DRAFT MINUTES OF THE SPECIAL MEETING OF THE COMFORT LAKE–FOREST LAKE WATERSHED DISTRICT
Monday, August 17, 2026

1. Call to Order

President Anderson called the Monday, August 17, 2026, special board meeting to order at 6:00 PM at the CLFLWD office, 44 Lake Street South, and via online video conference.

Managers Present:
Jackie Anderson, President
Steve Schmaltz, Treasurer
Jim Schottmuller, Vice President
Dave Bakke, Secretary (virtual attendance)
Douglas Toavs, Assistant Treasurer (virtual attendance)

Staff Present:
Mike Kinney, Administrator
Brad Jernberg, Business and Operations Manager
Emily Heinz, Planning Coordinator
Tori Philippi, Office Manager

2. Budget Workshop #6

Emily Heinz noted that the 2026 estimated year-end expenditures may change as a result of certain changes the Board may make to this year's State of the Watershed event. She noted this will have an impact on the budget figures being presented. Manager Bakke encouraged staff to look at ways to save on event costs however possible.

Ms. Heinz explained that staff reviewed recent data and would like to propose some reductions to the 2026 estimated year-end expenditures and 2027 expense budget. She stated the District could reduce the 2027 budget by $80,220 by updating staffing projections and keeping Clean Water Partnership Loan E open throughout 2027 (thus beginning Loan E repayments in 2028). She indicated that, under this scenario, the District could maintain its current 11 FTE staff, raise the levy by 4.1%, and have a balanced budget without taking additional loans.

President Anderson stressed the importance of maintaining the District's fund balance and avoiding a budget deficit.

Manager Schottmuller recommended the District plan its future levy increases to be consistent and predictable without having large increases and decreases from year to year. He suggested future levy increases be as close to the consumer price index (~3.5%) as possible.

Manager Toavs indicated it might be helpful to keep Loan E open throughout 2027, so that it is available just in case an emergency arises.

Manager Schmaltz noted the District will have paid off some of its loans by 2032, and the cumulative loan repayment amount will decrease significantly. He added that District staff have done a lot of work recently in order to identify ways to cut costs. When the Board adopted the original 2026 budget, it estimated a budget deficit of approximately $234,000, to be financed by Loan E. Over the past year, staff has identified ways to cut costs and increase grants and other revenues. Manager Schmaltz stated that the current anticipated 2026 yearend deficit is $85,000, which is a significant improvement from $234,000.

Manager Bakke noted the District has the option to decrease the levy between adoption in September and year-end. Manager Schottmuller indicated he would prefer the Board to have final agreement on the levy in September. Manager Toavs indicated that the Board is very focused on minimizing the levy increase this year, and there is a good chance the Board could reduce the levy between September and December.

[7:15 pm]

Manager Schmaltz explained that the District had some relatively low levy increases in past years, such as a zero percent increase in 2023, which has impacted the fund balance. He suggested that perhaps the District should have increased the levy that year so that a larger increase wouldn’t have been required in 2026.

Manager Schottmuller and Manager Bakke indicated the proposed 4.1% levy increase scenario is consistent with what they were aiming for at the last meeting.

Manager Schmaltz indicated a 4.1% levy increase seems low and may put the District at risk with future cash flow.

Manager Schottmuller asked for Administrator Kinney’s opinion on the proposed levy amount.

[7:30 p.m.]

Mr. Kinney stated that a 1.5% interest rate on the Clean Water Partnership (CWP) loan is very low, and it is a tremendous resource that is available to the District. He stated that, when considering the time value of money, it is beneficial to finance watershed improvement work using this loan program. President Anderson noted the CWP loan has allowed the District to work at a faster pace than other watersheds and achieve significant water quality improvements.

Manager Schmaltz suggested a levy increase of approximately 4.8% which would add $14,830 to the fund balance at yearend.

President Anderson recommended the District consider a higher levy increase and use the additional funding to create a reserve fund that the District can utilize in case of emergency. Manager Schottmuller and Manager Schmaltz disagreed with the idea of creating a reserve fund and indicated taxpayers would be unlikely to support raising taxes to create a reserve fund.

Manager Schmaltz said it is important to represent the District's grant seeking efforts when presenting the budget. Ms. Heinz explained that the draft 2027 budget only includes confirmed grants. She noted the District has several large grant-seeking efforts underway, and the 2027 grant revenues will increase if those grants are awarded. President Anderson noted the District was recently awarded some large grants from the Lessard-Sams Outdoor Heritage Fund which will fund the Greenbelt and Open Space initiative and restoration work at the Bone Lake South property.

Manager Bakke indicated he appreciated President Anderson's input on the budget, ad he would like to look at minimizing the 2027 levy as much as possible. He indicated he would still like to consider the possibility of reducing District staff by 1 FTE and the evaluate the associated impact on the budget.

Manager Schmaltz indicated that losing one out of eleven staff members will have a noticeable impact on the District's productivity. He explained that with a team this small, it can be difficult to keep pace toward goals when even just one staff member leaves.

Manager Bakke said the Community Advisory Committee (CAC) has been very clear about wanting to see a balanced budget, and that may require cuts.

Manager Bakke expressed concern about beginning Loan E repayments in 2028 and asked if this is just kicking the can down the road. Ms. Heinz explained that the CWP loan program has a standard disbursement period of 3 years; since Loan E was executed this June, the standard disbursement period would end in June 2029, and repayments would begin in 2030. She noted that the District has typically closed out its disbursement periods before the 3-year mark, and there is no penalty associated with doing that. She explained that the District can keep the disbursement period open for as long as it wishes between now and June 2029, and it will begin repayments approximately 6 months after the disbursement period closes.

Administrator Kinney stated he will speak with Northland Securities about financial planning associated with loans. He indicated that the water quality improvements the District has made are being observed and enjoyed by citizens presently. He noted that lakefront property values increase as water quality increases.

The Board provided the following directives for staff:

- Prepare updated budget/levy scenarios to be emailed to the Board on August 18th:
    - 3.5% levy increase and additional $14K loan to balance budget
    - 4.1% levy increase, no loan in 2027
    - 4.8% levy increase, no loan in 2027
    - 5.8% levy increase, no loan in 2027
    - 8% levy increase, no loan in 2027
    - Cut an additional $73,000 from the 2027 budget by laying off 1 staff person and determine the necessary levy increase to balance the budget

- Confirm the public hearing date of September 10th and provide legal notice to the District's official newspapers indicating:
    - A total expense budget of $3,283,657
    - Estimated grants and other revenues of $957,435
    - A proposed levy ranging from $2,312,012 to $2,412,534

- Schedule the next budget workshop for Wednesday, September 2, 6:00 p.m.

3. Adjourn

a) Next regular board meeting – August 27, 2026

By unanimous consent, the meeting was adjourned at 8:20 p.m.

Dave Bakke, Secretary ____