

TO: Mayor and City Council

FROM: David Chanski, City Administrator/Clerk

RE: Preliminary 2025 Budget & Levy

DATE: September 3, 2025



The Preliminary 2025 Budget levy for the City of Breezy Point as discussed by the City Council during the August 19 budget workshop is 3,385,608. This preliminary levy is a \$172,090 (5.4%) increase over the adopted 2024 Levy.

The full Preliminary 2025 Levy breakdown is as shown below:

	Current 2024	Final 2024
General Fund Levy	\$3,189,868	\$3,081,958
EDA Levy	\$ 3,650	\$ 3,650
Cemetery Fund Levy	\$ 20,000	\$ 20,000
Debt Service Fund Levy	\$ 0	\$ 280,000
Total	\$3,213,518	\$3,385,608

Potential Property Tax Implications

To help further understand the impact of this Preliminary Levy & Budget, *estimated* city property taxes were calculated for 20 properties from throughout the community. This analysis was done using the preliminary taxable market value for each property as currently listed by Crow Wing County.

Preliminary Levy Property Tax Analysis							
	2024 Property Value	2024 City Taxes	2025 Property Value	Value Change	Est. 2025 City Taxes	Difference	% Change
Property 1	\$ 358,212	\$ 1,279.92	\$ 352,390	-2%	\$ 1,236.90	\$ (43.02)	-3.4%
Property 2	\$ 494,800	\$ 1,768.02	\$ 510,658	3%	\$ 1,792.43	\$ 24.41	1.4%
Property 3	\$ 468,300	\$ 1,673.34	\$ 495,507	6%	\$ 1,739.25	\$ 65.91	3.9%
Property 4	\$ 789,200	\$ 3,078.32	\$ 844,100	7%	\$ 2,962.82	\$ (115.50)	-3.8%
Property 5	\$ 408,570	\$ 1,460.02	\$ 389,777	-5%	\$ 1,368.13	\$ (91.89)	-6.3%
Property 6	\$ 504,400	\$ 1,806.26	\$ 553,100	10%	\$ 1,941.40	\$ 135.14	7.5%
Property 7	\$ 268,233	\$ 958.34	\$ 245,838	-8%	\$ 862.90	\$ (95.44)	-10.0%
Property 8	\$ 468,200	\$ 1,672.98	\$ 525,400	12%	\$ 1,844.17	\$ 171.19	10.2%
Property 9	\$ 473,400	\$ 1,691.56	\$ 478,612	1%	\$ 1,679.95	\$ (11.61)	-0.7%
Property 10	\$ 475,600	\$ 1,705.50	\$ 533,500	12%	\$ 1,872.61	\$ 167.11	9.8%
Property 11	\$ 189,698	\$ 677.84	\$ 216,140	14%	\$ 758.66	\$ 80.82	11.9%
Property 12	\$ 356,939	\$ 1,275.28	\$ 390,809	9%	\$ 1,371.75	\$ 96.47	7.6%
Property 13	\$ 511,900	\$ 1,839.84	\$ 503,137	-2%	\$ 1,766.03	\$ (73.81)	-4.0%
Property 14	\$ 652,100	\$ 2,465.88	\$ 744,700	14%	\$ 2,613.93	\$ 148.05	6.0%
Property 15	\$ 348,947	\$ 1,246.70	\$ 312,169	-11%	\$ 1,095.73	\$ (150.97)	-12.1%
Property 16	\$ 694,600	\$ 2,655.96	\$ 760,700	10%	\$ 2,670.09	\$ 14.13	0.5%
Property 17	\$ 520,400	\$ 1,877.72	\$ 512,200	-2%	\$ 1,797.84	\$ (79.88)	-4.3%
Property 18	\$ 497,800	\$ 1,778.74	\$ 483,451	-3%	\$ 1,696.93	\$ (81.81)	-4.6%
Property 19	\$ 186,210	\$ 665.32	\$ 170,142	-9%	\$ 597.21	\$ (68.11)	-10.2%
Property 20	\$ 494,600	\$ 1,767.32	\$ 561,900	14%	\$ 1,972.29	\$ 204.97	11.6%
Averages	\$ 458,105	\$ 1,667.24	\$ 479,212	4%	\$ 1,682.05	\$ 14.81	0.6%

Current Significant Projects

There are a number of significant projects the City is currently working: City Hall Remodel & Expansion, Buschmann Road reconstruction, implementation of the new Equipment Capital Improvement Plan, and Streets Capital Improvement Plan.

