



CITY COUNCIL MEETING

AGENDA ITEM

Prepared By: <i>Allie Polsfuss, City Administrator on behalf of the Finance Committee</i>	Meeting Date: 12/1/2025	Item Public Hearing	Item Name: <i>Hold Public Hearing and Approve 2026 Final Budget and Levy</i>
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COUNCIL ACTION REQUESTED

Approval of 2026 Final Budget and Levy. The Finance Committee has reviewed this final budget.

BACKGROUND

The City Council approved 2026 Preliminary levy of \$3,737,362, a \$352,396 increase (10.41%) over the adopted 2025 levy. The 2026 final levy proposed for adoption is \$3,694,672 a \$309,706 levy increase (9.15%) from 2025. Below are the changes made from preliminary to final budget.

Fund	Approved Preliminary	Proposed Final
General Fund	\$3,408,712	\$3,366,022
EDA Fund	\$3,650	\$3,650
Cemetery Fund	\$20,000	\$20,000
Debt Service Fund	\$305,000	\$305,000
Total Levy	\$3,737,362	\$3,694,672
Total %Levy Increase	10.41%	9.15%
Tax Rate	36.72%	32.99%

***Note the 2025 tax rate was 35.24%*

TAX INFORMATION

Included are items from the county to compare preliminary levy and preliminary tax rate in surrounding communities. Additionally, Administrator Polsfuss selected 15 properties from various neighborhoods throughout the community to display city tax impacts on Breezy Point properties. Five of these properties belong to City Council members, and the rest were chosen at random. These values are based on the preliminary city tax levy approved in September.

- Attachment 1- Levy Comparison
- Attachment 2- Tax Rate Comparison
- Attachment 3- Tax Impact

BUDGET OVERVIEW

Below is the proposed 2026 Final Budget and Levy breakdown in comparison to 2025.

	2025 Final	2026 Final
General Fund	3,081,316	3,366,022
EDA Fund	3,650	3,650
Cemetery Fund	20,000	20,000
Debt Service Fund	280,000	305,000
Total Levy	3,384,966	3,694,672



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BUDGET INFORMATION

Attachment A contains the 2026 General Fund Operating Budget. Key drivers impacting the general fund include:

1. Increases in property and workers' compensation insurance premiums
2. Implementation of Minnesota Paid Family & Medical Leave effective 1/1/2026
3. Capital Equipment CIP and Replenishing Capital Reserves
4. Buschmann Road Bond Payment
5. Compensation and benefits for all employees
6. Inflationary increases

Attachment A includes the final general fund line-item budget.

Actions following the approval preliminary budget that have impacted changes are:

1. Reductions in CIP – Zoning Code Update Reallocated (9/17/2025)
2. LELS Contract Settled (11/3/2025)
3. Fee Schedule Discussion (11/3/2025)
4. Final Insurance Rates received
5. Inclusion of Sewer Rate Study

Equipment CIP

The 2026 Equipment CIP is to be funded through the levy in the amount of \$281,500.

During 2026 budget discussions, it was initially considered that a portion of capital purchases would be funded through the Capital Fund. However, since that time, expenditures for the City Hall project have been taken from capital reserves. To avoid further depletion of reserves, the City Council approved levying for the entire CIP.

Below is a summary of the capital budget. The items highlighted have been changed from the preliminary budget. (You'll see this total in row #86 of the budget.)

Department	Description of purchase	Cost
Administration	Zoning Code Update	\$85,000
	Codification of City Code	\$5,000
	Record Keeping Software (for digital files)	\$5,000
IT	Equipment Replacement	\$14,500
Police	Squad Replacement	\$65,000
	Heart Monitors	\$32,000
Parks	Improvements	\$30,000
Public Works	1/2 2002 New Holland Tractor/Mower Replacement	\$80,000
Other	Replenish Capital Reserves	\$50,000
Total Equipment CIP		\$281,500

OTHER FUNDS



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EDA Fund

Attachment B includes the proposed EDA budget. The EDA's expenditures include an annual payment to the Brainerd Lakes Area Economic Development Corporation. There are no proposed changes for 2026, however, staff will invite them to a future City Council meeting to update the Council per the Finance Committee's request. No changes have been made since preliminary budget approval.

TIF Fund

Attachment C includes the proposed TIF fund budget. This fund receives revenues from existing TIF districts and distributes those revenues back to property owners in accordance with development agreements. Revenues vary annually based on changes in district property values. No changes have been made since preliminary budget approval.

Cemetery Fund

Attachment D includes the proposed cemetery fund budget. No changes are proposed to the operating budget. Planned maintenance projects will be funded through the cemetery capital fund. No changes have been made since preliminary budget approval.

Capital Fund

Attachment E includes the accounting for capital (CIP) expenditures and revenues budgeted in the general fund.

Debt Service Fund

Attachment F includes the proposed Debt Service Fund budget. Notable changes include the additional \$25,000 for the Buschmann Road Project. No changes have been made since preliminary budget approval.

Sewer Fund

Attachment G includes the sewer fund budget. The sewer capital and enterprise funds are not part of the levy. This shows a sewer rate increase of 13% (to \$85 per quarter) as approved by the City Council in the fee schedule.

Sewer Capital Fund

Attached H includes the sewer capital budget.

STAFF RECOMMENDATION

Staff recommends the City Council discuss the proposed budget and approve the 2026 Final Budget and Levy.

SUPPORTING DOCUMENTS

- Attachment A: General Fund
- Attachment B: EDA Fund
- Attachment C: TIF Fund
- Attachment D: Cemetery Fund
- Attachment E: Capital Fund
- Attachment F: Debt Service Fund
- Attachment G: Sewer Funds
- Attachment H: Sewer Capital Fund