

**WORKSHOP MINUTES
OAKDALE CITY COUNCIL
MAY 28, 2024**

The City Council held a workshop on Tuesday, May 28, 2024 at Oakdale City Hall, 1584 Hadley Avenue North, Oakdale, Minnesota. The meeting began at 5:00 PM.

Present: Mayor Kevin Zabel

Council Members: Noah Her
Jake Ingebrigtsen
Andy Morcomb
Susan Willenbring

City Staff Members: Christina Volkers, City Administrator
Sara Ludwig, City Clerk
Brian Bachmeier, Consulting City Engineer
Andy Gitzlaff, Community Development Director
Melanie Lee, Human Resources Director
Max Lohse, Community Development Specialist
Luke McClanahan, City Planner
Nick Newton, Police Chief
Lori Pulkrabek, Communications Manager
John Stark, Special Projects Manager
Kyle Stasica, Finance Director
Julie Williams, Recreation Superintendent
Kevin Wold, Fire Chief

Others Present: Jeff Miller, Associate, HKGi
Dallas Pierson, Planning Commission Chair
Beth Richmond, Planner, HKGi

ZONING AND SUBDIVISION ORDINANCE PROJECT UPDATE

City Planner Luke McClanahan explained the scope of the Code update, the reason for the Code update, the objectives of the project, and the four-phased approach of the project.

Jeff Miller, Associate with HKGi, provided background information about HKGi. He went over the current types of zoning districts within the City, issues with and improvements for residential districts, improvements for business districts, suggested changes to infrastructure/open space districts, and the various types of planned unit developments (PUDs) within the City.

In response to Mayor Zabel's question about how the base PUD differs from residential districts such as R1, R2, R3, etc., specifically as it relates to why some residential neighborhoods are zoned PUDs, Mr. McClanahan explained that the residential areas that have been zoned as PUDs were to accommodate smaller lot sizes than traditional residential

zoning allows. As part of this project, the lot restrictions for certain zoning districts can be revisited and revised for rezoning purposes.

Beth Richmond, Planner with HKGi, reviewed the feedback received from the Planning Commission during their May 2 meeting regarding the key building and performance standards like exterior building materials, parking, signage, etc., within the current city code.

Mayor Zabel asked if residential parking standards will be reviewed as well. Ms. Richmond confirmed.

Ms. Richmond presented the community engagement plan which includes meetings with stakeholder groups, an online survey, and public engagement at community events.

Mayor Zabel suggested getting feedback from past applicants, specifically residents, who have used the current city code process to obtain various approvals and permits. Mr. Miller stated that would be a good thing to consider. Council Member Morcomb added that due to the increase in home occupations it would make sense to obtain feedback from these residents.

Ms. Richmond provided the next steps of the project and opened it up for Council discussion.

In response to Council Member Ingebrigtsen's question about addressing tax increment financing (TIF) in City Code, Mayor Zabel stated that is a fiscal policy matter.

In response to Mayor Zabel's question about the need for six residential districts, Mr. Miller agreed that the number of residential districts should be streamlined and could be reduced to three or four. Additionally, current State Statute does not require a separate mobile home zoning district.

In response to Mayor Zabel's question about consolidating the various business districts, Ms. Richmond stated that will be reviewed as part of the project. Mr. Miller added that there are no mixed-use districts in the current city code.

Mayor Zabel suggested distinguishing warehouse versus office under industrial business districts.

It was requested to change the color of the industrial/office business districts on the map as it is hard to see light gray on a mostly gray map.

Council Member Morcomb was supportive of consolidating districts when it makes sense. In regards to signage, he suggested allowing more flexibility for business owners. Council Member Ingebrigtsen agreed.

In response to Council Member Morcomb's question about standards in the current city code that restrict redevelopment, Mr. McClanahan stated that is the case for some projects.

Community Development Director Andy Gitzlaff added that as part of this project, flexibility for development and redevelopment projects will be built into the city code.

In response to Mayor Zabel's question about different mixed-use districts based on various factors, Mr. Miller stated that this is a possibility.

As far as next steps, Mr. Miller offered to send the completed city code diagnosis to staff for distribution to the Council for additional feedback.

