



Osseo City Council

AGENDA

WORK SESSION
Tuesday, May 28, 2024
6:00 p.m., Council Chambers

MAYOR DUANE POPPE COUNCILMEMBERS: JULIANA HULTSTROM, MARK SCHULZ, ALICIA VICKERMAN

1. **Call to Order**
2. **Roll Call** (quorum is 3)
3. **Approval of Agenda** (requires unanimous additions)
4. **Discussion Items**
 - A. Discuss City Facilities Update
 - B. Discuss Interim City Administrator Position
5. **Adjournment**



City of Osseo City Council Work Session Meeting Item

Agenda Item:	Discuss City Facilities Update
Meeting Date:	May 28, 2024
Prepared by:	Shane Mikkelson, Interim City Administrator/Police Chief
Attachments:	Ehler's Financing Options Oretel Public Safety Facility Plan

Background:

The Council held a work session on July 31, 2023 to discuss the current state of the City's aging City Hall and Public Safety building. At the meeting, Staff discussed the myriad of issues surrounding the current facility, and the need to consider a rehabilitated or completely new facility in the very near future. The current building was originally constructed in the 1960s, and is outdated with aging utilities, inadequate ADA entrances and usable spaces, no windows in the staff office area, a host of water drainage issues and not enough space to house the increased Police Department. Additionally, the Fire Department space does not fit the current industry standards, and the entire facility does not currently meet the service needs of the community, nor will it meet the future service needs of the community.

The Council gave directions at that work session to bring forward a proposal to work with a local architecture firm to conduct a facility needs assessment. The Council approved a proposal from Oertel Architects, through local firm Rochon, to conduct the study at the August 14, 2023, Council meeting. Since then, City Staff has met with representatives from Oertel Architects several times to begin the process of examining the current facilities, discuss with Department Heads the future requirements and service demands, and develop concept options for the City Council to consider.

On January 29, 2024, the Council held a work session to discuss the facilities needs and gave Staff feedback on the designs proposed. Staff and Oertel took the feedback and came back with new plans on April 29, 2024. Council discussed the plans for the Osseo Police Department at the Osseo Press site. During that meeting the Council expressed questions about the pricing of two different plans. Oertel has reexamined the plans that were first given to the council and the second set of plans presented to Council and came up with some better-informed number. They will explain the cost estimates at the meeting, and we will need to discuss the future of this project. The next steps will be outlined by Oertel Architects for this project if we chose to move forward.

Discuss Available Funding Options:

In addition to the City bonding for the project costs, the City fully intends to work with our local Legislators to seek State bonding money as part of the overall financing of this project. Staff has already had initial discussions with our local Representatives and Senator to provide some information on the pending bonding money ask. Additionally, other sources of funding will need to be examined as well, including a local option sales tax which would generate revenue that could offset project costs.

Recommendation/Action Request

The recommendation is for the City Council to carefully explore the information presented in the work session and reach a general consensus about how the City should proceed with this project.

MEMORANDUM

TO: Shane Mikkelson, City of Osseo
FROM: Rebecca Kurtz and Schane Rudlang, Ehlers
DATE: May 22, 2024
SUBJECT: Public Safety Financing Options

The City of Osseo is considering options for remodeling the former Press Building into a new police facility (the “Project”). Based on revised plans, the project cost is estimated at \$5,400,000:

Remodel former Press Building: 6,222 SF at \$200/SF	\$1,244,400
New Construction: 15,260 SF at \$231/SF	<u>3,525,060</u>
Remodel / Construction Cost Subtotal:	\$4,769,460
12% Design Fees and Contingency	<u>572,335</u>
Estimated Total Project Cost:	\$5,341,795

Funding Limitations

As outlined in Ehlers’ January 29, 2024, memo, there are limitations on the amount of debt that a city can issue. Cities cannot incur total debt paid solely by taxes in excess of 3% of the assessor’s estimated market value for the City. Using 2024 values, the City’s Unused Debt Limit is approximately \$10.2 million. This estimate is updated to include the Pay 2024 market value and the Series 2024 bond issue:

Net Debt Limit	
Assessor’s Estimated Market Value	392,323,900
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	11,769,717
Less: Debt Paid Solely from Taxes	(835,000)
Less: Debt Paid Solely from Annual Appropriations	<u>(735,000)</u>
Unused Debt Limit	10,199,717

The maximum amount of general obligation debt, or lease revenue debt, the City may currently issue is about \$10.2 million.

Please note that if the City issues the maximum amount of debt, it would not be able to issue additional debt paid solely by taxes in the near term. Many communities use this type of debt to finance equipment, including but not limited to fire trucks, squad cars, and other capital equipment or facility needs. If the Debt Limit is maxed out, the City would not have the ability to issue debt for any of these types of needs until some of the debt service was paid and/or the market values increase.