The City Council accepted the not-to-exceed bid of \$2.95 million from Hy-Tec Construction in July, and the draft Equipment Capital Improvement Plan shows an annual levy of \$270,000 to fully fund the plan over 20 years with support of \$1,000,000 of cash-on-hand. While the final design on Buschmann Road is not complete, construction of the City's portion of the project (a small portion of the road is the responsibility of Ideal Township) is currently estimated to be \$3.3 million. As for the Streets Capital Improvement Plan, the plan will not be completed until the end of 2024, and the Council will discuss how to implement the Plan in 2025.

The City Council is currently discussing how much of the City Hall project to bond. Included in the Preliminary 2025 Budget is \$280,000, which would be the estimated bond payment if the entire \$2.95 million construction cost is bonded for. The annual levy of \$270,000 to support the Equipment Capital Improvement Plan is also included in the Preliminary 2025 Budget. Finally, while the Streets Capital Improvement Plan will not be completed until the end of the year, \$300,000 has been included in the Budget to begin some level of road improvement work in 2025.

A potential bond for Buschmann Road will not be formally considered until early 2025 when the full project is bid, so there is no Buschmann Road bond impact on the 2025 budget.

Budget Impacts of Significant Projects

City Administrator Chanski identified \$702,000 of existing levy dollars that can be used to help fund these significant projects. These dollars are made up of 2024 capital equipment purchases and transfers (\$130,000), an old debt payment that was kept in the levy for future projects (\$230,000), and an annual transfer to the Capital Fund for future projects (\$342,000).

The \$270,000 Equipment Capital Fund levy and potential \$280,000 City Hall project bond payment were taken out of these existing funds. This left \$152,000 of budgeted yet unallocated funds remaining. During the budget workshop on August 19, the City Council decided to use these remaining funds as well as \$150,000 of existing capital funds (cash-on-hand) to fund the budgeted \$300,000 in road improvement work. As such, the funding of these three projects did not have any impact on the Preliminary 2025 Levy.

The \$172,090 increase in the levy is primarily due to increased personnel costs and professional services costs that are described below as well as a reduction in revenue.

The remainder of this memo outlines the significant changes and additions that are reflected in the Preliminary 2025 Budget.

GENERAL FUND

Revenues

The adjustments to most revenue sources were to reflect historic and anticipated actuals. Some notable items include:

- P&I Delinquent Taxes: Increased by \$15,000 to match year-over-year actuals.
- Building Permits: Increased by \$50,000 to match year-over-year actuals and activity of building market.
- LGA/HACA/MVHC: Minnesota Department of Transportation is currently anticipating that the City of Breezy Point will receive approximately \$92,350 through the Small Cities Assistance Account in 2025.
- Pelican Police Contract: 2024 is the final year of the current 2-year service contract with the Pelican Township. Staff have already begun to discuss a new 2-year agreement with the township and anticipate the 2025 contract to be \$65,000. This would be a \$2,500 increase over 2024.
- Fines: Increased by \$5,000 to match year-over-year actuals.
- Miscellaneous & Mailbox Supports: Increased by \$7,500 to match year-over-year actuals.
- Interest Income: Increased by \$10,000 to match year-over-year actuals.
- Transfer from Other Funds:
 - o \$5,000 from the Cemetery Fund to offset work conducted at the Pelican Woods Cemetery by the Public Works Department.
 - o \$150,000 from the Capital Fund for road improvements.

Expenditures

Notable changes to department expenditures are identified below. Increases not specifically called out are increases based on anticipated cost increases, not new expenditures.

Following the salary plan changes put into effect in 2024, all City staff take their annual wage step increases on January 1, and a 3% Cost of Living Adjustment (COLA) has also been factored in to all wages as previously negotiated. Changes in Overtime, PERA, and FICA & Medicare are all reflective of changes in wages.

