CITY COUNCIL MEETING

AGENDA ITEM

Prepared By:	Memo Date:	Item Name:
Allie Polsfuss, City Administrator on behalf of the Joint Powers Board	*08/03/2026*	***Amend Fire District Joint Powers Agreement***

BACKGROUND

The City of Breezy Point City Council prompted a conversation regarding the equity and fairness in the Joint Powers Fire District formula and the topic of rebranding the Fire District. Breezy Point Mayor Roggenkamp, Pequot Lakes Mayor Gardner, Chief Schwankl, PL City Administrator Johnson, BP City Administrator Polsfuss and BP Finance Director Rust met mid-April to discuss these points and came to a formal proposal for consideration at the Joint Powers Board July meeting. Following board discussion, they approved amendments to the JPA to reflect a change in formula to begin with the next budget cycle (2028 budget) and a rebranding of the district.

Following the meeting, the amended Joint Powers Agreement must be approved by both Pequot Lakes and Breezy Point City Council. Below is a summary of information supporting the board's discussion.

TIMELINE

The Joint Powers Agreement (JPA) between the City of Pequot Lakes and the City of Breezy Point was entered into on May 1, 2022, establishing the Pequot Lakes Fire District.

Below is a summary of significant changes and actions since initial approval:

- **May 2022**: Pequot Lakes began as fiscal agent for fire district
- **May 2022**: Initial formula approved:
  - Annual Contribution= 50% based on Fire Calls/ 50% Building Market Value
- **May 2023**: the District's first 25 year Capital Budget was approved
  - 96% of total capital budget covered by district cities, then the split based on BMV
  - 4% ($16,000) of total capital budget covered by contracted cities, the split based on BMV
  - Result: 138% increase in the City of Breezy Point's fire budget in 2024. This was paid for by reserves at the time.
- **February 2024**: Operating Formula was changed to:
  - 75% District Cities, 25% Contract cities. Then split based on BMV
  - The change was intended to benefit contract cities as old formula was getting too expensive for contracted cities.
  - The contract was never formally amended to include the new formula.
- **August 2024**: The fiscal agent transitioned to Breezy Point
- **December 2024:** $1.4 million G.O. Equipment Certificate issued by Breezy Point paid for by the district for ladder truck.
- **Currently:** it has been almost 4 years since the District has been established. We believe the district should make adjustments to better reflect operations and start strategically planning for the future.

Historical budgets can be seen in **attachment A.**

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OVERVIEW

As stated in the timeline, the formula has since been changed from the originally approved formula. Although the current operational and capital budgets are equitable for some communities, they do not appropriately reflect the cost needed to service all communities fairly.

JPA formulas in Minnesota vary but they are typically a hybrid formula including considerations for EMV, populations, households, calls, or tax capacity. These splits are often weighted so the formulas don't get skewed disproportionately by any one factor. Every community staff contacted has a consideration for call volume.

Current Operating Budget

An operating budget is driven by the ongoing day-to-day expenses required to provide emergency services. This includes personnel, calls for service, routine costs, maintenance, supplies, training, etc. Currently, the operating budget formula is an initial split 75% District, 25% Contracted and then split based on building market value. There is currently no consideration for call volume.

OPERATING BUDGET PROPOSAL

Including a 30% weighted consideration for calls for service and a 70% weighted consideration for building market values for a few reasons:

1. Aligns with service demands
    - More calls = more staff time, fuel, equipment wear, and administrative work
    - Based on an assessment done in 2023, only 20% of fire calls are for structural fires. Having the formula 100% based on BMV skews the calculation resulting in higher costs for some communities without considering the use of the resource.
2. Improves fairness
    - Corrects the imbalance of higher value and call volume
3. Reflects unique local factors that may not appear in BMV
    - Seasonal population, types of calls

Current Capital Budget

Capital costs are driven by long term asset needs, engines/emergency vehicles, major equipment, facilities, technology systems, and protective gear. Capital expenditure requires predictable, stable funding which makes the argument for a different formula than operating.

Currently, the contracted cities pay $16,000 annually for a $400,000 tender (6% of total capital budget) and the remaining capital (~$7 million) is split between the district cities over the next 25 years.

CAPITAL BUDGET PROPOSAL

Capital Budget to be split between the district cities (Breezy Point and Pequot) based on BMV for a few reasons:

1. The district needs all capital equipment regardless of serving contracted cities.
2. The capital equipment, if dissolution of the JPA occurs, belongs to the district.
3. District cities are covering the majority of the capital budget as it is, and regardless of the calls for service, the capital equipment must be accounted for.

Assuming the City's call volumes and BMV remains stable, the change in operating and capital budget formula will lead to a decrease in Breezy Point's budget by an estimated 4-5% ($10,000-$15,000) and an increase to Pequot Lake's budget an estimated 12-13% ($20,000-$25,000.)

The proposal as presented above compared to the current formula if applied to the 2027 budget can be seen in **Attachment B.** This is to give the Council an idea of the impact of the change.

REBRANDING PROPOSAL

During the meeting with representatives from Pequot Lakes and Breezy Point, it was also determined that there should be a discussion of rebranding the district from Pequot Lakes Fire District to a new name that accurately reflects the partnership that was established and the future goal of a taxing authority.

The new name is proposed to be **Northern Lakes Fire District.**

There are several benefits of rebranding:

- Equal Representation
- Improved Recruitment
- Stronger Community Identity and Engagement
- Long term Organizational Identity

The Board was supportive of the rebranding and directed staff to implement the new branding with a public rollout during Fire Prevention Week in October. Additionally, they directed staff to have a public engagement portion to designing the new patch. You can see that in **attachment C.**

JOINT POWERS AGREEMENT AMENDMENTS

Attachment C includes the amended JPA for approval. Below is a summary of the amendments made to the JPA. These have been reviewed by legal counsel.

- Remove language that is now outdated throughout entire agreement
- Page 2: Reflect rename to Northern Lakes Fire District
- Page 5: Change language to require a quorum of the Board members (4) not 5 affirmative votes
- Page 8-9: Reflect new formula effective with 2028 budget
- Page 11: Reflect new fiscal agent fee to be determined by the board each year based on actual time (for 2027 this is $12,500)

STAFF RECOMMENDATION:

Approve the JPA as proposed.