



**Meeting of the City Council
Held at the Elk River City Hall
Monday, September 15, 2025**

Members Present: Mayor John Dietz, Councilmembers Cory Grupa, J. Brian Calva, Mike Beyer, Jennifer Wagner

Members Absent: None

Staff Present: City Administrator Cal Portner, Economic Development Director Brent O'Neil, Business Services Director/Assistant City Administrator Joe Stremcha, Finance Manager Lori Stich, Fire Chief Mark Dickinson, Assistant Fire Chief Joe Libor, Jr., Police Chief David Kuhnly, Police Captain Darren McKernan, Police Captain Joe Gacke, Public Works Director/Chief Engineer Justin Femrite, Human Resources Manager Lauren Wipper, Community Development Director Zack Carlton, and City Clerk Tina Allard

I. CALL MEETING TO ORDER

I.1 City Council Special Budget Meeting Notice

2. 2026 BUDGET

2.1 2026 Budget Discussion

Mr. Portner explained the new budgeting software, along with net tax capacity and how property tax appraisals, new construction, and property improvements can affect a property owner's taxes.

Councilmember Wagner asked if the fleet management software could be streamlined. Mr. Portner explained that each vehicle brand has its own software. He further noted they are evaluating cost savings in various areas of fleet maintenance, along with limiting the makes of vehicles when possible.

Mayor Dietz asked how much additional revenue the city would collect from the \$2 million in net tax capacity. Mr. Portner stated it would be \$2 million times the tax rate. Mayor Dietz asked if this would decrease the levy. Mr. Portner stated it does not change the levy, but changes who pays for it. He outlined this with the tax impact handout, noting that if the tax rate stays the same, the only people who will see changes are those who added or lost value to their home.

Mayor Dietz outlined his ideas to reduce the budget:

- He asked the Elk River Municipal Utilities (ERMU) Commission about increasing the Payment in Lieu of Taxes (PILOT), noting they currently pay the city 4%. The ERMU Commission was not in

favor and pointed out that they donate another .5% (\$250,000-\$300,000) for various items, but the majority for streetlight electricity. Mr. Portner questioned whether the electricity could be considered a donation because the lights belong to ERMU. He stated the city would have a utility fee passed onto the homeowner. Mayor Dietz stated ERMU is preparing a report detailing the expenditures, and he is considering going back to the Commission to ask for a 0.5% increase, which would provide the city with an additional \$200,000. He noted that most utilities nationally pay 5%.

- Take \$100,000 from Reserves.
- Move street equipment supplies and staff costs to the Pavement Management Fund, which may reduce the General Fund by about \$100,000. Mr. Femrite stated that a \$1 fee increase would increase revenue annually by \$170,000 if there were a desire to shift costs of personnel. He noted the City Council wanting to be cautious of creep when implementing this program initially and that there are state law pieces that may be of concern and should be vetted. The mayor stated that increasing the pavement management fee by \$1 would help reduce taxes by more than the \$12 per year they would pay toward this fee.

Mr. Portner stated there is not much change in property taxes with the current tax rate, and most property owners would see a decrease. He explained the 7.2% levy is needed to cover the General Fund budget. He stated if the Council reduces the levy, all the new homes are not going to pay their fair share in taxes. He stated as long as the Council keeps the tax rate steady, it's going to bring new tax revenue in and fill the general levy gap. When the Council decreases the tax levy then you are not having that new added value as everyone else that was already there previously. And some people who did not see an increase or decrease are going down even further so you are only hitting a small window of people. Councilmember Wagner noted that the staff wants the Council to focus on the tax rate versus the tax percentage, but the public doesn't understand this with their tax statement. She noted the tax rate is less than 1% from last year, but the Council should still evaluate the proposed budget.

Mr. Portner expressed concern about the sustainability of the Council's practice of taking funds from other places to fill budget gaps. He stated that when these other funds are depleted in the future, they will all have to be replaced with a high levy.

Councilmember Wagner asked if line items in the budget could be reduced by \$100,000 rather than transferring it from the fund balance. Mr. Portner stated that the Council has been reducing these numbers over many years. He reminded the Council how tight the budget was last year, expenditures were just \$68,000 less than the budgeted amount, and he further expressed concerns about unknown issues/expenses that could occur. Councilmember Wagner asked if there was anything in this budget that the city could live without. Mr. Portner stated we could change our business model and get rid of non-core services.

Councilmember Calva asked about the internal budget process with staff, which Mr. Portner explained. Councilmember Calva stated that staffing and pay increases are off the table for him. He asked if staff could review their budgets and find items they could live without. Mr. Portner stated this doesn't work because what you don't do this year is compounded the next year. He further stated that when buying down next year's budget with what we think may be a surplus in this year's budget, it is more challenging now because we are at that point where we don't have the means to do this with such tight budget balances.

Councilmember Beyer stated the Council would be asking for an additional \$1.2 million from taxpayers.

Mr. Portner stated that inflationary costs for personnel alone are 5% of the \$17 million portion of the budget.

Mr. Portner stated the city would be out of compliance with its financial management policy with the liquor fund drawdown. Mayor Dietz noted we may need to amend our policy.

Mayor Dietz suggested the Council add \$50,000 in revenue from ERMU due to a rate increase and move \$50,000 in supply expenses from the General Fund to the Pavement Management Fund. He can't support the new fire position request. He noted that with these changes, the savings would be about \$175,000, which would bring the levy close to 6%. He's not sure how the Council can do better than this at this point.

The Council discussed gambling revenue and agreed to have a future discussion on implementing a new program where gambling organizations are required to contribute a portion of their net profit to a fund administered by the city.

Mayor Dietz asked the Council if the goal was to get to a 6% preliminary tax levy for this meeting. Councilmember Beyer and Calva would like to review the fire position before determining to eliminate it, and would like to reduce \$100,000 elsewhere in the budget. Councilmembers Grupa and Wagner would like the position justified. Mayor Dietz noted the hesitancy of the Council to remove the fire position and the pavement management fund proposal and asked if the preliminary levy should be kept at 7.4%. Councilmember Calva challenged the Council to find \$73,000 to \$100,000 to cut between now and the next meeting. The Council concurred.

3. MOTION TO ADJOURN REGULAR MEETING



John J. Dietz, Mayor



Tina Allard, City Clerk