

CITY OF FALCON HEIGHTS
City Council Special Workshop
City Hall
2077 West Larpenteur Avenue

MINUTES

Wednesday, September 10, 2025
7:30 P.M.

A. CALL TO ORDER: 7:30 PM

B. ROLL CALL: GUSTAFSON_X_ LEEHY____
 MEYER_X_ MIELKE_X_ WASSENBERG_X_

STAFF PRESENT: LINEHAN_X_ LANDBERG_X_

C. POLICY ITEMS:

1. 2026 Proposed Budget: Workshop #3
 - a. General Fund & Proposed Levy Update

Administrator Linehan explains that staff took the City Council's feedback to reduce the draft budget and levy from 10.7% to under 8% without cutting positions and programs. Staff is proposing a modified levy increase of 6.7% or a \$191K increase, which was achieved by:

- Reducing the debt levy by \$80K for the Series 2021A bond and using project funds & debt surplus for the remaining payments rather than levying for these funds. The city can do this because another bond was paid off before its due date. Staff will bring a resolution to the next council meeting.
- Transferring \$25K from the ParkMobile special revenue fund 211. This way, everyone benefits equally.

Staff handed out budget worksheets to help put the changes to the proposed budget into perspective. The median valued home in Falcon Heights increased \$10,000. Following the exclusions, the median taxable value is \$402,000, and 1% of the value is its taxing capacity. The city tax rate would be an increase of \$153 compared to the previous year, with a 6.7% levy increase. To lower the levy further, the city could use reserves. The city currently has 107% and the policy requires a minimum of 45%. Bond reviewers prefer 70%. Maintaining a high balance allowed the city to keep its AAA rating, but using fund balance to balance the budget is a tough practice, as it can create large increases in levy in the future in order to get the fund balance back up.

Gustafson is hesitant to use reserves. Speaking from experience, he explains that in the past, the city used up reserves and had to use capital funds on operating costs. The city was able to move away from that. He prefers not to set a precedent to use the reserves to fund the budget. It's worth looking at this year but not making it a common practice. Mielke agrees, emphasizing the

importance of attempting to reduce the city's tax levy where possible, as residents are already facing a school district levy and a proposed 9.7% levy from Ramsey County.

Linehan noted that while the city experienced savings in police costs last year, those expenses are expected to increase in the coming years as staffing levels grow. He also pointed out a reduction in fiscal disparities revenue, with the city receiving \$20,000 to \$30,000 less this year. Budget adjustments include the reduction of one full-time position, offset by increased use of consultants and contractors. He added that the goal is for the golf course redevelopment to be financially self-sustaining.

The Council expressed interest in keeping the annual property tax increase around \$100. Wassenberg noted that the city's tax rate remains within a reasonable range and emphasized not levying additional taxes for debt. He supports transferring funds from ParkMobile so the benefits are shared citywide. While \$153 may not seem excessive, he said it feels like a significant jump and supported modestly lowering it using reserves. With expected increases in police costs in the coming years, he added that the city should aim to prevent sharp levy hikes later.

Linehan highlighted that the city has been intentionally building reserves in preparation for park improvements. The city remains in a strong financial position, with all funds healthy, and could responsibly use some reserves even after completing the park renovation. Favorable investment returns have helped grow these savings. The park project cost includes \$1 million for land acquisition, a \$1 million bond, and \$1.5 million in cash for renovations.

Council members discussed whether additional scenarios could further reduce the levy. Linehan outlined two options: reducing expenditures in the consulting budget or using a general fund balance transfer. A \$75,000 transfer would lower the levy increase to under 4%, aligning with a \$100 annual increase. However, he cautioned that the city cannot continue covering operating expenses with savings.

Mielke expressed concern that moving from a \$33 increase in 2025 to \$153 in 2026 would be too steep. Linehan noted that the current year's budget is performing favorably, so some of those savings could be carried over. Gustafson added that maintaining a fund balance near 100% would still allow for sufficient operating funds, since revenues often come in later in the year. He said this approach would not be fiscally irresponsible.

Linehan explained that city policy sets a 45% fund balance target, so the current level is excellent. Some cities use a range-based policy that specifies what actions to take if balances exceed the target. Wassenberg agreed, suggesting the city could budget to maintain reserves below 100%, as they are already comfortably high. Meyer supported setting a range, such as 75-100%.

When asked about investments, Landberg explained that most investments mature on a rolling basis to ensure cash is available for park expenses. Typically,

matured investments are reinvested. The city's 4M fund also earns interest, similar to CDs. Linehan clarified that the 4M fund functions as the city's main account. Landberg added that, by law, the city can only hold secure investments such as CDs under \$250,000 – not stocks or high-risk assets.

Meyer asked whether \$25,000 from ParkMobile was a conservative estimate. Linehan confirmed it was, noting that startup costs are retained in the fund to ensure the program remains self-sufficient without future transfers.

Linehan reiterated that a \$75,000 transfer would help bring down the levy. Gustafson said limiting a large jump in the tax rate would be beneficial. Linehan added that police costs are the primary driver of the rising budget, while other operational expenses have remained steady. The goal is not to cut staff but to reduce expenses where possible. Gustafson emphasized that the quality of police service justifies the cost, and Wassenberg agreed, noting the value of the city's police contract.

2. Review of Abdo Financial Solutions Process Evaluation for the Finance Department

Linehan explains Abdo Financial Solutions was hired to review processes in the Finance Department following the retirement of the Finance Director. They provided a recommendation on how to supplement staff. No need to hire an additional full-time employee for the finance department. Some processes could be modernized and made more efficient, only to keep one FTE in the finance department. The biggest recommendation is to upgrade the financial software; there is a substantial cost and staff time involved with that. Besides modernizing procedures, another big upgrade would be to outsource payroll. Currently, this is all done in-house by 1 person, which has its challenges. Another recommendation would be to source out benefits as well; this would be a substantial improvement from the current situation. There are other recommendations in the report. Council agrees that modernizing the finance department is very beneficial and creates efficiencies. Landberg agrees with the recommendations and would be happy to assist with the implementation. Linehan adds that modernizing the system would also help staff keep track of their budgets more easily. Linehan highlights the recommendations they are looking to implement; he is unsure what the costs are at the moment, but it would be less than paying an extra full-time employee.

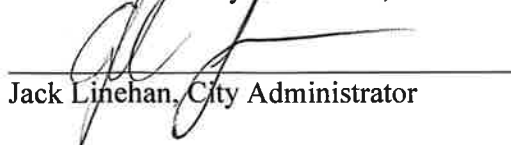
D. ADJOURNMENT: 8:23 PM

Councilmember Mielke motions to adjourn;
Approved 4-0



Randall C. Gustafson, Mayor

Dated this 22nd day of October, 2025



Jack Linehan, City Administrator