WAYZATA CITY COUNCIL
WORKSHOP MEETING MINUTES
August 19, 2025

Mayor Mullin called the meeting to order at 4:30 p.m. Council Members present, in-person in the conference room at City Hall offices: MacDonald, Parkhill, and Sorensen. Absent: Plechash. Also present: Interim City Manager/Public Works Director/City Engineer Mike Kelly, City Clerk Kathy Leervig, Fire Chief Kevin Klapprich, Police Chief Jamie Baker, Bar and Grill Manager Jeff Pietrini, Wine and Spirits Manager Kevin Castellano, Finance Manager Pete Zimmerman, and Abdo Finance Consultant Steve McDonald.

4:30 p.m. 2026 Preliminary Budget Status Update/Bar and Grill Enterprise

Mayor Mullin explained that following the staff presentation, he would also like to present some options for Council consideration.

Interim City Manager Kelly presented an overview of the Council's past discussions and direction related to the proposed 2026 budget and levy, which included:

- The most recent proposal for a 12.15% increase in the levy
- That staff had some alternatives for Council consideration that could bring that number down a bit more
- Possible implications for transfers and CIPs
- Goal from staff for a 'not to exceed' budget, and between Preliminary and Final, that staff bring back additional information to help the Council potentially lower the levy

Finance Manager Zimmerman reviewed past Council workshop discussions related to the budget from July 1 and July 15, 2025. He highlighted various options that could have a more significant impact on levy, including: elimination of the proposed additional police officer; delay of the full-time Fire Chief to mid-year; and reduction in budgeted fire relief. He referenced the table included in the packet information that listed out previously discussed options for reducing the City's expenditures and gave a brief overview of options within the: Fire Department; Police Department; Planning; Parks; Boulevard Maintenance and Lighting; software; removal of direct mailing to Folkstone; reduction in capital transfers out to Capital Equipment Fund; and reduction in levied capital transfers out.

Interim City Manager Kelly suggested that Police Chief Baker give an update on the Department vacancies and the overall hiring process.

Police Chief Baker explained that for the vacant Sergeant position, she made a conditional job offer, which was accepted earlier today, and the projected start date would be October 6, 2025. She noted that the ICPOET and the Officer under the CSO was a grant-funded position that was just offered and filled by the CSO and was projected to come out of school by the spring of 2026 and become a licensed police officer. She noted that the vacant position they have for a police officer right now is under patrol sergeant and explained that they have somebody in line in the spring to fill that position with a CSO. She stated that they have not opened up the patrol officer position online because they have found that the feeder program with the CSOs has been more successful. She explained that the Deputy Chief position had been vacant since June 1, 2025.

Mr. Parkhill noted that the only vacancy for 2026 would be a patrol officer, but they have someone lined up to onboard in the spring.

Ms. Baker noted that the Deputy Chief spot was still vacant and explained that they had posted that position earlier in the week.

The Council discussed the vacancies, the current organization chart, and the CSO officers' remaining school time.

