

CITY OF ST. FRANCIS
CITY COUNCIL WORK SESSION AGENDA
St. Francis City Hall Fire Station 3750 Bridge Street NW
July 28, 2025
6:00 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, Deputy Administrator-City Clerk Jenni Wida, Deputy Administrator-Public Works Director Paul Carpenter, Police Chief Todd Schwieger, Fire Chief Dave Schmidt, and Finance Director Darcy Mulvihill.

3. AGENDA ITEMS

A. 2026 Levy and Water/Sewer Rates

Finance Director Mulvihill reviewed the Staff report in regard to the 2026 levy and budget.

Mayor Vogel asked if they were able to make additional payments on the capital bonds to reduce the amount of interest they would end up paying. Mulvihill said there are times when they could do an advanced refunding for the interest rate, but they cannot make additional payments.

Mayor Vogel asked what drives the increase in the street fund. Mulvihill explained that when they started the street fund, they decided they wanted to bond for it every year. She said they started this fund with a big transfer from the general fund to cashflow the fund. She added that they are in a really good position since they do not have to sell bonds for street improvements.

Muehlbauer asked if there is a certain amount that they could put into this fund to level it off. Mulvihill said they may be able to get to this point eventually; however, they are still scheduled to increase the street fund by \$120,000 a year for a few years.

Robinson asked what the normal expenses would be for sewer and water this year if they made no changes. Mulvihill stated they had budgeted \$230,000 in 2025 and are now budgeting \$300,000 in 2026. She noted they called for increases every year; however, they decided against the increase in 2025, but they need to increase for 2026.

Muehlbauer asked how they came up with the spread for the water and sewer rates. Mulvihill explained that the City taxes are determined by the tax capacity value times the City rate.

Robinson asked what the estimated numbers from the County could meet their tax rate. Mulvihill shared that they receive fiscal disparities that are taken off the levy. She said this is the amount that she has not gotten, and she will not get this number from the County until the end of August. She stated she estimated this at a slightly higher amount than 2025.

Robinson asked what would happen if the tax capacity were to go down. Mulvihill said this would change the tax rate. She stated the City would still be receiving the same amount of money regardless of the taxable market rates. She explained that if every house decreased in value, taxes would just be spread differently. She added that the State wants them to have 50% of their expenses in reserves since they will not be receiving their first tax payments until July.

Mayor Vogel asked what the percentage increase would be on a \$250,000 home from 2025 to 2026. Mulvihill said it would be a 19% increase.

Mayor Vogel asked how much of this 19% increase is the MS4 portion. Mulvihill said it would be \$106.

Mayor Vogel asked what the percentage increase would be if they took out the MS4 portion. Mulvihill said it would be 10%.

Faanes asked if there is a way to have the MS4 portion on a separate line within the taxes, so the percentage increase does not look so much. Mulvihill said no.

Muehlbauer noted that they are going to get accused of hiding the MS4 fees in the taxes. He asked if there is a formula to figure out how much each property is paying for MS4. Mulvihill explained that they would take the \$300,000 and divide it by the tax capacity to find what the percentage would be that could be applied to each property.

Mayor Vogel said he would like there to be a calculator where residents can figure out how much they are paying for each City service.

Robinson suggested hosting an Open House where the residents can see exactly what changes and increases are being made. Muehlbauer said he would be supportive of this; however, he is not sure how many residents would show up, but he would be happy to be proven wrong.

Mulvihill said this will be discussed again in September, the residents will get their

notice in November, and they will have the Truth and Taxation hearing in December. She added that more information will be put out in newsletters and on the website.

Muehlbauer asked what Robinson would like to have discussed at this Open House meeting. Robinson said he would like to discuss the change in sewer and water rates and MS4 rates.

Mayor Vogel said they could put an announcement on the front of the next newsletter talking about the next meeting date, where this will be discussed for the residents to attend, along with information about the change in the water and sewer rates.

Faanes asked how this increase compares to the other cities in Anoka County. Mulvihill said that she has not seen much information yet about levy increases for surrounding cities.

Udvig added that they could also have signs at Night to Unite.

Mayor Vogel said he is comfortable keeping the MS4 portion as proposed.

Mulvihill noted that if they put it on the tax levy, they do not have to generate 3,000 statements, take in all of these payments, and go through the special assessment process.

Muehlbauer asked about the estimated cost savings for this. Mulvihill said it would save a few thousand dollars.

Muehlbauer said he is supportive of this change. He noted that they are not hiding these fees by putting them in the taxes, and it will save residents money since they will not have to pay the extra amount that they will be saving.

Faanes asked how businesses and apartment buildings pay for MS4 rates. Mulvihill said commercial properties have different calculations for this.