Training & Education and Dues & Subscriptions were increased across all departments based on an increased emphasis on professional development, which was identified priority in the 2023 Organizational Assessment.

City Council

- No significant changes.

Administration

- The Assistant City Administrator position will be vacant as of September 7. Staff is currently working with the City Council regarding how to best fill this position. Wages and benefits associated with this position may decrease prior to the adoption of the Final Levy depending how the position is filled.
- Elections: Budget reduced to \$0 as there are no elections scheduled for 2025.

City Attorney

- Legal Services increased by \$10,000 to match year-over-year actuals.

General Government

- Professional Services: There is no increase in general government professional services for 2025. As discussed by the City Council during the August 19 budget workshop, the budgeted funds are intended to be used for consultant HR services.
- Auditing & Accounting: Increased by \$8,000 for consultant accounting assistance and services related to updating the City's chart of accounts and audit preparation assistance.
- Animal Control: Increased by \$4,500 to account for annual contract increase as well as the contract with Heartland Animal Rescue Team for animal impound services.
- Pequot Lakes Fire District: Decreased by \$5,000 due to an anticipated decrease in the City's contribution to the Fire District in 2025.
- Building Maintenance: Reduced by \$9,000 due to the City Hall Remodel & Expansion Project.

Planning and Zoning

- Seasonal Wages: Decreased by \$10,000 as no seasonal/temporary employee is planned for 2025.
- Building Inspector: Increased by \$15,000 to match building permit revenue increase as inspector fees are based on building permit revenue.

Public Safety

- Repairs/Maintenance: Increased by \$5,000 based on year-over-year actuals.
- Professional Services: Increased by \$37,500. This increase is primarily due to the implementation of a new records management systems (RMS) by the Crow Wing County Sheriff's Office. Cost participation in this service is necessary for the Breezy

Point Police Department to work with the Sheriff's Office, Crow Wing County Dispatch, and the Crow Wing County Attorney's Office, who serves as the City Prosecutor.

Public Works

- Wages and Benefits: A portion of Public Works employee wages and benefits have been reallocated to Parks based on actual time spent.
- Equipment – Repairs/Maintenance: Increased by \$8,000 due to an increase in necessary repairs & maintenance.
- Road Improvements: \$300,000 has been allocated for road improvements over and above regular annual maintenance. Use of funds will be reviewed by the Ad Hoc Streets Committee, who will make a recommendation to the City Council for formal approval.

Parks & Recreation

- Wages and Benefits: As mentioned above, a portion of Public Works employee wages and benefits have been reallocated to Parks based on actual time spent.

General Fund Expenditure Summary

Altogether, the Preliminary 2025 budget has a General Fund budget of \$3,789,358. This is a \$6,010 (-0.2%) decrease over 2024.

OTHER FUNDS

EDA Fund

The sole EDA Fund expenditure is an annual payment to the Brainerd Lakes Area Economic Development Corporation (BLAEDC) for economic development services. No increase has been budgeted for 2025.

TIF Fund

The TIF Fund receives revenue from existing TIF Districts and then refunds those revenues back to property owners as determined by the development agreements approved at the creation of said TIF districts. The revenue received is dependent on the increase in TIF District property values year over year.

Cemetery Fund

The Cemetery Fund levy was increased to \$20,000 in 2024 to address an increase in expenditures due to the need to contract out general landscaping maintenance. There is no levy increase budgeted for 2025.

Debt Service Fund

The City has not had a Debt Service Fund levy since 2022. However, the levy has been increased to \$280,000 to cover a potential debt payment on a bond for the City Hall Remodel &

Expansion project. This figure may decrease pending the City Council's decision on how to bond for the project.

There is also \$135,000 in the Debt Service Fund budget to cover a bond payment on the Ladder Truck that was purchased on behalf of the Pequot Lakes Fire District in January 2024. This will not impact the levy, however, as the bond payment will be paid by the Fire District.

Capital Fund

The Capital Fund is being restructured in 2025 with the implementation of a comprehensive Equipment Capital Improvement Plan (CIP) as discussed earlier in this memo. This plan is being funded by a combination of cash-on-hand and levy dollars. Currently, \$270,000 is included in the levy to fund the CIP.