Mayor Mullin stated that he had a few additional ideas to introduce for Council consideration and noted that he had worked collaboratively with staff on his ideas and thanked Finance Director Zimmerman for being a delight to work with. He stated that the numbers he presented had been fact-checked by staff, but acknowledged that his ideas may not be endorsed by staff. He reminded the Council that his position, since becoming mayor, was to have the levy increase at a rate closer to inflation, which would be in the range of 3-5%. He explained that he was not prepared to support an 8-12% increase and shared his reasoning. He noted that he believed the City should shift to more of a user-based fee structure to offset the costs from being borne by the residents, particularly for police. He noted that there was also a tsunami of tax increases coming their way from things like the school referendum and the collapse of the commercial market on the east side of the County, specifically, Minneapolis. He noted that the drivers that he sees in the budget are not just General Fund expenses, because the capital plan has a $517,000 annual transfer, which is 7% of the General Fund. He stated that this would be in addition to what they were planning in the next 3-5 years because reduction, cancellation, or pushing a project would have a material impact on the amount of money that is needed to be transferred out for capital. He noted that you don't see, in the General Fund, the primary driver of the capital plan, which is the Excess Fund transfer concept that the City put into place a few years ago. He explained that he believed that 'Excess Fund' was mislabeled and misleading to the public because it implies that the City had a surplus and took in more money than they planned. He noted that over the last 10 years, there has been an average of an $800,000 surplus, and to him, that says that the City was either being too conservative or was not being transparent about what it was being used for. He stated that over the last 10 years, this money has been used to plug the capital plan and reiterated that it was misleading, and he believed that the City needed to make some structural changes in how they budget so they are more transparent. He explained that his targeted levy increase was $210,000 to $350,000 and outlined his proposal. He noted that he supported hiring a full-time Fire Chief and not kicking that can down the road again; supported full funding of the Fire Relief contribution; and proposed a 3% across-the-board cost increase in the other line items. He explained that he felt the Police Department had done an excellent job in addressing crime and serious issues, but was struggling with the nuisance issues, such as e-bikes, exhibition driving. He stated that he was suggesting that the City add another CSO and skip the officer. He reviewed the staff recommendations that he agreed with and noted that he would increase fees from 3% to 3.5%, use some of the excess funds to buy down the personnel costs, and put on hold the hiring of a Deputy Police Chief. He briefly reviewed the contributing factors to the General Fund and the Excess Fund transfer out and explained how he would spend this money differently from what staff had proposed. He gave an overview of his proposed changes within the Capital Plan. He explained that his thought process with this new approach was to introduce ideas for the City to comprehensively make changes to the structure of the City's budget. He noted that he believed the City should continue to advocate for a sales tax that includes all revenue items, not just food and beverages, continue efforts for bonding requests, authorize staff to explore franchise fees for utilities, tweak the City's park dedication fees, support a shared service model for property tax assessing and fire the County, and establish a TIF district on the western side of town. He explained that he also believed that the City needed to adjust how the City forecasted the Excess Funds transfer and reiterated his reasoning. He stated that 70% of every bill is paid by property taxes and felt that the City was getting to the point where they were taxing people out of the City.

Mr. Parkhill asked if the Excess Funds meant that the City was coming in under budget, and those were excess.

Mr. Kelly explained that, historically, it has been based primarily on building permit revenue above and beyond what the City would typically plan for. He shared some background and history for why the City

had chosen to be more conservative and realistic regarding building permit revenue, so they didn't back themselves into a corner and have to lay off staff.
Mayor Mullin clarified that, in addition to the background and history shared by Mr. Kelly, there had also been an accounting error where the City lost a million dollars in their TIF fund, started bonding for streets, and explained that the City's finances had been a mess. He explained that the City had brought in Steve McDonald from Abdo to reengineer the City's entire finance packet and policies, including the Excess Fund transfer concept. He stated that one of the drivers was the building permits, but also included the DMV and the Muni. He reiterated that when they were, on average, over 10 years, having an $800,000 surplus, he believed that something was wrong and the City was either being too conservative or things were mislabeled. He suggested that the City should shift its policy to budget Excess Funds for $200,000, and the rest of it should automatically get plugged into the CIP. He explained that his proposal was not intended to starve the City's budget, but to bring more transparency and more focus to how they fund both the short-term and long-term needs.

Abdo Finance Consultant Steve McDonald gave a brief explanation about the potential mechanism for using Excess Funds to offset the levy and what impacts that may have. He noted that it was important to know that of the average $800,000 surplus, the Liquor Fund had contributed $200,000, and based on the financial plan, it was important to know that it would not be contributing anytime soon to a transfer because the CIP would tap almost all the working capital within the Liquor Fund.

Mayor Mullin stated that if Mr. McDonald would not advise the City to change their approach to building permits, then he would like to see them change the policy to reflect how the City was using the money. He stated that he would like to see some sort of formula that makes it clear that when 'this' happens, this much money will go to the various uses, such as parks or equipment.

