CITY OF FOLEY, MINNESOTA
CITY COUNCIL MEETING – BUDGET WORKSHOP – August 18, 2026

The Foley City Council held its regular meeting at 5:30 p.m. on August 18, 2026, at Foley City Hall.

Members Present: Mayor Brandon Voit, Councilmembers Jeff Gondeck, Deb Mathiowetz, Gary Swanson, and Stephanie Lloyd

Members Absent: None

- The council voted to amend the meeting agenda, moving the discussion of South Fairway utilities from "Other Business" to a new item (4A) before the 2027 budget discussion.

Motion by Lloyd, seconded by Swanson, to amend the agenda to move the South Fairway Estates Utilities discussion to prior to the budget discussion.

Motion carried, unanimous.

Motion by Mathiowetz, seconded by Gondeck, to approve the consent agenda.

Motion carried, unanimous.

South Fairway Estates Utilities

- A change order (Change Order 2) was presented to extend a utility line by an additional 144 feet.

  - This work is necessary to avoid future conflicts with new property owners and to prevent disturbing the area again during a potential Phase 2 of the project.

  - Performing the work now is considered more cost-effective, as the contractor has the necessary equipment, including a specialized slider safety box, on-site.

- The total cost for this change order is $44,000.

  - These funds will be covered by the existing project contingency, which has not been fully used. Change Order 1 previously cost around $40,000.

- While formal paperwork will not be ready for approval until the September 1st meeting, the council reached a consensus to allow the contractor to proceed with the work within the next one to two weeks.

City Investment Update

- The city's investments for the first half of the year are performing well overall.

- Northland:
  - YTD earnings of about $26,800. The estimated total for the year is just over $40,000.
- Cetera:
  - Holds about $1.2 million. It experienced a loss of around $2,500 in the first quarter but recovered about $1,900 in the second quarter. It is expected to return to a positive position by year-end.
- Intra-Fi Accounts:
  - Earned just under $39,000 year-to-date.
  - Another account at Falcon earned about $122,000 year-to-date.

City Debt Update

- The city currently has four active general obligation bonds, with two (related to Pine Street and Glen) scheduled to be paid off in the next couple of years.
- The city aims to keep debt service levies consistent for taxpayers by structuring new bonds to wrap around existing debt.
  - As older, smaller bonds are paid off, the levy amounts for newer, larger bonds (like the one from 2025) will increase to maintain a stable overall tax impact.
  - Levies are set with a recommended extra 5% to ensure adequate cash flow in case there are delinquent taxes.
- A new wastewater project loan will be added to the city's debt.
  - This loan is not yet included in the general obligation debt schedule because it is part of an enterprise fund and the construction project is not yet closed.
- The city is making principal and interest payments on the wastewater loan.
  - Once the loan closes, a firm repayment schedule will be established.

General Fund Revenues

- Rental License Inspections:
  - This is a rental license inspection year, which occurs every three years.

- The fees collected are used to pay the inspector and cover administrative costs, making it a pass-through expense.

- Police Aid & Donations:

  - The city has not budgeted for a significant increase in police aid. Any aid for hiring a new full-time officer would be delayed by a year.

  - The current aid amount of $55,000 is based on four officers, at about $13,750 per officer. An officer must work at least six months to be eligible for a portion of the aid.

  - Police department donations fluctuate annually. New sources this year included the Veterans Brigade and a chili cook-off, but these are not guaranteed income streams.

- Building Permits & Development:

  - Revenue from building permits is expected to increase proportionally with building official expenditures, as the official is paid based on fees collected.

  - Permit revenue can be unpredictable, citing past record years for roofs and siding.

  - Major permits, like a recent large county permit, are considered rare, once-in-a-lifetime events.

- County Maintenance Agreement:

  - The city has a three-year agreement for county maintenance, which may be due for renegotiation soon.

- Park Dedication Fees:

  - A park dedication is required with each new building permit to fund parks.

  - For the South Fairway Estates development, where the city is the developer, the city provided the land for the park, which is an unusual situation.