DRINKING WATER SETTLEMENT CAPITAL IMPROVEMENT PLAN

City Administrator Chris Volkens stated that she and Consulting City Engineer Brian Bachmeier attended a meeting earlier this month with the Minnesota Pollution Control Agency (MPCA) and the Minnesota Department of Natural Resources (DNR), the Co-Trustees of the 3M Drinking Water Settlement Fund, in which project costs, funding projections, and future reallocations were discussed. A follow-up meeting with the Co-Trustees, Ms. Volkens, and Mr. Bachmeier is scheduled for June 12th. Ms. Volkens noted that the Co-Trustees received a semi-final project list from the City last year, and an updated list earlier this year. She added that Mr. Bachmeier has identified projects within the Capital Improvement Plan (CIP) that could and should be moved up to secure the necessary funding.

In response to Mayor Zabel's question about how these identified projects will be moved up, Ms. Volkens stated that the mechanism will be a change to the CIP.

In response to Council Member Willenbring's question about who is representing the Co-Trustees, Ms. Volkens noted that it is the two State agencies.

In regards to why two large Washington County cities have obtained a good majority of the funding, Mayor Zabel pointed out that he believes they have the highest identified need for applicable projects.

Mr. Bachmeier went over the projects by current CIP year and by proposed CIP year, highlighting the ones that should be accelerated. He recommended submitting the grant applications now for all future projects; and suggested not pursuing the replacement of Well and Treatment Facility 7, but rather leaving it as a permanent site.

In response to Mayor Zabel's question about the ability of Well 7 to be a permanent facility, Mr. Bachmeier confirmed that it is capable.

Mr. Bachmeier recommended submitting an application for a planning grant to assist with the scheduling order of the identified projects. Additionally, he recommended that the grant applications be submitted in two phases for each project, such that the preliminary design and cost estimating can be completed the year prior to the project.

Council Member Morcomb asked for clarification on the 2007 Settlement Agreement and Consent Order. Mr. Bachmeier explained that it is an agreement between the MPCA and 3M to provide funding for treatment of private wells, remediation of contaminated sites, and funding for treatment within affected cities.

In response to Council Member Morcomb's question about moving forward with the Decommission of Well 1 and converting the Well 1 Building to an electronic pressure relief valve without knowing if those projects will be funded by the settlement money, Mr. Bachmeier indicated those grant applications have been submitted and require additional follow up with the MPCA.

In response to Mayor Zabel's question about the process to initiate and start the projects, Mr. Bachmeier explained that once the planning grant is secured and the projects are scheduled, the City Council will authorize the preparation of a task order for a cost estimate and preliminary design. The City will submit the grant application for the project based on that task order. Once the grant is awarded then the City will move forward by executing the task order.

In response to Council Member Her's question about how this shift in the CIP and related process will affect the current City's budget, Ms. Volkers stated that the grant will cover staff and other related costs so there should not be an impact, assuming there are enough 3M settlement funds remaining for Oakdale's need and previously communicated projects.

Council Member Morcomb recommended having a blanket approval statement for staff to move forward throughout this process without formal Council approval at each step. Ms. Volkers noted that this language likely already exists, but she will check to make sure. Mayor Zabel stated that the adjustment to the CIP will require Council approval.

2023 CANNABIS LEGISLATION AND ITS IMPACT ON OAKDALE

Special Projects Manager John Stark reviewed the 2023 legislation related to the legalization of cannabis, establishment of the Office of Cannabis Management (OCM), authorization of commerce of cannabis products, the regulation of retail sales of cannabis, the definition of "Social Equity Applicants," and the ability for municipal sales of cannabis.

Mr. Stark went over the unique issues in regards to retail sales including that it is a cash-based business, the product on-hand is highly valuable, and property insurance is possibly unavailable.

Currently, the State statute requires that each municipal cannabis retailer has a board of directors, made up of the entire City Council, and each member of the board is subject to an extensive background check.

In response to Council Member Her's question about the extensive background check, Police Chief Nick Newton stated that it is likely along the same lines of a liquor license background check.

Other issues identified by Mr. Stark include high employee turnover and the time and money required to explore a municipal cannabis retail store.

In response to Council Member Ingebrigtsen's question about where the presented statistics came from, Mr. Stark noted that they were gathered from multiple reputable sources.

Mr. Stark reviewed the retail store sales revenues and the taxation of cannabis sales.

In response to Mayor Zabel's question about whether the sales tax is calculated on a state-wide level or by municipality, Mr. Stark clarified that it is on a state-wide level with a portion being kept by the State, a percentage given to the counties, and the remainder divided out amongst cities based on number of retailers.

Mr. Stark reported that the State has set a limit of 75 retailers statewide which will be reevaluated after July 1, 2026. This reevaluation will likely involve a recommendation from the OCM.

