

**SPECIAL WORKSHOP MINUTES
OAKDALE CITY COUNCIL
August 31, 2022**

The City Council held a workshop on Tuesday, August 31, 2022 at Oakdale City Hall, 1584 Hadley Avenue North, Oakdale, Minnesota. The meeting began at 5:15 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
Nick Newton, Police Chief
Jim Romanik, Public Works Manager
Brian Bachmeier, Interim Engineer

Other: Andy Morcomb, Guest (Council Candidate)

Prior to any presentations and/or discussion, Mayor Reinke reminded the Council, staff and guests these workshop meetings are for information gathering, question clarifying, and no decision making will be made as a Council body.

2023 BUDGET AND CAPITAL IMPROVEMENT PLAN (CIP)

Finance Director Jason Zimmerman, prefaced this meeting is the third meeting in regard the 2023 budget, capital improvement plan, and property tax levy, with the previous two meetings held on July 19, 2022 and was continued on August 4, 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 Capital Project Funds was also included in these conversations, although the discussion regarding the specific projects for 2023-2027 were not yet considered.

Mr. Zimmerman stated the goal of the meeting was for Council to provide staff with general direction regarding the tax levy for 2023, thus allowing for the proposed levy to adopted at the September 13, 2022 City Council meeting. He began the conversation by saying, the theme of this this process has been to right size the funding of the city's operations and properly budgeting for all City functions, including personnel, benefits, and professional services. Behind the scenes, staff has worked diligently to transition to OpenGov and provide line item detail for all budgets. Finance staff along with City Administrator Volkens have reviewed, refined, and discussed the most current budget information, which is contained in OpenGov, and has resulted in the 12.99% tax levy increase for 2023 that is being presented this evening.

SPECIAL WORKHOP MINUTES
AUGUST 31, 2022
PAGE TWO

Mr. Zimmerman shared several handouts with information to discuss the change in assessed value for the median valued residential property, assessed values city wide, and other factors that impact the calculation of the local tax rate. Included in these handouts was updated information from Washington County regarding the Fiscal Disparity program, and the impact to Oakdale. He explained that 2022 fiscal disparity information was an estimate due to incomplete information as a result of pandemic, so a large number of cities are experiencing contributions outpacing distributions.

City Administrator Volkens reminded council that at the end of the last budget discussion, the levy was at 13.9%, and since then, her and City staffed worked hard to get it to 12.99%. Council Member Zabel asked, but what was the 13.9 estimating for disparities at that time? Ms. Volkens replied “we have had to overcome that through this new calculation”.

Mr. Zimmerman continued explaining that the fiscal disparities is a component of the tax levy and it's important to understand this can impact the burden that is being placed on Oakdale property tax owners regardless of any change in the overall levy. He then directed the attention to discuss where the City is at with the impacts of the changes and go through the handouts he shared. The handout information showed the 'evolution' of the budget levy with laying out different scenarios;

The first handout showed the different possible scenarios;

Scenario 1 - starting with a flat levy

Scenario 2 - keep the tax rate flat

Scenario 3 - go up to the amount that was initially requested by the departments

Scenario 4 - \$2M increase

Scenario 5 - 12.99% levy increase from 2022

The second handout focused on the process of calculating the local tax rate based on the five scenarios in the first handout.

The third handout shared a possible sixth scenario with the estimated taxes due in 2023 for the median valued residential property from 2022 with no value growth in 2023. It was also noted that the rate of levy change doesn't proportionately change the tax rate.

Council Member Ingebrigtsen stated that if you want to articulate it fact based, the tax rate is decreasing by 1.94% based on a 12.99% levy increase, correct? Mr. Zimmerman confirmed that.

The fourth handout showed the estimated taxes due in 2023 along with the previous 4 years of taxes paid on five residential parcels within Oakdale. Based on a 12.99% levy increase, the rate of change in taxes paid slightly outpaced the growth of market value, but each property experienced a slightly different experience. He also noted that a lot goes into that calculating taxes, such as fiscal disparity, value change, composition tax based, and that it's not an indication of anything in particular, rather just information to aid in the decision-making process.