  - The fee structure is considered dated, but any changes would need to account for advertised lot prices and ongoing negotiations. The topic was noted for a future meeting.

General Fund Expenses

- Insurance Costs:

- Health insurance premiums are estimated to increase by about 12% across the country, and this figure has been built into the budget. Final numbers will be available in mid-to-late October.

  - Workers' compensation costs, particularly for PTSD in public safety, have stabilized due to program changes.

  - Property insurance valuations on city buildings have increased following a recent appraisal, driving up premiums.

- Professional Services & Audit Fees:

  - Engineering fees for the South Fairway project are already over budget halfway through the year ($51,000 spent vs. $50,000 budgeted), with more expenses expected.

  - Audit fees increase annually due to new GASB regulatory standards.

  - The recent audit cost was higher because numerous open projects required significant extra entries and review.

- Humane Society:

  - A question was raised about lowering the Humane Society budget, as it appears underutilized.

  - It was noted that billing from the Humane Society is inconsistent and often arrives for several months at once.

Budget Year-to-Date Review

- The year-to-date figures presented are through the end of June, representing the first half of the year.

- Interest Revenue:

  - The YTD interest revenue of $19,000 (vs. $30,000 budget) appears low because interest from CDs is only booked when paid out at year-end, not monthly.

- Police Reimbursable Expenses:

  - The YTD amount of $14,400 (vs. $59,000 budget) reflects only the first quarter's payment from the school for the SRO contract. Three more quarterly payments are expected.

CIP Funding and General Fund Constraints

- Equipment CIP is up compared with last year, and the CIP fund is currently running a deficit.

  - The goal is to get the fund closer to positive, but the city spends all CIP levy revenue each year and then some, causing the balance to keep fluctuating.

  - To get ahead, it was stated the city would need to levy about two hundred ninety thousand consistently for many years.

- The 2027 CIP list includes items that were deferred, including the facility plan.

  - The levy calculation considers the current cash balance, expected spending for the rest of the year, planned spending for next year, and expected levy revenue.

  - The proposed approach attempts to get the fund as close to positive as possible, with the fund shown as negative eight thousand dollars.

- The general fund has limited funding sources compared with other funds.

  - Streets receive other revenues such as franchise fees and city assist from the state, but the general fund has no significant source besides the levy.

  - A one-time public safety influx occurred a couple years ago, but no similar future funding is anticipated.

Police Department Budget, Staffing, and Operating Costs

- The police department staffing plan would reduce permanent part-time expense from eighty to sixty eight and increase full-time salaries.

  - Police state aid does not offset this year's cost, though next year was mentioned as a possibility.

- Salary budgeting is based on employee-level calculations.

  - A spreadsheet is used to calculate each employee's salary, union contract COLA, and step increases.

  - Insurance costs for a new employee cannot be known in advance because family structure, age, and coverage needs are unknown.

  - Actual salary impacts may vary if a new hire starts at a different step or if staffing changes involve replacing someone at a different pay level.

- A full-time officer position has not yet been posted.
  - Because the permanent part-time position is part of the union, openings or promotions must be posted internally first.
  - The expected effective date for the full-time person was discussed as 1/1/27, contingent on council approval of the budget.
- Police part-time spending is expected to increase later in the year.
  - Year-to-date part-time spending may appear low but August, November, and December are heavy part-time months.
- Police legal fees are higher because of ordinance enforcement requiring legal assistance.
  - Telephone costs were noted as appearing higher than usual and needing review.
- Police vehicle maintenance is currently low due to newer squad cars.
  - The 2025 squad has three thousand miles remaining until it is off warranty, based on a three year or thirty six thousand mile warranty.
  - The 2026 squad is at seventeen thousand miles and still has warranty time remaining.
  - Current maintenance is limited to expected items such as brakes, tires, and oil changes, though brakes alone can cost a couple thousand.
  - Vehicle maintenance spending was noted as fifteen hundred dollars year-to-date against a ten thousand budget, with discussion that eight thousand for 2027 may be high if trends continue.

