

**CITY COUNCIL WORK SESSION
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Ramsey City Council conducted a City Council Work Session on Tuesday, August 27, 2024, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Mark Kuzma
Councilmember Chelsee Howell
Councilmember Debra Musgrove
Councilmember Michael Olson
Councilmember Chris Riley
Councilmember Dan Specht
Councilmember Matt Woestehoff

Also Present: City Administrator Brian Hagen
Finance Director Diana Lund
Police Chief Jeff Katers
Administrative Services Director Colleen Lasher
City Attorney Fritz Knaak
Community Development Director Stephanie Hanson
Planning Manager Todd Larson

1. CALL TO ORDER

Mayor Kuzma called the City Council Work Session to order at 5:30 p.m.

2. TOPICS FOR DISCUSSION

2.01: Continued Discussion on 2025 Budget

City Administrator Hagen reviewed the Staff report in regard to the 2025 budget discussion. He reviewed the history of how they have gotten to the levy amount they have today. He shared the items that Staff is suggesting removing from the 2025 budget and push to 2026. He discussed the cost savings if they did a wage freeze on all department heads.

Finance Director Lund shared that she and City Administrator Hagen attended a meeting with the Anoka County cities where they discussed the property taxes for the upcoming year. She shared the preliminary increases for cities in the County.

Mayor Kuzma stated they are playing catch up with their union wages which is having a large increase on the budget. He added that he does not support a wage freeze as this will only make things more difficult in 2026 to make this up.

Councilmember Musgrove noted that what is happening in the market in regard to wages is beyond their control and the market rate adjustment is an issue that is impacting a lot of cities. She said the market rate increase more than doubled over last year's increase.

Councilmember Woestehoff asked if they are under-budgeting for debt services.

Finance Director Lund said yes and explained that Anoka County has paid \$300,000 on debt and they have refinanced this debt, but the payment is staying the same.

Councilmember Specht noted that the 47% increase in tax capacity is hard for him to stomach.

City Administrator Hagen shared that businesses had a 46% increase for what was paid in 2024 and they are looking at a 20% decrease in what will be paid in 2025. He said the residential is reading flat as of now.

Councilmember Riley stated his original thought was that they needed to revisit all of the positions and equipment items that they had discussed before they knew what the budget would look like; however, many of these positions and equipment items have already been moved out from previous years so revisiting this would not save them very much. He said the firetruck is such a large item for them to fund out of their current budget. He asked if this would make sense to bond or use debt to fund the firetruck. He said he does not want to create a cycle of debt, but he would like to look into this.

Finance Director Lund explained that the 2025 road debt will come off for 2026 payable which will be approximately \$110,000 that will come back. She said next year may be a better time to bond than this year as they anticipate interest rates coming down.

Councilmember Riley noted that this firetruck will be a huge, 25-year asset and he does not know why they would need to fund it out of their current budget.

Finance Director Lund stated they could take the first installment for the firetruck out of the budget, and they could look at doing an internal loan to fund it until they are able to issue the debt to pay it back.

Mayor Kuzma asked if they will be bonding for capital equipment next year.

Finance Director Lund said they are working through the CIP right now which will help them get a better idea of what they are looking at for the next three years of equipment. She noted they may want to look at ten year certificates that will fund three years of capital.

Councilmember Musgrove asked if they would be using the internal loan for this year and bond for it in future years or use the internal loan and pay this off through the levy instead of bonding.

Finance Director Lund said they could look into both scenarios. She explained that they can look into what amount they need to issue debt for the equipment. She noted that this would be hard for her to answer until they start looking into the 2026 budget.

Councilmember Musgrove said she does not support the debt. She asked if they have any investment cash that they could use to offset the debt.

Finance Director Lund explained that when they are looking at investment dollars, it is not like a dollar comes in and it goes to the general fund, but rather it is all pooled. She said this is based off of the balance at year end of how the interest is calculated out.

Councilmember Musgrove asked if there are any funds that they have money in that would qualify to fund a portion of the firetruck.

Finance Director Lund said they can do an interfund loan against the PIR fund or possibly the facility fund.