For 2025, there are \$365,000 in planned capital investments:

Administration:

- New ERP software acquisition (\$50,000)
 - Total project cost is \$100,000 but is split 50/50 with the Sewer Capital Fund.
- Remainder of Zoning Code Update project (\$85,000)

IT:

- Three new City Council laptops (\$4,500)
 - Laptops are on a 4-year replacement cycle
- Two new City Hall employee laptops (\$3,000)
 - Laptops are on a 4-year replacement cycle
- Two new Police Department employee computers (\$3,000)
 - Computers are on a 4-year replacement cycle
- One new Police squad computer and ticket printer (\$3,500)
 - Squad computers and ticket printers are replaced in the same 7-year cycle as squad vehicles.
- Seven sets of computer monitors city-wide (\$3,500)
 - Monitors are on a 7-year replacement cycle
- Public Safety Building Security Cameras (\$30,000)
 - Building security cameras are 20 years old and in need of replacement. Cameras would be the same system and replaced at the same time as the City Hall security cameras are installed, which are part of the City Hall Remodel & Expansion project.
- Public Safety Building Door Access Control
 - Building access control is 20 years old and in need of replacement. Access control would be the same system and replaced at the same time as the City Hall access control is installed, which is part of the City Hall Remodel & Expansion project.

Police:

- One squad vehicle replacement (\$61,000)
 - Squads are on a 7-year replacement cycle, and budgeted funds include the vehicle purchase, vehicle equipment, and outfit of the vehicle.
- Eight Ballistic Helmets (\$9,000)
- One LUCAS CPR Chest Compression System (\$20,000)

- Addition will ensure each Officer/Paramedic and Officer/EMT has one.
- Systems are on a 6-year replacement cycle.
- One night vision system replacement (2,500)
- Two new mobile speed signs (\$10,000)

Parks:

- \$50,000 toward future park improvements.
 - No specific project is currently planned for 2025.
 - Projects will be reviewed and recommended to the City Council by the Parks & Recreation Committee

Public Works:

- There are no capital expenditures scheduled for Public Works in 2025.

Sewer:

- While included in the CIP, Sewer capital purchases are funded by the Sewer Capital Fund, which is an enterprise fund, and not funded by levy dollars.
- 2018 Bobcat Toolcat 5600 replacement (\$70,000)
 - Originally scheduled for replacement in 2026, replacement was moved up one year due to increased maintenance costs.
- New ERP software acquisition (\$50,000)
 - Total project cost is \$100,000 but is split 50/50 with the General Capital Fund.

Sewer Enterprise Fund

As an enterprise fund, the Sewer Enterprise Fund is funded through fee revenue, not tax revenue. Revenue is anticipated to be slightly higher than 2024 based on previous year actuals and increased number of sewer connections. However, expenses are increasingly approaching total revenue and may exceed revenue in the near future. Additionally, the Sewer Study that was conducted by Widseth and presented in May 2024 identified approximately \$4 million in sewer plant improvements and additions that will need to be conducted within the next few years. As such, the City has contracted with BakerTilly to conduct a sewer rate study, and the City Council anticipates making some kind of sewer rate increase for 2025.

Fund expenditures are anticipated to increase by just over \$41,000 (9%). The majority of the increase is due to annual wage and benefit increases. The remainder is due to a \$10,000 increase for auditing and accounting services.

The 2025 Budget for the Sewer Enterprise Fund shows a projected fund balance of \$696. It is the City's policy to transfer any fund balance at the end of the year to the Sewer Capital Project Fund.

Sewer Capital Projects Fund

Revenue in the Sewer Capital Projects Fund is anticipated to be the approximately \$40,000 higher than 2024. The anticipated expenditures in the fund are \$70,000 to replace the 2018 Bobcat Toolcat and \$50,000 for the new ERP system (both listed above under the Capital Fund) as well as \$300,000 for the proposed sewer extension along CSAH 11 between Terminal Road and Red Oak Lane and \$25,000 for next steps in the Sewer Plant expansion process.

Sewer Capital Project Fund expenditures are currently projected to exceed revenues by \$279,000. This shortfall will be made up by current Sewer Capital Fund fund balance, which is currently over \$3.8 million.