

**OSSEO CITY COUNCIL  
WORK SESSION MINUTES  
August 26, 2024**

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, August 26, 2024.

2. ROLL CALL

Members present: Councilmembers John Hall, Juliana Hultstrom, Mark Schulz, and Mayor Duane Poppe.

Members absent: None.

Staff present: Interim City Administrator Shane Mikkelson and Financial Consultant Gary Groen.

Others present: None.

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. DISCUSS PRELIMINARY 2025 CITY BUDGET AND TAX LEVY

Mikkelson stated staff has been busy working on the preliminary 2025 City budget and tax levy. Staff met with Department Heads to generate budgetary needs for 2025. The proposed budget is the very first draft and is subject to change many times before the final budget is approved in December. The 2025 General Fund expenditure budget totals \$4,552,955, an increase of \$539,846 from 2024. The 2025 budget includes the addition of an Assistant City Administrator, a full-time fire chief, and two additional police officers, with all new staff positions starting January 1. It is anticipated that the Assistant City Administrator position will assume the responsibilities of the community coordinator position. The new positions and related payroll taxes and benefits account for a significant increase in the proposed General Fund expenditures. Staff reviewed the budget highlights in further detail with the Council.

Mikkelson explained this draft budget does include several large expense increases for 2025, most notably in the Public Safety area. (increase in Police Department staff). These items have been discussed by the Council several times recently, and direction was given to staff to include these costs in the draft 2025 budget. The general property tax levy includes several components, and several factors affect the overall levy and tax capacity rates. The preliminary General Fund general property tax levy in the 2025 budget draft is \$3,127,014, which is an increase of \$663,334 over 2024. In addition, the preliminary tax levy increases include \$77,700 for the first payment on the \$350,000

G.O. Equipment Certificates issued in 2024 and \$122,730 for the City share of the 2022 Improvement Bonds.

Mikkelson reported City staff will continue to review all revenue sources that may be available to the City to finance the General Fund operations. We expect the final tax levy certified by December 31 to be reduced by a combination of reduced expenditures and additional revenue sources. By September 30, 2024, the City must certify a preliminary tax levy for collection in 2025. The final levy cannot exceed the levy certified in September but can (and certainly has been in prior years) be reduced.

Mikkelson indicated staff met with the Council Budget and Finance Committee prior to the Council reviewing and approving the preliminary budget and tax levy at the September 9th meeting. As a reminder, that is the budget number which is used by the County to formulate the proposed property tax statements, which are typically mailed out in October. The city will then hold the 2025 Truth in Taxation public hearing at the November 25th Council meeting before the final budget and tax levy is approved by the Council at the December 9th meeting.

Hultstrom asked if the City would be going out to receive different bids for insurance. Mikkelson explained this would occur in 2025 because the City was locked in for one more year.

Hultstrom supported the two new police officers being taken out of the 2025 budget. She recommended this item be revisited later in 2025. She indicated the City currently had one officer per 260 residents, when neighboring communities have one officer per 1,000 residents.

Groen commented further on a summary by department handout with the Council. He discussed the budget reductions that would occur in 2025, noting there would be a \$125,000 decrease in the general government category. He explained public works has only a minor increase in the budget. He indicated the County needed a preliminary tax levy by September 30, which would serve as the high water mark. He stated between September 30 and December 31, the City Council could then work to revise and reduce the tax levy before approving the final tax levy.

Poppe stated historically the Council has included some inflated or unknown costs within the preliminary tax levy and then works to finalize those numbers between October and December.

Hultstrom indicated she wanted to be able to make some cuts prior to September. She believed the City could do better than sending out the biggest high water mark.

Groen commented on the LGA the City would be receiving in 2025, noting this number was remaining relatively flat. He further discussed the levies for the Central Avenue improvements, public safety vehicles and public works equipment. He then described how the market value exclusion from the State would be impacting property taxes paid for residents in 2025.

Hultstrom commented on the underwriting costs for the bonding for equipment that was discussed by Rebecca Kurtz in May. She indicated this expense was \$380,000 and

not \$350,000. She believed it was misleading that these bonds were deposited into a construction fund. Groen indicated \$350,000 were used to purchase three public safety vehicles and public works equipment. He indicated this was a preliminary number and staff would be making adjustments over the coming months.

Poppe stated the Council and staff had work to do this year, when it comes to the budget and tax levy. He indicated the preliminary levy was proposed to have a 13% increase.

Hultstrom questioned if the Council would be able to review this item again prior to being approved. Groen stated the preliminary budget and tax levy would come back to the Council in September for review and consideration.

Hall asked what the preliminary tax levy will cost the average homeowner. Groen indicated he could bring this information back to the City Council in September.

Hall commented this City Council voted to have a full time City Administrator by the first of the year.

Schulz asked if Councilmember Hall would like to add the \$130,000 savings back into the budget. Groen stated the budget, as presented, includes an Assistant City Administrator with Interim Administrator Mikkelson operating in the dual role.

Hultstrom indicated she did not believe there would be a savings in keeping the dual role, if the City would be hiring two more officers. She stated this would far exceed any savings. She explained she did not like the dual role and did not believe this was the long term solution for the City. She supported the City having a full time administrator. She suggested the budget add the \$130,000 in savings back in and that the two new officers be taken out.

Schulz reported he supported the two new officers remaining in the budget. He indicated these two officers will not be replacing the Police Chief. He stated there were 300 units of affordable housing being constructed at TH610 and Central Avenue. He explained he was trying to remain optimistic but he anticipated this additional housing would require additional police calls based on statistics. He discussed how the George Floyd event changed policing. He discussed how the City used to be able to rely on neighboring police departments for assistance, but noted now departments were running understaffed and part time police officers were a thing of the past. He supported the City having two police officers on staff at all times with the addition of a supervisor. He indicated he was not predisposed to removing the two new officers from the budget. He believed the Council should further discuss a full time City Administrator and that this expense should be written back into the 2025 budget.

Hall indicated the comments Councilmember Schulz made about low income people were out of line. He believed these people deserved a place to live instead of being under a bridge. He stated Councilmember Schulz's comments were completely wrong because he was predisposing them to be criminals.

Schulz clarified his comment was that the City could not ignore the statistics and noted it would be irresponsible for the City to not plan for additional police calls. He reiterated that he was hoping for the best.

Hultstrom stated the reality is, no matter how many police calls this new housing generates, this was in Brooklyn Park and not Osseo. She questioned why the City of Osseo should put two more police officers on the backs of Osseo taxpayers without the understanding if this was necessary. She indicated the City Council received a nice email from Police Chief Mikkelson last week about how pleased he was the department was fully staffed. She indicated she could not support hiring two additional police officers for something that was not in Osseo. She recommended Brooklyn Park be responsible for hiring two new officers.

Schulz stated there was not consensus to remove the two officers from the budget, but noted there was consensus to add the \$130,000 back into the budget for the full time City Administrator position.

Poppe concurred.

Schulz asked if the City would have adequate reserves to cover the budget given the proposed percentage increases. He requested staff review this matter further and provide the Council with additional information in September.

Hall asked if the Fire Chief's position was placed in the 2024 budget. Groen stated the Fire Chief position was placed in the 2024 budget for three or four months and not the full 12 months.

Further discussion ensued regarding the Fire Chief position.

It was noted staff would bring this item back to the Council in September for further consideration.

5. ADJOURNMENT

The Work Session adjourned at 6:50 p.m.

Respectfully submitted,

Heidi Guenther  
*Minute Maker Secretarial*