Mayor Kuzma shared that he agreed with Councilmember Riley and likes the idea of using an internal loan for the balance due in 2025 and then look at the capital equipment needs for the future.

Finance Director Lund explained that she would like to change the City's fund balance policy to be more in line with what other cities do where they have a fund balance of 50% of next year's property tax levy. She noted that if they move to this fund balance model there may be some funds left that they could look at using. She added that if legislation comes through in regard to paying themselves back through the TIF, then this would be available funding that can be used towards the budget and roads.

Councilmember Specht shared that he also likes the idea of using an internal loan for the balance of the firetruck.

City Administrator Hagen said Staff can check existing fund balances to make sure they have the funds for an interfund loan.

Councilmember Woestehoff shared that he is pretty comfortable with the proposed budget; however, he is nervous about what the 2026 capital expenditures are going to be. He added that bonding may make sense for the firetruck as it will be an asset that will be around for a while and interest rates are about to drop.

Councilmember Musgrove asked if there has ever been a market rate wage decrease.

City Administrator Hagen shared that the most recent example of something like this was in 2008-2012 where there were wage freezes; however, he does not know if there has ever been a wage decrease.

Councilmember Musgrove asked if the Council sees this as an appropriate time to freeze wages.

Councilmember Woestehoff said no, especially considering the market rate calculations.

Councilmember Musgrove stated she has an appetite to look at and consider a wage freeze because she has heard from the private sector that there is potentially a wave of layoffs coming.

Finance Director Lund shared that if they remove the balance due for the firetruck from the budget then it would bring the increase down to 8.3%.

Councilmember Howell shared that she would be okay with the wage freeze for positions that are within 15% of the average of the department heads and not freezing the positions that have a more than 15% gap. She said that as residents are laid off or do not get pay raises in the private sector, they will struggle to keep up with these increases in taxes.

City Administrator Hagen explained that he calculated the gaps between his position and the average of all of the department heads salaries for his salary, then calculated the gap between the department heads and the average of their direct reports.

Councilmember Howell shared that if this was less than 15% then she would have an issue with it, but if there is a way to keep wages within the 15% gap, she does not think this would be terrible to do for one year.

City Administrator Hagen noted that the proposed wages are based on the market average.

Councilmember Riley said he does not support blindly going with the market rate for every position as not all positions are comparable. He added that there are also a few positions that are fairly new to the City and these positions did not inherit wages that have not grown and the market rate already was a factor when they created the position.

Councilmember Howell asked if this is specific to just the department heads that they are discussing.

Councilmember Riley said yes.

Councilmember Musgrove said this is a good point to consider.

Mayor Kuzma stated that if they are going to be giving all of the unions market rate adjustments, then they should be fair and do the same for the department heads. He noted that it is difficult to pick and choose who does and does not get a wage adjustment. He said managing this in the long run seems simpler than trying to save a few dollars.

Councilmember Specht said that market rates are a never-ending target that they have to try to keep up with. He agreed with Councilmember Riley about not needing market rate adjustments on new positions.

Councilmember Howell shared that in the private sector, the person at the top is the person who gets paid last. She reiterated that she does not have an issue with freezing the department head wages.

Councilmember Musgrove noted that the two forms they received in the packet for wages have different numbers on them.

City Administrator Hagen shared that one of the forms includes the total cost for the positions, including taxes and insurance and the other form just shows the wages.

Councilmember Woestehoff agreed with Councilmember Riley about the recently added positions. He added that he would not want to remove the 3% COLA from anyone and should stay.

Councilmember Specht asked Councilmember Riley if he is referring to certain new positions that would not need a market rate adjustment.

Councilmember Riley said the positions that are fairly new and recent are the City Administrator, Public Works Director, and Community Development Director as they have all been hired within the last two or three years.

Councilmember Specht said he would support this.

Councilmember Musgrove shared that she believes the market rate adjustment is necessary. She asked if there would be a bigger percentage increase for those who are under market rate.

Finance Director Lund shared that the form outlines the market rate percentages.

Councilmember Woestehoff suggested not doing a market rate adjustment for the City Administrator.

