

CITY OF ST. FRANCIS
CITY COUNCIL WORK SESSION AGENDA
St. Francis City Hall Fire Station 3750 Bridge Street NW
October 27, 2025
5:30 p.m.

1. CALL TO ORDER

The City Council Work Session meeting was called to order at 5:30 p.m. by Mayor Mark Vogel.

2. ROLL CALL

Members Present: Mayor Mark Vogel, Councilmembers Kevin Robinson, Sarah Udvig, Amy Faanes, and Joe Muehlbauer.

Also present: City Administrator Kate Thunstrom, Fire Chief Dave Schmidt, and Finance Director Darcy Mulvihill.

3. AGENDA ITEMS

A. Fire District Considerations

City Administrator Thunstrom reviewed the Staff report in regard to the Fire District considerations and agreements that will need to be entered into as a part of this change.

Muehlbauer noted that it will be important to keep this separated from the City for negotiating power in the future.

Robinson asked if Bethel would be discussing these same things at their Council. Fire Chief Schmidt noted that some of these items will need to be replicated for Bethel; however, because St. Francis will be the fiscal agent, Bethel would not need to discuss this portion.

Robinson asked if Bethel would be contributing anything to the City for the remainder of the year. Schmidt said they are currently operating under the current three-year contract, so they do not owe anything else until 2026.

Mayor Vogel asked what the \$24,000 a year for the fiscal agent fee is based on. Thunstrom explained that they did some calculations to see how much time is going into payroll, audits, and other administrative items for an average year.

Mayor Vogel asked if the retainer fee for legal services would stay steady even if the Fire District grows. Schmidt said this would be subject to change based on the growth of the district.

Muehlbauer asked if there would be another subscription fee for the software since

this will be a separate entity. Finance Manager Mulvihill said it is within the ability of the software to set this up separately.

Faanes asked if the insurance held by the district takes away all liability from the City. Thunstrom said yes. She added that the City will no longer be liable for workers' compensation or auto accident claims.

Faanes asked who would be liable if a fire truck owned by the Fire District were to catch fire in a City building and damage the building. Thunstrom said they are working through this with their use agreement. She stated it would be like a tenant-landlord situation.

Faanes noted that five years seems like a long time for the fiscal agent term to start with. Thunstrom said that they have a five-year divorce clause in the agreement, so it would be a five-year term before anyone could move out of the Fire District, which follows the JPA.

Faanes said that a three-year term would make more sense to her.

Schmidt explained that they wanted to leave some agility in the agreement that if a larger entity came on board, then they could be open to the potential for them to become the fiscal agent. He added that it was also their thought to match this agreement to the current divorce clause in the JPA. He noted that they also discussed that if the Fire District were to grow to a point that they would want to hire an outside fiscal agent that is not one of the cities, then they would be open to this. He said they do not want to have extremely long terms; however, they wanted to match the terms of the JPA for consistency.

Muehlbauer said he thinks it makes sense to match this to the divorce clause of the JPA. He asked if a city wanted to join in the middle of this term, if they would just have the remainder of the divorce clause, or if it would start over at five years for this one city. Schmidt explained that the agreement would have to be amended to account for the new city, and the terms would reset with the new entity coming on board.

Udvig stated she would trust Schmidt's opinion on the length of the fiscal agent term.

Mayor Vogel asked if the Fire Board could change this down the road. Schmidt said yes and noted that the cities would have to agree to this change of objectives.

Muehlbauer noted that he is supportive of the five-year fiscal agent term, as they would be able to adjust it as time goes on.

Faanes asked who would pay for BGS services if it were for counseling between

the City and the Fire District. Thunstrom shared that BGS has several attorneys that they could use. She added that they also have another attorney who handles all of their code enforcement, which is not BGS, that they could use. She said the City would pay its own costs and the Fire District would pay its own.

Schmidt said he does not see this being a potential issue; however, they do have protection options in the event something like this arises.

Mayor Vogel asked if they needed to write this into the agreement. Schmidt said they would have to ask BGS.

Faanes asked if the City is the fiscal agent, who would be signing the checks for the Fire District. Schmidt said it will be the Fire District's responsibility to manage their assets. He noted that the City would facilitate this process by processing payroll; however, the district will have its own policies and processes established by the Fire Board.

