



CITY COUNCIL WORK SESSION
City Hall: 3750 Bridge St NW
Monday, October 27, 2025 at 5:30 PM

AGENDA

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. AGENDA ITEMS**
 - A. Fire District Considerations
 - B. Levy Discussion
- 4. ADJOURNMENT**



WORK SESSION
 AGENDA REPORT

TO: Mayor and Council
 FROM: Kate Thunstrom, City Administrator
 SUBJECT: Fire District Considerations
 DATE: October 27, 2025

As the Rum River Fire District continues to move forward, the city will enter into several agreements to address: the use of the facility, the role of the fiscal agent and employment and fund transfers. Below is a list of items that need to be identified within these agreements that require Council consideration.

#	Item for discussion	Financial impact	Comments
1	Fiscal Agent Fee	District to pay city \$24,000 per year.	This covers all financial work related to accounts payable, payroll, audits, tracking of funds, etc.
2	Fiscal Agent Fee	District to begin payment January 2027	Funds were not budgeted for in 2026 budgets. All work completed in 2026 will be under city expense.
3	District Health and other benefits	Benefits will be the expense of the district, no expense to city.	District will be considered a "Control Group" under the City benefits. They will be required to follow the sale personnel policies for benefit eligibility.
4	Legal Representation	Legal expense will be the expense of the district, no expense to city	City will continue to maintain its retainer with BGS. The District will be covered by the city retainer but will not provide financial support. BGS will bill district directly for all costs
5	Transfer of Fiscal responsibilities	The following items will be transferred from the city to the District through the Agent:	Financial software, website, auto and employment insurance, auto lease and acquisition, cellular and hotspot devices and plans, credit cards, PERA, utilities, work Comp,

			employee benefits, contingency and reserves, CIP, investments, IT and Tech services, Insurance as required by LMC
6	Fiscal Agent Term	Initial term for a period of five years (12/31/2025) with an auto renewal clause for every five years	Five years will allow any changes in participants or fiscal agents to be transferred or trained
7	Shared Space Agreement Fee	District shall pay city \$3.600 to \$4.000 per month	Fee covers janitorial, garbage, camera and security, elevator, fiber, property insurance, general administration
8	Shared Space Fee	City did not add cost of debt/Bond to monthly shared space fee.	Amount of bond is supported currently through SF residents. Council to determine if they wish any part of the debt to be included in fee.
9	Shared Space Fee	District to begin payment January 2027	Funds were not budgeted for in 2026 budgets. All costs incurred in 2026 will be under city expense.
10	Utilities	District to pay its % portion of the building utilities for electricity and gas	Currently within Fire budget, there is no impact to district or City.
11	Water and sewer – building metered	No cost to the district for water and sewer	Currently the city does not charge itself for water and sewer.
12	Water – bulk	No cost to the district for bulk water use from hydrants and fill station	Currently the city does not charge itself for these items. They are required to be tracked and will continue to be for state reporting.
13	Building Maintenance	District will be responsible for 100% of its maintenance costs in District space	City will be responsible for its space. This will be identified on an attachment to the agreement
14	Building Maintenance	For shared space, the city and district will split costs 50/50	This would include space such as fitness, mothers room, bathrooms
15	District Improvements	Must have approval from the city.	This is for construction, alteration, replacement or major repairs
16	Employment separation	Current employees will resign from the city and be hired by the district	Council will approve the resignation at a CC meeting.

17	Start Up Transfer	District requires funds for opening new banking accounts, staff proposes a transfer of \$10,000.	The \$10,000 will be deducted from the January transfer to the District. This is a one-time transfer.
18	Public Service Funds	Fire Dept.'s current balance is \$79,000. Amount is subject to change if any funds are used before the end of the year.	CC originally authorized \$150k of PS funds for \$50k salary and equipment. Balance to be transferred to be used for eligible expenses.
19	Gambling Funds	City unable to transfer funds	Gambling funds to be used on other public safety equipment
20	PERA	City has no accounts that are held for transfer.	All funds go directly to PERA and will continue through the District
21	Capital Improvement Funds	City will transfer \$435,000 to the district. Amount is subject to change if any funds are used before the end of the year.	These funds were collected and set aside for future fire equipment. Amount is based on balance as of 12/31/2025
22	ESST for two full time employees	City will transfer 50% of employee balance for the last pay period of the year.	This is the amount that would be paid out in the event the employee resigned from the district.
23	ESST for part time employees	No city transfer of funds. ESST ends when employee resigns for PT.	Not required by law and follows personnel policy.
24	Vacation for two full time employees	City will transfer 100% of employee balance for the last pay period of the year.	This is the amount that would be paid out in the event the employee resigned from the district.
25	Bethel contract	City will transfer funds received from Bethel contract to the district for 2026	This is to follow what was agreed upon within the original three-year shared service agreement.
26	Vehicle – Leases	District will assume lease payments of three existing vehicles	Two additional vehicles in 2026 will be full responsibility of District
27	Vehicles – Donation	City will donate fire vehicles. Vehicle list will be present in final documents. City resolution will be required	District will be responsible for all repairs, replacement, purchase and sale of all vehicles moving forward.
28	Tanker 2- CDBG	Process pending from Anoka County	City purchased truck using federal block grant. Waiting for legal update

