BIG LAKE CITY COUNCIL
SPECIAL WORKSHOP MINUTES

AUGUST 12, 2026

1. CALL TO ORDER

Mayor Paul Knier called the meeting to order at 4:00 p.m.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

3. ROLL CALL

Council Members present: Ken Geroux, Ken Halverson, Paul Knier, Kim Noding, and Paul Seefeld. Also present: City Administrator Hanna Klimmek, Finance Director Deb Wegeleben, City Clerk Gina Wolbeck, Police Chief Sam Olson, Liquor Store Manager Greg Zurbey, City Engineer Layne Otteson, Streets/Parks/Fleet Superintendent Norm Michels, and Water/Wastewater Superintendent Dan Childs.

4. PROPOSED AGENDA

Council Member Seefeld motioned to adopt the proposed Agenda as presented. Seconded by Council Member Geroux, unanimous ayes, Agenda adopted.

5. BUSINESS - 2027 Budget Review

Deb Wegeleben provided information on the 2027 draft Budgets. Wegeleben reviewed before setting the actual levy, staff and the City Council must estimate the expected City expenditures for the next calendar year. Staff also reviews and/or anticipates all non-property tax revenues. This includes charges for services, license/permit fees, fines/forfeitures, as well as intergovernmental revenues. Intergovernmental revenues include State Aid received for yearly street maintenance, as well as funds received to support both the Police and Fire retirement funds and any other grants received from any other governmental agency. Also included in non-property revenues is the annual $450,000 transfer from the Liquor Store. The proposed 2027 General Fund Budget totals $8,170,587, representing an increase of $378,834 (4.86%) over the adopted 2026 budget. The proposed budget maintains current service levels, includes no new General Fund positions, and continues the City's commitment to responsible financial management through long-term planning, strategic capital investment, and fiscal sustainability. The proposed 2027 budget maintains current service levels while making strategic investments in infrastructure, technology, and capital improvements, positioning the City for continued long-term financial sustainability. The General Fund is the City's primary operating fund and finances the essential municipal services provided to residents, businesses, and visitors, including public safety, streets, parks, planning, engineering, administration, finance, elections, and community recreation. Wegeleben explained only the 2027 Budget and 2027 Preliminary Property Tax Levy are proposed for adoption. The 2028 Planning Budget and 2029-2032 Concept Budgets are planning tools that will be reviewed and updated annually to reflect changes in financial conditions, development activity, legislation, and City Council priorities.

Wegeleben also reviewed the proposed 2027 Preliminary Property Tax Levy consists of four primary components including the General Levy (supports day-to-day City operations and municipal services, the Debt Service Levy (pays principal and interest on outstanding bonds), the Abatement Levy (funds approved tax-abatement agreements), and the BLEDA Levy (supports future redevelopment and economic development). The proposed General Levy shows an increase of approximately 4.67% to support inflationary operating costs, personnel expenses, contractual obligations, and the continued delivery of existing municipal services. The proposed Debt Service Levy funds the annual principal and interest payments on the City's outstanding bonds, including the first full levy associated with the 2026 Lease Revenue Bonds issued to finance the new Public Safety Facility. The proposed BLEDA Levy is temporarily reduced during 2027 and 2028 to help offset a portion of the Public Safety Facility debt levy. Beginning in 2029, the levy is projected to gradually increase, allowing BLEDA to continue supporting future economic development while contributing to long-term debt obligations. The Abatement Levy is increased only as necessary to meet existing tax abatement obligations.

