

37 **3. Budget Workshop**

38
39 Ms. Heinz presented the current outlook of the 2026 budget. The proposed budget
40 projected that 2026 would end with a revenue deficit of \$993,884 and a remaining fund
41 balance of \$39,508; insufficient funding to support operational District expenses for the
42 first six months of 2027. President Anderson estimated the minimum reserve balance
43 necessary to keep sustain District operations would be approximately \$600,000.
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45 President Anderson asked for more specifics related to the expenses that can be funded
46 by supplemental grant funding.
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48 Ms. Heinz shared that the District recently applied for approximately \$5 million in grant
49 funding through the Lessard-Sams Outdoor Heritage Fund, but these will not pay for
50 overhead costs and will not contribute toward the \$993,884 deficit because the funds
51 are available only for the projects to which they were awarded.
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53 President Anderson mentioned the Stormwater Impact Fund, and questioned whether
54 there is a way to use this dedicated fund to help mitigate the deficit.
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56 Ms. Heinz presented an overview of the other dedicated funds, which include the
57 Stormwater Impact Fund, Heath Iron Enhanced Sand Filter, Sunrise Headwaters
58 Accelerated Implementation Grant, several AIS prevention programs, Moody Lake
59 Capstone project, the July Avenue Feedlot/School Lake BMPs, Judicial Ditch 6 wetland
60 tributary restoration, and the Forest Lake alum treatment. Signage for the WJD-6 and
61 Moody Capstone projects will need to be installed before the end of the year to use the
62 grant funds before they expire.
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64 Ms. Heinz added that the availability of some federal funding is currently uncertain.
65 Previously, Section 319 funding for small watersheds was a stable source of funding, but
66 this could change going forward. The District is due for its next installment in fall of 2026.
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68 The Board discussed other ways to potentially reduce future expenditures. Manager
69 Schmaltz suggested delaying routine costs, such as waiting a little longer to replace
70 computer equipment for the staff and Board.
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72 President Anderson suggested a levy increase of at least 4 percent; preferably nearer to
73 12 percent. President Anderson also introduced the idea of enacting a bond to allow the
74 District to continue its current operations, rather than scaling back to save costs.
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76 She requested that Ms. Heinz put together a memo with more information about taking
77 out another loan from the MPCA, exploring other state funding possibilities, and the
78 details about pursuing a bond sale.
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80 The Board also discussed ways that current staff programming could be altered to cut
81 costs. For instance, the permitting program has begun to apply permitting review costs
82 more directly to permit holders. Administrator Mike Kinney also suggested that some of
83 the monitoring activities could be scaled back. He estimated that program reductions
84 could save as much as \$100,000. Mr. Kinney said that staff will provide a list of more
85 suggestions to reduce program costs in early July.

86
87 Manager Bakke spoke in favor of balancing the budget to operate under existing funds,
88 rather than accumulating debt through more loans or increasing the levy.

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90 President Anderson and Manager Schmaltz agreed that a broad version of the budget
91 discussion would be shared at the next meeting of the Citizen Advisory Committee.

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93 The next special budget meeting was set for 6–8 p.m. Monday, June 23. Ms. Heinz was
94 asked to provide a memo with more detailed information about funding, bonds, and the
95 grant workbook.

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98 **4. Adjourn**

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100 **a) Next regular board meeting – June 26, 2025, 6:30 pm**

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102 The meeting was adjourned by unanimous consent at 8:35 pm.

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105 Dave Bakke, Secretary -----

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