He then began to further address the topic of fiscal disparities, which makes up roughly \$2.1M of the cities total 2022 tax levy, which was \$14.3M. Based on preliminary values provided by Washington County, the distribution is increasing by .68% but the value we as a city contribute to the pool is going up by 3.41%; resulting in greater tax burden being placed on local tax payers.

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE THREE

This is a significant swing from 2022, when the distribution increased by 13.19%, which again was a result of estimated information.

Council Member Olson asked, what is the county doing for their levy this year?

City Administrator Volkens replied the increase was going to be 4.9% based on the information she has been provided.

Mr. Zimmerman reminded the group that there were two positions added into the budget and when looking at the CIP, keep in mind that we are trying to proactively fund the vast majority of the capital improvements internally, rather than through the issuance of debt.

Council Member Ingebrigtsen mentioned that he cautions with saying "let's do this this year and make it less painful next year" and said that one of the things that surprised him the most about government budgeting is just how susceptible you are to factors that are way beyond our control.

Council Member Zabel commented that when we talk about what the big cost drivers are; there are all of the day to day expenses we don't focus on besides the new personnel. These types of expenses get lost in the totals and if we pulled them out the residents would understand it better.

Council Member Swedberg ask City Administrator Volkens if she had heard anything further on the SAFER (Staffing for Adequate Fire and Emergency Response) grant from the Federal Government. Ms. Volkens replied that she had not as of yet and that Representative McCollum's office will hear this information first.

Mr. Zimmerman stated that 12.99% seems relatively high compared to historical increases, however he shared in confidence that the City of Oakdale is not alone in this experience. He emphasized the need to focus on what the median residential property pays in taxes compared to other full public safety cities in Washington County, as citizens in all communities generally have the same expectation of services.

Mayor Reinke asked Mr. Zimmerman to review chart number one. Mr. Zimmerman explained that chart portrays a scenario in which there is no levy increase but you experience what the median property is as it goes from a \$264,000 value to a \$315,000 value assuming we don't change our levy, it's a 3.8% increase in taxes for 2023, compared to 2022. He also clarified the outcome on a property with no value change if the Council approved a 12.99% levy increase.

Mr. Zimmerman pointed out that it's difficult at the when setting the proposed levy to make to make comparisons of other cities, because they have until the end of the September to certify their proposed levy.

Council Member Olson asked for clarification on one of the charts showing values and payments. She pointed out that the information states it's a \$252.00 increase in taxes payable for sample parcel #3 on attachment 4 at a 12.99% levy increase for 2023, and asked if that was accurate. City Administrator Volkens replied, yes that is an annual amount.

SPECIAL WORKHOP MINUTES
AUGUST 31, 2022
PAGE FOUR

Council Member Ingebrigtson asked if a property owner inquired about why their taxes went up, and he responded by explaining their value went up but the City lowered the rate of which their value is taxed by 1.96%, would that be an accurate account? Mr. Zimmerman responded that they market values do play a role the tax calculation, which is outside of Council's control, along with fiscal disparities. The city can only control the certified levy, or the amount needed to operate general city functions.

Council Member Zabel stated that he compares this situation to a sales tax, whatever we are taxable at we all get the same rate. He also mentioned another important talking point to this issue is the legislative inaction contributed to 2% of that 12.99% right off the bat. The City lost \$250,000 because they did not do their job and that is hard to re-coup.

Mr. Zimmerman reminded the group that included in the preliminary budget and proposed tax levy are contingencies for items like health insurance, contracted assessing services, and contracted election services,

City Administrator Volkens asked the group what other specific information do they want to know and reminded them that the information shared is going to the preliminary levy meeting next week on 9/13/22, it will be a general meeting with information, then a full presentation will be done at the truth in taxation meeting.

