

**Red Wing City Council
City Council Workshop
City Council Chambers
June 01, 2026**

Council Members Present: Council President Janie Farrar; Council Members Beth Snyder, Kim Beise, and Becky Norton

Council Members Absent: Council Members Vicki Jo Lambert, Ron Goggin, Don Kliewer, and Mayor Gary Iocco

Others Present: Chris Heineman, Council Administrator; Marshall Hallock, Administrative Business Director; Kyle Klatt, Community Development Director; Shawn Blaney, Public Works Director; Mike Warner, Fire Chief; Nick Sather, Police Chief; Zach Regnier, Engineering Director; Dan Brower, Library Director; Tony Schultz, Finance & Accounting Manager; Melissa Hill, City Clerk; Tammy Omdal, Northland Securities Managing Director; Jessica Green, Northland Securities Managing Director

Agenda Item 1

Call to Order

Council President Janie Farrar welcomed attendees and convened the workshop at 5:33 p.m.

Agenda Item 2

Workshop Items

A. Preliminary Long-Range Financial Plan.

Administrative Business Director Marshall Hallock introduced the item. The City contracted with Northland to conduct a study and prepare a long-range financial plan. The work is being funded through the Community Energy Transition Grant as it is part of a larger planning effort to assist the City in preparing for a transitioning tax base. He introduced the Northland Securities Managing Directors, Jessica Green and Tammy Omdal.

Ms. Omdal presented the preliminary long-range financial plan. She noted that the final version of the plan would be presented in the fall. In the presentation, she introduced the Preliminary Long-Range Financial Plan, explained the key takeaways, reviewed the study objectives and the study approach, and noted the revenue sufficiency objectives. She explained the rate calculations for the City levy. New development is a variable for the plan. Residential and commercial new construction is projected to provide an increase in taxable market value, primarily from residential development.

Council Member Norton noted that there is a significant estimated increase in the taxable market value from 2029 to 2030, and then it drops in 2031. She asked why there would be such a significant increase and then drop between the years. Ms. Omdal replied that the chart illustrates the new taxable market value, which is why

the jump in 2030 does not continue because it is addressing taxable market value per year.

Ms. Omdal reviewed the City's net tax capacity and explained that it is projected to increase from valuation growth and new construction. The City tax levy is projected to increase. She showed the Council a graphic of the City tax rate for the projected years and the projected City property tax for residential and commercial. She explained the projected City cash balances by major funds, and the water, sewer, and stormwater rates. She noted the projected utility rates, the utility rates comparison to other cities, the capital projects, the capital projects' source of revenue, the planned new debt issuance, the debt service payments, and the planned new debt issuance.

Council Member Norton asked to clarify the City's existing debt and noted that she thought it was due to end in 2027 or 2028. Director Hallock replied that the City has the 2026 issuance for bonds, which is included in the data.

Council President Farrar asked what basic inflation assumption model was used for the report. Ms. Omdal replied that they do not assume an inflationary adjustment because the objective is for revenue sufficiency and what rates are needed to meet the objectives.

Council President Farrar asked what was used as an assumption for the public safety building project. Director Hallock replied that the Council can decide if they would like to keep the building at the LEC or move it to a City-owned facility.

Ms. Omdal reviewed the projected tax levy for debt service, the general fund expenditures, and revenues. Council Member Norton asked the Council could get previous data regarding the General Fund's expenditures and revenues. Ms. Omdal replied that she would work with staff to gather the data.

Ms. Omdal noted the General Fund balance, the debt service funds, and provided a summary of the report.

Council Administrator Chris Heineman noted that there are big moving pieces with the timing of the wastewater treatment plant and the police facility. He added that the report can help the Council set priorities.

Council President Farrar asked how the Council would use the Preliminary Long-Range Financial Plan each year. Ms. Omdal explained that some cities use the plan during budget discussions. Director Hallock added that staff are using long-range financial planning every day when the Council provides direction.

Council President Farrar recessed the meeting at 6:19 p.m. and reconvened the meeting at 6:26 p.m.

B. 2027-2031 CIP – Preliminary.

Finance and Accounting Manager Tony Schultz provided an introduction to the 2027-2031 Preliminary Capital Improvement Plan (CIP). He reviewed the vision and mission, the City's goals, and the CIP development. The CIP was adopted in December, and the Council must act to approve the project. He summarized the 2027 total projects/acquisitions.

Council Member Norton asked if the gap in funds would be funded through federal grants or State grants. Manager Schultz agreed and added that it could also come from enterprise funds or other funds.

Director Hallock reviewed the 5-year General Fund projects/acquisitions and the 5-year major facilities projects.

Council Member Snyder asked about the funding for the public safety building and how a new building would be funded. Director Hallock replied that he is working on a worst-case scenario for the Council. If the Council decides to build a new public safety building, money would be pulled from other funds between 2028 and 2029.

