



**AGENDA**  
**CITY COUNCIL WORKSHOP**  
**January 20, 2026 at 6:00 PM**

Forest Lake City Center  
Forest Lake, Minnesota

[City of Forest Lake - Link to Meeting Livestream](#)

1. Call to Order
2. Roll Call
3. Pledge of Allegiance
4. Open Forum - Citizen Petitions, Requests and Concerns  
*The Open Forum is available for residents to express personal opinions for any item of business. Please limit your comments to three (3) minutes.*
5. Discussion Items
  - a) Local Option Sales Tax – Elle Larkin
  - b) Strategic Plan – Mark Statz
  - c) Police Chief Interview Process – Mark Statz
  - d) Committee Liaison – Jolleen Chaika
6. Adjourn

# STAFF REPORT



**MEETING DATE:** January 20, 2026  
**STAFF ORIGINATOR:** Elle Larkin, Finance Director  
**AGENDA ITEM:** Local Option Sales Tax

---

## **INTRODUCTION:**

To summarize the estimated financial impact of a proposed 0.5% Local Option Sales Tax (LOST) on Forest Lake residents compared to non-residents, with emphasis on cost per resident and regional cost-sharing benefits.

## **ANALYSIS:**

To summarize the estimated financial impact of a proposed 0.5% Local Option Sales Tax (LOST) on Forest Lake residents compared to non-residents, with emphasis on cost per resident and regional cost-sharing benefits.

### **Total Taxable Sales Subject to LOST:**

- \$414.0 million (98.22% of total taxable sales)

### **Estimated LOST Revenue at 0.5% Rate:**

- \$2.07 million annually

### **Resident vs. Non-Resident Share**

Category	Share of Tax	Dollar Contribution
Forest Lake Residents	46.6%	\$964,620
Non-Residents	53.4%	\$1,105,380
Total	100%	\$2,070,000

More than half (53.4%) of LOST revenue is paid by non-residents, reflecting Forest Lake's role as a regional shopping, dining, and service center.

### **Cost Per Resident**

- Average annual cost per Forest Lake resident: \$44.86
- This amount represents the estimated individual burden if the tax had been in place in 2023.
- By comparison, property tax-based funding options are paid entirely by residents and are not shared by visitors, commuters, or regional shoppers.

## **RECOMMENDATION:**

Provide feedback to City staff on the implementation of a new Sales Tax.

**ATTACHMENTS:**

- UMN LOST Final Report



# Local Option Sales Tax Analysis for Forest Lake, MN

ESTIMATED CONTRIBUTIONS OF RESIDENTS AND NON-RESIDENTS TO A LOCAL OPTION SALES TAX

Authored by Eric King



## Forest Lake

AS GOOD AS IT SOUNDS

REPORT SPONSOR: FOREST LAKE, MINNESOTA

# Local Option Sales Tax Analysis for Forest Lake

## ESTIMATED CONTRIBUTIONS OF RESIDENTS AND NON-RESIDENTS TO A LOCAL OPTION SALES TAX

**December 2025**

Authored by Eric King, Extension Educator, University of Minnesota Extension Department of Community Development

**Report Reviewers:**

Kathryn Leys, University of Minnesota Extension, Department of Community Development

**Sponsor:**

City of Forest Lake

© 2022 Regents of the University of Minnesota. All rights reserved. University of Minnesota Extension is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this material is available in alternative formats upon request. Direct requests to 612-625-8233.

♻️ Printed on recycled and recyclable paper with at least 10 percent postconsumer waste material.

# Table of Contents

**SUMMARY of FINDINGS..... 3**

**BACKGROUND AND METHODOLOGY ..... 6**

**TRADE AREA ANALYSIS BY MERCHANDISE CATEGORY ..... 7**

**Vehicles and Parts ..... 7**

**Building Materials ..... 8**

**Food and Groceries ..... 9**

**Furniture Stores, Electronics, and Appliances..... 10**

**General Merchandise Stores ..... 11**

**Health and Personal Items ..... 12**

**Gas/Convenience Stores ..... 13**

**Apparel/Clothing..... 14**

**Leisure Goods, All Other Miscellaneous Retail ..... 15**

**Amusement and Recreation ..... 16**

**Accommodations ..... 17**

**Eating/Drinking Establishments ..... 18**

**Repair and Maintenance ..... 19**

**Personal Services/Laundry ..... 20**

**Retail (Non-Store) and Other Services ..... 21**

**Construction, Manufacturing, Utilities, Wholesale Operations, Transportation, and  
    Sales Suppressed for Business Confidentiality ..... 22**

**APPENDIX A: RESEARCH ON THE EFFECTS OF A LOCAL OPTION SALES TAX ..... 23**

**APPENDIX B: DEFINITIONS OF TERMS ..... 25**

### SUMMARY OF FINDINGS

University of Minnesota Extension conducted a study to estimate the proportion of sales proceeds attributed to both Forest Lake residents and non-residents.

Using 2023 sales and use tax data available from the Minnesota Department of Revenue (MN Revenue), Extension estimated that non-residents account for 53.4 percent of taxable sales subject to a local option sales tax (LOST).

In 2023, total taxable sales in Forest Lake were \$421.49 million. MN Revenue analysts estimate that 98.22% of taxable sales would be subject to a LOST. With 53.4 percent of sales derived from non-resident spending, Extension estimated that Forest Lake residents spent \$192.9 million of the total \$414.0 million in taxable sales subject to a LOST.

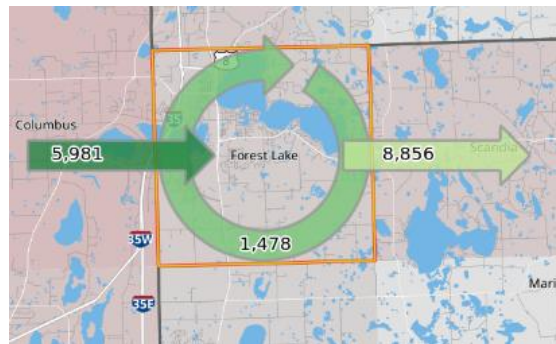
If the tax were in place in 2023, a 0.5 percent local option sales tax would have garnered \$2,070,000 million in tax proceeds according to MN Department of Revenue analysts. Forest Lake residents would have contributed \$964,620 in taxes, and non-residents would have contributed \$1,105,380 in 2023. Based on these estimates, each Forest Lake resident would have paid, on average, an additional \$44.86 in sales tax in 2023.

This report is based on a trade area analysis comparing actual taxable sales to potential sales. This is calculated by multiplying the Forest Lake population in 2023 (MN Demographic Center) by the Minnesota average per capita sales for each category, and then adjusting for the county’s personal income factor. This initial analysis provided an estimate of retail and service purchases made by Forest Lake residents. For each merchandise group, the estimates for two types of purchasers—city residents and others—were calculated and adjusted considering the area economy. These adjustments were based on informed estimates and were aimed, in part, at reducing potential overestimates of the sales tax share attributable to non-residents. Assumptions and calculations are included for major retail and service categories so local decision makers can adjust totals if they have more nuanced insight.

Several factors and features of Forest Lake’ economy helped frame the analysis for the different merchandise categories:

- Residents of nearby communities can easily access Forest Lake businesses. For this analysis, cross-hauling has the general effect of increasing non-resident spending as Forest Lake is a central shopping hub in the region.
- Forest Lake has less workers entering the city for employment than residents who leave for work (Figure 1). In this dynamic, commuters often shop for goods and services near where they work and those commuting into the city purchase in the city.

**Figure 1: Forest Lake worker in-flow and out-flow**



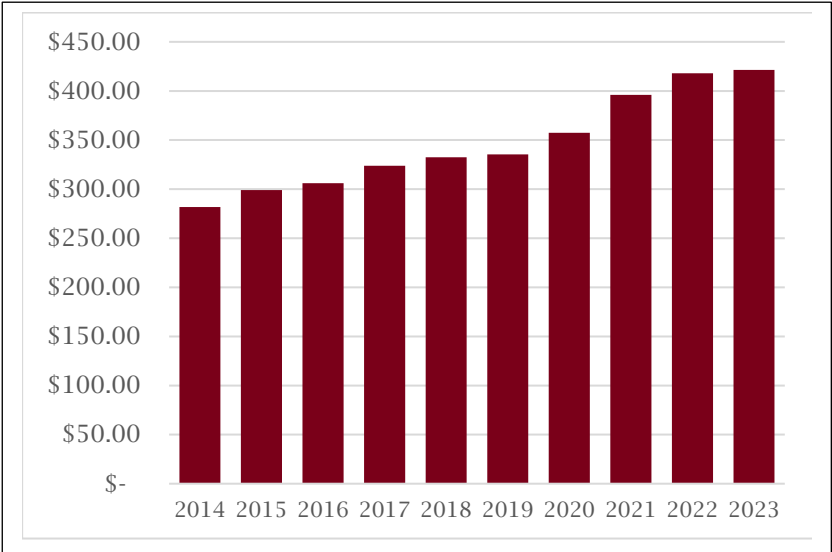
Inflow and outflow of wage earners.  
Source: 2022 U.S. Census Bureau On-The-Map

Figure 2 shows the estimated percentage of sales—across all merchandise categories—attributed to both residents and non-residents in 2023. These estimates are based on the adjusted analysis to more accurately reflect the city’s economic and consumption circumstances. Based on these findings, Extension estimates city residents represent 46.6 percent of all taxable retail and service sales subject to the tax (\$192.9 million), and the remaining 53.4 percent (\$221.1 million) are attributed to non-residents.