Council Member Ingebrigtson took the opportunity to thank Finance Director Zimmerman for all of the time and work he put in to this information.

Mayor Reinke shared some thoughts on the special projects fund by stating, the notion that the fund is unallocated right now, his thought is that could be bail out dollars for problems we are experiencing with the Local Option Sales Tax (L.O.S.T.) and the cost of the projects, he also thinks the dollars could help on the CIP for parks. He pointed out a few other expenses that he feels could be pulled from the special project fund such as; code update, warming house rental, and iCompass agenda software. The Mayor expressed concerned about the perception when the City is asking for .5% sales tax increase and if there is any possible way to the levy ask under 12.99%.

Council Member Ingebrigtson responded by saying he believes the average person will know the L.O.S.T. is beneficial to them as an Oakdale resident and as far as the sales tax, people are going to get it or they are not. He does not feel that where the levy is at is going to impact whether or not L.O.S.T. passes.

Both Council Members Olson and Swedberg disagree and feel it will impact whether the L.O.S.T. passes or not.

Mayor Reinke stated that because we don't know the accuracy of the other cities' information, he is afraid of what the reaction will be when the Star Tribune and the Pioneer Press come up with their summaries and we are on the high side.

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE FIVE

Mayor Reinke brought up the expense of the phone system replacement which is listed at \$54,000 for hardware and on-going services, stating the \$35,000 could be eligible for a one-time expense for just the hardware. Mr. Zimmerman replied we did the onetime costs related to capital projects are currently incorporated in the Capital Improvement Plan, while the reoccurring costs are included in the operating budget.

City Administrator Volkens asked Mr. Zimmerman to confirm, if we do a one-time this year for agenda software, then next year we have to move it to into the operating budget. Mr. Zimmerman stated that was a correct statement.

Mr. Zimmerman also mentioned that we could transfer \$143,000 from the Special Project Fund in order to reduce the levy to a 12.00% increase over 2022 if that is what the council desires.

City Administrator Volkens asked Mr. Zimmerman if the rental of the warming houses was included in the current budget proposal and proposed tax levy. Mr. Zimmerman responded, yes.

Council Member Olson offered an idea and asked, could we take one-time money to pay for the Oakdale Park Trail that is \$500K for 2023 and reduce the proposed levy by the same amount.

Mr. Zimmerman mentioned that using one-time funding may further complicate future year budgets, by way of creating a dependency on non-reoccurring revenues.

Council Member Olson asked, why has it been for forever that they used the levy increase percentage as what they report on and what they talk about in regard to cities in general in the media?

Council Member Zabel responded by saying, because in the olden days a city the size of Oakdale would pick an arbitrary threshold and say 'you can't go above 3% or 4% and it's a nice small number to report. The unintended consequence is things go into side pots.

Mayor Reinke stated, the other piece is why does the media report levy percent differentials? A better communication would be the actual number of dollars the value of a median home went up.

Council Ingebrigtsen responded to Mayor Reinke's statement saying, in the media's defense, they do report that, but it's too complicated for a lot of people.

Council Member Zabel asked Mr. Zimmerman to bring up vehicle replacement fund information again. He noted there was a new levy listed in that informant for \$143,000 that was not included in our budget last year and asked Mr. Zimmerman to explain why that's in there. Mr. Zimmerman said he tried to demonstrate that in the 2023 there are new vehicles that were not in last year's plan and several that were previously under budgeted.

City Administrator Volkens explained that last year when the fund was created and balanced it out, it was done based on what the department had and what they needed the information in yellow highlights the changes, whether they didn't tell us what they needed or they sent the wrong amounts.

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE SIX

Council Member Zabel stated, well for example there is one police vehicle that last year in the plan and states we are not replacing it because it's not needed, but now its listed as a new vehicle. Police Chief Newton responded by explaining there are two 2011 Dodge Chargers that used to be investigator cars and when they got replaced in 2017 they became extra vehicles. The original plan was to not replace them again, but use them as forfeiture vehicles. Also, our Evidence Technician needs a vehicle to be able to house evidence and drugs to the BCA lab and currently uses one of those vehicles. We want to replace one of those for her.