Mr. McDonald stated that he believed the intent when this policy was put into place was to have flexibility in where the greatest need may be.

Mayor Mullin explained that he had written it, and the intent was that they did not have confidence in the City's financial plan, which is why they ended up hiring Mr. McDonald to help the City. He stated that the City now had 10 years of fiscal discipline, restored its AAA bonding rating, and found that Finance Manager Zimmerman is a consummate professional. He asked what would be wrong with a one-time buy-down of personnel costs.

Mr. McDonald stated that he did not think buying down personnel costs was a bad idea, but cautioned that Mayor Mullin's approach would use up the $1 million and would be banking on an excess, which may or may not happen.

Mayor Mullin explained that he had 10 years of data that showed that there was an excess, so he wasn't overly concerned that there would not be one in the future.

Mr. Zimmerman explained that when they tried to project out the expenses and revenues to year-end for 2025, he came up with an excess in the range $140,000 to $400,000.

Mayor Mullin explained that his ultimate goal was to introduce concepts for consideration for ways to get the levy in the 3-5% range. He stated that what he was hearing from Mr. McDonald is that his ideas were possible, but they should be careful. He briefly reviewed his overall suggestions for the budget and his comfort level with the levy increase.

Mr. Parkhill stated that he would also like to see the increase be in the 3-5% range. He noted that he would like to know the mechanics of the TIF and felt Mayor Mullin's idea was creative. He stated that he felt that they could fund the Fire Chief, or half the Fire Chief position, with increases at the marina and explained that he found it ridiculous that the City was subsidizing 100 people when the City needed money to fund a Fire Chief. He stated that they were doing a fiscal disservice to the remainder of the community by not increasing those rates, which are under market, but spending money on piers and electricity. He stated that the City needed money, the slips were a true source of revenue, and noted that the City should increase the fees for 2026.

Mr. Sorensen stated that he appreciated Mayor Mullin spurring the Council's thought process on the budget. He stated that he supported the idea of trying to find additional revenue sources, such as franchise fees, sales tax, park dedication fees, and parking. He stated that from what he has seen presented, he believed the City had a lot of opportunities to get the levy down to the range they were discussing, and clarified that he didn't necessarily have an overall range that he would be comfortable with; other than that, he would like to see it be less than 8%. He stated that he would like to see the Council have a conversation about the CIP issue, but felt that there were also some opportunities there, based on the information shared by Mayor Mullin. He noted that he questioned whether the City should be budgeting for a Deputy Chief position because that was a lot of money that equated to about 2.7% of the levy.

Ms. MacDonald thanked Mayor Mullin for digging in and bringing the Council a new perspective and new ideas. She stated that she believed that the City should also look at attacking the debt of The Muni, reevaluate PERA, and whether the City was required to offer it.

Mr. McDonald explained that it was required and clarified that City employees have to contribute to PERA.

Mr. Zimmerman clarified that the City was required to collect and remit PERA once employees reach a certain pay level within a year.

Ms. MacDonald stated that she believed there were a lot of opportunities in the Enterprise Funds, such as Mr. Parkhill's suggestions related to the marina, possible creation of a new Enterprise Fund, an opportunity for a mini Muni for the meanders on the Panoway on the Lakewalk because there isn't any place to buy a water or other drink, and supported looking into franchise fees. She explained that she was open to looking into the creation of a new TIF district, but acknowledged that she hadn't been around for this process before and was unsure what it would commit the City to. She also supported the City continuing its bonding requests, but was not holding her breath. She noted that she was comfortable with a levy range of around 8-9% and expressed the importance of the services provided to the City. She explained that trying to be in line with inflation, as proposed by Mayor Mullin, would not be a fair measure, because inflation has a broad measuring stick.

Mayor Mullin acknowledged that they had gone over their proposed time, but would like to briefly review the implications related to The Muni.

Mr. Kelly explained that the budget for the bar and grill is an Enterprise budget and does not directly impact the General Fund budget.

