



# CITY COUNCIL MEETING

## AGENDA ITEM

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<b>Prepared By:</b> <i>Allie Polsfuss, City Administrator  on behalf of the Finance  Committee</i>	<b>Meeting Date:</b> <i>9/2/2025</i>	<b>Item  Business</b>	<b>Item Name:</b> <b><i>2026 Preliminary Budget  Discussion</i></b>
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**COUNCIL ACTION REQUESTED**

2026 Preliminary Budget and Tax Levy and Set Date for Final Budget and Public Comment

**BACKGROUND**

The Finance Committee met early August to review the 2026 preliminary budget and tax levy. Since that meeting, there has been several adjustments made per the finance committee’s recommendations. The proposed 2026 Preliminary levy is a \$352,396 increase (10.41%) over the adopted 2025 levy. The City Council should review and discuss the budget and direct staff to make any revisions prior to approval.

Included in the 2026 Preliminary Budget Presentation that will be presented at the meeting.

**OVERVIEW**

Below is the proposed 2026 Preliminary Budget and Levy breakdown.

	2025 Final	2026 Preliminary
General Fund	3,081,316	3,408,712
EDA Fund	3,650	3,650
Cemetery Fund	20,000	20,000
Debt Service Fund	280,000	305,000
<b>Total Levy</b>	<b>3,384,966</b>	<b>3,737,362</b>

**FINANCIAL IMPACT**

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

1. COLA for all employees
2. Wage increases and personnel changes approved August 4, 2025
3. Employees absorbing the 2026 health insurance premium increase (6%)
4. Increases in property and workers’ compensation insurance premiums
5. Implementation of Minnesota Paid Family & Medical Leave effective 1/1/2026
6. Capital Equipment CIP

**General Fund**

Attachment A includes the general fund line-item budget. Comments are included if there was a significant change from the previous year.

Equipment CIP



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---

The 2026 Equipment CIP is proposed to be funded through the levy in the amount of \$306,500 (line 105).

During 2025 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 Finance Committee recommends levying for the full amount of the 2026 Equipment CIP.

Below is a summary of the proposed capital investments:

Department	Description of purchase	Cost
Administration	Zoning Code Update	\$85,000
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
<b>Total Equipment CIP</b>		<b>\$306,500</b>

### OTHER FUNDS

#### 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.

#### 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.

#### 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.

#### Debt Service Fund

Attachment E includes the proposed Debt Service Fund budget. Notable changes include the additional \$25,000 for the Buschmann Road Project.

#### Sewer Fund

Attachment E also includes the sewer fund budget. The sewer capital and enterprise funds are not part of the levy. Any necessary rate adjustments will be brought forward for discussion prior to final budget approval.



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### **STAFF RECOMMENDATION**

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

### **SUPPORTING DOCUMENTS**

- Attachment A: General Fund
- Attachment B: EDA Fund
- Attachment C: TIF Fund
- Attachment D: Debt Service Fund
- Attachment E: Sewer Funds