Streets, Parks, and General Department Expenses

- Street expenses appeared consistent with prior agreement.
  - More street maintenance would be preferred, but budget limits constrain what can be done.
  - Snow plow repair was noted as something that simply happens and must be budgeted for.
- Street expense coding was adjusted between two lines.
- Parks and cleaning expenses raised no major concerns.

- Overall spending was described as trending on track for budget for 2026, though summer timing can affect year-to-date comparisons.

EDA Budget and Contract for Deed

- The EDA budget was described as straightforward.
  - An agreement has been prepared and is currently being discussed.
- Downtown revitalization or facade funding remains available.
  - That budget line was lowered by ten thousand because money is still available in the fund.

Water Fund Revenue, Usage, and Rate Considerations

- Water consumption is down, which is affecting water fund revenue.
  - The decline was described as a usage issue, not a billing system issue.
  - Pumping is also down, and the city is not seeing the increased usage that some other cities are seeing.
- Current water and sewer revenue tracking is below expected levels.
  - Recent tracking was described as around forty four to fifty percent, when it should be closer to fifty eight or sixty.
  - Water revenue was at two fourteen halfway through the year, and it was considered possible that 2026 revenue could be lower than expected.
- Possible explanations for lower use include conservation and efficiency.
  - Residents may be using more efficient appliances or making different decisions due to cost of living.
  - Conservation was not described as bad, but the city still needs to build and maintain systems around actual revenue and infrastructure needs.
- A water rate increase was proposed in the memo.
  - The rate study had indicated thirty percent, thirty percent, thirty percent, so annual increases were described as expected.

- The city has about five hundred thousand dollars that could be put toward improvements to leverage grant funds, but reserves need to be monitored carefully.

  - Water and sewer infrastructure is expensive to repair, and spending could quickly reduce reserves.

Water Fund Expenses and Maintenance Timing

- Water fund expenses appear low at midyear but include major items not yet posted.

  - A transfer out of one seventy one for committed debt service occurs at year-end.

- Non-cash depreciation is also booked at year-end.

  - Depreciation was described as a non-cash expenditure included in the budget and booked at the end of the year.

  - Together with debt service, these year-end items represent about two hundred sixty-some thousand.

- Additional water maintenance may occur before year-end.

  - A hydrant at the county shop may need to be dug up, and cost could depend on whether a new hydrant is needed.

  - Another hydrant on Oak may also be addressed this year if the road project does not proceed.

Sewer Fund Revenue and Reimbursements

- Sewer fund revenues are down.

  - Lower water usage contributes to the decline.

  - A separate impact was noted from customers doing a better job locking in their rate, which negatively affected summer sewer revenues.

- The summer lock-in trend is visible in revenue patterns.

  - Revenues are not tracking near last summer's levels.

- The impact was described as a two-part issue involving both lower usage and the rate lock program.

Water and Sewer Utilities

- Sewer fund revenues and sink out treatment fees are trending lower.

- LEI is not yet online but will use water; they will receive a deduction as their water evaporates into their product, resulting in no expected sewer usage.

- There are currently eight to ten Inflow and Infiltration penalties outstanding. These typically get resolved when houses are sold, as new buyers want the assessments cleared.

- Capital obligations with the City of Saint Cloud are fixed and do not change with usage. A reserve fund was established with Saint Cloud to cover sudden contingencies, such as force main collapses.

- The budget accounts for non-cash depreciation expenses. Moderate rate increases are recommended to maintain the fund balance.

Swimming Pool Operations and Fees

- Current year-to-date revenue shows fifty thousand, primarily from pre-purchased swimming lessons and pool passes from May. July, August revenues are not yet reflected in this total.

- Pool attendance has been very strong with minimal closures. During a hot streak in July, lines wrapped around the building and staff had to turn people away due to lifeguard capacity limits.

- A fee increase is proposed for swimming lessons. This is the first proposed increase in three years and is intended to offset annual increases in staffing costs.

Fire Fund and Township Contracts

- Individual fire call collections have improved significantly, aided by townships assessing landowners directly. The budget for these calls is twenty six thousand this year and is projected at forty thousand next year.