Council Member Zabel asked, wouldn't it make more financial sense to reimburse employees for gas mileage on their own vehicle? It sounds like we are buying a new asset that will be sitting around a lot.

City Administrator Volkens replied, right or wrong the officers are not going to want to drive their own vehicles because of the practice of having a car available for them.

Council Member Ingebrigtsen stated officers don't want potential suspects in their vehicles or want people to know where they live. They are entitled to their privacy.

Chief Newton said, they would like to get some sort of smaller SUV as the replacement for the Evidence Technician. Her personal car is too small to be carrying off-site storage items.

Mayor Reinke interjected and asked the group, is there a general agreement for a vehicle for evidence? Most everyone agreed.

Council Member Zabel then asked if they could discuss other vehicles. He reminder the group of a previous conversation they had about park amenities and the information that was provided was the logic for replacement of the vehicles was solely based on age. He continued stating, if you look at the four police squad that are requested to be replaced in 2023, they are the same age but one has 20% fewer miles and requested more details regarding the usage of the vehicles and the maintenance costs. Chief Newton explained the Police vehicles are driven multiple shifts per day and must idle when not in use to maintain the electronics.

City Administrator Volkens explained many cities are more involved on vehicle replacement, they will analyze and see if they can keep going and make the changes if needed, a good program does that, we do not have a program/process right now. We should be analyzing every single car before replacement and that was the intent when we set up the Vehicle Replacement Fund.

Council Member Zabel asked how much are we spending on a 5-year police vehicle, the amount it's been driven, wear and tear, that allows for changes so what is guiding the standard as to when it needs to be replaced if it's not broken or it hasn't capped the cost to maintain it, all we have in the description is that is 5 years old so it needs to be replaced.

Finance Director Zimmerman stated generally the Sheriff's Department replaces vehicles every three years, while most cities provide replacements every five years. Oakdale has historically replaced its police squads every eight years.

SPECIAL WORKHOP MINUTES
AUGUST 31, 2022
PAGE SEVEN

This has led to expensive and unanticipated repairs, including a 2016 model that had a rebuilt transmission installed, only to have the engine fail less than a month later.

Police Chief Newton shared that nationally most cities, police departments will keep vehicles 3 – 5 years or 100,000 miles. Some cities are getting out of the business of buying and going into leasing programs also.

Mayor Reinke asked Mr. Zimmerman if it was feasible to take the \$75,000 for new vehicle out of the special funds as a onetime expense.

Mr. Zimmerman replied, we can do that, but at some point, down the line, that the city will need to identify a sustainable funding mechanism for these reoccurring costs. Mr. Zimmerman continued by saying that it's difficult to determine if, and how to fund major mechanical failures of aging City equipment. The City doesn't have a budget for these kinds of large repairs.

Council Member Olson expressed that she would prefer our police officers have a reliable vehicle.

Council Member Ingebrigtsen added that he believes once the city has in indoor facility to house the vehicles, some of the maintenance issues will decrease.

Mayor Reinke noted that the hours the cars sit in idle is not good for the vehicle either. Chief Newton informed the group that when the fleet is replaced, they will be going to a hybrid vehicle to save 1000s of galls of fuel each year and to alleviative the idling issue.

At this point City Administrator Volkens asked Council to provide a number that her and Mr. Zimmerman can work towards (for the levy).

Mayor Reinke suggested 12% and everyone agreed.

Mr. Zimmerman began the next topic of the budget conversation explaining that in the special project fund there are a number of things and some of the things are items that were already discuss in this meeting; such as the upgrades to the security cameras in and around City Hall, desktop phone replacements, and the Discovery Center AV/Zoom upgrade. Additionally, staff is requesting \$100,000 each technology upgrade within the proposed Public Works, Police Department, and City Hall facilities.