Funding Options

Capital facilities projects can be challenging because of the reliance on property taxes. While we encourage the City to explore grant opportunities, they are limited.

Many communities use Minnesota Statutes 475.521, the “Capital Improvement Plan Act,” to finance capital facilities. This authority allows cities to issue general obligation bonds under a Capital Improvement Plan (the “CIP”) without a referendum requirement. Under this authority, the Council must approve the CIP and sale of the Bonds by a 3/5th vote of the membership after a public hearing. There is a 30-day reverse referendum period prior to the date when the Bonds can be sold.

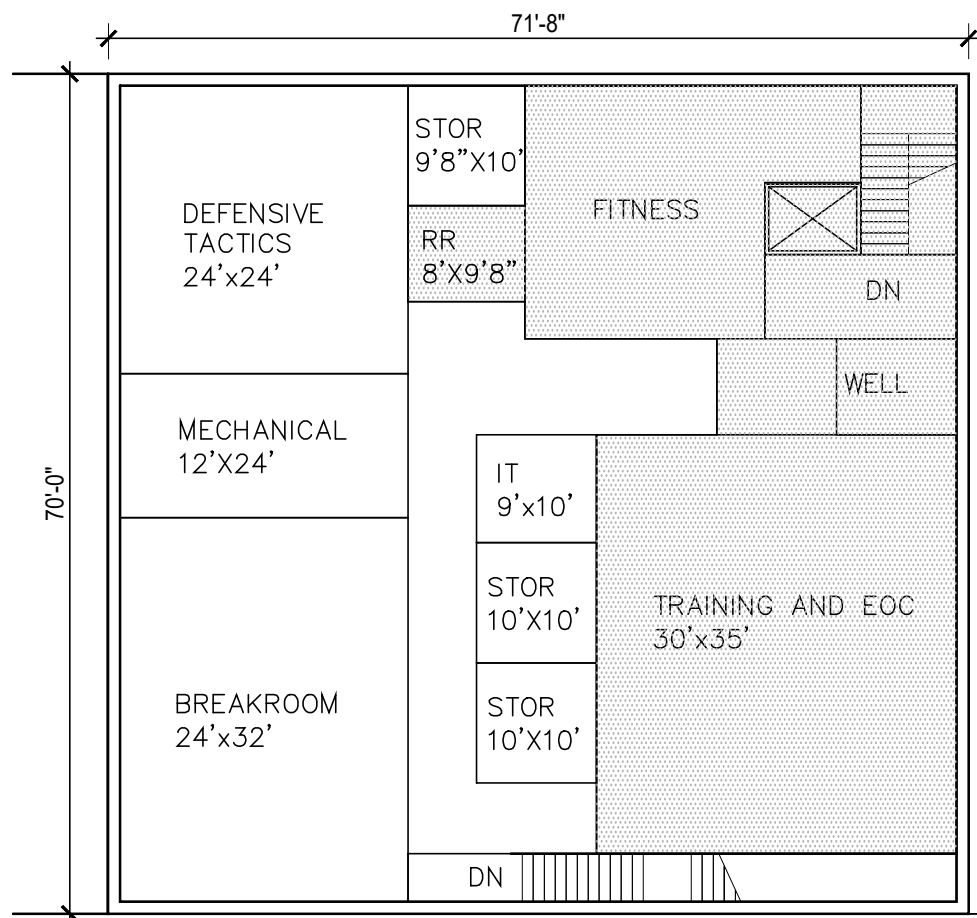
Regardless of the authority used to issue debt, ultimately, debt would be paid with ad valorem property taxes. For discussion, we have drafted two bonding scenarios assuming general obligation bonds with 15- and 20-year terms to provide an estimate of the debt service and total principal and interest:

Term of Debt	Est. Annual Debt Service	Est. Total P&I
15-years	\$497,834	\$7,467,511
20-years	\$416,448	\$8,328,960

Please note that these are estimates and are subject to change based on final interest rates.

Under the scenario where the police facility is moved to the former Press Building, the Series 2014 debt that is outstanding on the current facility could remain. These bonds mature February 2035. The February 2025 and later maturities are able to be called (pre-paid without penalty) as of February 1, 2024; however, at this time, there is not a financial benefit to refund this issue.

We are unable to attend the Council work session due to prior meeting commitments; however, if you have additional questions, please do not hesitate to reach out, and we are happy to find time for further discussions.



