what, Council Members Ingebrigtson and Swedberg also agreed with this approach.

City Administrator Volkens shared with the Council that Finance Director Zimmerman and herself have done some research and came up with some options they will share with the Council at the next workshop if there is an issue of needing more funds for the projects. She mentioned briefly a few options that could be explored which were; building a smaller facility for Public Works, changing the amount asked for on the ballot as another city is doing, go back to the legislature in 2023 for more funds, or switch the order of the projects to be complete.

She also pointed out that 3M will be starting the grounds / brownfield cleanup process within the next couple weeks and that will take a year to complete, which could mean that the Public Works project be put hold until 2024. However, the City could start collecting the sales tax prior to the project and therefore would have some funds available.

Council Member Zabel asked for clarification on the 'cooling off period' of a sales tax collection. He mentioned his belief that once a city is done collecting the sales tax, they are not able to apply for another sales tax for a year.

2023 BUDGET, CONTINUED

Tonight's discussion regarding the 2023 budget and property tax levy will be the third meeting in this series of budget planning, which began on July 19, 2022 and was continued on July 26, 2022. Finance staff, along with City Administrator Volkens and the City's department/division heads used the previous meetings to present the 2023 department requested budgets for the General Fund, Enterprise Funds, and Special Revenue Funds. The levy for the Capital Project Funds was also included in these conversations, although the discussion regarding the specific CIP projects for 2023-2027 is scheduled for August 31, 2022.

The updated draft budget is being presented to continue the dialog about the use of City resources and the alignment of these resources with current initiatives. Because this document is being prepared in early August, many assumptions continue to be been made based on trends in prior year financial performance. Several factors may impact the final budget, including legislative changes, state mandates, economic shifts, and union negotiations.

The intent of this workshop session is to identify opportunities to reduce the 2023 department/division requested budget proposals and discuss funding alternatives for one-time expenditures.

Below are some suggestions / recommendations of expenses that Ms. Volkens and Mr. Zimmerman presented to Council;

- Only two new positions next year (Police Officer and Facility Manager) instead of the five requested
The Facility Manager position would cover many different areas and free up staff time from other department staff having to do facility work.
- Use Special Project Fund for one-time expenses
Special project fund can be used for expenses such as organizational development and strategic planning,

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- Pay for Professional Recruitment out of Special Project, one-time fund and eliminate as a line item in the budget.
- Provide a printed city newsletter twice a year instead of 3x a year (savings of \$6K)
- Elimination of Tanner's Lake park expenses
Parks Planning is currently projected at \$100K, potentially \$50K for general expenses and \$50K for Tanner's Lake expenses. This is a basically a 1 – 2-year cycle, however, it could end up to be an expensive process if it's not done on an annual basis.
- Reduce Tree Removal funds
- Warming house rental costs is currently at \$13K annually
Ms. Volkens asked for direction on what the Council feels is the best way to move forward with this expense and what is their intent long term
Council Member Swedberg reminded the group that there was a decision to try this for two years (with next year being the second year) and then bring it back to Council.
- Reduce Weed Control from \$12,500 to \$10,000
- Human Resources / Software Purchase (Reduction)
Currently projected between \$12000 - \$12,500, however, not all of this is continuing costs. It's possible to eliminate \$4K - \$5K of the costs if the one-time funds were used for the initial purchase and then just the maintenance costs would be built into the budget.
- Remove MS Teams Training
- Remove Hadley Room AV Upgrade and hope SCC funds all the equipment and then consider one –time monies for the remaining need
- Reduce IT Leadership Training

A few suggested items to keep in the budget;

- Business Retention, Expansion and Attraction (BREA) program (\$10K).
Council Member Zabel asked if the BREA costs could get moved under the Community and Economic Development Fund. Mr. Zimmerman explained that in the budget model built for next year, there would be no more Community and Economic Development Fund and all operational expenses that are currently in there would be moved out.
- Code Project funding (for a third party to assist with City Code Updating)
- Camera Replacement
- Phone System Replacement

With all the suggestions stated, this would bring the total that would be on the ballot to 13.93% levy increase.

In comparison, other cities are estimating similar totals (ex: Cottage Grove is at 13.3%).

Mayor Reinke shared that he believes this is a legit approach to balancing the budget.

Mr. Zimmerman stated the budget and method as to how it was produced is mindful in long term planning and keeping in mind what needs to happen and how to make it happen. City Administrator

Volkers clarified this is a significant increase (13.93%) and we are currently not sure if it can be less because we have to bond for some major projects. She also expressed concern that the parks to be built are priority and with the Public Works facility project being pushed out a year, this would be the time to complete the Willowbrooke parks.

Mayor Reinke asked Council Member Ingebrigtsen where he stood on the idea of using one-time monies out of the special project fund to reduce the budget.

Council Member Ingebrigtsen stated at this point it is better to raise the taxes for next year as it seems the it has been pushed down the road for quite some time.

Council Member Olson asked for clarification on one-time money. If the city uses more one-time money for next year, what does that look like after next year? Would the taxes be following year? Ms. Volkens confirmed, yes that would have to be process however those raised taxes would be based off assessed valuation (of homes), which would help the residents understand where the number is coming from.

Council Member Swedberg believes the sales tax is the most important thing to get approved for next year, and is not supportive of raising property taxes this much for next year.

Council Member Zabel asked about the plan for the money in the Charitable Gambling fund. Ms. Volkens replied that some of that money may be used to work on the Parks CIP (we are proposing that we use \$100,000+ of that money for park playground equipment). We can also use that money towards a new police car.

Council Member Zabel briefly shared his thoughts on staffing college interns for assistance in the Community Development department. He understands that Community Development Director Gitzlaff believes in this approach, however, many times it appears that the work that has been done by an intern needs to be re-done by a staff member, at that point it's costing more to perform the tasks. Also, his argument is that the City is not in the business of being a 'tax payers' college.

Community Development Director Gitzlaff addressed the group in regard to the question of hiring part-time/intern employees. He stated that is a great help the department as he works with Humphrey School to obtain very qualified candidates. Also, he pointed out that they give the individual a chance to learn their desired studies in a working environment.

Council Member Zabel said he understands where Mr. Gitzlaff is coming from however, there seems to have been a lot of inefficiencies in the past with these part-time/intern employees which then causes the city staff to re-do much of the work that person had done. Council Member Swedberg agreed that she has noticed in the past that city staff did have to re-do some project work originally done by a part-time/intern employee.

Council Member Olson shared her feelings that if Mr. Gitzlaff find this to be a helpful avenue for his department, then she in support of it.

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Mr. Gitzlaff then explained that there is a possibility of taking a different approach to how long the person is employed by the City. For example, project work increases during summer months, so in theory a recruitment process could be done in March for part-time/intern positions that will be open in the summer.

Mayor Reinke also supports the need/use for the part-time/intern personnel.

After a brief group discussion on other miscellaneous fees presented in the documentation, Mayor Reinke asked City Administrator Volkens if there are specific items she would like to still cover for this workshop. She replied not at this time, she covered the topics she was seeking guidance on.

It was recommended to cancel the next budget workshop on August 16, 2002 with the next budget workshop will be to discuss the 2023 - 2027 Capital Improvement Program and is scheduled for August 31, 2022.

ADJOURNMENT

The workshop was adjourned at 7:35pm.

Respectfully submitted,
Katie Robinson
Deputy City Clerk