MINUTES
COHASSET CITY COUNCIL
305 NORTHWEST FIRST AVENUE
TUESDAY, AUGUST 26, 2025 - 6:00 P.M.
CITY COUNCIL OPEN WORK SESSION

Call to Order: Mayor Josh Casper called the meeting to order at 6:04 p.m.

Roll Call
Present: Mayor Josh Casper, Councilors Andy MacDonell, Kevin Tinquist, Andy Haarklaua, and Shannon Benolken

Non-Officio Members: Financial Controller; Barb Baird

2026 Proposed Budget Review
The meeting thoroughly examined the proposed budget for the year 2026, making comparisons with the figures from 2025. Significant increases were observed in various areas, such as revenues, which saw a notable rise of 11.26%. Similarly, there was a marked increase of 4.67% in personnel expenses, 11.57% in supplies, and 10.78% in other charges/services. It's worth noting that the operating transfers out for 2025 encompassed $1,400,000 for depreciation and $1,300,000 allocated for the Blackwater Banks construction project.

Reserves and Surplus
The discussion centered on the city's reserves, which are currently estimated to be between $7,500,000 and $10,000,000. The expected revenue for 2026 is projected to be $5,100,000, while the anticipated outlay is $2,900,000, resulting in a surplus of approximately $1,700,000 for our capital projects. It's important to note that this surplus encompasses project costs and is not designated for a specific purpose.

Annual Road Paving Allocation
The budget includes an annual allocation of $350,000 for paving roads in Cohasset. This is part of the $1,353,000 project costs for 2026.

Water Tower Repair Funding
Clarification was sought on the $500,000 water tower repair. The city plans to borrow $495,000 from the natural gas fund, with a 20-year payback, annual principal payments of $24,600, and interest of $19,000 at 4%.

Field House and Developer Incentives
The council discussed aspirations to build a field house or similar facility, using surplus funds to incentivize developers for projects like apartments, condos, or hotels. The approach is to maintain funds for future opportunities without incremental tax increases.

Tioga Beach Development
Ideas were shared about developing Tioga Beach, including building a restaurant or spec building for food trucks or leasing. Challenges include acquiring a small tax-forfeit parcel from the county and community pushbacks regarding traffic and competition.

Tax Levy and Property Value Impact
The council noted that even if the city levy remains unchanged, residents' taxes may rise due to increased assessed property values and higher county/school budgets. The city does not benefit from these increases unless it raises its own levy. The council discussed keeping increases of 3-5% annually. The group discussed the merits of consistent, small percentage increases (e.g., 1.5%) to adjust for inflation, as opposed to erratic changes like 8%, 5%, 2%, etc. They noted that such increases are easier to communicate and justify to residents.

EDA and Grant Utilization
Discussion about EDA funds, including a $250,000 Blandin Foundation grant earmarked for CEDA, $307,000 cash in the EDA account, and $100,000 earmarked for 2026. Consideration of how these funds should be spent, including strategic planning, website, and marketing/advertising.

Strategic Planning for Tax Base Growth (2030/2035)
Focus on long-term goals to increase the tax base in 2030 through 2035, considering uncertainties in utility ownership and infrastructure investments (e.g., Minnesota PUC, Blackwater Capital, ALLETE, carbon neutrality deadlines).

Development Opportunities and Property Utilization
Discussion about attracting developers for higher-density housing (e.g., apartment buildings, duplexes) and maximizing property value. Mention of 10 acres available and the need for a developer to increase density and tax returns.

Personnel and Job Creation
Discussion on the anticipated addition of 20 to 50 new jobs with a new AI Data Center, noting these are good-paying positions that could relieve pressure on local utilities and employers. The timeline for these jobs is uncertain, possibly not until 2027, and is contingent on broader energy and regulatory developments.