**Figure 2: Estimated 2023 Taxable Sales Subject to LOST**

	Taxable Sales	Percent of Sales
City residents	\$192,924,000	46.6%
Non-residents	\$221,076,000	53.4%

**Figure 3: Total taxable sales in Forest Lake from 2014-2023**



Source: Minnesota Department of Revenue

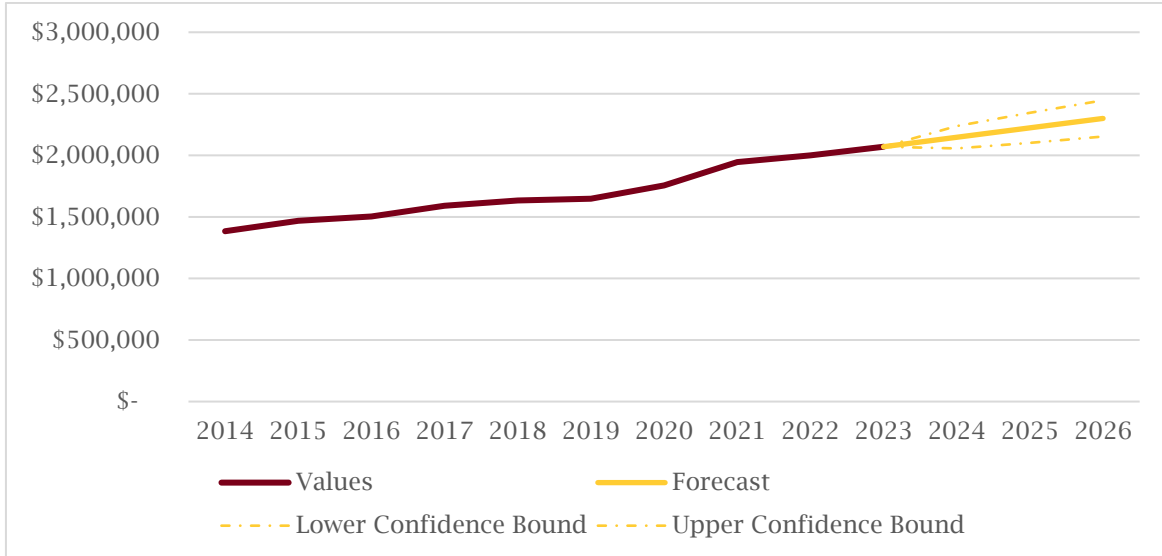
The total taxable sales in the city rose steadily over the past decade, with a slight stagnation in sales over the 2020 pandemic (Figure 3). Total sales for 2022 were unavailable at the time of this analysis. This provides some sense of the stability and trajectory of a LOST going forward.

Extension forecasted taxable sales subject to the local tax for 2023, 2024, and 2025 using a simple

exponential smoothing forecast model that employs a moving weighted average and a 95% confidence interval to provide an upper and lower bound to the estimate (Figures 5 and 6). This model estimates total tax proceeds in 2024 to be between an upper limit of \$2,254,687 and a lower limit of \$2,054,130.

Considering the historic disruption of the pandemic and its uneven effect on business categories, this forecast is an unlikely scenario based only on past trends. National evidence shows that home-focused businesses like food, building materials, furniture, and general merchandise did well through the pandemic, whereas dining, accommodations, and amusement saw record sales decreases. The increase in sales over the previous three years further complicates any forecast, though based on historical data, movement towards the Upper Confidence Bound seems more likely than forecast.

**Figure 5: Forecast for Tax Proceeds based on Past Trends 2014 to 2023**



**Figure 6: Forecast with Upper and Lower Bound 2024-26**

	Forecast	Lower Bound	Upper Bound
2024	\$2,154,408	\$2,054,130	\$2,254,687
2025	\$2,233,070	\$2,098,093	\$2,368,048
2026	\$2,311,733	\$2,149,251	\$2,474,215

Use taxes also affect the tax proceeds from a local option sales tax. Use taxes derive from businesses purchasing products from out-of-state sources and in other Minnesota locations. Use taxes are often less consistent and more difficult to estimate accurately than sales taxes. In 2023, the city received \$619,936 in use (not sales) tax proceeds. It would have garnered \$45,921 for a LOST at the 0.5 percent rate.

Policymakers must also consider the impacts that a LOST may have on consumer purchasing behavior, particularly whether it will result in a loss of consumer purchases to other jurisdictions. Extension examined records of 11 cities that enacted a local option sales tax between 1999 and 2006 (information available on the Minnesota Department of Revenue website). Records do not indicate a major purchasing change due to the additional sales tax, and most of the jurisdictions have shown continued sales growth (see Appendix A). These communities, however, may not be comparable to Forest Lake. All communities included in this analysis are located outside the Twin Cities metro area and may retain more shoppers than communities in the metro area where one can easily switch spending from one jurisdiction to another.

## BACKGROUND AND METHODOLOGY

Community economics educators at University of Minnesota Extension provide applied research and education to help community and business partners make better informed decisions. In recent years, Minnesota has adopted laws enabling local governments to enact a local option sales tax. Extension has assisted these administrations in estimating their potential tax proceeds and the portion of taxes paid by local residents.

This report estimates the proportion of tax proceeds generated by Forest Lake residents compared to non-residents. The most recently available state sales tax data (2023) from the Minnesota Department of Revenue (MN Revenue) was used.

### Trade Area Analysis and Calculations

Extension conducted a trade area analysis of retail and service sales in select merchandise categories, estimating the amount of taxable sales subject to sales taxes made by both local residents and non-residents. Use tax is a much smaller portion of the total collection compared to sales tax proceeds. It is also estimated using a different formula.

Extension calculated potential sales for the city in each merchandise category and compared this calculation to actual taxable sales from the Minnesota Department of Revenue sales tax statistics for the same category. Actual sales greater than potential sales indicate the city attracts sales from outside its boundaries or has sales greater than one would expect from its residents. Extension used the difference between potential and actual sales to set reasonable estimates of spending by residents and non-residents across all categories. These estimates also helped inform adjustments for each category.

Potential sales calculations are based on average statewide spending by merchandise category and the population of the city, then adjusted by the level of income in Forest Lake. Specifically, potential sales result from city population, state per capita taxable sales, and the index of income (see sidebar and Appendix B).

The following section details the initial and adjusted trade area calculations for all merchandise categories. The sections labeled “Analysis with Adjustments” lists the final estimate of sales generated by non-residents. A rationale for adjustments and conclusions is also included.

Online sales have been left out of the estimates for this analysis as data for these types of transactions by jurisdiction are not available before a local option sales tax is enacted. After a local option sales tax is enacted, sales tax is collected for online sales for delivered purchases. Extension estimates about 10-15% of sales are made online by households. This additional revenue is not included in this analysis.

**Potential sales** estimate the dollar amounts for purchases made by local residents *if* local residents spend as much as the average Minnesota resident.

Potential sales are calculated by the following formula:

$$(T \div PMn) \times PO \times (YWC \div YMn) = \text{potential sales}$$

T = Total Minnesota taxable sales for a merchandise category

PMn = 2023 population of Minnesota (5,800,386)

PO = 2023 population of Forest Lake (21,502)

YWC = Per capita income of Forest Lake residents (\$84,018)

YMn = Per capita income of Minnesota residents (\$72,557)



## TRADE AREA ANALYSIS BY MERCHANDISE CATEGORY

The following pages provide detailed analysis by merchandise category.

### Vehicles and Parts

#### 5.6 percent of total taxable retail and service sales

The **20 businesses** in this retail category include repair parts, snowmobiles, boats, trailers, and recreational vehicles. *Sales of cars and other on-road vehicles are not included in this category since they are subject to a different tax.*

	(\$Millions)
Actual taxable sales	\$22.21
-Potential sales	\$17.38
= \$ variance	\$4.83
= as % of potential	27.8%

### Unadjusted Trade Area Analysis

Potential taxable sales to residents	\$17.38
Surplus	\$4.83
Total	\$22.21
Surplus percentage	21.7%

### Analysis with Adjustments

Capture rate of Forest Lake residents	83%
Residents' \$ share	\$14.43
Non-Residents' \$ share	\$7.77
Total	\$22.21
Non-resident share per group	35.0%

### Analysis for Vehicles and Parts

Vehicles and parts account for 5.6 percent of total taxable retail and service sales. This retail category includes 20 businesses selling repair parts, snowmobiles, boats, trailers, and recreational vehicles. Sales of cars and other on-road vehicles are excluded from this category because they are subject to a different tax. Actual taxable sales total \$22.21 million, compared to estimated potential sales of \$17.38 million, resulting in a positive variance of \$4.83 million. This represents a surplus of 27.8 percent relative to potential demand, indicating that sales in this category exceed expected resident spending. Extension estimates the capture rate of residents at 83 percent. Based on this capture rate, residents contribute approximately \$14.43 million in sales, while non-residents account for an estimated \$7.77 million. Total sales remain \$22.21 million, and the adjusted non-resident share is 35.0 percent. The adjusted analysis indicates that this category serves both local residents and a substantial non-resident market, functioning as a regional draw with sales levels exceeding local demand.

## Building Materials

### 34.4 percent of total taxable retail and service sales

These **10 businesses** sell lumber, hardware, paint, wallpaper, tile, hardwood floors, roofing, fencing, ceiling fans, lawn equipment, and garden items.

	(\$Millions)
Actual taxable sales	\$136.98
Potential sales	\$37.25
= \$ variance	\$99.73
= as % of potential	267.7%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$37.25
Surplus	\$99.73
Total	\$136.98
Non-resident share per group	72.8%

### Analysis with Adjustments

Capture rate of Forest Lake residents	85%
Residents' \$ share	\$31.51
Non-residents' \$ share	\$105.47
Total	\$136.98
Non-resident share per group	77.0%

### Analysis for Building Materials

Building materials account for 34.4 percent of total taxable retail and service sales, making this the largest retail and service category by sales share. This merchandise group includes 10 businesses selling lumber, hardware, paint, wallpaper, tile, hardwood flooring, roofing materials, fencing, ceiling fans, lawn equipment, and garden items. Actual taxable sales total \$136.98 million, compared to estimated potential sales of \$37.25 million, resulting in a positive variance of \$99.73 million. This represents a surplus of 267.7 percent relative to potential demand, indicating that sales in this category far exceed expected resident spending. Extension estimates the capture rate of residents at 85 percent. Based on this capture rate, residents contribute approximately \$31.51 million in sales, while non-residents account for an estimated \$105.47 million. Sales total \$136.98 million, and the adjusted non-resident share is estimated at 77.0 percent. The adjusted analysis indicates that the building materials category functions as a strong regional destination, with sales heavily driven by non-resident demand and volumes that substantially exceed local consumption levels.

## Food and Groceries

### 4.9 percent of total taxable retail and service sales

The **13 businesses** in this merchandise group include grocery stores, delis, bakeries, and butcher shops that sell food to be prepared at home. Liquor stores are also included in this group.

	(\$Millions)
Actual taxable sales	\$19.40
- Potential sales	\$19.93
= \$ variance	( <b>\$0.53</b> )
= as % of potential	-2.6%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$19.93
Surplus	( <b>\$0.53</b> )
Total	\$19.40
Non-resident share per group	-2.7%

### Analysis with Adjustments

Capture rate of Forest Lake residents	68%
Residents' \$ share	\$13.58
Non-residents' \$ share	\$5.82
Total	\$19.40
Non-resident share per group	30.0%

### Analysis for Food and Groceries

Food and grocery businesses account for 4.9 percent of total taxable retail and service sales. This merchandise group includes 13 businesses such as grocery stores, delis, bakeries, butcher shops, and liquor stores that sell food intended for home preparation. Actual taxable sales total \$19.40 million, compared to estimated potential sales of \$19.93 million, resulting in a sales gap of \$0.53 million. This represents a leakage of 2.6 percent relative to potential demand, indicating that local food and grocery sales closely align with resident spending levels. Extension estimates the capture rate of residents at 68 percent. Based on this capture rate, residents contribute approximately \$13.58 million in sales, while non-residents account for an estimated \$5.82 million. Total sales are \$19.40 million, and the adjusted non-resident share is 30.0 percent. The adjusted analysis indicates that this category performs near equilibrium, serving both local residents and a meaningful non-resident market without significant leakage or surplus.