- The department plans to introduce a fire contract freeze for next year because property valuations rose too quickly; paperwork detailing this freeze is expected in September.

- The department lost one contract, resulting in a revenue reduction of about fourteen thousand or fifteen thousand.

Capital Expenditures and Radio Upgrades

- Police and fire radios must be encrypted by 2029 to comply with FBI and Benton County mandates. Public works mobile radios do not require encryption.

- A quote of fifty two five was received from Granite City Electronics (DCDSC) for fully programmed police radios. The quote is valid until 10/16/26, and the budget amount could safely be set at sixty.

- The police department has applied for a ten thousand grant through East Central to help offset the cost of the radios.

- The fire department currently has two encrypted radios but is in immediate need of portable radio replacements, which have been added to the CIP while they wait to see if a FEMA grant is awarded.

- The team debated splitting purchases across 2027 and 2028, but concerns were raised about total CIP pressure next year at four hundred and eight and uncertainty of receiving grants. Preference was expressed to buy all at once rather than banking on grants.

- A current quote is fifty two and change if purchased by October; there was an earlier additional discount as of this month, but it cannot be used due to budget timing.

- Promotions are expected to change and likely increase later, but no exact future price was provided by the vendor. Katie noted a sale price over two thousand dollars per unit and estimated a total of sixty thousand comfortably, with fifty five possible but tight.

- Brandon suggested pulling funds earlier if it saves money, noting timing differences (e.g., 1/1/27 vs. 9/1/26) are moot for overall budget impact.

- Sarah indicated she could potentially find a few thousand in the general fund if needed, supporting lowering the request to fifty five now, with a possibility to reach fifty.

- The group agreed it would be worthwhile to obtain a new or updated quote to bring to the September 1st meeting, aiming for better promo pricing.

- If the current vendor will not honor a favorable quote, they may explore other vendors since there are a lot of places that sell radios.

- Public works radios are not encrypted and differ from fire/police needs. Mark shared a prior fire quote of two hundred thirteen thousand for twenty five thirty portables and ten mobiles.

  - Mark would like three mobile three portables if budget allows. They currently have no spares, and some units are old hand-me-downs.

- Grant timeline is unclear. An officer manages grants and has applied, but no response yet. This uncertainty affects whether to wait for grants or proceed with purchases under current promotions.

- Website redesign is a compliance requirement, but staff has not had time to start. No specific schedule was set during this meeting.

- Council tablets are in this year's budget, but there is no rush. Brandon is fine kicking that one down the road, noting limited staff capacity for the project.

- Lions Park shelter improvements (doors and cameras):

  - Doors are the first priority due to age and condition (original steel doors with deterioration at the bottoms). Estimated ten (ten thousand) for doors to get the building up to standard.

  - Cameras would follow; reliable connectivity is needed (past attempts with Arlo/Verizon were unsatisfactory). Exploring options similar to the pool setup (e.g., Midco) or using cellular routers as done at the compost site.

  - There is interest in equipping both Lions and Holder parks for consistent coverage if feasible.

  - Brandon suggested approaching the Lions Club for contributions (e.g., cameras), proposing to earmark ten thousand for Lions Park and explore what the club can fund.

- Door/security systems and cameras:

- Participants noted positive experiences with the current vendor for door systems and security technologies, with cameras described as pretty good.

- A quote referenced was higher than desired for this year, leading to no action; a mention of SIM cards suggests cellular connectivity is included, potentially mitigating the need for immediate internet installation.

- Norway Drive park and warming house timing:

  - No work has been done at Norway, and timing may push improvements into another year.

  - The warming house needs cleaning and upgrades, but the team is uncertain and suggested letting projects roll into 2027 due to delays (e.g., scout house work and fall jetting).

  - Interest in continuing trail and park improvements remains; however, combining projects and deferring trail work by at least a year was proposed due to budget cuts in CIP.

  - A quote for Holdridge Park playground equipment included four pieces in front of the shelter instead of three, raising cost; the team may remove one piece to align with the original plan.