			from county on best way to manage transfer.
29	Other Fire Equipment	City to donate other equipment identified in attached. City resolution will be required. Equipment list will be present in final documents.	District will be responsible for all repairs, replacement, purchase and sale of this equipment.
30	Building related Equipment	City to donate furnishings and equipment directly associated with Fire district space within the building	District will be responsible for all repairs, replacement, purchase and sale of this equipment.
31	Payment Dates to District	January 15 and July 15 of each year.	As a contract, the city will transfer funds to the district in two increments throughout the year. Dates will be set for all cities involved through District agreements.
32	Fee's	Burn permits, other revenues, etc. 1. Is City setting rates and collecting all fees to be included in City revenues? 2. If City sets and collects, are we giving an annual transfer to the district? 3. Is the district setting and collecting fees to be kept with the district? City would not handle any financial movement of funds.	City needs to determine how fire related revenues will be handled. This will impact our fee schedule.

So Council is aware, with this beginning at the start of the year, there will be accounts payable and payroll transactions that fall over the first of the year and will need to be reconciled between the District and the City. Staff are proposing a one-time true-up for the first meeting in February that will identify all transfers for this reconciliation for auditing purposes. This will be completed through a Resolution.



**WORK SESSION
AGENDA REPORT**

TO: Mayor and Council
FROM: Darcy Mulvihill, Finance Director
Kate Thunstrom, City Administrator
SUBJECT: Levy Discussion
DATE: October 27, 2025

OVERVIEW:

Cities begin their budgeting process in May for the following year. As staff complete those early projections, there are assumptions on the costs of goods and services, vehicle repairs, wind/storm damage, fire responses, road salt needs, potholes, etc. 18 months in advance. At that time, staff make assumptions on issues that impact the next year’s budget.

Budgets are created based on a year-over-year review of actual costs with inflationary projections and updated costs from service and professional contracts. Budgets are set with the intent of getting as close as possible to actual cost with the understanding that a city by law must have a balanced budget.

At the July work session, we discussed a preliminary levy pending final numbers from Anoka County as tax values were outstanding. County values are not received until August and can impact our Levy with an increase or decrease.

Since Council set the Levy cap in September, we have reviewed the budget and identified potential inflation markers that could be pulled back. The number below identifies how this would adjust the final levy in December. If the overall economy holds and the costs of goods and services stabilize, the anticipated budget could be in line with operational needs.

If Council chooses to reduce the budget to work towards the rate below, and the economy and assumptions of emergency needs does not hold, the following risks apply.

1. If the operational expense of the city comes in higher than the budget set, Staff will be required to request Council to release and utilize reserves.
2. If the operational expenses of the city come in higher than set for 2026, this will impact the 2027 budget as it will be required to address 2026 shortfalls, and meet the financial inflationary needs of 2027

The following table shows how a shift in the levy rate from 16.09% to 14.47% will affect different valued homes for city taxes only.

Estimated Market Value *	As Proposed 2026 City Taxes	With Cuts 2026 City Taxes	Yearly Difference
250,000	\$ 1,350.94	\$ 1,328.45	\$ (22.49)
270,000	\$ 1,480.95	\$ 1,456.30	\$ (24.65)
290,000	\$ 1,611.26	\$ 1,584.44	\$ (26.82)
310,000	\$ 1,741.57	\$ 1,712.58	\$ (28.99)
330,000	\$ 1,871.89	\$ 1,840.73	\$ (31.16)
350,000	\$ 2,002.20	\$ 1,968.87	\$ (33.33)
370,000	\$ 2,132.51	\$ 2,097.01	\$ (35.50)
390,000	\$ 2,262.82	\$ 2,225.15	\$ (37.67)
410,000	\$ 2,393.13	\$ 2,353.30	\$ (39.83)
430,000	\$ 2,523.44	\$ 2,481.44	\$ (42.00)
450,000	\$ 2,653.76	\$ 2,609.58	\$ (44.18)
470,000	\$ 2,784.07	\$ 2,737.73	\$ (46.34)
490,000	\$ 2,914.38	\$ 2,865.87	\$ (48.51)
510,000	\$ 3,044.69	\$ 2,994.01	\$ (50.68)
530,000	\$ 3,168.13	\$ 3,115.39	\$ (52.74)
550,000	\$ 3,287.68	\$ 3,232.96	\$ (54.72)

Levy adjustments throughout our discussions have gone as follows:

- July 28 Work session – projected rate 16.09%
- September 15th CC meeting -Levy rate set at 16.09%
- October 27th work session discussion- projected rate at 14.47%. This figure was reached with a budget cut of roughly \$95,000.

As it does not make it easier for SF residents, SF is not unique in our 2026 levy numbers and the strains of inflation on operating costs. Statewide levy increases for 2026 range from 3.5% to 30% with many of the higher increases impacting cities outside of the metropolitan area. This does not include what Counties and school districts are faced with due to changes at the State and Federal levels.

COUNCIL DIRECTION

Staff is requesting Council to provide direction on the budget and Levy goals to be used in the December meeting. The decision tonight will set the totals for the December meeting presentation as well as Resolutions that are submitted to Anoka County on behalf of the 2026 tax year.

Does Council want Staff to reduce the budget and Levy to the 14.47% or leave the numbers as set at the September 15th Council meeting?

Attachments: none