Bar and Grill Manager Jeff Pietrini gave an overview of the proposed closure and remodeling of the Muni. He explained that the scope of the work had changed a bit, and they were able to get it to fall within budget. He stated that he had forecasted a closure of 2 weeks in February, which is their slowest month of the year, and outlined the proposed budget loss this would be. He explained that they are assuming that following the closure, there would be excitement from the public to come back, which would offset the loss from the closure.

Ms. MacDonald explained that she owns a business across the street from the Muni and has had 2 closures that lasted over a month each within the last 5 years, and her yearly revenue has not decreased at all. She acknowledged that one of the shutdowns was related to COVID.

Mayor Mullin stated that from the information shared by staff, he eased his concern that this would not cause a cash problem for the City, and would not suggest removal of the $100,000 transfer.

Mr. Sorensen asked who they were relying on to say that this work could be done within 2 weeks.

Mr. Pietrini explained that the general estimate had been 1 month when they began working with Mohagen and Hansen. He stated that he did not have an exact timeframe, but noted that they had dialed back the original scope of work. He explained that they had not hired a contractor yet, so they did not truly know the exact time of the closure, but it should be less than 1 month.

Mr. Sorensen cautioned that they look at that closely, because it may be hard to get things done in 2 weeks, and suggested that they get some expertise to really dig into this, because it could be an issue.

Ms. MacDonald stated that it was a fair point, but reminded the Council that this was a refresh and not a full-scale remodel with structural changes.

Mr. Sorensen noted that on the loss of revenue point made, he remained skeptical, but hearing Ms. MacDonald's experience made him feel a bit better.

Ms. MacDonald stated that the one thing that worried her about the timing was the HVAC system piece of the project.

Mr. Sorensen noted that another concern he had was whether they would really be able to mobilize on February 1, 2026.

Mr. Pietrini assured the Council that there was a schedule and they were currently on pace with it.

Mayor Mullin asked staff to bring back details of the plans to a future workshop to address the questions raised by Mr. Sorensen and Ms. MacDonald. He reviewed the feedback given by the Council regarding their preferred percentage amount for the levy and asked if there would be consensus for setting the Preliminary levy target to be between 7-7.5% and then spending the time before the Final levy is adopted to flesh out the various ideas that have been raised by staff and the Council for budget amendments.

Mr. Parkhill stated that he would still like it to be between 3-5%, but believed that 7.5% was a reasonable place to start.

Mr. Sorensen stated that he was also comfortable with 7.5% and would even be comfortable going a bit lower to 7%.

Mayor Mullin stated that there was consensus of the Council for a targeted levy amount of 7.5% and suggested that the Council hold another workshop discussion to review all the ideas that have been shared and what their budget implications would be. He reminded the Council that once they set the Preliminary levy amount, they can also decrease it before the Final levy is adopted. He clarified that this action would not force the Council into making any specific budget cuts right away, but would force them into the constraint of not being higher than 7.5%.

Mr. Zimmerman asked if the decision for approving the Preliminary level would still be scheduled for September 9, 2025, even if they held another workshop.

Mayor Mullin stated that he still wanted that decision to be made on September 9, 2025, for the Preliminary Levy, but didn't want to rush the Council into making specific decisions until they had the pertinent information on the ideas and their budget implications.

Mr. Parkhill suggested that the information on these items should be given to the Council before the workshop so they can go through and rank each item.

Mr. Sorensen asked if he could assume that they would also be discussing the CIP issue.

Mr. Zimmerman explained that it was hard to look at the CIP without knowing what the funding would be and stated that they will come back with a summary of how the proposed changes would affect the future years.

Mr. Sorensen stated that for the CIP, he suggested that they set a target for all the departments, and they have to get 1% off the levy.