The projected 2027 City tax rate is approximately 43.51%. Based on current estimates, the City portion of the property tax increase for a home with an estimated market value of $350,000 is approximately $7 per month, or about 22 cents per day. The proposed 2027 Debt Service Levy is approximately $1.1 million, and will fund all required principal and interest payments due during 2027, including the first full levy associated with the 2026 Lease Revenue Bonds issued to finance the new Public Safety Facility. In prior years, excess debt service reserves were available to reduce the annual debt service levy for certain bond issues. Those reserves have now been substantially utilized, requiring the City to levy the full amount needed to meet its scheduled debt obligations. Wegeleben explained debt financing allows the City to construct major public infrastructure, such as streets, utilities, parks, and public safety facilities, while spreading the cost over the useful life of those assets so that both current and future users share in the cost of these long-term community investments. The City continues to manage its debt responsibly through long-term financial planning, maintaining strong creditworthiness, and balancing infrastructure investment with long-term affordability for taxpayers.

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Wegeleben reviewed maintaining a healthy General Fund balance remains one of the City's highest financial priorities. Current projections indicate the City will remain above its adopted minimum fund balance policy throughout the planning period. However, the unrestricted fund balance is projected to gradually decline as future capital needs, declining Local Government Aid, and infrastructure investments are incorporated into the long-range financial plan. Current projections indicate the unrestricted balance may decline to approximately 42.38% by 2032 while remaining above policy but leaving less financial flexibility than exists today. A strong fund balance allows the City to 1) maintain adequate cash flow before property taxes are received, 2) respond to emergencies and unforeseen expenditures, 3) reduce reliance on short-term borrowing, 4) maintain a strong bond rating, and 5) provide financial flexibility during economic uncertainty. Wegeleben stated the City's goal is not simply to maintain reserves, but to responsibly balance the use of those reserves while investing in infrastructure and preserving long-term financial stability.

Wegeleben reviewed the Capital Improvement Plan for 2027-2032. The City continues to prioritize long-term infrastructure planning through its Rolling Capital Improvement Program (CIP). The CIP identifies anticipated capital replacement needs and infrastructure investments several years in advance, allowing the City Council to evaluate priorities, funding needs, and project timing before implementation. Rather than relying solely on debt financing, the City makes annual transfers to dedicated Capital Improvement Funds to support future equipment replacement, street maintenance, technology upgrades, park improvements, facility maintenance, and other long-term capital needs. This funding strategy allows the City to accumulate resources over time, helping reduce future borrowing while minimizing large fluctuations in property taxes and utility rates. The proposed 2027 General Fund Budget includes a $450,000 transfer to the Street Maintenance Capital Improvement Fund. The long-term financial plan increases this transfer to $500,000 in 2028 and $700,000 beginning in 2030 to address the City's growing infrastructure and capital replacement needs. If Local Government Aid continues to decline, the City Council will need to evaluate how future capital transfers are allocated among street maintenance, equipment replacement, building maintenance, and other infrastructure priorities. As of July 31, 2026, the City's Capital Improvement Funds had a combined cash balance of approximately $10.2 million. While this represents a strong financial position, most of these funds have already been committed or designated for projects identified in the City's Capital Improvement Plan. Maintaining dedicated capital reserves enables the City to replace aging infrastructure and equipment on a planned schedule, respond to unexpected capital needs, and reduce reliance on debt financing whenever practical. Additional funding strategies include annual transfers from the Municipal Liquor Fund to the Parks Improvement Capital Fund beginning in 2027, as well as continued support for Fund 141 until the internal Sewer Fund loan has been repaid. The City also maintains dedicated capital improvement funds within its Enterprise Funds to support future water, sewer, and storm water infrastructure improvements, helping ensure these utility systems remain financially sustainable. Although the City's Capital Improvement Funds have a combined cash balance of approximately $10.2 million, most of these funds have already been designated for planned infrastructure, equipment replacement, technology upgrades, and other future capital projects. Approximately $1 million remains unallocated and available to address emerging capital needs or future City Council priorities.