Robinson asked what this will do to commercial interest in the City. City Administrator Thunstrom explained that Anoka County has held back property taxes over the last few years in an attempt to attract new businesses to the City. She said they have never seen a business come to Anoka County because the taxes are lower. She noted that businesses are not looking for good taxes; they are looking at things like transportation and workforce. She stated she does not see this affecting the businesses they can attract.

Muehlbauer asked why the Council budget went up from 2025 to 2026. Mulvihill said this was due to computer costs as well as the newsletter costs.

Muehlbauer said he is supportive of adding the MS4 portion to the tax rolls. He noted that they will get calls from residents about the Council trying to hide this by putting it in the taxes. He added that he is also comfortable with the proposed levy.

Faanes asked about what the intergovernmental revenues were. Mulvihill said those are LGAs or any grants that would come from the State.

Faanes asked why they had just over \$2,000 for TIF in 2020 but have not for any other year. Mulvihill explained that they had started a TIF process in 2020 that never moved forward.

Faanes said she is supportive of the levy increase and moving the MS4 fees into the taxes; however, she wishes the MS4 amount could be on its own line for transparency. She stated she would like to see some of these numbers go down before final adoption.

Udvig said she is supportive of both the levy increase and adding the MS4 fees to the taxes. She acknowledged that they will be receiving calls from residents about this, but it is part of their job as the Council. She added that she would also like to push for residents to attend future meetings to share their opinions.

Robinson asked what the amount budgeted for community development covers. Mulvihill said it would be the salaries for the Community Development Director and Community Development Specialist, as well as their economic development and engineering fees. Thunstrom added that they also had to add an increase in anticipation of starting the Comprehensive Plan.

Robinson asked if the permit fees will pay back the Building Inspector's salary. Mulvihill said yes.

Robinson asked about the \$10,000 increase for Pioneer Days. Mulvihill shared that this is for fireworks and paying for the electricity instead of donations.

Robinson asked if the Liquor Store will be paying for all of this amount for Pioneer Days. Mulvihill said the Liquor Store will transfer \$15,000 towards this.

Robinson shared that he is supportive of moving the MS4 fees to the taxes. He said he would like this topic to have as much exposure as possible to the residents for their awareness. He said they will need to educate the residents on why they are making this change.

Mayor Vogel noted that the residents will be taking a tax increase this year, and this means that the residents will either have to figure out a way to increase their household revenue or find things in their budgets to cut. He noted that they need

to try to find a way to increase revenues or make budget cuts so the residents are not the only ones making the sacrifice. He said he is comfortable with where the budget is now. He added that people may say the City can increase its revenue with more development; however, this will also cause an increase in the cost of services like police and road maintenance. He said that they have also sold parcels to developers for far less than they are worth.

Muehlbauer noted that developers have not even been interested in properties throughout the City for \$1. He said there are issues on both sides of development. He added that the existing apartment buildings have not caused an increase in crime or police calls. He stated that if they do not have development, costs will continue to increase for the existing residents.

Mayor Vogel asked how much the City has invested in the land behind Subway. Faanes shared that it was not even discussed at the EDA meetings when they discussed selling this property.

Muehlbauer said it is unfortunate that they are located at the top of the metro area and have a low population, which causes businesses to not be interested in developing in the City. He stated that costs continue to rise, so they have to make compromises to bring in development to increase revenue to level out these costs. He said there are pros and cons to more development throughout the City. He shared that if they make cuts to the budget, they will have to cut City services.

Mayor Vogel said they would not be making cuts; they would be decreasing the requested increases.

Muehlbauer stated he understands; however, if they do not increase the budget to what is being requested, then that could mean that an employee is not getting a raise.

Mayor Vogel shared that the City portion of his taxes has gone up by over 16% for the past three years.

Muehlbauer noted that if they cut funding to the Police Department, then this could lead to lower morale, which could also lead to lower service quality. He said that the City kept taxes flat for several years, and they were not addressing the needs of the City, and are now having to play catch-up.

Faanes said that she knows a lot of people, herself included, who moved to St. Francis for less traffic and a more rural feel. She noted that it is a top priority for a lot of people to bring the water and sewer rates down, and she thinks that there are other solutions to this than just increasing development.

Mayor Vogel stated he is okay with moving forward with the proposed budget as is; however, he would like to see some decreases made before adoption.

Robinson asked where they would cut from the budget if they wanted to. Mayor Vogel said he would be happy to sit down with any of the department heads to discuss what could be cut from the budget.

Udvig said that every cut costs every resident something. She stated that there are residents who have expressed that they would rather have the City raise the sewer and water rates and the taxes than have another apartment complex coming in. She noted that they are offering the residents solutions, and they are rejecting them.