Minnesota Power and Energy Transition
Minnesota Power's shifting role in supporting local energy needs, mentioning their ownership of 600 to 800 acres and their historical support. There is uncertainty about future coal usage, with speculation that coal burning may continue or even increase over the next three years due to lessons learned about green energy limitations.

Budget Incremental Increases and Revenue
Incremental budget increases calculations were explained from 2025 to 2026, comparing personnel, supply, and service costs to total revenues. The increase is described as a tiny fraction, suggesting a 1% increase would cover incremental costs and add to reserves, which are less than inflation.

Infrastructure and Water System Maintenance
Discussion on aging infrastructure and the increasing frequency of water system repairs, noting that severe winters could quickly consume hundreds of thousands of dollars. The need to maintain reserves for unexpected water system expenses was emphasized.

Cemetery Fund Budget, Levy, and Fund Expenses
The cemetery fund's financial data reveals a consistent deficit, necessitating operating transfers or levies to cover its costs. The proposed budget for 2026 indicates a $35,000 deficit, with a previous $50,000 operating transfer in 2023. Expenses within the cemetery fund encompass personnel, supplies, contracted services, and

landscaping costs. A review was done of the cemetery expenses. This review included a $4,000 professional fee in 2024 for landscaping and maintenance, as well as fluctuations in salaries ($15,000 in 2023, $7,600 in 2024, and a budgeted $17,000 for 2025). Discussions highlighted the reasons behind these changes, such as potential allocation issues and staff retirement. Discussion on how wages are allocated for cemetery and office staff, including coding of hours to different funds and the recommendation to levy separately for the cemetery.

Fire Relief Fund and Pension Contributions
Clarification on the $15,000 fire relief fund, pension contributions per year of service ($3,100 for Cohasset, $10,000 for Grand Rapids, and about $6,000 for Deer River), and the city's historical lack of contributions.

Coal Transition Funding and Levy Planning
Discussion on the annual $406,000 coal transition funding, its 20-year reduction by 10% per year, and whether to set aside funds for future operating expenses or development. The Council determined that it would be better to use it to attract development now in the City.

Fund Balance Categories and Emergency Planning
Explanation of fund balance categories (restricted, committed, assigned, and unassigned) and the importance of maintaining reserves for emergencies, referencing Grand Rapids' experience with LGA reductions.

Water Fund Shortfall and Account Balance
Review of water and sewer enterprise funds, their self-sustaining nature, depreciation practices, and the need to raise rates to address shortfalls. Analysis of the water fund's $63,000 shortfall after depreciation, with a current account balance of $163,998, leaving $101,000 available. Discussion on the need to improve water fund management to qualify for rural water loans or grants, including getting finances 'back in the black' and reviewing rates before year-end. An update is provided regarding the drilling of a new well and the associated costs, which amount to $11,000 and $13,000. The conversation delves into the various funding options for water/sewer expansion on County Road 76 and Chisholm Trail. The consideration of funding mechanisms for future natural gas expansion is discussed, including potential assessments for developers and the utilization of TIF for a 50-unit apartment building and Ben Edwards' land.

Natural Gas Fund
The natural gas fund, currently standing at $1.45 million.

Budget Structure and Fund Transfers
Explanation of budget structure, including debt service and capital project funds, and the process of transferring depreciation and project costs from the general fund.

Water Rate Structure and Commercial/Construction Rates
Discussion of water rates for residential, commercial, and construction customers, including the current construction rate of $20 per 1,000 gallons (previously $0.08), and consideration of further increases.

Facility Usage and Strategic Planning
Discussion on facility usage, including the need for new buildings and improved flooring for pickleball and other activities, and the importance of aligning with long-term strategic plans.

Upcoming Budget Work Session and Council Meetings
Scheduling of the next budget work session for September 8, 2025, at 6:00 p.m., and planning for the public hearing allowing for public comment and final levy approval meeting on December 22, 2025.

Mayor Josh Casper adjourned the meeting at 7:30 p.m.

Respectfully submitted by: Abby Majewski