## Furniture Stores, Electronics, and Appliances

1.2 percent of total taxable retail and service sales\*

These 17 **businesses** primarily include household-type appliances, sewing machines, cameras, computers, other electronic goods, furniture, beds, carpeting, window coverings, kitchenware, and wood-burning stoves.

	(\$Millions)
Actual taxable sales	\$4.89
-Potential sales	\$21.36
= \$ variance	( <b>\$16.46</b> )
= as % of potential	-77.1%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$21.36
Surplus	( <b>\$16.46</b> )
Total	\$4.89
Non-resident share per group	-336.6%

### Analysis with Adjustments

Capture rate of Forest Lake residents	21%
Residents' \$ share	\$4.40
Non-residents' \$ share	\$0.49
Total	\$4.89
Non-resident share per group	10.0%

### Analysis for Furniture Stores, Electronics, and Appliances

Furniture stores, electronics, and appliance retailers account for 1.2 percent of total taxable retail and service sales. This merchandise group includes 17 businesses selling household appliances, electronics, computers, furniture, bedding, carpeting, window coverings, kitchenware, wood-burning stoves, and related durable household goods. Actual taxable sales total \$4.89 million, compared to estimated potential sales of \$21.36 million, resulting in a sales gap of \$16.46 million. This represents a leakage of 77.1 percent relative to potential demand, indicating that a substantial share of resident spending in this category occurs outside the local market. Extension estimates the capture rate of residents at 21 percent. Based on this capture rate, residents contribute approximately \$4.40 million in sales, while non-residents account for an estimated \$0.49 million. Total sales remain \$4.89 million, and the adjusted non-resident share is 10.0 percent. The adjusted analysis indicates that this category captures a modest portion of resident demand but continues to experience substantial leakage to other retail markets.

## General Merchandise Stores

### 18.3 percent of total taxable retail and service sales\*

The **8 businesses** in this category sell general merchandise and are unique because they have the equipment and staff needed to sell a large variety of goods from a single location. This includes department stores, superstores, dollar stores, and variety stores.

	(\$Millions)
Actual taxable sales	\$72.77
potential sales	\$36.95
= \$ variance	\$35.82
= as % of potential	96.9%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$36.95
Surplus	\$35.82
Total	\$72.77
Non-resident share per group	49.2%

### Analysis with Adjustments

Capture rate of Forest Lake residents	85%
Residents' \$ share	\$31.29
Non-Residents' \$ share	\$41.48
Total	\$72.77
Non-resident share per group	57.0%

### Analysis for General Merchandise Stores

General merchandise stores account for 18.3 percent of total taxable retail and service sales. This merchandise group includes eight businesses selling a wide range of goods from a single location, such as department stores, superstores, dollar stores, and variety stores, which are characterized by the equipment and staffing needed to support broad product assortments. Actual taxable sales total \$72.77 million, compared to estimated potential sales of \$36.95 million, resulting in a positive variance of \$35.82 million. This represents a surplus of 96.9 percent relative to potential demand, indicating that sales in this category are nearly double what would be expected based on resident spending alone. Extension estimates the capture rate of residents at 85 percent. Based on this capture rate, residents contribute approximately \$31.29 million in sales, while non-residents account for an estimated \$41.48 million. Total sales are \$72.77 million, and the adjusted non-resident share increases to 57.0 percent. The adjusted analysis indicates that general merchandise stores function as a strong regional draw, with a majority of sales supported by non-resident spending and volumes that substantially exceed local demand.

## Health and Personal Items

### 0.7 percent of total taxable retail and service sales

Stores selling prescription drugs, food supplements, vision supplies, cosmetics, and hearing aids are among the **10 businesses** included in this merchandise group.

	(\$Millions)
Actual taxable sales	\$2.89
Potential sales	\$4.64
= \$ variance	( <b>\$1.76</b> )
= as % of potential	-37.8%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$4.64
Surplus	( <b>\$1.76</b> )
Total	\$2.89
Non-resident share per group	-60.8%

### Analysis with Adjustments

Capture rate of Forest Lake residents	50%
Residents' \$ share	\$2.31
Non-residents' \$ share	\$0.58
Total	\$2.89
Non-resident share per group	20.0%

### Analysis for Health and Personal Items

Health and personal item retailers account for 0.7 percent of total taxable retail and service sales. This merchandise group includes 10 businesses selling prescription drugs, food supplements, vision supplies, cosmetics, and hearing aids. Actual taxable sales total \$2.89 million, compared to estimated potential sales of \$4.64 million, resulting in a sales gap of \$1.76 million. This represents a leakage of 37.8 percent relative to potential demand, indicating that a notable share of resident spending in this category occurs outside the local market. Extension estimates the capture rate of residents at 50 percent. Based on this capture rate, residents contribute approximately \$2.31 million in sales, while non-residents account for an estimated \$0.58 million. Total sales remain \$2.89 million, and the adjusted non-resident share is 20.0 percent. The adjusted analysis indicates that this category serves local residents at a moderate level but continues to experience measurable leakage to other retail markets.

## Gas/Convenience Stores

### 2.6 percent of total taxable retail and service sales

This merchandise group covers **11 businesses** selling convenience items at a store that also sells fuel.

	(\$Millions)
Actual taxable sales	\$10.18
-Potential sales	\$8.96
= \$ variance	\$1.22
= as % of potential	13.7%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$8.96
Surplus	\$1.22
Total	\$10.18
Non-resident share per group	12.0%

### Analysis with Adjustments

Capture rate of Forest Lake residents	76%
Residents' \$ share	\$6.82
Non-residents' \$ share	\$3.36
Total	\$10.18
Non-resident share per group	33.0%

### Analysis for Gas/Convenience Stores

Gas and convenience stores account for 2.6 percent of total taxable retail and service sales. This merchandise group includes 11 businesses selling convenience items at locations that also sell fuel. Actual taxable sales total \$10.18 million, compared to estimated potential sales of \$8.96 million, resulting in a positive variance of \$1.22 million. This represents a surplus of 13.7 percent relative to potential demand, indicating that sales in this category slightly exceed expected resident spending. Extension estimates the capture rate of residents at 76 percent. Based on this capture rate, residents contribute approximately \$6.82 million in sales, while non-residents account for an estimated \$3.36 million. Total sales are \$10.18 million, and the adjusted non-resident share increases to 33.0 percent. The adjusted analysis indicates that gas and convenience stores serve both local residents and a meaningful non-resident market, with sales slightly exceeding local demand.

## Apparel/Clothing

### 0.3 percent of total taxable retail and service sales

This merchandise group includes **12 businesses** selling new clothing and accessories, jewelry, shoes, bridal items, clocks, and luggage.

	(\$Millions)
.9Actual taxable sales	\$1.36
Potential sales	\$4.82
= \$ variance	( <b>\$3.46</b> )
= as % of potential	-71.8%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$4.82
Surplus	( <b>\$3.46</b> )
Total	\$1.36
Non-resident share per group	-254.1%

### Analysis with Adjustments

Capture rate of Forest Lake residents	24%
Residents' \$ share	\$1.16
Non-residents' \$ share	\$0.20
Total	\$1.36
Non-resident share per group	15.0%

### Analysis for Apparel/Clothing

Apparel and clothing retailers account for 0.3 percent of total taxable retail and service sales. This merchandise group includes 12 businesses selling new clothing and accessories, jewelry, shoes, bridal items, clocks, and luggage. Actual taxable sales total \$1.36 million, compared to estimated potential sales of \$4.82 million, resulting in a sales gap of \$3.46 million. This represents a leakage of 71.8 percent relative to potential demand, indicating that a large share of resident spending on apparel and accessories occurs outside the local market. Extension estimates the capture rate of residents at 24 percent. Based on this capture rate, residents contribute approximately \$1.16 million in sales, while non-residents account for an estimated \$0.20 million. Total sales are \$1.36 million, and the adjusted non-resident share is 15.0 percent. The adjusted analysis indicates that this category captures less than one-quarter of resident demand and continues to experience substantial leakage to other retail markets.

## Leisure Goods, All Other Miscellaneous Retail

### 5.5 percent of total taxable retail and service sales

40 businesses are part of this group, including florists, used merchandise stores, pet supply stores, sporting goods, books, music, hobby items, fabrics, toys, and other retailers.

	(\$Millions)
Actual taxable sales	\$21.71
Potential sales	\$18.01
= \$ variance	\$3.71
= as % of potential	20.6%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$18.01
Surplus	\$3.71
Total	\$21.71
Non-resident share per group	17.1%

### Analysis with Adjustments

Capture rate of Forest Lake residents	71%
Residents' \$ share	\$12.81
Non-residents' \$ share	\$8.90
Total	\$21.71
Non-resident share per group	41.0%

### Analysis for Miscellaneous Retail

Leisure goods and other miscellaneous retail account for 5.5 percent of total taxable retail and service sales. This merchandise group includes 40 businesses such as florists, used merchandise stores, pet supply retailers, sporting goods stores, book and music sellers, hobby shops, fabric and toy stores, and other specialty retailers. Actual taxable sales total \$21.71 million, compared to estimated potential sales of \$18.01 million, resulting in a positive variance of \$3.71 million. This represents a surplus of 20.6 percent relative to potential demand, indicating that sales in this category exceed expected resident spending. Extension estimates the capture rate of residents at 71 percent. Based on this capture rate, residents contribute approximately \$12.81 million in sales, while non-residents account for an estimated \$8.90 million. Total sales are \$21.71 million, and the adjusted non-resident share increases to 41.0 percent. The adjusted analysis indicates that this category functions as both a strong local-serving sector and a regional draw, with sales exceeding local demand and a substantial contribution from non-resident spending.

## Amusement and Recreation

### 1.3 percent of total taxable retail and service sales\*

The 9 businesses in this group include casinos, bowling lanes, water parks, amusement parks, arcades, bingo halls, golf courses, ski slopes, marinas, dance or fitness centers, recreational clubs, ice rinks, swimming pools, roller rinks, etc.