Mr. Zimmerman than stated that in the previous CIP the Municipal Building Fund included \$1.2M to upgrade City Hall in 2026. Staff is currently estimating \$8M to refurbish the interior of the building and make it more secure and customer service oriented. Staff anticipates the issuance of bonds to complete this project. City Administrator Volkens added she is not aware where the \$1.2M amount was derived from, it may have been an amount that was considered long ago. The building is 43 years old and is not sustainable on-going.

The good news is we are getting a new roof due to hail damage. However, we do need to remodel the building and \$1.2M will not be enough. Our best guess, knowing what we know now, just to remodel it should be approximately \$8M and not less than.

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE EIGHT

She continued to say she is not sure when this will be done, but a plan does need to be made for this. She also stated that when the Police Department gets its remodel, a new card system will have to be put in and we have to have a plan for that as well.

Mr. Zimmerman began the next discussion which is in regard to streets and roadways. He thanked Interim Engineer, Brian Bachmeier, for the information he provided. Mr. Zimmerman said from the estimates provided by Mr. Bachmeier, if assessment rates don't increase, the 20% threshold required to issue special assessment bonds may be in jeopardy due to inflation. He also stated some of the projects are more expensive than what are traditionally done as part of the road reconstruction program, which is partially due to cost increases, but the biggest challenge is the failing utility infrastructure under the city pavement.

City Administrator Volkert asked Mr. Bachmeier to explain to Council the age of the utilities and why we need to consider a replacement?

Mr. Bachmeier began by stating there are three things he and Ms. Volkert discussed, one was taking a look at how construction costs have increased over the last year and reflect that in our estimate, they also included another 5% as inflationary as the construction costs will continue to rise. Lastly, the age of our current infrastructure. Mr. Bachmeier pointed out Tanners Lake, is one of our older communities and the city already did one replacement program, now 30 years later we are coming up on another one with the original curb and gutter, which is now 60-70 years old and currently more than 25% - 30% of the gutter that needs to be replaced. The process of redoing the curb and gutter disturbs the surface to a degree. We need to be more concerned about the buried utilities and this neighborhood has a lot of cast iron water mains which are sustainable to breaking in the winter time because they are brittle.

As the Council contemplates the street reconstruction program for 2023-2027, it's important to understand several city blocks along the south side of Oakdale are going to require both pavement and utility replacement.

Mayor Reinke asked Mr. Bachmeier if he knows how much is lead? Mr. Bachmeier responded that Oakdale does not have any lead service lines in that community the only concern we have for the lead is the solder that would have been used for copper fittings and primarily that is only used in the holes.

Mayor Reinke stated, the question now is what is the percentage to charge the residents?

Interim City Planner Brian Bachmeier stated the assessment would be approximately \$52.00 to remove and replace the asphalt on a minimum standard street, removing and replacing per gutter is probably going to be \$30.00

Mr. Zimmerman reiterated, any assessments are for the surface improvements, while utility improvements are not assessed.

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE NINE

Historically, these street reconstruction projects involved minor utility improvements in comparison to the wholesale replacements contained in the most updated five-year plan. In preparing this analysis, these utility improvements were historically in the \$200K – \$400K range annually, which is much less than what is currently being proposed. He continued to say it's really about trying to determine the right size of these reconstruction projects are, from a construction, tax levy, and utility investment standpoint. He asked, would there be consideration that the city issues debt for the utility improvements or try to put together a model and pre-fund the activity. He believes it's a crucial point to identify what's an affordability threshold.