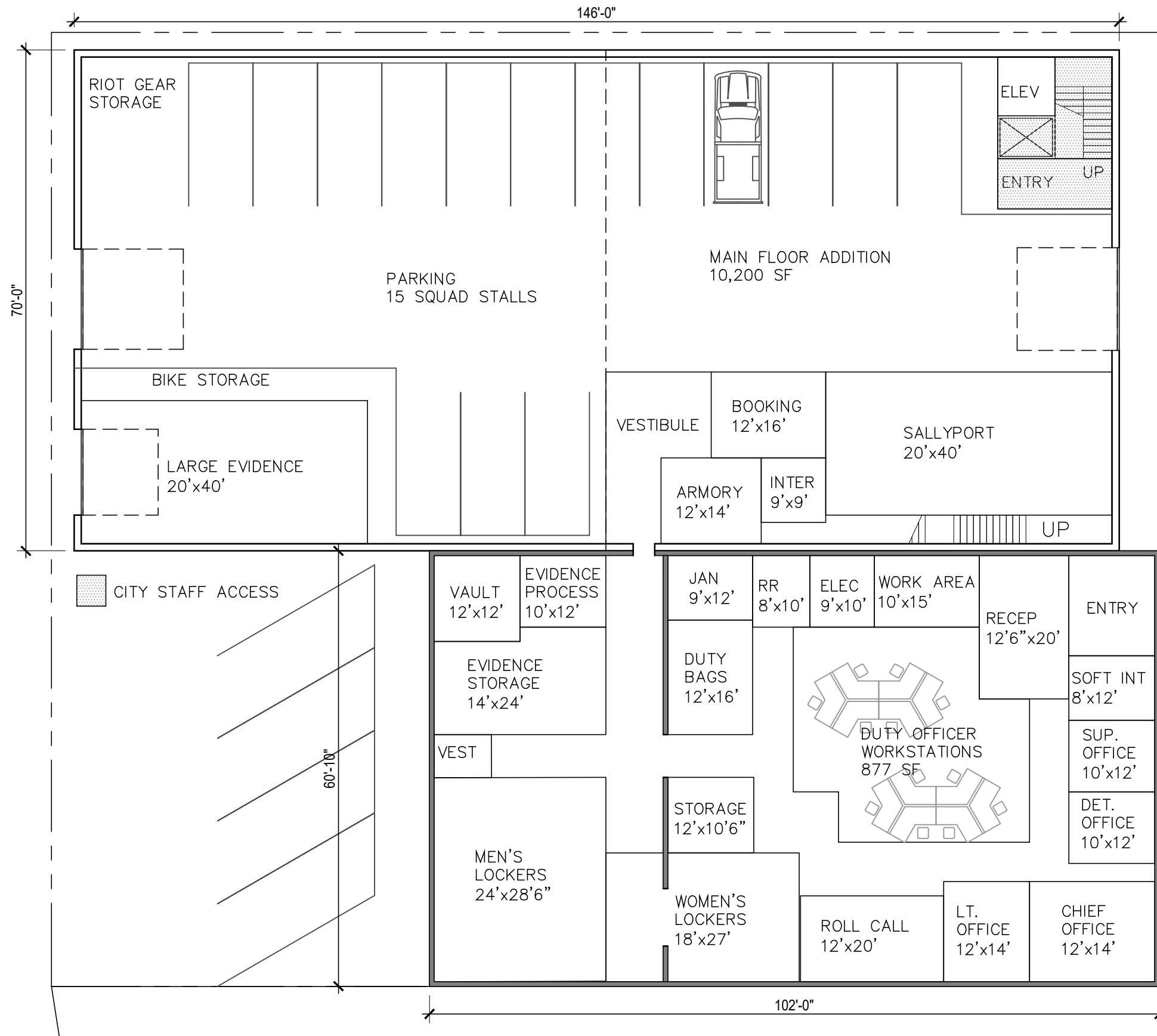
SECOND FLOOR ADDITION
5,020 SF

2 SECOND FLOOR
FULL PROGRAM

1/16" = 1'-0"



BUILDING COST:	\$4,596,800
BUILDING PERMIT:	\$43,500
GC FEES AND BONDS:	\$271,300
DESIGN FEE:	\$344,760
CONTINGENCY:	\$689,520
TOTAL PROJECT:	\$5,945,880