	(\$Millions)
Actual taxable sales	\$5.16
Potential sales	\$10.00
= \$ variance	(\$4.85)
= as % of potential	-48.5%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$10.00
Surplus	(\$4.85)
Total	\$5.16
Non-resident share per group	-94.1%

### Analysis with Adjustments

Capture rate of Forest Lake residents	41%
Residents' \$ share	\$4.12
Non-residents' \$ share	\$1.03
Total	\$5.16
Non-resident share per group	20.0%

### Analysis for Amusement and Recreation

Amusement and recreation businesses account for 1.3 percent of total taxable retail and service sales. This merchandise group includes nine businesses such as casinos, bowling lanes, water parks, amusement parks, arcades, bingo halls, golf courses, ski slopes, marinas, dance or fitness centers, recreational clubs, ice rinks, swimming pools, roller rinks, and similar facilities. Actual taxable sales total \$5.16 million, compared to estimated potential sales of \$10.00 million, resulting in a sales gap of \$4.85 million. This represents a leakage of 48.5 percent relative to potential demand, indicating that nearly half of resident spending on amusement and recreation occurs outside the local market. Extension estimates the capture rate of residents at 41 percent. Based on this capture rate, residents contribute approximately \$4.12 million in sales, while non-residents account for an estimated \$1.03 million. Total sales are \$5.16 million, and the adjusted non-resident share is 20.0 percent. The adjusted analysis indicates that while this category captures a moderate share of resident demand, it continues to experience substantial leakage, with a limited but notable contribution from non-resident users.

## Accommodations

### N/A percent of total taxable retail and service sales

These **n/a businesses** provide lodging or short-term accommodations for travelers, vacationers, and others. Included are hotels, motels, lodges, bed & breakfasts, campgrounds, fraternities, boarding houses, and dormitories.

	(\$Millions)
Actual taxable sales	\$ -
Potential sales	\$ -
= \$ variance	\$ -
= as % of potential	-%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$ -
Surplus	\$ -
Total	\$ -
Non-resident share per group	-%

### Analysis with Adjustments

Capture rate of Forest Lake residents	-%
Residents' \$ share	\$ -
Non-residents' \$ share	\$ -
Total	\$ -
Non-resident share per group	-%

### Analysis for Accommodations

Data was not available for this category.

## Eating/Drinking Establishments

### 15.9 percent of total taxable retail and service sales

These 53 **businesses** sell food at full-service or limited-service establishments. The group includes cafeterias, bagel shops, ice cream parlors, snack bars, food service contractors, caterers, lunch wagons, and street vendors. It also includes bars, taverns, and nightclubs.

	(\$Millions)
Actual taxable sales	\$63.13
Potential sales	\$51.27
= \$ variance	\$11.86
= as % of potential	23.1%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$51.27
Surplus	\$11.86
Total	\$63.13
Non-resident share per group	18.8%

### Analysis with Adjustments

Capture rate of Forest Lake residents	80%
Residents' \$ share	\$41.03
Non-residents' \$ share	\$22.10
Total	\$63.13
Non-resident share per group	35.0%

### Analysis for Eating/Drinking Establishments

Eating and drinking establishments account for 15.9 percent of total taxable retail and service sales. This merchandise group includes 53 businesses selling food through full-service and limited-service establishments, including cafeterias, bagel shops, ice cream parlors, snack bars, food service contractors, caterers, lunch wagons, street vendors, as well as bars, taverns, and nightclubs. Actual taxable sales total \$63.13 million, compared to estimated potential sales of \$51.27 million, resulting in a positive variance of \$11.86 million. This represents a surplus of 23.1 percent relative to potential demand, indicating that sales in this category exceed what would be expected based solely on resident spending. Extension estimates the capture rate of residents at 80 percent. Based on this capture rate, residents contribute approximately \$41.03 million in sales, while non-residents account for an estimated \$22.10 million. Total sales are \$63.13 million, and the adjusted non-resident share is 35.0 percent. The adjusted analysis indicates that this category functions as both a strong local-serving sector and a regional draw, with substantial sales driven by non-resident customers in addition to high resident capture.

## Repair and Maintenance

### 2.9 percent of total taxable retail and service sales

The **29 businesses** in this group restore machinery, equipment, and other products. The group does not include plumbing or electrical repair services but does encompass auto repair, cameras, televisions, computers, copiers, appliances, lawn mowers, specialized equipment, small engines, furniture, shoes, guns, etc.

	(\$Millions)
Actual taxable sales	\$11.52
Potential sales	\$9.87
= \$ variance	\$1.65
= as % of potential	16.7%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$9.87
Surplus	\$1.65
Total	\$11.52
Non-resident share per group	14.3%

### Analysis with Adjustments

Capture rate of Forest Lake residents	78%
Residents' \$ share	\$7.72
Non-residents' \$ share	\$3.80
Total	\$11.52
Non-resident share per group	33.0%

### Analysis for Repair and Maintenance

Repair and maintenance services account for 2.9 percent of total taxable retail and service sales. This merchandise group includes 29 businesses that restore machinery, equipment, and other products, including auto repair, cameras, televisions, computers, copiers, appliances, lawn mowers, specialized equipment, small engines, furniture, shoes, and firearms, but excludes plumbing and electrical repair services. Actual taxable sales total \$11.52 million, compared to estimated potential sales of \$9.87 million, resulting in a positive variance of \$1.65 million. This represents a surplus of 16.7 percent relative to potential demand, indicating that sales in this category exceed what would be expected based solely on resident spending. Extension estimates the capture rate of residents at 78 percent. Based on this capture rate, residents contribute approximately \$7.72 million in sales, while non-residents account for an estimated \$3.80 million. Total sales are \$11.52 million, and the adjusted non-resident share is 33.0 percent. The adjusted analysis indicates that this category serves a majority of local demand while also attracting a meaningful share of non-resident customers, positioning it as a strong regional service sector.

## Personal Services/Laundry

### 0.8 percent of total taxable retail and service sales

The 39 **businesses** in this merchandise group include barber shops and beauty parlors, death care services, laundry and dry-cleaning services, and a wide range of other personal services, such as pet care (except veterinary), photofinishing, temporary parking, and dating services.

	(\$Millions)
Actual taxable sales	\$3.26
Potential Sales	\$5.06
= \$ variance	(\$1.80)
= as % of potential	-35.6%

### Unadjusted Trade Area Analysis

Potential sales to residents	\$5.06
Surplus	(\$1.80)
Total	\$3.26
Non-resident share per group	-55.3%

### Analysis with Adjustments

Capture rate of Forest Lake residents	58%
Residents' \$ share	\$2.93
Non-residents' \$ share	\$0.33
Total	\$3.26
Non-resident share per group	10.0%

### Analysis for Personal Services/Laundry

Personal services and laundry account for 0.8 percent of total taxable retail and service sales. This merchandise group includes 39 businesses such as barber shops and beauty parlors, death care services, laundry and dry-cleaning establishments, and a wide range of other personal services, including pet care (excluding veterinary services), photofinishing, temporary parking, and dating services. Actual taxable sales total \$3.26 million, compared to estimated potential sales of \$5.06 million, resulting in a sales gap of \$1.80 million. This represents a leakage of 35.6 percent relative to potential demand, indicating that a portion of resident spending in this category occurs outside the local market. Extension estimates the capture rate of residents at 58 percent. Based on this capture rate, residents contribute approximately \$2.93 million in sales, while non-residents account for an estimated \$0.33 million. Total sales are \$3.26 million, and the adjusted non-resident share is 10.0 percent. The adjusted analysis indicates that this category captures a majority of local demand but continues to experience measurable leakage, with a small contribution from non-resident customers.

### Retail (Non-Store) and Other Services

This section includes taxable sales attributed to North American Industrial Classification System categories 511-813 released by MN Revenue.

	(\$Millions)
Actual taxable sales	\$22.20
% of total taxable retail and service sales In Forest Lake	5.6%

### Analysis with Adjustments

	(\$Millions)
Residents' \$ share	\$13.55
Non-residents' \$ share	\$8.66
Total	\$22.20
Non-resident share per group	39%

### Analysis for Retail and Other Services

This group includes non-store retailers (such as direct selling operations), healthcare, waste management, rental/lease services, administrative support, and the performing arts. Some of these categories serve primarily a local market, whereas categories like 541 (professional and technical services) often serve a non-local market. This mix of business types is too diverse to run a trade area analysis for, but Extension estimated an aggregate 39 percent of these sales are to non-resident customers. The categories of sales are shown below:

CATEGORY	TAXABLE SALES	% NON-LOCAL	NON-LOCAL \$
113 AG -FORESTRY, LOGGING	\$14,000	35%	\$4,900
484 TRANSPORTATION -TRUCK	\$3,441,858	40%	\$1,376,743
531 REAL ESTATE	\$8,089	40%	\$3,236
532 RENTAL, LEASING SERVICES	\$4,524,113	40%	\$1,809,645
541 PROF,SCIENTIFIC,TECH SERV	\$3,155,979	35%	\$1,104,593
561 ADMIN, SUPPORT SERVICES	\$6,825,334	40%	\$2,730,134
611 EDUCATIONAL SERVICES	\$205,915	40%	\$82,366
621 HEALTH -AMBULATORY CARE	\$237,512	40%	\$95,005
711 PERF ART, SPECTATOR SPRTS	\$104,800	40%	\$41,920
813 RELIGIOUS,CIVIC,PROF ORGS	\$2,949,807	40%	\$1,179,923
454 RETL -NONSTORE RETAILERS	\$737,549	40%	\$295,020
TOTALS	\$22,204,956	39%	\$8,723,483

## Construction, Manufacturing, Utilities, Wholesale Operations, Transportation, and Sales Suppressed for Business Confidentiality

A diverse mix of businesses fall into these non-retail categories, and a portion of sales are within a suppressed or non-disclosed subcategory. These industries and services generate \$23.83 million in taxable sales, or 5.7 percent of total taxable sales in Forest Lake. A significant portion of this amount would be subject to any new sales taxes, including a local option sales tax.

This category includes utilities that primarily serve a local market and are subject to a local option sales tax. The diversity of firm types included in this category makes it difficult to understand the customer mix of these businesses; however, Extension broke out each known subcategory with an assumption of whether customers paying the taxable sales were non-local:

Category	Taxable Sales	% non-local	\$ non-local
CONSTRUCTION	\$4,916,692	60%	\$2,950,015.20
MANUFACTURING	\$3,060,107	90%	\$2,754,096.30
WHOLESALE	\$5,222,973	80%	\$4,178,378.40
UNDESIGNATED/SUPPRESSED	\$10,626,283	50%	\$5,313,141.50
Total	\$23,826,055	64%	\$15,195,631.40

Extension estimated that, overall, 64 percent of sales are to non-residents. This analysis assumes that some subcategories, such as manufacturing sell primarily (90 percent) to non-resident customers, whereas subcategories like construction split sales between resident and non-resident customers.

