

Pursuant to due call and notice thereof, the special meeting of the Brainerd City Council was called to order at 6:00 p.m. by Council President O'Day.

Upon roll call, the following members were noted as present: Johnson, Stunek, Yeager, Erickson, Bevans, Czeczok, and O'Day. Mayor Badeaux was also noted as present.

Adopt Resolution Setting 2026 Preliminary Levy for City of Brainerd and the Brainerd HRA

Finance Director Hillman gave an overview of the changes since the budget workshop on August 25th. Based on changes made, an 11.01% increase to the 2025 levy is currently needed to balance the proposed budget in 2026. The preliminary levy needs to be adopted for the City of Brainerd and the Brainerd HRA prior to September 30th.

Chair O'Day commented that he is not comfortable with 10.16%, he was hoping the preliminary levy would be well under 10%. The City still has options to decrease the levy. When the preliminary levy is approved, that amount is put on the preliminary tax statements and sent to constituents who may think that the estimate is the final number. He is confident that the levy can be decreased prior to December 31st.

Member Czeczok reiterated that in 2025 the levied amount for the Airport was \$1,000. The levy for the Airport will be set at over \$200,000 for 2026. That increase contributed to approximately a 3% increase alone from the 2025 levy.

Chair O'Day stated that Member Czeczok makes a good point. Most of the 7% increase remaining is personnel costs. The City is trying to avoid peaks and valleys, so there has to be options to decrease the levy amount.

Member Johnson stated that he cannot abide by any of the numbers provided by staff. He acknowledges the increase for the Airport, but honestly believes the City can be managed with 2-4% increases yearly.

Member Bevans stated that arguably the 2025 levy should have been closer to a 4% increase had the funding of the Airport been included.

Member Czeczok asked about the 2025 levy providing a place holder for increased personnel costs.

Finance Director Hillman stated that a place holder for personnel costs was used in 2023 for 2024 because the final contract numbers were not available for many of the City's unions.

Member Johnson added that the final levy for 2024 was over 8%, the preliminary for 2025 was over 8%, and the final was 2%. In the attempt to avoid peaks and valleys it seems that we are staying at peak to accelerate taxes on citizens given the economic circumstances.

Finance Director Hillman stated that a 11.01% is needed without changing the budget. If she were the decision maker, she would set the preliminary levy at 10.46% increase. That amount would keep the City with the Better Health Collective and PILOT at \$805,000.

Member Czczok asked whether the PILOT is contingent upon the Public Utilities Commission's decision at their meeting on September 30th.

Finance Director Hillman stated that she couldn't answer that question for sure. The PILOT amount of \$805,000 is changing from percentage of Kilowatt hours sold to a percentage of revenue.

Administrator Broyles stated that the \$805,000 is derived from 3% of gross electric receipts. Historically, the PILOT has been at about \$770,00 to \$780,000.

Member Czczok stated he is concerned whether the Public Utility Commission has to take Council's recommendation to change the PILOT and how Council would make up the difference if they don't.

Finance Director Hillman stated that the insurance committee recommended staying with the Better Healthcare Collective and if the PILOT does not change, the increase needed would be a 10.81% increase.

Member Johnson stated that when the Cryptomines were coming online, the City upped its projected electric revenue considerably and needed to be adjusted in further years because the revenues did not match the projections. That is how budgeting works. He stated that Member Czczok's questions were great, budgeting in 2024 left an additional \$350,000 in the couch cushions because the City didn't spend its budget.

Finance Director Hillman reminded the City Council that the City is still out of compliance with its fund balance policy. She was asked during the bonding due diligence call how the City plans to comply with its policy for operations.

Mayor Badeaux stated that he cannot accept a preliminary over 10%. It is disingenuous to the public. He does not want to look people in the eyes and tell them that they're taxes are raising by 10%.

MOVED AND SECONDED BY COUNCIL MEMBERS CZECZOK AND BEVANS TO ADOPT RESOLUTION SETTING THE 2026 CITY OF BRAINERD PRELIMINARY LEVY AT \$7,865,471 AND THE BRAINERD HRA LEVY AT \$227,866.

Upon roll call, Council Member Czczok voted "aye". Members Johnson, Stunek, Yeager, Erickson, Bevans, and O'Day voted "nay". The Chair declared the motion failed.

Member Johnson stated that he would set the preliminary at 6% if the figure would have been provided. He believes the final levy will be around 6%.

Member Czczok asked what items were removed from the budget to develop an 8% increase for the preliminary levy.

Member Johnson stated that the how needs to be figured out. However, the City plans to keep the Better Health Collective as it's insurer and is planning for the 3% PILOT.

MOVED AND SECONDED BY COUNCIL MEMBERS JOHNSON AND YEAGER TO ADOPT RESOLUTION SETTING THE 2026 CITY OF BRAINERD PRELIMINARY LEVY AT \$7,666,013 AND THE BRAINERD HRA LEVY AT \$227,866.

Upon roll call, Council Members Johnson, Stunek, Yeager, Erickson, Bevans, Czczok, and O'Day voted "aye". No Member voted "nay". The Chair declared the motion carried.

Set Date and Time for Budget Public Hearing

Finance Director Hillman stated that the City needs to hold a budget public hearing prior to setting the Final Levy. She suggested December 8th at 6:00 p.m. in the City Council chambers.

MOVED AND SECONDED BY COUNCIL MEMBERS JOHNSON AND YEAGER, DULY CARRIED, TO SET THE BUDGET PUBLIC HEARING FOR DECEMBER 8TH AT 6:00 P.M. IN THE BRAINERD CITY COUNCIL CHAMBERS.

Establish a Workgroup to Hire a Public Utilities Director

Administrator Broyles stated that the employee policy manual provides for a workgroup to hire a Public Utilities Director. The Public Utilities Commission Personnel Committee will be included in the work group.

MOVED AND SECONDED BY COUNCIL MEMBERS YEAGER AND STUNEK, DULY CARRIED, TO APPOINT ADMINISTRATOR BROYLES, HR DIRECTOR SCHUBERT, COMMISSIONERS MATTEN AND ANGLAND, AND COUNCIL MEMBERS JOHNSON AND CZECZOK TO THE PUBLIC UTILITIES DIRECTOR HIRING WORKGROUP.

Adjourn

MOVED AND SECONDED BY COUNCIL MEMBERS STUNEK AND ERICKSON, DULY CARRIED, TO ADJOURN THE MEETING.

The Chair adjourned the meeting at 6:30 p.m.



Nicholas W. Broyles
City Administrator