Muehlbauer asked how the budgeting will work for the Fire District. Schmidt explained that the Fire Board will act for the Fire District as the City Council acts for the City. He said the budget will be called out on the funding formula that is in the JPA, and the Fire Board would present a budget to the cities based on the cost shares, and the cities would then decide if they are agreeable to pay this amount.

Faanes noted that it does not seem balanced to her that St. Francis will be contributing more to the Fire District than other cities, yet they will have the same amount of representation on the Board. She added that she also does not agree with Charlie being the fifth member of the Fire Board since he was the one who conducted the fire services study, as his study included things like hiring more full-time employees, which the City does not have the budget for.

Muehlbauer stated the Fire Board has the ability to manage the budget that is given to the Fire District. He added that the Council will still be able to deny funding requests from the Fire District.

Schmidt added that Charlie is only one vote, so he would not automatically get to pass everything he wants. He said his priority is to make sure that they are providing service to the community that they expect. He noted that he has no intention of asking for an increase in staffing this year.

Muehlbauer shared that he understands Faanes' concerns; however, he has worked with Bethel and knows that they are conservative with their budget as well, and their votes would help keep things manageable for both cities.

Mayor Vogel asked if the shared spaces fee would also cover maintenance at Bethel's fire station. Schmidt explained that Bethel plans on donating their fire station to the Fire District, so the utilities and maintenance would be covered by

the Fire District.

Udvig shared that she thinks they should include a percentage change for the amount of the shared space agreement, as all costs are likely to increase in the future. Mulvihill suggested 1% to 2% would be a sufficient percentage for this.

Muehlbauer stated that as interest compounds, prices rise quickly. He asked if they should write into the agreement that this should be evaluated periodically.

Robinson noted that the City does not charge itself for water and sewer. He asked if they should charge the Fire District for these utilities. He stated the residents would be paying for this water unless the Fire District pays for it. Thunstrom said it would be up to them to decide.

Muehlbauer said if the Fire District becomes its own taxing district, then the residents would be paying for the water through that tax anyway.

Schmidt added that they do not charge their mutual aid partners for the use of water when they provide mutual aid.

Faanes asked how much water is used by the Fire Department every year. Schmidt said it varies by year, and it can be hard to track when they are providing mutual aid.

Muehlbauer explained that with the increase in the water rates, they will likely have a lot of residents who think the Fire District should be charged for water. He noted that the City will be funding the Fire District, so the residents will still be paying for this water, and charging the Fire District may just add additional administrative time and effort.

Mayor Vogel asked if they could just charge an annual fee for this water usage. Schmidt said the simplest way to do this would be to do a flat annual fee for this water usage.

Muehlbauer asked if they would want to get ahead of this if the Fire District expands. Mayor Vogel said this flat fee would act as a placeholder in the event they expand.

Faanes asked how much 50,000 gallons of water costs. Mulvihill said it would cost \$449.

Schmidt recommended charging a water access fee of \$500 annually.

The Council was supportive of charging the Fire District a water access fee for water usage.

Muehlbauer noted that they have a building maintenance fund in the City for keeping up with City buildings. He asked how this would work when the Fire District is responsible for the Fire Station portion of the building. Thunstrom explained that they are going to have to get granular with the use agreement.

Schmidt shared that they already have a building maintenance budget in the Fire Department in addition to a building fund.

Thunstrom asked if they wanted the City to assume the cost of any large repairs needed to the Fire Station or if the Fire District should also share in the costs. Mayor Vogel suggested putting a placeholder in the budget for this as well. Robinson agreed.

Mulvihill suggested that they could include this in the rent amount, like a landlord would to its tenants.

Faanes asked how the remaining funds with PERA will be transferred to the Fire District account. Schmidt explained that once PERA has accounted for the JPA and the joint fire laws, then they can work on changing ownership of the St. Francis volunteer retirement fund to the Rum River Fire District fund. He noted that everyone will still have an account for their years of service. He said they do have a question on what happens to the deferred members' accounts.

Faanes asked if the City will continue to make donations to these retirement accounts. Thunstrom said they will be coming from the Fire District moving forward.

Faanes asked if the Council will be getting notified when the Fire District hires or fires anyone. Schmidt said no.

Faanes asked if they would keep the hiring process the same. Schmidt said yes.

Robinson asked if the two full-time employees would still be able to carry over their accrued vacation time. Schmidt said yes.

Mayor Vogel asked if Bethel would follow the same payment dates to the Fire District as the City would. Schmidt said that is the intent.