Councilmember Riley suggested not doing a market rate adjustment for City Administrator, Public Works Director, and Community Development Director.

Councilmember Musgrove asked if they could find out the difference in salary with the Public Works Director.

City Administrator Hagen said that it is disheartening that they would consider not having a market rate adjustment for his position when it is already well below market rate.

Councilmember Musgrove asked if when they do market rate comparisons with other cities if they are using years of service as a factor.

Administrative Services Director Lasher explained that they look at comparable cities and comparable work. She added that the unions have it in their contracts that they must stay with the market rate. She shared that the City has not done a full market study since around 1995. She said a lot of Staff and department heads have been behind the market for a long time. She noted that department heads work long hours and bring incredible value and to not pay these people what they are worth could push some of them into retirement. She explained that if Community Development Director Hanson does not stay consistent with her pay equity points, there could be an issue with pay equity.

Councilmember Riley asked if department heads are included in pay equity.

Administrative Services Director Lasher said yes.

Councilmember Musgrove shared that she works with people who own businesses and work hard but do not get paid some of the time based on the market. She asked if they did not go with a market rate adjustment for all department heads, would they get in trouble with the State.

Administrative Services Director Lasher explained that she would have to login and create a sample report to see if they would pass. She shared that in the past, they have passed, but not by a whole lot.

Mayor Kuzma suggested they still give the COLA and market rate adjustment to all Staff and move on to find other ways to save money.

The consensus of the Council was not in support of the proposed 9.8% increase and to direct Staff to look at current fund balances to see if any could be used to fund an interfund loan for the firetruck payment to get the increase down to 8.3%.

2.02: Rental Housing License Fees Discussion

Community Development Director Hanson reviewed the Staff report concerning the rental housing license fees.

Councilmember Musgrove asked if the City would be able to make their own policy for requiring background checks. She asked how this would work if the owner of the property is also the property manager.

Councilmember Howell shared that she did some research into crimes committed by landlords against their renters and she found more crimes committed by renters against their landlords than were found vice versa. She added that the State statute covers harassment and a lot of the items covered under this section could be things that are done stupidly when someone is young, and it would later prevent them from owning a rental property. She said she does not support requiring a background check on a landlord property owner.

Mayor Kuzma asked how many complaints they have received about the new rental licensing process.

Community Development Director Hanson said they have received a handful of complaints. She noted that they have also been receiving a lot of thanks from landlords after the City has found things during inspections.

Police Chief Katers shared that he processes 500 firearm permits a year and he typically denies around ten out of 500 applications. He explained he has denied only one of the 300 rental licenses.

Councilmember Woestehoff asked if the one that was denied was a property owner or manager.

Police Chief Katers said this one was a unique situation. He noted that a majority of the licenses are for a landlord who also manages the property.

Councilmember Specht shared that he supports only doing background checks for what State law requires.

Councilmember Musgrove asked if the background checks are done annually or just one time.

Community Development Director Hanson said it is a one time background check when they get their license.

Councilmember Musgrove asked if the person the background check is being done on automatically gets a copy of the report when it is completed.

Community Development Director Hanson said no.

Police Chief Katers shared that they run the information through the Bureau of Criminal Apprehension, and this is very restrictive information. He added that they can share with the individual whether they passed or failed and if they failed, he can give insight as to why.

Councilmember Howell asked if they run the same background checks on all City employees who will be entering the rental properties.

Administrative Services Director Lasher explained that they run background checks on all City employees with the exception of seasonal workers.

City Attorney Knaak explained that the State requirements are separate from the renewal regulations.

Councilmember Specht asked if they would be getting background checks twice, once through the State and once through the City.

City Attorney Knaak said they would only be doing it once.

Councilmember Riley asked if the rental license application asks for information on the property managers.

Community Development Director Hanson said yes.

Councilmember Olson asked if there is a cost to the City to run the background checks.

Police Chief Katers said no and that it only requires Staff time. He explained that the owners are required to run a background check on their property owners, so this is just to save them this step.

Community Development Director Hanson reviewed the rental licensing fees.