In response to Council Member Morcomb's question about whether that is 75 physical locations versus 75 licenses, Mr. Stark clarified it is 75 physical locations. He noted that municipal retailers do not have to compete with social equity applicants for a license as they do not count against the municipal's cap. There is a narrow timeframe for social equity applicants to apply which begins and ends later this summer. Mr. Stark added that there are grants and funding available for social equity applicants.

Mayor Zabel shared his opinion that he was not supportive of a municipal cannabis retail store due to the fact that marijuana has not been legalized on the federal level so any City government employee working in the store would be breaking a federal law by selling the product.

Council Member Morcomb would like to know how a municipal cannabis retail store would affect the City's credit/bond rating as he would like to remain fiscally responsible with taxpayer dollars.

In response to Council Member Willenbring's question about the timeframe for municipalities to move forward with a municipal cannabis retail store, Mayor Zabel noted that because the municipality does not count against the city's cap, there is not technically a timeframe.

Council Member Her liked the tax revenue potential, but was hesitant given the impact that a municipal cannabis retail store could have on the City's credit rating. He was supportive of holding off for a while to see if any new federal legislation comes forward, but overall would move forward with the information at hand.

Council Member Willenbring noted that retailers in other states are able to work with banks and accept other forms of payment outside of solely cash. Mayor Zabel was hesitant as the funds may not be FDIC insured.

In response to Council Member Her's question about how municipal cannabis retail stores compare to privately-owned retailers in relation to compliance checks, Chief Newton said that all compliance checks would be conducted the same, but he does not have personal experience in this regard.

Council Member Willenbring clarified that the employees of the municipal cannabis retail store would be on the City's payroll.

In response to Mayor Zabel's question about how the store would be set up from an operations perspective, Mr. Stark stated it would be an enterprise fund situation.

In response to Council Member Ingebrigtsen's question about whether a City can partner with a separate entity, Mr. Stark was unsure, but said it was likely.

Council Member Ingebrigtsen was supportive of moving forward with a municipal cannabis retail store, and would like to explore the possibility of partnering with a private entity.

Council Member Willenbring expressed the need for more information to make a firm decision, however, was comfortable moving forward unless new information comes about that causes her to pause and reevaluate.

Council Member Willenbring pointed out a concern with the required background checks for future elected officials.

Mayor Zabel was not comfortable with a municipality essentially taking customers from a local business by having their own municipal cannabis retail store.

Next steps include determining reasonable local controls (setbacks from schools, placement in commercial districts, etc.), deciding on a cap for the number of non-municipal retail stores within the City, and sending additional questions to staff for follow-up.

Council Member Willenbring requested that if the City chooses to have a municipal cannabis retail store, a portion of the proceeds is designated for treatment programs.

In response to Council Member Ingebrigtsen's question about whether counties can open a cannabis retail store, Mr. Stark confirmed that it is possible in townships that do not have their own zoning ordinance.

Staff will bring back additional information and relevant updates as they become available and require Council feedback.

REVIEW LONG TERM FINANCIAL PLAN MODEL – WORKSHOP CONTINUATION

Finance Director Kyle Stasica explained that as a continuation from the last workshop, staff re-evaluated the two percent (2%) annual market value inflation rate and worked to incorporate the lag between when construction begins and full market value is realized.

In response to Mayor Zabel's question about how the new construction phase in will occur, Mr. Gitzlaff stated that the phase in model does not distinguish between single-family homes and multi-family homes.

As a follow up, Mayor Zabel asked if the same theory was applied to the population phase in model to account for the lag between permits being issued through construction and occupancy. Mikaela Huot, Principal with Baker Tilly, explained that the model factors in roughly a fifty percent lag across all unit types between when the building construction begins and when it would be completed. Mayor Zabel was unsure that this model accurately reflects the population growth as it relates to multi family units. Ms. Huot agreed that more consideration could be given around the model for population growth.

Mr. Stasica noted that the Housing Study to be conducted later in 2024, will analyze changing household sizes and other factors that may influence future population growth assumptions. Along this same line, there should be an annual review of the model presented to the City Council. As part of that review, the model will be adjusted to reflect "real-world" data as well as any large projects that occur. Mr. Stasica stated that he is looking into the local government aid funds to incorporate into the model.

Mr. Gitzlaff reviewed the annual assessed value increases stating that the projections within the model for future taxable value growth have been adjusted to three percent (3%) based on a review of average historic value growth within the County for all property types and anticipated future inflationary growth assumptions.

Moving on to the absorption of new housing units, Mr. Gitzlaff noted that the estimated taxable value is based on County input on assessed value for each housing type.