Mayor Vogel shared that he met a couple who have lived in St. Francis for three years, and they moved to St. Francis to get away from the City.

Udvig explained that if people moved here to have a small-town feel and do not want more development, then it will just cost them more money.

Robinson asked what they would do if the adoption of this levy fails at the Council meeting. Mayor Vogel said he would direct Mulvihill to make \$100,000 to \$200,000 worth of cuts from the budget, split equally among all of the departments.

Muehlbauer said it is not fair to cut equally from each department without knowing what services this would affect. He shared that he trusts the department heads to be conservative with their budgets.

Thunstrom said she would caution against cutting equally from every department, as each department is unique in size. She noted that if they were interested in cutting the proposed budget, then she would request that they give Staff a dollar amount that they would like to see cut, and Staff can figure out how to get to that number.

Mayor Vogel said he would like to see \$100,000 cut from the proposed budget.

Udvig noted that the department heads have already told the Council what they need to run their departments. She said if they make cuts, they will be taking away from these services that are being provided.

Thunstrom asked if they still want to hold some kind of Open House for the residents on the topic of the budget and the MS4 rates, or if they would rather have it be an agenda item at a Council meeting. Mayor Vogel suggested making it an agenda item at a Council meeting.

Hunter Carlson, 2612 230th Court NW, came forward and said a great way of looking at this is to show residents where their taxes are going for each service.

Muehlbauer said he understands this; however, the County does not allow them to break out taxes to show where the dollars are going. He stated this would have to be done separately by the City.

The consensus of the Council was to move the MS4 rates to the taxes and to direct Staff to continue to move forward with the proposed budget and look for ways to cut \$100,000 from the overall budget.

Mulvihill reviewed the Staff report in regard to the increase in the water and sewer rates.

Muehlbauer asked what would happen if they do not raise the rates and the cash balance decreases significantly. Mulvihill said they would have to send out notices that would increase sewer by 85% and water by 45% like they did in 2015.

Mulvihill added that they are trying to cash flow everything that they can. She said they will not be able to cash flow the Highway 47 project.

Faanes asked how much water the average household is using. Mulvihill said it is around 3,000 to 5,000 gallons a month.

Faanes asked how the apartment building would have affected these numbers if it had been approved. Mulvihill explained that they would have gotten the usage for all of those units in revenue. She added that they would have also gotten the WAC and SAC, which would have been almost \$1,000,000.

Faanes asked if this would have changed the percentages that the water and sewer rates are going up for everyone. Mulvihill said yes.

Mayor Vogel noted that he understands this would have been a net gain for the water and sewer rates; however, there would have also been an added expense on the water and sewer system.

Robinson asked why the cost to bury the lead would be \$800,000. Public Works Director Carpenter said they had no idea that this would be radioactive material that they would have to store somewhere differently. He stated they are trying to give the City honest costs to give them accurate numbers.

Mulvihill explained that they have to address the chloride numbers that are coming into the water treatment plant. She said they are starting with the water softener replacement plan to help solve this problem more affordably, rather than having to remodel the water treatment plant.

Robinson noted that they spent \$600,000 in the past to replace every water meter in the City to be more efficient. Mulvihill said this has given them much better meter

data and has solved a lot of issues with residents thinking there are discrepancies in their water usage.

Mike Rodger, President of the EDA, came forward and asked how many new homes it would take to get them out of this situation with such high increases. Mulvihill noted that they do not have space in the City to put in enough new homes on water and sewer for it to change anything right now.

Mr. Rodger said they have to think outside the box and start creating revenue. He noted they had discussed a THC dispensary in the City, which would have created revenue. He added that they have to develop in the City, whether they like it or not. He said they will not get good people in the City unless they start developing. He stated they need to start looking at how to bring in more revenue rather than looking at how to make cuts. He said he would never want to put the safety of residents in jeopardy by making any of the departments cut their budgets.

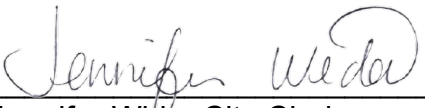
Mulvihill shared that the water and sewer rates will be on the fee schedule that will come out in November, and it will have two readings at the Council meeting. She said they are trying to get this information out to people. She added that they will also need to let Oak Grove know about this as they purchase water from the City for a development.

The consensus of the Council was to move forward with the proposed water and sewer rate increase.

4. ADJOURNMENT

There being no further business, Vogel adjourned the City Council Work Session at 7:35 p.m.

City Council and Staff will participate in an Emergency Management Training immediately following the adjournment of the Work Session.



Jennifer Wida, City Clerk