### Analysis with Adjustments

	(\$Millions)
Residents' \$ share	\$8.58
Non-residents \$ share	\$15.25
Total	\$23.83
Non-resident share	64%

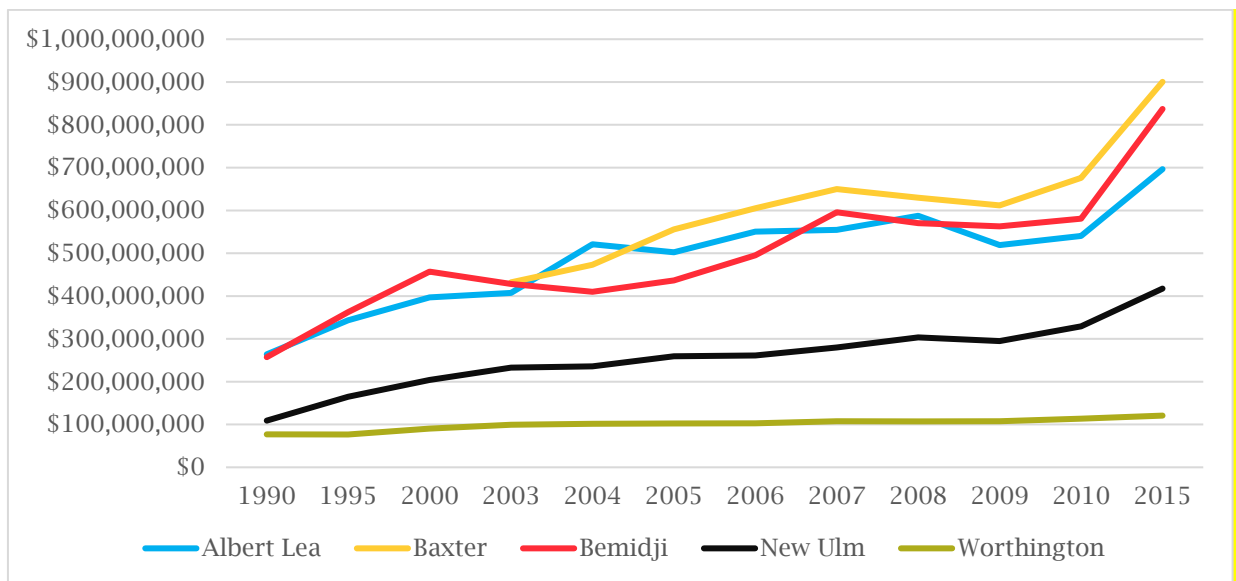
### APPENDIX A: RESEARCH ON THE EFFECTS OF A LOCAL OPTION SALES TAX

Policymakers are often concerned that enacting a local sales tax will result in a loss of consumer purchases to neighboring communities that have not adopted the tax.

The Minnesota Department of Revenue records the tax collected from a set of Minnesota jurisdictions that have had a local sales or use tax in effect for at least eight years. Most of these cities show continued sales growth. A comparison that includes 11 Minnesota cities adopting a 0.5 percent local option sales tax is offered below (refer to Figures 4, 5, 6, and 7).

Policymakers must determine the best allowable method to raise revenue from a variety of options. One option is raising property taxes, which is not directly related to a household’s current income and raises the financial burden of low-income or retired homeowners. Sales taxes raise revenues based on household expenditures, which, in Minnesota, excludes the basic necessities of food and clothing. However, since sales tax raises revenues from non-residents who shop in Forest Lake, resident contributions to tax revenues are significantly lower than a tax generated exclusively by local residents, such as a property tax. Policymakers must carefully consider these and other factors before making a decision about enacting a local sales tax.

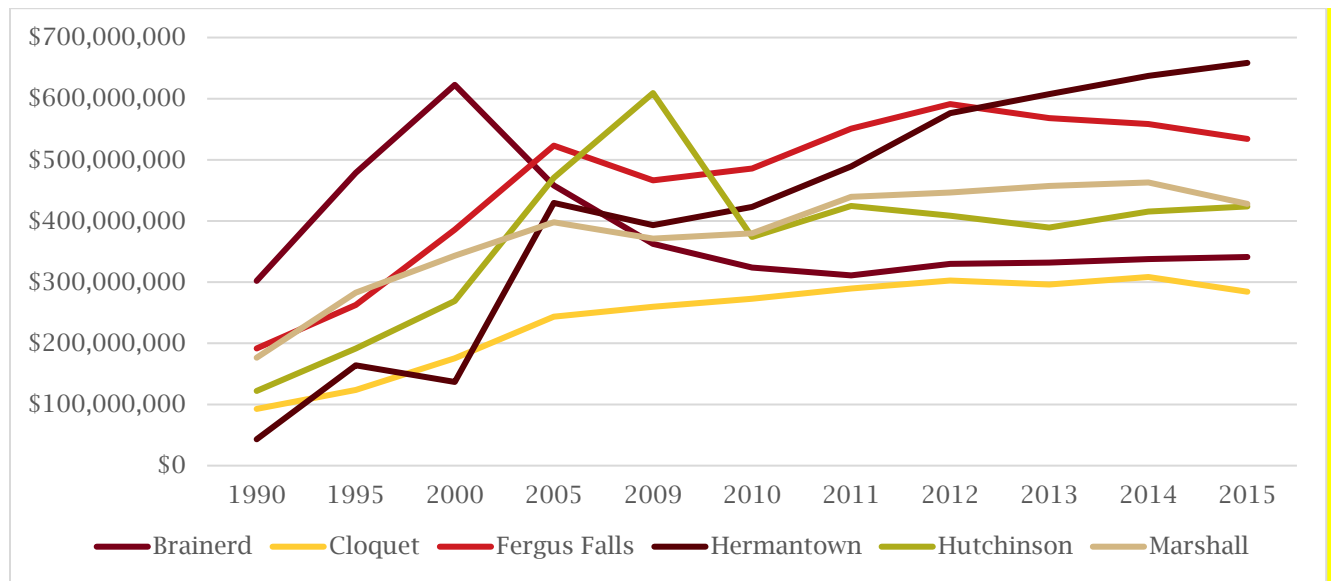
**Figure 4: Taxable retail and service sales by communities that began collecting a local option sales tax from 1999 to 2006**



**Figure 5: Data table for example communities, taxable retail and service sales (in millions)**

Town Name	2015 Population	Year LOST	90	95	00	03	04	05	06	07	08	09	10	15
Albert Lea	18,356	2006	\$264	\$344	\$397	\$407	\$521	\$502	\$551	\$555	\$588	\$519	\$541	\$696
Baxter	8,065	2006				\$432	\$473	\$556	\$605	\$650	\$630	\$612	\$676	\$900
Bemidji	11,917	2005	\$257	\$362	\$457	\$428	\$410	\$437	\$495	\$596	\$570	\$563	\$581	\$837
New Ulm	13,594	1999	\$109	\$165	\$204	\$233	\$236	\$259	\$261	\$280	\$303	\$295	\$329	\$417
Worthington	11,283	2005	\$77	\$77	\$91	\$99	\$102	\$103	\$103	\$108	\$107	\$108	\$114	\$121

**Figure 6: Taxable retail and service sales by communities that began collecting a local option sales tax between 2011- 2012**



**Figure 7: Data table for example communities, taxable retail and service sales (in millions)**

Town Name	2015 Pop	Year LOST	90	95	00	05	09	10	11	12	13	14	15
<i>Brainerd</i>	13,178	2011	\$302	\$479	\$623	\$458	\$362	\$324	\$311	\$330	\$332	\$338	\$341
<i>Cloquet</i>	11,201	2011	\$93	\$124	\$175	\$244	\$260	\$273	\$290	\$303	\$296	\$308	\$284
<i>Fergus Falls</i>	13,471	2011	\$192	\$263	\$386	\$523	\$467	\$486	\$551	\$591	\$568	\$558	\$534
<i>Hermantown</i>	7,448	1996 - increase 2012	\$43	\$164	\$137	\$430	\$393	\$423	\$489	\$576	\$607	\$637	\$659
<i>Hutchinson</i>	13,080	2011	\$122	\$191	\$269	\$471	\$609	\$374	\$425	\$409	\$389	\$415	\$424
<i>Marshall</i>	12,735	2011	\$176	\$283	\$343	\$398	\$371	\$380	\$440	\$447	\$457	\$463	\$428

## APPENDIX B: DEFINITIONS OF TERMS

### Gross sales

Gross sales include taxable sales and exempt businesses with sales and use tax permits. This is the most inclusive indicator of business activity for reporting jurisdictions, but it can be misleading when used in comparisons. At times, non-taxable commodity items (e.g., gasoline) can have large price variations, creating huge swings in gross sales.

### Taxable sales

Taxable sales are sales subject to sales tax. Taxable sales exclude exempt items, items sold for resale, items sold for exempt purposes, and items sold to exempt organizations. For the purpose of this study, taxable sales were the focus of the analysis. For more information on what is taxed in Minnesota, see the "Minnesota Sales and Use Tax Instruction Booklet" available at <https://www.revenue.state.mn.us/minnesota-tax-handbooks>

### Taxable retail and service sales

In this study and other retail trade analyses conducted by University of Minnesota Extension, the term "taxable retail and service sales" refers to the North American Industry Classification System (NAICS) numbers of 441 to 454 (retail) and 511 to 812 (most service industries) released by the Minnesota Department of Revenue for a geographic area.

### Current and constant dollar sales

Current dollar (or "nominal dollar") sales are those reported by the state. No adjustment has been made for price inflation. In general, this measure of sales is not satisfactory for comparisons over long periods of time since it does not account for changes in population, inflation, or the state's economy. Constant dollar (or "real dollar") sales reflect changes in price inflation by adjusting current dollar sales according to the Consumer Price Index (CPI). Constant dollar sales indicate the real sales level with respect to a base year. This is a more realistic method of evaluating sales over time than current dollar comparisons, but it still does not take into consideration changes in population or the state's economy.

### Number of businesses

The number of sales and use tax permit holders who filed one or more tax returns for the year.

### Index of income

This index provides a relative measure of income, calculated by dividing local per capita income by state per capita income. The base is 1.00. For example, a 1.20 index of income indicates that per capita income in the area is 20 percent above the state average.

### Potential sales

Potential sales are an estimate of the amount of money spent on retail goods and services by residents of a city or county. It is the product of city/county population, state per capita sales, and the index of income (based on the county personal per capita income).

### Actual sales

For this study, the Minnesota Department of Revenue's 2023 sales data for Forest Lake provides the actual sales numbers used.

### **Variance between actual and potential sales**

The variance between actual and expected sales is the difference in sales from the “norm” (i.e., the amount above or below the standard established by the expected sales formula). When actual sales exceed expected sales, the study area has a “surplus” of retail sales. When actual sales fall short of expected sales, the study area has a retail sales “leakage.” Discrepancies between expected and actual sales occur for a variety of reasons. For this study, we use potential sales per merchandise group to create a first-cut estimate of residents’ purchase activities.