Wegeleben also provided an update on Local Government Aid. The City will receive $499,861 in certified Local Government Aid (LGA) for 2027, approximately $127,000 less than 2026. Under current planning assumptions, LGA could continue declining and may reach zero by 2031 if state law remains unchanged. Because LGA has historically supported capital replacement, declining aid creates a projected capital funding gap of approximately $1.5 million by 2031. The City's rolling financial plan gradually increases levy-supported capital funding and transfers to help offset this loss while avoiding sudden increases in future property taxes.

Wegeleben reviewed Enterprise Funds, noting unlike the General Fund, the City's Enterprise Funds operate similarly to private businesses and are intended to be financially self-supporting. Rather than relying on property tax revenues, these funds are supported primarily through user charges, service fees, and operating revenues generated by the respective enterprise. The City's Enterprise Funds include both its utility operations and the municipal liquor store, each of which plays an important role in the City's long-term financial health. The City's Enterprise Funds consist of the Water Utility Fund, the Sewer Utility Fund, the Storm Water Utility Fund, and the Big Lake Liquor Store Fund. Each Enterprise Fund is budgeted independently and is expected to generate sufficient revenues to support its operating expenses, debt service, equipment replacement, infrastructure rehabilitation, and future capital improvements. This financial structure ensures that the costs of providing these services are borne primarily by the users who benefit from them, rather than by the City's property taxpayers. In addition to providing essential public services, the Enterprise Funds contribute to the City's long-term financial sustainability. The utility funds maintain and invest in critical public infrastructure, while the Big Lake Liquor Store generates operating revenues that help support community amenities and reduce pressure on the General Fund through planned capital transfers. Wegeleben both the Water Utility Fund and the Sewer Utility Fund will being contributing toward repayment of the Public Safety Facility Lease Revenue Bonds beginning in 2027 in accordance with the bond financing plan. The Big Lake Liquor Store is a self-supporting municipal enterprise that provides a convenient retail service to the community while operating in a financially responsible manner, and generates revenues that support other City priorities through planned transfers to capital improvement funds, helping reduce long-term reliance on property taxes for community investments. The proposed 2027 budget assumes continued sales of THC products. Without these sales, projected revenues are expected to decline by approximately four percent, resulting in a corresponding reduction in annual operating income. Staff will continue to monitor sales trends and market conditions to ensure the Liquor Store remains financially stable while adapting to changes in consumer demand. Beginning in 2027, the long-term financial plan includes annual transfers from the Liquor Fund to the Parks Improvement Capital Fund. This funding strategy allows a portion of the Liquor Store's operating profits to be reinvested directly into community parks and recreational amenities, reducing future reliance on property taxes to fund these capital improvements. The City remains committed to operating the Liquor Store in a fiscally responsible manner while balancing competitive retail operations with its long-term role as a revenue-generating enterprise that supports the community's infrastructure and quality-of-life investments.

Wegeleben reviewed the 2027 Economic Development levy. The Big Lake Economic Development Authority (BLEDA) serves as the City's primary economic development organization, promoting business retention, redevelopment, investment, and sustainable economic growth. Through strategic planning and financial investment, BLEDA works to expand the City's tax base, encourage private investment, create employment opportunities, and strengthen the local economy. The proposed 2027 Special Benefit Levy is $10,000, representing a $150,000 reduction from the 2026 levy. The reduction in BLEDA's levy helps offset the increase required in the City's Lease Revenue Bond levy. Because both levies are supported by the same taxpayers, this strategy minimizes the overall property tax impact while preserving BLEDA's financial flexibility for future economic development opportunities. The temporary reduction in the Special Benefit Levy during 2027 and 2028 reflects BLEDA's contribution toward the City's Public Safety Facility debt service by reducing its portion of the overall property tax levy during the first two years of debt repayment. Beginning in 2029, the proposed increase to $100,000 annually will allow BLEDA to resume contributing toward the Public Safety Facility debt service while continuing to support its economic development mission.