In response to Mayor Zabel's question about accurately reflecting the estimated taxable value given permits are pulled late into the year, but construction may not be completed for an entire year, Ms. Huot said staff is trying to balance inflationary growth, new growth, and any lag due to development within the model.

Mr. Gitzlaff stated that the annual absorption of population growth is fifty percent as an average of the permit/construction year and fifty percent as an average in the following year, but staff can look into separating single family and multi family development for the model.

Ms. Huot pointed out that greater clarity has been added to the following tables: projected growth projections and changes in property tax base to understand the inflow and basis of the data.

WORKSHOP RECESSED FOR REGULAR MEETING AT 6:52 PM

WORKSHOP RECONVENED AT 7:44 PM after the Regular City Council Meeting

REVIEW LONG TERM FINANCIAL PLAN MODEL – WORKSHOP CONTINUATION, CONTINUED

Mr. Stasica reviewed the General Fund Revenues table, noting that funds will be updated with actual information as it becomes available.

Mr. Stasica then went over the General Fund Summary table, stating that the majority of the revenue comes from property taxes.

In response to Mayor Zabel's question about whether the property tax revenue (on tax capacity) assumes the current tax capacity rate is maintained, Mr. Stasica explained that the assumption is set up to meet the gap between revenues and expenditures, but a specific rate could be set up for modeling purposes.

Mr. Stasica presented on the data in the property tax base table including the taxes levied by tax capacity broken down by General Fund, Capital Fund, and Debt Service Fund.

Mayor Zabel asked about where the model lives as he wants to ensure that this public data is not misconstrued as inaccurate information. Ms. Volkens suggested adding a disclaimer to each piece of information.

Ms. Huot explained how the net change in fund balance and minimum fund balance target percentage affects the property tax levy percentage.

Mr. Gitzlaff pointed out that the model would likely be updated once the budget is adopted.

In response to Mayor Zabel's question about why all new construction value was lumped together into appreciation of existing base for years 2023 and 2024 versus calling it out in future years, Mr. Stasica stated that the growth data would have to begin in 2021 to model it that way. Currently, the growth data being pulled in begins with 2023 data. Ms. Huot added that the value of new construction data could be added for the years prior to 2026 in the table.

Council Member Morcomb was supportive of the model as it helps forecast for future budgeting.

Mayor Zabel said the changes made to the model were incredibly helpful.

Ms. Volkens thanked staff for their hard work on this project that has taken over a year to get to its current state.

MANAGEMENT DISCUSSION – CHIEF OF POLICE

Chief Newton went over the current overall policing profession job market forecast and shared ways the Police Department is working to attract and retain police officers.

In response to Council Member Morcomb's question about why current police officers are leaving, Chief Newton explained that the Police Department does not have the ability to offer growth into specialized areas due to its size such as k-9 officers and participation in various task forces.

Council Member Ingebrigtson predicted that police officers will be among the highest paid municipal positions within the next ten years. Chief Newton added that other cities have already increased their wages for this position.

In response to Mayor Zabel's question about the possibility of a regional public safety model, Chief Newton stated that if the staffing trend continues then this will likely happen in the future.

Chief Newton mentioned that the Police Department has been looking for various grants that are available, and recently applied for a federal grant for staffing and equipment costs related to a behavioral health coordinated response unit.

In reference to compliance checks and licensing, Chief Newton said the Police Department will continue to focus on education as the primary goal while leveraging administrative fines for violations and criminal enforcement, which is not something that is taken lightly. This will also be the first year that staff will do low-potency hemp compliance checks.

Chief Newton reported that two of the four squad cars ordered in October 2022 just arrived last week. Two other squad cars are in the possession of the Bureau of Criminal Apprehension due to an ongoing investigation, and will not be released for another month or two.

In regards to the upcoming budget process, Chief Newton will be requesting ballistic shields that stop rifle rounds.

Mayor Zabel asked for an update on Oakdale's school resource officer. Chief Newton said things are going well at Tartan High School, but there are some things to work through with Skyview Middle School.

Mayor Zabel also asked about Community Affairs Specialist Bill Fetsch since he transitioned out of the school resource officer position. Chief Newton stated that he is handling all of the background checks for licensing and is involved in community engagement activities.

Mayor Zabel requested more proactive and earlier promotion for Night to Unite to try to get more community involvement.

UTILITY RATE STUDY

Mr. Stasica explained that a utility rate study was conducted in 2020, however, the assumptions and data used for that study are now outdated. For 2021 and 2022, the utility rates from the study were used, but starting in 2023, staff have used other determining factors to develop the annual utility rates. Mr. Stasica noted that he has received estimates from several consultants if the Council would like to pursue an updated utility rate study.