### **Cautions**

#### **Gross sales**

Gross sales are a comprehensive measure of business activity, but it should be noted the numbers in this report are self-reported. Furthermore, gross sales are not audited by the state of Minnesota. It is believed that gross sales figures are generally reliable, but there is the possibility of distortions, especially in smaller cities where misreporting may have occurred.

#### **Misclassification**

Holdings of sales and use tax permits select the North American Industry Classification System (NAICS) category that best fits their business. All sales reported by a business is attributed to that selected NAICS category. Regardless of who makes this classification, errors are occasionally made. Also, sometimes a business will start out as one type but evolve over time to a considerably different type. Misclassifications can distort sales among business categories, especially in smaller cities. For example, a furniture store that is classified as a general merchandise store will underreport sales in the furniture store category and over-report sales in the general merchandise category.

#### **Suppressed data**

The sales data for merchandise categories that have less than four reporting firms are not reported. This is a measure taken by most states to protect the confidentiality of sales tax permit holders. Sales for suppressed retail categories are placed into the miscellaneous retail category (NAICS 999) and included in total sales but not total sales of a typical retail trade analysis. For this report, however, all taxable sales—including NAICS 999—are part of calculating the amount of special taxes collected.

#### **Consolidated reporting**

Vendors with more than one location in Minnesota have the option of filing a separate return for each location or filing one consolidated return for all locations. The consolidated return shows sales made, tax due, and location by study area, and city/county for each business. Data for consolidated filers are combined with data for single-location filers to produce the figures in this report. Occasionally, consolidated reports may not be properly deconstructed, and all sales for a company may be reported for one town or county. Whenever misreporting is discovered, the Minnesota Department of Revenue is contacted to clarify the situation.



# *Forest Lake LOST Analysis*

**ERIC KING**

**EXTENSION EDUCATOR**

**UNIVERSITY OF MINNESOTA**



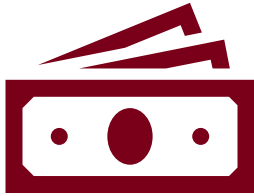
Data



Method



Highlights



## Calculated using:

Per capita sales in MN  
Population of Forest Lake  
Index of Income  
0.5% Local Option Sales Tax



## How are you doing?

Compare Actual vs. Potential  
Identify opportunities or gaps

## POTENTIAL SALES



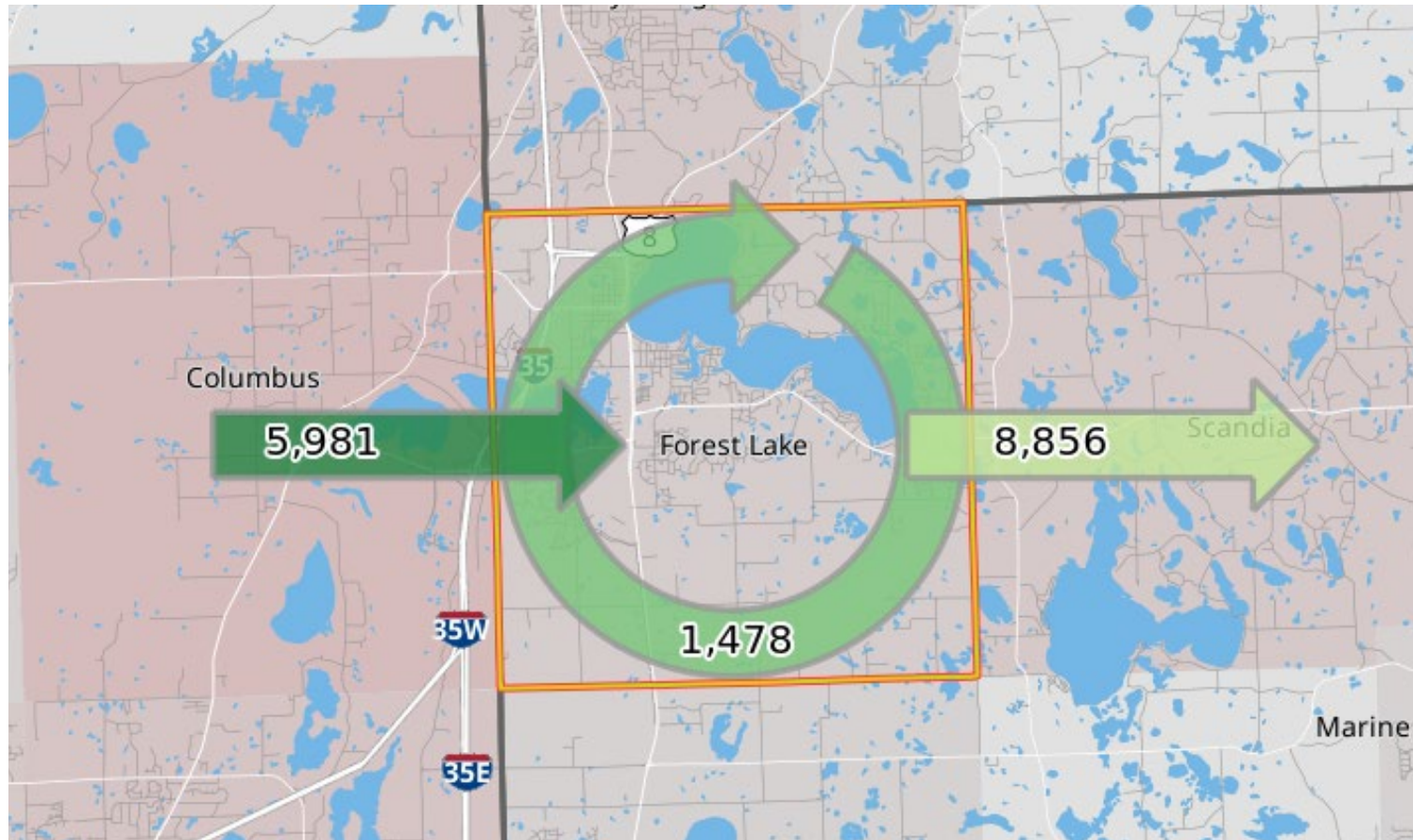
## Potential Sales vs. Actual Sales

### Defensible numbers

- Err on side of conservatively estimating non-residents

### Traffic pattern assumptions

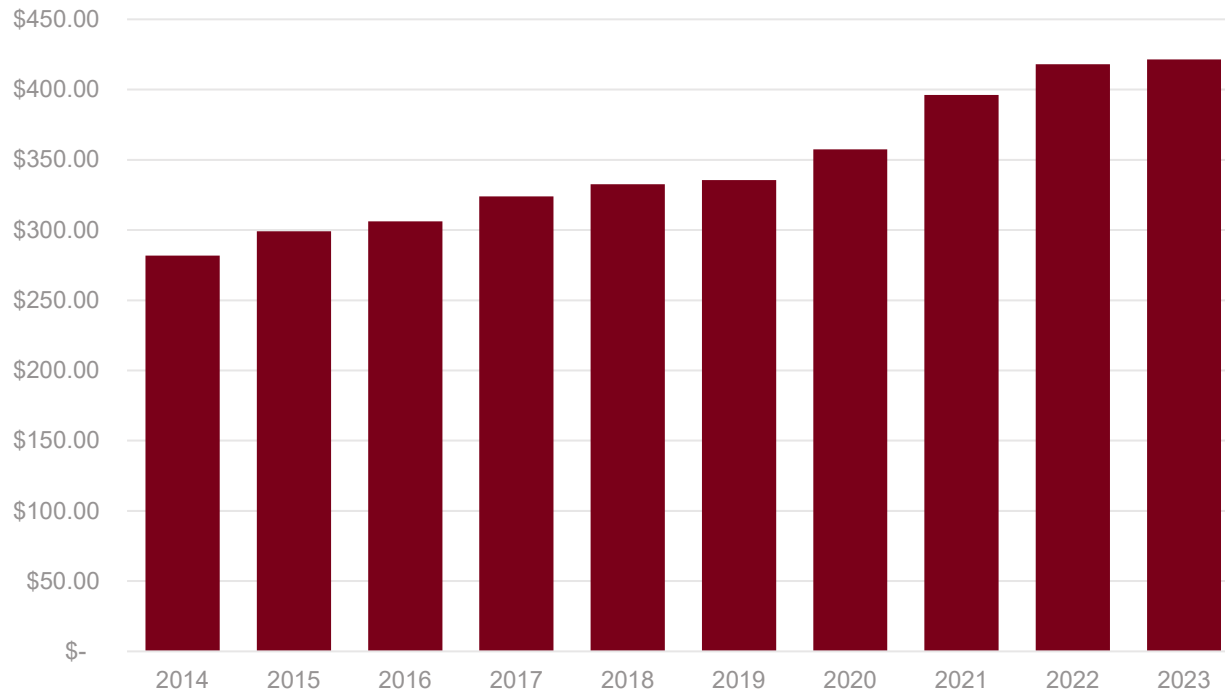
# CONTEXT: ON THE MAP





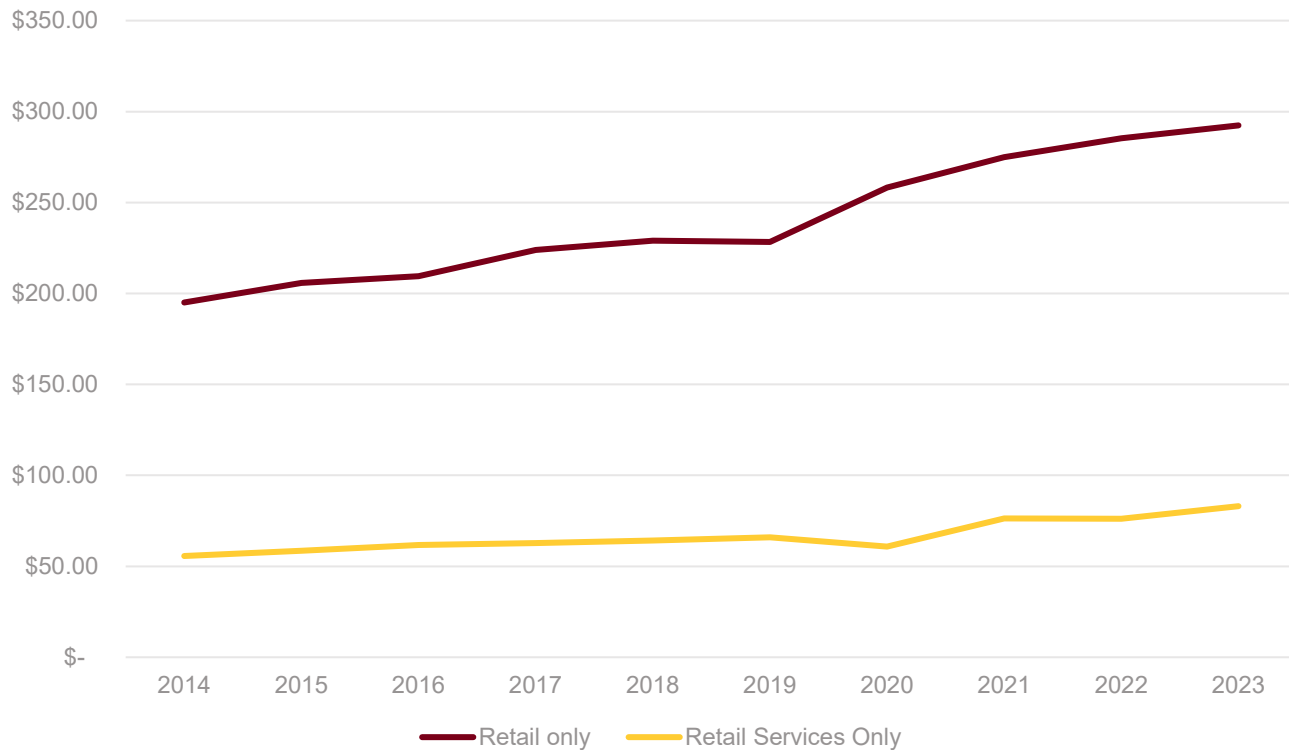
## 2023 DATA FROM MN REVENUE

\$281.76 million (2014) to \$421.49 million (2023)