City Administrator Hagen shared that they have a full-time Rental Housing Inspector, and the Planning Administrative Assistant will be helping with this program. He added that the Police and Fire Departments will also assist with the program. He shared that the money they will bring in with licensing fees should cover the Community Development Staff time.

Councilmember Musgrove noted that there is a large disparity between what they will bring in for licensing fees for single-family homes versus apartment buildings. She said this program will be running on the backs of the individual, small property owners. She suggested lowering the licensing fee and increasing the per unit fee to make up some of the difference. She stated that it is unrealistic to have this entire program fund itself. She said she does not think they are charging the apartments too much and they are charging the single-family owners too much.

Community Development Director Hanson shared that their \$15 per apartment unit is quite a bit lower than most other cities in the area.

Councilmember Riley asked how they landed on the \$15 per unit cost.

Community Development Director Hanson said this was something that they had discussed with the Council.

Councilmember Howell shared that she was shocked when she saw these numbers as the apartments are essentially being discounted and they are putting the cost of this program on the backs of a third of the City's rental properties. She explained that she has come up with a solution to not bringing in enough revenue and it would be to charge \$125 a unit across the board regardless of whether or not it was a single-family home or an apartment. She said this would move them away from the tiered program and would be fair to everyone in the community.

Councilmember Woestehoff stated that part of the reason why they did the \$15 per apartment unit was because the cost for the whole apartment building was significantly higher. He said he is not opposed to Councilmember Howell's suggestion.

Councilmember Howell said if the landlords had to pass this cost down to the tenants it would increase rent by around \$10 per month which she finds to be much more affordable than the kind of increase the single-family homes are currently seeing.

Community Development Director Hanson asked if Councilmember Howell's plan includes any application fees or if it would just be \$125 per unit.

Councilmember Howell said she would just suggest the flat \$125 rate for all units with no application fee.

Planning Manager Larson shared that they should keep in mind the length of the inspection. He explained that a single-family home inspection will take 45 minutes to an hour and an apartment

unit inspection will only take 10 to 15 minutes. He added that they are also having issues with the outdoor spaces for single-family homes which would not affect an apartment unit.

Councilmember Howell said the solution to this would be tied to violations and having a definitive scale.

RECESS AND RECONVENE

The meeting recessed at 6:55 p.m.

The meeting reconvened at 8:25 p.m.

2.02: Rental Housing License Fees Discussion (continued)

Mayor Kuzma asked if they would have to hold off on implementing any changes to the program until January 1, 2025.

Community Development Director Hanson explained that they can update the 2025 fee and rate schedule to reflect these fees. She said if they amended this now she is not sure if they would be able to allow rebates.

City Administrator Hagen said it would be the smoothest transition to change the fee schedule for 2025 and leave everything as is for the rest of 2024.

Councilmember Woestehoff asked when the Council typically sets rates and fees for the following year.

City Administrator Hagen said they typically try to get these adopted by the end of November and would include a public hearing.

Councilmember Riley said he would like to think of something that acknowledges the fact that more inspection time is needed for single-family homes while also charging the apartment units more.

Councilmember Specht asked how many units are in their average apartment buildings.

City Administrator Hagen said that some of the buildings have up to 200 to 300.

Councilmember Specht said if they do change the fee schedule now they could look at the rebates as future credits to future fees.

Councilmember Musgrove shared that it would be nice to have somewhere in the Code what is expected to be inspected so the tenant and the landlord know what the inspectors will be looking at.

Community Development Director Hanson explained that the Fire Department is only inspecting the common areas in the apartments, and they do not do anything with single-family homes. She

reiterated that the single-family home inspections take a lot more time because they are looking at water-heaters, air conditioners, and other appliances. She added that a lot of the single-family homes also have basements that need to be inspected. She explained that the inspectors have a checklist of everything they need to look at. She added that they are also finding a lot more violations in the single-family homes.

Councilmember Howell said she does not have a problem with the fee being the same for single-family homes and apartment units.

Councilmember Olson suggested that it could be most fair if they tie the fee to square footage rather than a per unit cost.

