



MEMORANDUM

Comfort Lake-Forest Lake Watershed District

Date: October 10, 2025
To: CLFLWD Board of Managers
From: Mike Kinney, District Administrator
Subject: 2026 Budget and Projected Expenditures



District Wide

Background/Discussion

This topic was last discussed at the October 9th regular board meeting. The District will hold a public comment opportunity regarding the 2026 budget and levy at the start of the October 23rd regular board meeting. Later in the meeting the Board may discuss projected spending in 2026. The office space rental agreement was mentioned at the October 9th meeting as a topic for further discussion. More information on the office space taxes is available below.

Office Rent Taxes

Presently, there are three components of the monthly lease payment:

- Rent: \$2,664
- Common Area Maintenance (CAM): \$1,138
- Taxes: \$1,114
- Total: \$4,916

President Anderson began discussions with the office building owner regarding waiving taxes from the District's monthly rental payments. The building owner indicated that the matter of waiving the taxes was up to the county. Staff checked with Washington County on the status of this, and the County indicated that our situation does not qualify for tax exemption. Despite the fact that the building *tenant* is tax exempt, the building *owner* does not qualify as an exempt entity, therefore taxes must be paid. The County cited the following rule:

When a non-exempt owner leases to an exempt tenant

If a private individual or company (a non-exempt owner) leases their property to an exempt entity, such as a school or a charity, the property does not become tax-exempt. Property tax exemptions are based on both ownership and use. If the owner is not a qualifying exempt entity, the property remains taxable.

If the District were to remove the \$1,114 monthly tax payments from its rent, then the building owner would have to cover that cost on its own. If this is not feasible, the District would need to budget an additional \$13,368 to cover rent taxes in 2026. The approved 2026 expense budget included a rent budget that assumed taxes would be waived.



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This line item is noted in the [Budget Changes Summary](#) that was distributed in the budget packet as part of the October 9th regular meeting packet. At the October 23rd meeting, the Board may wish to review the Budget Changes Summary and confirm shared understanding of how these cuts will impact operations in 2026.