Director Hallock presented on the 5-year total road projects and reviewed the 2027 road projects. Engineering Director Zach Regnier explained the difference between overlays and reclamation.

Council Member Norton asked if there was an analysis on how much road and alleyway the City has, and what the rate of disrepair is. Director Regnier replied that staff has not done a full life cycle road plan. In the next two to four years, staff are going to assess the new approach to street maintenance. In the past, staff have done a reclaim road project in odd years, and it is not proposed to be changed.

Council Member Norton noted that a lot of the City's infrastructure is old. She asked if there would be a reclamation project that would not be included in the road and would be cheaper. Director Regnier replied that reclamation projects are more expensive than overlay because they include roads that are good for 25 to 40 years on the utility side, because they do not go down to stormwater, water, sewer, or sanitary sewer. Reclamation projects can only occur where utility and concrete items are in good shape; otherwise, there has to be a complete utility reconstruction. Administrator Heineman added that AI is able to create an analysis and rating on every square inch of roadway in the City. The data can help the City budget and plan.

Director Hallock reviewed the funding for upcoming projects. Director Regnier explained a project on a State road and noted that the State would be funded by the State. However, the public utilities that the City wants to update will be funded by the City.

Director Regnier presented on the County road project and explained that the County is looking at the intersection at CSAH 66 and CSAH 1 and turning the three-way intersection into a roundabout.

Director Hallock reviewed the 5-year parks projects. Administrator Heineman added that a Parks Master Plan is included in the 2026 CIP. Council President Farrar expressed her concern regarding the difference in funding for park improvements versus equipment replacement. Director Hallock noted that park improvement includes larger dual projects. Some equipment needs to be replaced annually and is included in the projected costs.

Council President Farrar expressed concern regarding replacement park equipment and requested that there be more definition on what is being replaced versus improved.

Director Hallock showed the Council a financial dashboard that illustrated the projected operating levy and annual percentage increases, the City's local tax rate for 2025, and the local and total tax rate comparisons for 2025.

Director Hallock led a discussion regarding the General Fund CIP target and noted that staff are seeking more direction. He asked the Council if the escalation for the General Fund is sustainable for the next few years. Staff have previously supported increasing the CIP.

Administrator Heineman provided context and noted that the City has not done bonds for streets in quite some time, which has kept the capital costs lower. It is a longer-term plan to do some larger projects in 2028 and 2029.

Council President Farrar expressed concern about raising the levy when incomes are not rising at the same level. She added that she would not want to continue to defer projects and suggested taking items out of the CIP. Council Member Snyder agreed with Council President Farrar's comments and added that the County taxes are likely to increase as well.

Council Member Beise mentioned that the Council has been in a similar situation many times and has decided to keep the levy flat and take items out of the CIP. He explained that now there is a need to increase the levy by 5% because the Council has tried to hold off for many years. At some point, the Council needs to consider the needs of the City and what needs to be addressed, such as potholes in roads, unsafe parks, and broken water mains. He stated the Council cannot think about today or this year, but needs to think about the future. The Council may need to make a decision to move forward in order to make up for what was not done in the past.

Council Member Norton agreed with Council Member Beises' comments. She explained that the Council has to consider the level of service that would be provided

to community members. There would have to be significant cuts to the CIP in order to make a difference.

Council Member Snyder asked how much tax-based growth was projected from the 5% levy increase. Director Hallock showed the Council a graphic of the projected tax-based growth. The average over five years would be about 3.4% increase in tax-based growth. He noted that he uses history to help project what the increase could be. Council Member Norton asked if the projection accounted for new apartment buildings coming into the community. Director Hallock replied that it does not account for new development.

Council Member Beise noted that the City is landlocked and there are no areas to build new development. Council President Farrar emphasized the importance of diversifying the tax base. Community Development Director Kyle Klatt explained the challenges of development in the City and highlighted the development constraints with deep slopes, access, and flood plains. The Planning Commission has been focusing on where development would be happening within the City.

Manager Schultz showed the Council the projected numbers for park projects in 2027. Director Hallock highlighted the athletic field in the projected numbers. Public Works Director Blaney noted that during the next Council meeting, there would be a presentation from the Amateur Baseball Association on their fundraising efforts and the scope of projects that they are working towards. They will ask the City to support the soft costs of the project. There are infrastructure concerns at the athletic field that need to be addressed. The fundraising goal is \$1 million.

Director Hallock stated there will be additional opportunities for the Council to discuss the CIP. He asked the Council to provide direction on what target to focus on that would address the needs of the community and the taxpayers. Administrator Heineman noted that the next budgetary date is the first Monday in August, which will be the time that staff needs direction for the CIP before setting the preliminary levy.

Agenda Item 3

Adjournment

The workshop adjourned at 7:42 p.m.


Janie Farrar, Council President

ATTEST:


Melissa Kay Hill, MCMC