Wegeleben discussed the City’s Long-term financial outlook, noting the City's financial position remains strong; however, several long-term challenges will require continued planning, disciplined financial management, and strategic investment. Through its rolling five-year financial plan, the City is proactively identifying future financial obligations and developing funding strategies that maintain service levels while protecting long-term financial sustainability. Key issues identified during development of the 2027 budget include 1) declining Local Government Aid, 2) capital Replacement needs, 3) future infrastructure needs, 4) workforce planning, and 5) financial sustainability. Wegeleben stated that by planning beyond a single budget year, the City is better positioned to make informed financial decisions, preserve high-quality municipal services, and continue building a stronger Big Lake together for current and future residents.

Wegeleben reviewed recommendations from the City’s Finance Committee, noting the Finance Committee reviewed the proposed 2027 Preliminary Budget, 2028 Planning Budget, and 2029–2032 Concept Budgets. Based on its review, the Committee recommends forwarding the proposed 2027 Preliminary Budget and Preliminary Property Tax Levy to the City Council for consideration while incorporating any policy direction provided during the budget workshop prior to certification of the preliminary levy. The proposed 2027 General Fund Budget maintains current service levels while positioning the City for long-term financial stability through responsible budgeting, strategic capital investment, and proactive financial planning.

Mayor Knier discussed we are seeing higher utility rates than where we have been historically. This is in part due to the public safety facility, which he feels is a necessary expense, but another part is the LGA decrease we are anticipating. Knier stressed we need to consider the $18B our state government blew, stole, frauded away. That is $1M 18,000 times. They could have given $1M 18,000 different times. There are about 580 cities in MN, which would equate to 21 years of $1M payments of LGA to every city in MN, they frauded it away. We still have the expenses, great staff, protections, parks, roads expenses, we just aren't getting that LGA funding. He stated he hopes it changes, but that is why we are seeing rates higher than what they have been historically.

Council Member Halverson asked if we can bid the Marco IT contract when it comes due. Wegeleben responded there will be a number of service contracts that will be coming due when we will be moving into the new Public Safety Facility, so we will request RFP's for these types of service. Wegeleben clarified MN Statute does not require we go out for bid for professional services. Halverson stated we need to be bidding these contracts out, as well as contracts for professional services, regardless if the state requires it or not.

Council Member Noding asked if we have funds budgeted to establish a fourth voting precinct. Gina Wolbeck reviewed the need for a fourth precinct will be evaluated once the new Public Safety Facility is built and we see how well it handles the number of voters in that precinct. If there is a need to establish a fourth precinct, we will start the process to do that as we do have funds set aside for that expense.

Council Member Seefeld asked if an archery range is in the budget. Wegeleben discussed it is in the parks long term CIP plan. Council Member Noding discussed an eagle scout will be presenting plans for an archery range at the next Council Meeting.

Wegeleben reviewed Council will consider setting the Preliminary Levy at the September 16, 2026 council meeting. Once the Preliminary Levy is set, Council cannot go above that amount when they set the Final Levy in December. Wegeleben asked if Council is in favor of the Preliminary Levy being set at $6,865,952.

Council Member Seefeld discussed he would like to see the skate park and Mitchell Farms park constructed, and Mayor Knier and Council Member Noding agreed. Mayor Knier stated that lower-cost options for improvements at Mitchell Farms Park should be explored. Halverson commented we have had many more people asking for park equipment at Mitchell Farms Park than for a skate park, and Council Member Seefeld disagreed with Halverson's statement, stating he has been contacted by numerous parties wanting to have the skate park reconstructed. Wegeleben confirmed Norm Michels will be bringing these projects to a council workshop sometime this fall for discussion.

Council directed staff to leave the Preliminary Levy amount at $6,865,952 for consideration at the September 16, 2026 council meeting.

6. ADJOURN

Council Member Seefeld motioned to adjourn at 4:37 p.m. Seconded by Council Member Noding, unanimous ayes, motion carried.

Gina Wolbeck	08.19.26
City Clerk	Date Approved by Council