Mayor Reinke replied, the presentation shows debt issuance and the formula allocation on the increasing the assessment piece even with change of the utilities and including the assessment with the curbs, it's a necessity as an assessment and not a general fund piece. He asked Mr. Zimmerman if he has a recommendation on how the city should proceed. Mr. Zimmerman said it's whether or not the city wants to pre-fund these improvements or issue debt and incur the costs associated with issuing debt and ongoing interest payments. He continued by stating that it's important to be mindful of the amount of debt the city takes on, as it may have an effect on the overall credit rating. He asked the council how they felt about aggressively phasing-in utility rate increases over the next several years, as this would be the action necessary to pre-fund utility infrastructure improvements.

Mayor Reinke replied, so asking for the direction of the council, do you want to increase the rates to get ahead of it a little bit then explore the locations of the debt or proceed with a debt issuance for the utility piece and then define the need for curb replacement

City Administrator Volkens noted, it will be a significant debt issuance for that project.

Council Member Olson asked Mr. Zimmerman what he proposes if the city does not proceed with the debt issuance. Mr. Zimmerman replied the preference would be to plan for these replacements strategically and pay for them with utility funds, which are funded by charges for utility usage.

City Administrator Volkens asked Mr. Bachmeier what thoughts are from an engineer perspective.

Mr. Bachmeier stated, we've always had the motto of holding off unless absolutely necessary. However, we do have to plan on more utility replacements due to the aging cast iron water mains.

City Administrator Volkens mentioned there is a program at the State of Minnesota for cast iron replacement and it's a 0% interest for 20 years, there is an application process for this program if the city wants to proceed that way. She mentioned many other cities are doing this as opposed to the bonding option.

Council Members Zabel and Swedberg both agree it's better than the bonding option.

Council Member Zabel asks Mr. Zimmerman what the effects are on the 2023 budget, what would be the ask? Do we need to increase rates now?

SPECIAL WORKSHOP MINUTES
AUGUST 31, 2022
PAGE TEN

Mr. Zimmerman replied that the only action necessary for this meeting is establish a general concusses for the tax levy, while the utility rates don't need to be determined until December.

The parks budget was the next topic City Administrator Volkens met with the Parks chair and it became evident that the commission seems to be doing their own thing. She wanted to discuss this with the group to ensure they are comfortable with where Parks is headed.

Council Member Zabel agreed with Ms. Volkens and mentioned that one of the challenges is council does not give the Parks Commission guidance on what/how they should be recommending. He wonders if its more prudent to have them seek council guidance before working on their CIP.

Mayor Reinke asked Ms. Volkens, is your concern if this is the genesis of the conversations we have had that this is palpable to us?

Ms. Volkens replied, yes, we are trying to capture what council wants and what the commission wants and want to ensure we are heading in the right direction.

Mr. Zimmerman stated the Park 2023-2027 CIP is not significantly different than the 2022-2027 CIP.

After further review of line items in the Parks budget it was determined by the Council that the Oakdale Park trail repaving project, Tilsen Park playground replacements, and the addition of one volleyball court to a city park (location TBD) should be included for 2023. Additionally, staff discussed utilizing Charitable Gambling proceeds for the replacement of playground at Eberle Park.

The next topic was the 2023 utility projects. Mr. Bachmeier brought up one main project that was brought to council's attention a couple months ago and that the painting of water tower 2. He explained it was brought to council with bids to budget for next year and if it due to the health level of the water and the condition of the coating on the inside, it should not be rescheduled to a later year.

Mr. Zimmerman asked Public Works Manager Jim Romanik if there is anything else he wanted mentioned to council as far as projects. Mr. Romanik replied that yes, now that Well 7 has been updated, next year Well 9 will have to be done.

Upon completion of the review of documentation Mr. Zimmerman shared, Mayor Reinke asked the group to confirm is 12% was an agreeable amount for the sales tax rate increase. After some small discussion, the group was in agreeance.

City Administrator Volkens shared with the group that the Oakdale Chamber is in full support of the city's tax increase and sent a wonderful letter to her in regard to such.

ADJOURNMENT

The workshop was adjourned at 6:54pm.

Respectfully submitted,

Katie Robinson
Deputy City Clerk