Mayor Vogel asked if Bethel currently has their own process for fire permits. Schmidt said he does not think they currently have a process for this.

Muehlbauer shared that he is supportive of having the Fire District take over burn permits.

Faanes asked who will be the Human Resources department for the Staff of the

Fire District, and if there are any issues. Schmidt explained that the Fire District will have its own personnel policies and processes, and the authority for handling issues would go to the Fire Chief or the Fire Board. He added that there will also be a process for grievances if someone wants to bring something above the Fire Chief.

Faanes asked if this would be something that they would look at for other departments. Muehlbauer noted that it can be very difficult to work with other Councils to try to come to an agreement. He said that until the need arises to create another district like this, it would be very difficult to get something started.

Faanes shared that she is struggling with donating City assets to a separate entity that they will not have control over. She said she would have never voted for this in the beginning. She noted that this is taking away control from the Council and giving it to the Fire District, which will have only two St. Francis Councilmembers. She said she would have been more supportive of just changing Bethel when they needed the City's assistance. Schmidt said they explored this, but it was not favorable to Bethel.

Muehlbauer explained that the nature of the paid-on-call fire departments has been struggling throughout the State and the country, which has led to the need for this Fire District.

Schmidt shared that this has been a well-discussed and vetted process from both cities involved. He added that they will still be providing the same service to the residents; it is just a different model. He noted that unless they are willing to take on significant tax levy increases to fund fire services, they have to rethink how they do things.

Udvig noted that while the Council will no longer be voting on Fire Department matters, they still have two members on the Fire Board who will be voting on these matters. She said she does not think there will be a disconnect between the Council and the Fire Board.

The consensus of the Council was to move forward with the Fire District agreements as discussed.

B. Levy Discussion

Thunstrom reviewed the Staff report concerning the 2026 levy. She shared that they were able to make reductions and bring the levy down to a 14.47% increase.

Mayor Vogel asked if their reserves are higher than they need to be. Mulvihill said yes.

Muehlbauer asked if their bond rating is affected by how much they have in

reserves. Mulvihill said it can have an effect on their bond rating.

Mayor Vogel shared his appreciation for Thunstrom and Mulvihill working to make reductions to the preliminary levy. He said he is supportive of the 14.47% increase. He stated this shows that the City is willing to share in some of the sacrifices while not being irresponsible.

Faanes agreed and said she thinks this is the right thing to do for the residents.

Robinson asked how they will be funding the Highway 47 project in the coming years, as their share will be in the millions. He shared his appreciation for the Staff bringing the increase down. He said that he believes that the Council has been frugal in the years that he has been on the Council. He added that he was supportive of the 16.09% increase, but could also be supportive of the 14.47% increase.

Udvig agreed. She noted that they are giving the residents a small decrease from the preliminary levy; however, the amount that they had to reduce could come back and hurt them in the long run. She said that they need to do something with Highway 47, and it is going to come with high costs. She stated that if they go out with a 14.47% increase for this year, they will likely have to go out with a larger increase in the coming years to cover the costs for Highway 47. She said this will just be them kicking the can down the road.

Thunstrom explained that they currently do not have anything budgeted for Highway 47, so they will have to pull a bond to pay for this project. She noted that the budget does not prepare for this project in any way.

Udvig said she does not think the average \$33 savings for residents is enough to make such a large reduction from the levy.

Mayor Vogel shared that there is a potential that they could end up with a budget surplus if they budgeted too high for things like plowing. He noted that they would be able to apply this to the following year's budget to help with that increase as well.

Muehlbauer noted that this reduction from the preliminary levy could have lasting effects for future years. He said that he understands the idea of having the City share in the sacrifices; however, this will add up, and they will have to make this up in the following years. He stated that they will have to cover this reduction in the future, as they would just be kicking the can down the road. He explained that a lot of residents have shared concerns that the City needs to stop spending so much money; however, he does not think most residents actually know what it takes to run the City. He said residents have to take time to educate themselves on these things.

Udvig shared that they are always going to have residents who are unhappy with how the City is spending their tax dollars.

Mulvihill shared that she tried to account for the water and sewer for Highway 47 in the increase to the water and sewer rates.

The consensus of the Council was supportive of the 14.47% levy increase for 2026.

4. ADJOURNMENT

There being no further business, Vogel adjourned the City Council Work Session at 8:06 p.m.

Jennifer Wida, City Clerk