Mayor Zabel was not opposed to a rate study, but he would like to determine the expenditures within the Capital Improvement Plan prior to moving forward to ensure the rate study is based on the most accurate data.

Council Member Ingebrigtson was unsure about the benefit of a rate study at this time due to the uncertainty of economic circumstances.

In response to Council Member Her's question about the state of the current schedule of funding and expenditures related to the Utility System Replacement Fund (USRF), Mayor Zabel noted things have changed since developing the schedule years ago.

Mayor Zabel stated that it would make sense to patch a street versus completely replace it if the water main underneath it does not need to be replaced yet. The Council agreed.

Ms. Volkens confirmed that an analysis of street and utility infrastructure conditions needs to be done, but will take time.

Related to the timeline of a potential utility rate study, Mr. Stasica said that only one consultant could guarantee a completed rate study, with updated CIP information, by December 2024.

Mr. Stasica mentioned that City staff cannot locate the model that was used to complete the 2020 utility rate study. It could be that the City only purchased the report, not the model, but Baker Tilly staff is looking into it.

In response to Council Member Her's question about what the current utility rate revenue will cover in terms of expenses, Mr. Stasica directed him to the 2024-2028 USRF attachment.

Council Member Her would like to avoid another ten percent water rate increase and be able to find a steady rate that could cover necessary infrastructure improvements and inflation rates, but also plan for future projects.

Ms. Volkens stated that Mr. Stasica and Mr. Bachmeier could work on developing a model based on the budget determinations that will happen in the next few months.

In response to Council Member Willenbring's question about if other cities raise their utility rates annually, Ms. Volkens confirmed.

Mayor Zabel stated that as part of a policy determination, the Council could choose to implement a tiered usage system or use an averaged calculation.

In response to Council Member Willenbring's question about why staff diverted from the rate study in 2023, Mayor Zabel explained that due to Council direction related to the property tax levy, staff had to determine the rates accordingly. He added that past practice has always been to make a reactionary decision, but going forward, the hope is Council and staff can be more proactive.

Council Member Her asked about the cost to run the utility system in the City. Mr. Stasica said the 2023 expenditures were \$3 million and net change in Cash was a decrease of \$230,000.

Council Member Willenbring pointed out that the increase in fees for residents can add up quickly and have a huge impact on their monthly household expenses.

STRATEGIC PLANNING UPDATE

Ms. Volkens discussed potential dates for the two-day strategic planning retreat. Ms. Volkens will send a calendar invite once the dates are finalized.

ADMINISTRATOR UPDATE

Ms. Volkens handed out a sample of the Summerfest 50th Anniversary logo and banner. She asked if more banners should be ordered and hung on Hadley Ave N near City Hall. The Council was supportive, but asked that a majority of that intersection (Hadley Ave N and 10th St N) be reserved for the Oakdale Summerfest Community Organization sponsorship banners.

Council Member Her suggested swapping out the banners throughout the year.

Ms. Volkens will send a photo to the Council of the sample banner that has been hung up on 10th St N.

Additionally, Ms. Volkens stated there will be a large banner celebrating Oakdale's 50th anniversary hanging from the bandshell during Summerfest that will move to the front of City Hall once Summerfest is over.

In reference to seasonal workers for the Northdale ice rink warming house, Ms. Volkens reported that there is almost no interest in working there, on top of little resident use, and she suggested not using Northdale ice rink this coming season. Mayor Zabel requested that this amenity be added to the Park System Plan Update for review.

Ms. Volkens stated she is drafting an agreement with the Oakdale Athletic Association for the previously agreed-upon improvements and cost share of the OAA building maintenance. The agreement will be executed prior to June 30th.

COUNCIL TOPICS

Council Member Her reported that he will not be seeking re-election in the upcoming election.

Council Member Her asked for an update on the hiring of the Assistant City Administrator. Ms. Volkers noted that the job posting will be opened this week.

Mayor Zabel asked for an overall update on the full-time employee hires for 2024. Ms. Volkers stated she will send an update.

Council Member Morcomb brought up the previous Parks and Recreation Commission meeting in which the members voted to recommend to move their start time from 7:00 PM to 6:00 PM. Mayor Zabel suggested making this topic part of the larger advisory body discussion that will take place at a future workshop.

Council Member Her noted that he received a call from a resident regarding the updated chicken ordinance and her business. Ms. Volkers confirmed that staff is handling this situation.

ADJOURNMENT

The workshop was adjourned at 9:10 PM.

Respectfully submitted,

Sara Ludwig, City Clerk