Community Development Director Hanson noted that a lot of the time, a smaller home will take up more time on an inspection than a larger home.

Councilmember Musgrove asked if they need to be doing an in-depth inspection on systems that are good for multiple years.

Community Development Director Hanson said they are inspecting all of these systems at every inspection, which is common practice. She explained that with the tiered inspection program they will not be going into units every year anyway. She said they are doing inspections in all units this year since it is a new program.

Councilmember Howell asked if there is a way to reverse the tiers on the program so the inspections are done every two years with more inspections needed at properties with issues.

Community Development Director Hanson said yes and explained that they can bring back the ordinance and make changes as the Council sees fit.

Mayor Kuzma noted that they will be able to see throughout the year what the true costs are that will be associated with this program.

Councilmember Howell said there seem to be enough issues with the program that they need to reevaluate.

Councilmember Musgrove suggested getting rid of the conversion fee.

Community Development Director Hanson explained that the conversion fee is something that all other cities have. She noted this is not something they need to have; they were just following suit with other cities' programs.

The consensus of the Council was to direct Staff to amend the background check requirements to only require them for property managers per State law and to further review the ordinance to make changes to the fee schedule.

2.03: Discussion Regarding Union Contract Negotiations for AFSCME, LELS-Patrol, LELS-Sergeants & LELS-Captains (Discussion Closed to the Public)

Administrative Services Director Lasher reviewed the Staff report in regard to the union contract negotiations for AFSCME, LELS-Patrol, LELS-Sergeants, and LELS-Captains. She asked that they move to Closed Session.

Motion by Councilmember Woestehoff, seconded by Councilmember Olson, to recess the meeting to Closed Session at 8:43 p.m.

Motion carried. Voting Yes: Mayor Kuzma, Councilmembers Woestehoff, Olson, Howell, Musgrove, Riley, and Specht. Voting No: None.

The meeting reconvened to Open Session at 9:50 p.m.

Administrative Services Director Lasher shared that Council and Staff discussed union negotiation strategies for the upcoming contract which will begin January 1, 2025. She stated Staff has received Council's direction and they will proceed accordingly.

3. TOPICS FOR FUTURE DISCUSSION

3.01: Review Future Topics/ Calendar

Noted.

4. MAYOR / COUNCIL / STAFF INPUT

Councilmember Specht shared that he would like to have a discussion at an upcoming Work Session on the big picture of code enforcement.

5. ADJOURNMENT

The Work Session of the City Council was adjourned at 9:51 p.m.

Respectfully submitted,

Brian S. Hagen
City Administrator

ATTEST:

Katie M. Schmidt
City Clerk

Drafted by Ava Major
TimeSaver Off Site Secretarial, Inc.

**CITY COUNCIL CLOSED SESSION
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Ramsey City Council conducted a Closed Session on Tuesday, August 27, 2024, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Mayor Mark Kuzma
Councilmember Chelsee Howell
Councilmember Debra Musgrove
Councilmember Michael Olson
Councilmember Chris Riley
Councilmember Dan Specht
Councilmember Matt Woestehoff

Also Present: City Administrator Brian Hagen
Administrative Services Director Colleen Lasher
City Attorney Fritz Knaak

1. CALL TO ORDER

Mayor Kuzma called the Closed Session of the City Council to order at 8:43 p.m.

2. COUNCIL BUSINESS

2.01: Discussion Regarding Union Contract Negotiations for AFSCME, LELS-Patrol, LELS-Sergeants & LELS-Captains (Discussion Closed to the Public)

Administrative Services Director Lasher reviewed the Staff report in regard to the union contract negotiations for AFSCME, LELS-Patrol, LELS-Sergeants, and LELS-Captains.

Staff received direction from the Council

3. ADJOURNMENT

Motion by Councilmember Musgrove, seconded by Councilmember Woestehoff, to adjourn the Closed Session.

Motion carried.

The Closed Session was adjourned at 9:50 p.m.

Respectfully submitted,

Brian S. Hagen
City Administrator

ATTEST:

Katie M. Schmidt
City Clerk

Drafted by Ava Major
TimeSaver Off Site Secretarial, Inc.