## RETAIL AND SERVICE TAXABLE SALES





46.6% Resident vs. 53.4% Non-residents

\$2,070,000 tax proceeds (2023) + Additional 10% in online revenue

\$44.86 per resident

Major categories

Building Materials

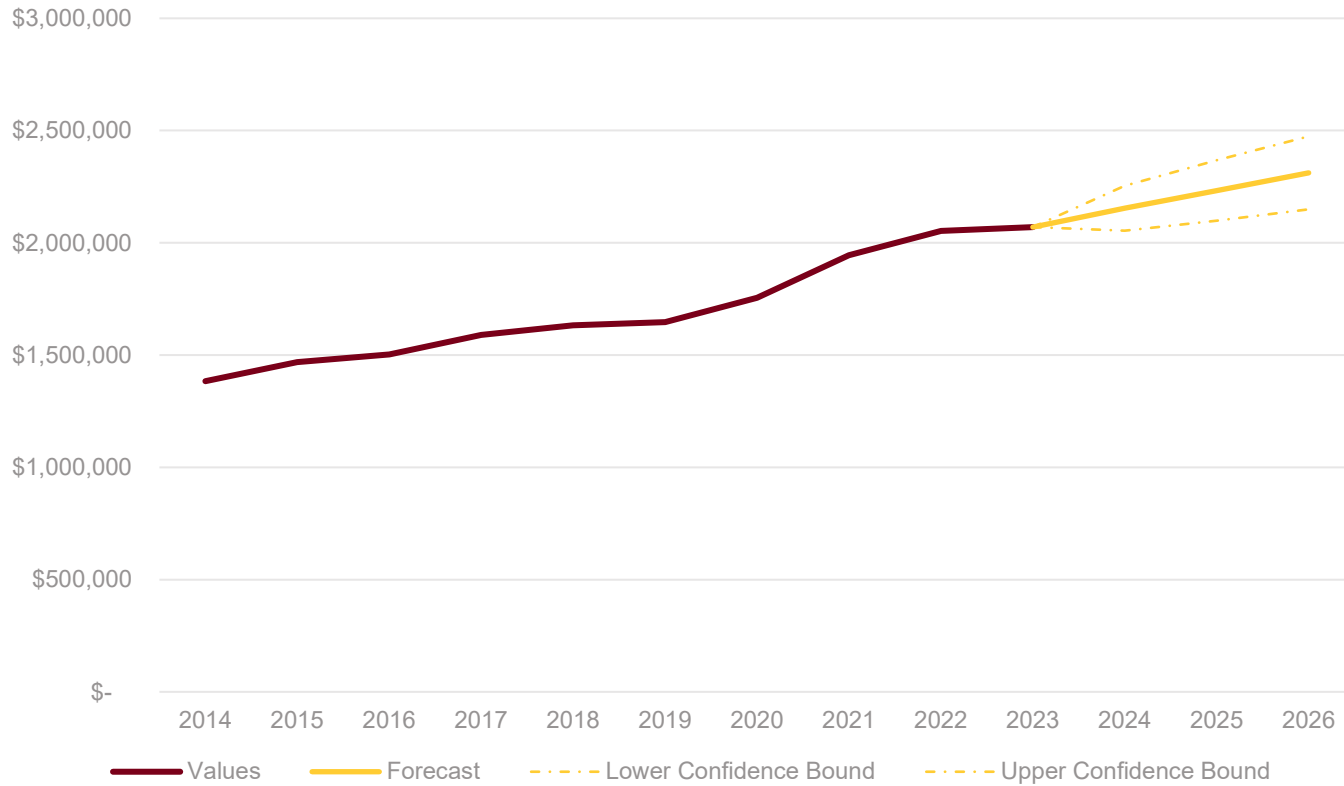
General Merchandise

Restaurants/Bars

## HIGHLIGHTS



# 2023 Projections





## **I live in Forest Lake...**

- **Generally, where am I pulled for retail and service spending out of the city?**
- **Generally, which goods and services hold me in the city?**

## **I live outside Forest Lake...**

- **Generally, are their select goods, services, or attractions that pull me into the city?**



# Thank You

Eric King

Extension Educator

[kingx953@umn.edu](mailto:kingx953@umn.edu)

612-310-7952



# FOREST LAKE CITY COUNCIL AND STAFF LEADERSHIP TEAM STRATEGIC PLANNING

OCTOBER 25, 2025



## OVERVIEW - 2026 STRATEGIC PLANNING

### 2026 City of Forest Lake Strategic Planning Session

A Strategic Plan is a tool that outlines the City Council's priorities for the organization and community and provides a clear direction of where the City is going and how it intends to get there. It guides decisions and provides a plan including action strategies for implementation and accountability.

On October 25, 2025, the City Council, members of the City's Leadership Team, and two facilitators, Dr. Dave Webb and Dave Bartholomay, met for a day of strategic planning. The purpose of this session was to gather input from both groups to help shape a shared vision and identify key action strategies for the future. At the start of our time together, City of Forest Lake Leadership Team Members showcased successes, challenges, and opportunities in each of their departments. Following the Leadership Team Departmental highlights, Dr. Webb and Dave Bartholomay facilitated a collaborative process in which the group developed two strategic priorities, along with actionable strategies to serve as a roadmap for achieving these goals.

During this process, with full participation from the City Council and City Leadership Team, numerous comments were gathered highlighting both strengths and areas for improvement within the City of Forest Lake. For this Strategic Planning summary report, those comments were organized into themes that capture the key ideas of their strengths and opportunities.

As a part of this process, our next step was to collaboratively develop two clear 2026 Strategic Priorities or Goals for the City of Forest Lake. Once our strategic priorities were developed, participants created clear action strategies which provide a set of recommendations and directions to achieve 2026 goals. The highlights in this executive summary are organized based on the City Council and the City Leadership Team's feedback using the Homerun Leadership web-based application.

**City Council members and the Staff Leadership team were guided through the Homerun Leadership application to determine these two new strategic priorities:**

- **STRATEGIC PRIORITY 1: Invest in Improved Infrastructure**
- **STRATEGIC PRIORITY 2: Attract more business, development and re-development**

## SUMMARY OF FEEDBACK ON CITY OF FOREST LAKE

### STRENGTHS in the City of Forest Lake:

- **Strong and Supportive City Council:** City Council demonstrates positive dynamics and strong support for staff and departmental initiatives.
- **Organizational Rebuilding and Leadership Stability:** The city is successfully rebuilding its organization with solid department heads providing consistent, effective leadership.
- **Investment in Expansion of Staff:** Continued investment in staff development and new hires strengthens city operations and overall performance.
- **High-Functioning Departments:** Departments are working collaboratively and efficiently, while also recognizing areas for continued improvement.
- **Public Safety and Emergency Services:** Police and Fire Departments are performing strongly, with effective community policing and public safety initiatives.
- **Long-Term Planning and Vision:** The adoption of a 10-year plan provides strategic direction and a clear vision for future growth and improvement.
- **Infrastructure and City Services:** City infrastructure, including roads, utilities, and the water system, is functioning reliably and meeting community needs.
- **Parks, Natural Resources, and Recreation:** Well-maintained parks and a commitment to preserving natural resources enhance quality of life for residents.
- **Economic Growth and Development:** New housing and business investments are strengthening the local economy and supporting a vibrant business community.
- **Community Engagement and Trust:** The city actively listens to residents, values community voices, and maintains strong coordination with outside agencies.

## OPPORTUNITIES in the City of Forest Lake:

- **Staffing Recruitment, Retention, and Morale:** Recruiting and retaining qualified staff remains challenging, with onboarding issues and uneven morale affecting consistency and team cohesion.
- **Alignment and Team Unity:** While progress has been made, the team is not always on the same page, and a stronger sense of shared purpose and unified direction is still needed.
- **Communication and Public Messaging:** The city struggles to communicate effectively with residents, particularly regarding tax increases, budget limitations, and project priorities.
- **Clear Roles, Policies, and Operational Guidance:** Ambiguity around staff and council roles, as well as a lack of clear day-to-day policies and procedures, create confusion and inefficiency.
- **Organizational Stability and Transition Planning:** Leadership transitions, elections, and turnover require more strategic coordination to maintain stability across departments and city operations.
- **Infrastructure and Public Works Challenges:** Aging infrastructure, inefficiencies in public works, and slow permitting processes hinder service delivery and city improvement efforts.
- **Economic Development and Business Attraction:** Re-development of downtown and attracting new businesses need renewed focus to strengthen the city's tax base and economic vitality.
- **Community Engagement and Education:** Engagement with residents is limited, and more education is needed to help the public understand city constraints, challenges, and initiatives.
- **Council-Staff Coordination and Governance:** At times, council directives are not clearly translated into action, and differences between council goals and resident needs cause misalignment.
- **Strategic Vision and Long-Term Planning:** The city needs a more unified vision, mission, and commitment to follow through on long-term plans, including infrastructure and community projects.

**ASPIRATIONS in the City of Forest Lake:**

1. Continue to invest in improved infrastructure.
2. Reshape the watershed district to enable easier redevelopment.
3. Create reasonable workplans and stick to them.
4. Develop professional looking communications that are pushed out to the public regularly.
5. Build a new PW building.
6. Incentives to attract more business or developments.
7. Setting clear objectives/goals and informing the community.
8. Further develop long range CIPs.
9. Trust between staff and council.
10. More broken window efforts (Code enforcement, façade grants, clean-up days, etc.).