Mayor Mullin asked staff to create a table for their next budget discussion that shows all the staff ideas, as well as all the new ideas that have been shared by Council, that would show the trade-offs that would have to be made to get to their targeted 7.5%. He stated that they would also discuss the Excess Funds Transfer, which was related to the CIP, show staff information, and the alternatives that he had suggested. He explained that he believed these two things would get the Council to the targeted outcome for the Preliminary levy, and after that, the Council can take a look at possible future cuts.

Mr. Kelly suggested that they add this to the September 9, 2025, workshop discussion, but reminded the Council that staff's goal was that the Council would vote on approval of the Preliminary levy at the regular meeting that same night.

Mayor Mullin recessed the workshop meeting to allow for a 5-minute break.

5:45 p.m. Review and Discussion of Proposed Amendments to Chapter 803-Subdivision Ordinance

Community Development Director Sharpe gave a brief rundown of background information related to subdivisions in the City, including Stonecrest, Enchanted Woods, Locust Hills, and Enclave at Crossdale. He reviewed details within the current City ordinance, State fire code minimums, and outlined potential alternative subdivision dimensions for Council consideration. He noted that tonight's discussion was intended to be an initial discussion and suggested that the Council plan to spend more time discussing this issue. He and Interim City Manager Kelly answered Council questions about the information presented.

Mayor Mullin explained that he would like to see the City come up with a more nuanced way to get at what they desire and communicate the requirements, but also list what the City encourages. He noted that several of the examples reviewed by staff and explained that while they may look neat, several of them ended up involving litigation, and a waste of taxpayer money to fight over them. He clarified that they should get the things that staff wanted included in the requirements, but would also like to see them employ the methodology of flexibility in addition to those, by clearly communicating what the City encouraged.

Mr. Kelly explained that staff was looking for direction from the Council on how they would feel about having the items for potential alternative subdivision dimensions as they have presented. He stated that if they can reach a consensus, staff and the City Attorney Schelzel will prepare an ordinance for Council consideration.

The Council discussed what the advantages may be for having a private road versus a public road, the differences between the State language of 5 or more homes and the City's language of 3 or less, allowing a smaller road alternative in some scenarios, when State statutes would start kicking in, what would happen in a situation where there is an adjacent property that wanted to share a private road and how the number would be calculated, the idea of allowing up to 5 lots with a 40-50 foot right-of-way, if encouraging developers would do the City any good, the pros and cons of public and/or private roadways, when staff would steer a developer towards a PUD when they were coloring outside of the lines too much, the desire to keep the roadways as small as possible to have the least amount of impact on neighborhoods and the natural landscape.

Following the discussion, the direction given to staff was for up to 5 lots, no curb and gutter, 20-foot roadway width, right-of-way of 40 feet, 10% grade, public and private included.

6:25 p.m. Discussion of Council Vacancy and Appointment Process

Mr. Kelly reminded the Council that Mr. Parkhill would be leaving his Council seat after September 23, 2025. He reviewed the alternatives for filling this vacancy through the end of Mr. Parkhill's term, which is December 31, 2026.

The Council discussed their preferences and came to a consensus that they would prefer to move forward to post the opening and follow a process for replacement rather than appointing someone to serve out the term. They directed staff to post the position, and once they see how many candidates they have, the Council will determine whether the interviews will be conducted by the full Council or a smaller contingent.

6:35 p.m. Discussion of Future Council Topics

Below is a list of planned workshop topics. These are subject to change:

- **Sept 23 Public Safety Facility Needs Assessment/Tour**
- **Oct 7 Open - Topics To Be Determined**
- **Oct 21 Strategic Plan Update**
- **Nov 5 Final CIP Review**
- **Nov 18 Final Budget Status Update**
- **Nov 18 Legislative Priorities**
- **Dec 2 Board and Commission Interviews**
- **Dec 16 Potential Charter Amendment for Purchasing/Contracts**
- **Dec 16 Franchise Fees**

Ms. MacDonald stated that she would like to add consideration of a mid-block pedestrian crossing between Superior and Broadway on Lake Street to a future workshop.

Respectfully submitted,

Kathy A. Leervig

Kathy Leervig, City Clerk