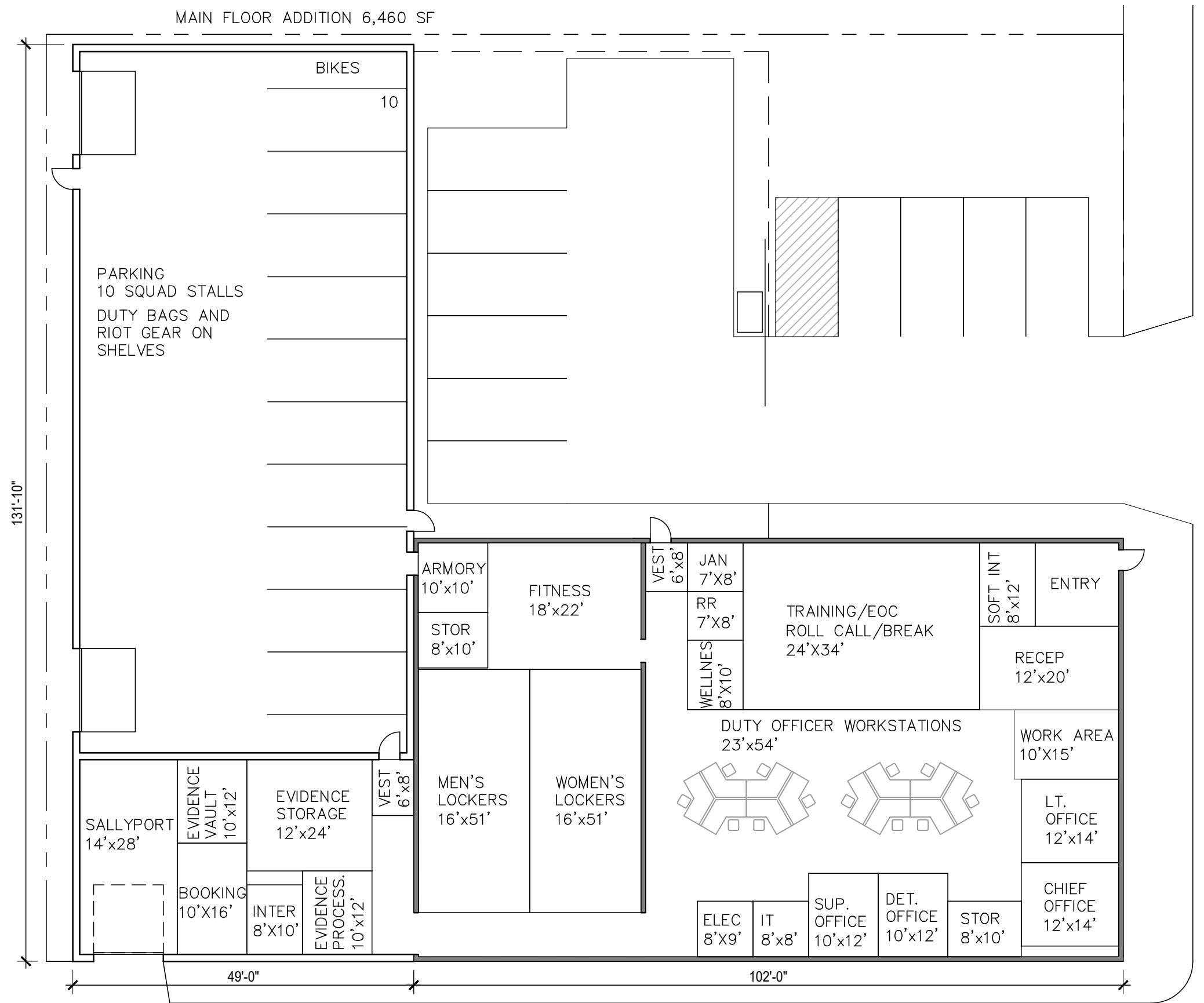
POLICE DEPARTMENT - FACILITIES STUDY - FULL PROGRAM

1/16" = 1'-0"

5/22/2024



MAIN FLOOR ADDITION 6,460 SF



BUILDING COST:	\$2,728,000
BUILDING PERMIT:	\$26,000
GC FEES AND BONDS:	\$161,000
DESIGN FEE:	\$204,600
CONTINGENCY:	\$409,200
TOTAL PROJECT:	\$3,528,800



POLICE DEPARTMENT - FACILITIES STUDY - REDUCED PROGRAM

1/16" = 1'-0"

5/22/2024





City of Osseo City Council Work Session Meeting Item

Agenda Item: Discuss Interim City Administrator Position

Meeting Date: May 28, 2024

Prepared by: Shane Mikkelson, Interim City Administrator

Attachments: Resolution

Policy Consideration:

Consider a pay increase and give information on future plans.

Background:

On April 22nd, I was appointed the Interim City Administrator. I want to discuss the future of this position and your thoughts on pay.

Recommendation/Action Requested:

Give some directions for staff on the Interim City Administrator position.