    - Decision pending on whether to keep four pieces or revert to three; Mark will send the quote for review.

  - Immediate priorities include the trail crossing near the fire hall (funded this year) and a major section at Norman from Oak, which requires coordination with the county on curb and catch basin work to avoid rework.

  - With a new engineer needing time, the Norman section is unlikely in the next year, making next year quieter for trail work.

  - Discussion to push ten thousand trail improvements to 2028 and combine fifty and ten for Holders Park with four pieces; intent is net zero impact by reallocating funds and deferring some work to 2028.

  - Considered purchasing three radios this year, then three in 2027, and six in 2028; Mark expects the total number to go down because some portables are still good.

  - The 2026 New Holland tractor has not yet been ordered; planning is underway with the expectation of having more information by the next meeting.

  - Primary uses include ditch mowing, pond mowing, spillways, highway ditches, and industrial parks.

  - Timing is less urgent as the season is ending; the tractor is already factored into plans.

- Air compressor vs. Bobcat prioritization:

  - Both an air compressor and a Bobcat are planned for next year; the team asked if either could be deferred.

- Mark prefers not to push equipment out but stated that, if necessary, the compressor is the better item to defer. It runs and is safe, but parts are increasingly hard to obtain, and repairs could take 2–3 months if it breaks.

- The compressor is low-use (6–8 times a year), mainly for parks and pools blowouts, and emergencies (water leaks). In a worst case, the city could borrow from Benton County or rent a compressor for up to six months.

- The Bobcat is high-use with multiple attachments (including milling/grinding stumps) and is more critical to replace on schedule. A quote around sixty was discussed, with a trade-in value about twenty small.

- Consensus leaned toward prioritizing the Bobcat replacement over the compressor due to usage and operational impact.

- Equipment levy/project funds are currently negative, reflecting that transfers for expenditures have not yet been made; continued spending without balancing will deepen the negative.

- Decisions on deferrals (e.g., compressor, trail) are tied to maintaining a net zero impact where possible and managing the CIP cuts.

- The group identified several capital items that could be deferred to reduce the immediate budget impact, totaling a $62,000 reduction from the capital levy.

- The deferred items include a $40,000 air compressor and a $7,000 expense for council tablets. A $15,000 item for police radios was also part of the reduction.

- This $62,000 cut successfully lowered the proposed levy increase to 7.69%.

- There is also an expandable trust fund with over $300,000 available as a rainy day fund, which could be used for critical needs, but it hasn't been tapped in several years.

Impact of New Construction on Tax Rate

- The city has experienced an 8.2% increase in tax capacity, driven by nearly $4 million in new construction, a large majority being commercial.

- This expanded tax base is estimated to absorb a significant portion of the levy increase .

- Factoring this in, the effective levy increase could be closer to 5.5%, though this is an estimate pending final assessor numbers and potential shifts in valuations.

Street and Infrastructure Projects

- Mariah Drive Drain Tile:

  - The group discussed the Mariah Drive drain tile project, which has been postponed multiple times. It was agreed to get an updated cost estimate for the $80,000 project, which would be funded through storm sewer fees without requiring a special assessment.

- Overlay & Seal Coating:

  - The $40,000 budgeted for overlay and seal coating this year will likely be rolled into next year's budget. This will allow for a larger project next year, which often results in better pricing. Routine road maintenance will be covered by the operating budget.

- Industrial Park Expansion:

  - This project is on hold until a specific project and grant funding are secured. The city would be responsible for 50% of the cost.

Water System Phased Approach

- Water Treatment Facility:

  - The full water treatment facility plan will be kicked down the road for several years. Discussions are underway for a phased approach.

- Phase 1 Plan:

  - The first phase, estimated to cost the city around $400,000 in construction costs, involves the decommissioning of the old well and work on the water tower.

- Federal Funding:

  - The plan is dependent on federal funding, which moves at a snail's pace. Final decisions will be delayed until funding is secured. More details are expected after a meeting scheduled for Monday.

- Water Tower Reconditioning:

  - Funding for the water tower reconditioning remains on whether to spend the cash balance currently available.

Water and Sewer Infrastructure

- Water Tower Reconditioning:

- Reconditioning the water tower is considered overdue and a higher priority than the new plant. The project would take the tower out of service for about two months in the summer, which is a concern but manageable.

- New Water Tower Project:

  - A new tower is a two-year project that has not yet started. The group is waiting for a decision from the federal government regarding a potential $2 million in funding before committing to any major projects.

- Oak Drive Sewer & Road Work:

  - The group discussed the need for sewer work on Oak Drive. A full road reconstruction is not planned for 10+ years. Lining the sewer is an option at around $70,000, but a full project including a mill and overlay would be a better long-term solution to avoid repeating past mistakes. This project is not planned for next year.

- Generators:

  - There is a need for a dedicated generator for the ESU and other stations. While there is a request for a $27,000 generator, the project will not happen next year, but a placeholder is needed in the plan.

Swimming Pool Fund

  - The swimming pool is a special revenue fund that is supplemented by the tax levy because it doesn't generate enough revenue to cover all its expenses. The goal is to slowly build its cash balance back up.

  - The existing pool slide has leaks and its structural supports are getting tired. While it might last another year, replacement parts for the current one are unavailable. A real quote is needed, as the cost could be around $80,000 and it might have a long lead time.

  - Pool drains need to be updated to comply with the Virginia Graham Baker Act. Work could happen this fall but may be pushed to spring. The cost has increased significantly due to regulatory changes.

Fire Fund and Equipment

- The fire fund is also a special revenue fund. The CIP budget for this fund is resulting in a 1% increase, primarily due to rounding. The fund requires $126,369 in levy dollars.

- The roof of the fire hall needs replacement.

- The possibility of a future expansion or a separate storage shed was mentioned.

- Radios are a future need, with hopes of grant funding.

- A generator is needed for the building, but it will not be purchased next year.

- The department recently acquired a water tender for around $400,000. A new ladder truck could cost between $1.75 and $1.8 million, but there are no plans to purchase a new one in the near future.

Tax Levy Impact

- The water and sewer funds do not affect the tax levy; their projects and operations are funded by user rates.

- The team agreed to prepare the levy at 7.69%, described as a comfortable and defensible figure compared to some regional double-digit increases.

- New construction figures are obtained directly from the county assessor, with additional projects expected the following year. The group reiterated that budgets can be reduced later but not increased, keeping this preliminary approach flexible.

- Plans include adding a full-time officer and additional full-time public works staffing. Public works costs are split between general levy dollars and water/sewer funds due to varied work across systems.

- Insurance budgeting for new hires uses an average of current employee costs due to unknown demographics. This is a rough-in number that could be lower or higher depending on actual hires.

- A water and sewer rate increase was discussed.

- The only proposed fee changes are the water rate and potential charges for pool swim lessons. Staff favored charging for swim lessons over admission changes, aligning better with session structures and time periods.

- The Foley Pool draws participants from outside the area due to lesson pricing and Red Cross certification. Stakeholders cited that YMCA lessons are not Red Cross certified, influencing families to choose Foley for that reason.

- CIP and park development (South Fairway Estates):

  - A placeholder for a play set is included for 2028, with an initial approach to rough-in and seed the area, then add structures over time. Exact layout will depend on development completion and potentially waiting for phase two before building.

  - Costs for play structures are high; $50,000–$60,000 buys limited equipment (e.g., swings and a few components), underscoring the need for phased development.

  - There is an opportunity to work with the Lions Club to possibly reduce a $10,000 item to $5,000, which would help lower the starting figure impacting the levy.

  - Staff provided high-level assumptions across budgets (e.g., slides, generators, donations to local nonprofits, treatment storage). They will keep the group updated on pending numbers, including insurance impacts from new employees.

Motion by Lloyd, seconded by Mathiowetz, to adjourn.

Motion carried, unanimous.

Meeting adjourned at 7:50 p.m.

Sarah a Brunn

_______________________________ Sarah A. Brunn, Administrator
(Minutes By: Sara Judson Brown, using AI recording device)