**RECOMMENDED STRATEGIC PRIORITIES FOR 2026 City of Forest Lake:**

- Strategic Priority 1: Invest in Improved Infrastructure
- Strategic Priority 2: Attract more business, development and re-development

## SUMMARY OF FEEDBACK ON STRATEGIC PRIORITY 1:

### Invest in Improved Infrastructure

#### STRENGTHS for Strategic Priority 1: Invest in Improved Infrastructure

- **Long-Term Capital and Strategic Planning:** The 10-Year Capital Improvement Plan (CIP) and strategic planning efforts provide clear direction and accountability for infrastructure investments.
- **Increased Funding and Financial Commitment:** The city has significantly increased spending on streets, parks, and utilities, supported by franchise fee adjustments, grants, and state funding.
- **Road and Street Improvements:** Road projects are actively moving forward, with visible progress in resurfacing, maintenance, and long-term roadway upgrades.
- **Park Enhancements and Beautification:** Investments in parks such as Fenway and Beltz, along with landscaped boulevards and beautification programs, are improving community spaces.
- **Trail and Sidewalk Expansion:** The inclusion of trails and sidewalks in transportation and development planning enhances connectivity and community livability.
- **Utility and Sewer System Upgrades:** Work on lift stations, sewer lines, and well development has extended infrastructure life and reduced maintenance issues and complaints.
- **Strong Project Management and Teamwork:** Collaborative leadership from engineers, the Public Works Director, and other departments ensures efficient project planning and implementation.
- **Leveraging External Partnerships and Funding:** County and state investments, along with special legislative directives and grants, have amplified the city's ability to improve infrastructure.
- **Visible Return on Investment for Residents:** Residents are noticing tangible improvements and a better quality of life as a result of infrastructure upgrades and beautification efforts.
- **Sustainable Maintenance and Policy Development:** Developing strong maintenance plans and updating policies ensures that infrastructure investments are protected and remain cost-effective over time.

## OPPORTUNITIES For Strategic Priority 1: Invest in Improved Infrastructure:

- **Insufficient Funding to Meet Infrastructure Needs:** Despite major investments, funding levels remain inadequate to address the large number of streets and systems in need of repair.
- **Deferred Maintenance and Playing Catch-Up:** Years of delayed maintenance have created a backlog, forcing the city to “dig out of a hole” rather than keep pace with ongoing needs.
- **Balancing Spending Between New and Existing Infrastructure:** Finding the right balance between maintaining existing infrastructure and investing in new development remains a persistent challenge.
- **Public Resistance to Funding Increases:** Residents often push back against tax or fee increases, even when those funds are necessary to maintain and improve essential infrastructure.
- **Communication and Public Understanding:** The city’s long-term infrastructure plans and funding rationale are not always clearly communicated, leading to confusion about needs, costs, and priorities.
- **Inflation and Rising Project Costs:** Capital Improvement Plans (CIPs) developed before recent inflationary pressures have not fully accounted for escalating construction and material costs.
- **Readiness for Future Growth and Development:** Infrastructure expansion may lag behind potential development surges, particularly if the housing market rebounds faster than anticipated.
- **Competing Priorities for Limited Resources:** Major Road, park, and public works projects sometimes compete for the same tax dollars, limiting flexibility in how funds can be allocated.
- **Policy and Resource Constraints:** Current assessment policies, watershed restrictions, and the retention of unused city-owned land may be limiting available resources for improvements.
- **Need for Clearer Priorities and Public Engagement:** The community’s understanding of “wants versus needs” and engagement in spending priorities need improvement to guide future infrastructure investments.

## **ACTION STRATEGIES TO ACHIEVE Strategic Priority 1: Invest in Improved Infrastructure:**

1. Improve/build relationships with our legislative friends for funding.
2. Make sure our development fees are accurate.
3. Solid financial planning.
4. Sales tax.
5. Revisit funding structure.
6. Revisit assessment policy.
7. Seek grant or sponsorship assistance (parks).
8. Find all alternatives to fund the things we need.
9. Continue to examine CIPs annually.
10. Educate the public.



## **SUMMARY OF FEEDBACK ON STRATEGIC PRIORITY 2: Attract more business, development and re-development**

### **STRENGTHS for Strategic Priority 2:**

#### **Attract more business, development and re-development:**

- **Strong Pro-Business Leadership and Culture:** A pro-development council and staff have created a supportive environment that welcomes investment and prioritizes economic growth.
- **Dedicated Community Development Staff:** An expanded and skilled Community Development (CD) team — including staff known for problem-solving and collaboration — is actively driving progress.
- **Effective Partnerships and Collaboration:** Productive relationships with the Chamber of Commerce, Rotary, County CDA, and other partners strengthen local business attraction and retention efforts.
- **Use of Incentives and Financial Tools:** The city's openness to programs like TIF and cost-share infrastructure plans demonstrates flexibility and creativity in encouraging new development.
- **Clear Comprehensive and Strategic Plans:** A solid comprehensive plan and ongoing alignment of services provide a clear framework to guide future growth and redevelopment.
- **Positive Engagement with Developers:** City leaders and staff maintain a welcoming and solution-oriented approach that encourages collaboration with builders and investors.
- **Visible Economic Momentum:** Recent success in attracting national builders and new businesses signals positive momentum and renewed confidence in Forest Lake's market potential.
- **Expanding Staff Capacity and Expertise:** Increased staffing in community development enhances responsiveness, outreach, and the ability to manage redevelopment projects effectively.
- **Abundant Land and Redevelopment Opportunities:** The city benefits from ample open space and prime redevelopment sites, creating strong potential for future growth and reinvestment.
- **Active Community and Economic Networks:** Engaged civic partners, events, and conferences foster a vibrant business community and reinforce Forest Lake's reputation as a place of opportunity.

## **OPPORTUNITIES for Strategic Priority 2:**

### **Attract more business, development and re-development:**

- **Lack of Downtown Cohesion and Identity:** The business district feels fragmented, with scattered uses, limited anchors, and an overall downtown appearance that fails to reflect the city's potential.
- **Insufficient Dedicated Staff and Resources:** There are not enough staff or funding resources focused specifically on business attraction and downtown redevelopment.
- **Inefficient and Lengthy Development Processes:** Developers experience frustration with slow permitting, complex procedures, and regulatory barriers that delay progress.
- **Watershed and Environmental Constraints:** Watershed regulations and related restrictions are major obstacles to timely and cost-effective development.
- **Poor or Outdated Reputation:** The city's past reputation of being difficult to work with continues to affect perceptions among developers and contractors.
- **Competing Priorities Between New and Redevelopment:** The focus on new greenfield development often overshadows the attention and investment needed for existing areas and downtown revitalization.
- **Limited Marketing and Clear Vision:** A lack of a strong marketing strategy and unified vision limits the city's ability to promote its opportunities and attract quality developers.
- **High Redevelopment Costs and Budget Constraints:** While plans exist, the high costs of redevelopment are difficult to absorb within existing budgets, especially alongside tax sensitivity and other needs.
- **Changing Market Conditions:** The post-pandemic retail landscape and shifts in commercial space demand require updated strategies to remain competitive and relevant.
- **Missed Opportunities for Developer Engagement:** Inconsistent participation in developer conferences and outreach events limits visibility and the ability to build new investment relationships.

## **ACTION STRATEGIES TO ACHIEVE STRATEGIC PRIORITY 2: Attract more business, development and re-development:**

1. Maintain partnerships with reputable builders.
2. Establish relationships with new developers.
3. Clear set of incentives for various categories of development or redevelopment or for various sites.
4. Update our TIF and other incentive programs and policies.
5. Reduce permitting turnaround where feasible.
6. Incentives.
7. Work on our reputation.
8. Improve aesthetics.
9. Define and use our complete development toolbox.
10. Make the City of Forest Lake look inviting to new businesses, developments and redevelopments (IE: Welcoming monuments at entrances to the city).



In closing, here is a 1-page summary of each of the 2 Strategic Priorities and the Actions Strategies to achieve our strategic vision.

### **FOREST LAKE 2026 Strategic Planning Summary**

<b>2026 STRATEGIC PRIORITY 1: Invest in Improved Infrastructure</b>	<b>2026 STRATEGIC PRIORITY 2: Attract more business, development and re-development</b>
<ol style="list-style-type: none"> <li>1. Improve/build relationships with our legislative friends for funding.</li> <li>2. Make sure our development fees are accurate.</li> <li>3. Solid financial planning.</li> <li>4. Sales tax.</li> <li>5. Revisit funding structure.</li> <li>6. Revisit assessment policy.</li> <li>7. Seek grant or sponsorship assistance (parks).</li> <li>8. Find all alternatives to fund the things we need.</li> <li>9. Continue to examine CIPs annually.</li> <li>10. Educate the public.</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintain partnerships with reputable builders.</li> <li>2. Establish relationships with new developers.</li> <li>3. Clear set of incentives for various categories of development or redevelopment or for various sites.</li> <li>4. Update our TIF and other incentive programs and policies.</li> <li>5. Reduce permitting turnaround where feasible.</li> <li>6. Incentives.</li> <li>7. Work on our reputation.</li> <li>8. Improve aesthetics.</li> <li>9. Define and use our complete development toolbox.</li> <li>10. Make the City of Forest Lake look inviting to new businesses, developments and redevelopments (IE: Welcoming monuments at entrances to the city).</li> </ol>



**Forest Lake**  
AS GOOD AS IT SOUNDS

# 2026 Strategic Planning Process

---

# STRATEGIC PLAN OVERVIEW



## **Agenda:**

- RETREAT TAKEAWAYS
  - DRAFT PRIORITIES
-



**Forest Lake**  
AS GOOD AS IT SOUNDS

**RETREAT TAKEAWAYS**

---

# RETREAT TAKEAWAYS



## **Priorities:**

- Invest in Improved Infrastructure
- Attract Businesses, Development & Redevelopment

## **Other:**

- Retreat was time constrained
  - Other issues we're not fully vetted
  - Staff has prepared additional Strategic Priorities
-



**Forest Lake**  
AS GOOD AS IT SOUNDS

**2026  
DRAFT  
Strategic Plan**

# 2026 Strategic Plan



## Strategic Priorities from City Council Retreat

**INVEST IN IMPROVED  
INFRASTRUCTURE**

**ATTRACT MORE BUSINESS,  
DEVELOPMENT AND  
REDEVELOPMENT**

**ENHANCE  
COMMUNITY  
PRIDE\***

**BUILD  
ORGANIZATIONAL  
RESLIENCE\***

**NORMALIZE  
ENGAGED  
GOVERNANCE\***

**\*Staff Recommended Additions**

# 2026 Strategic Plan



**Forest Lake**  
AS GOOD AS IT SOUNDS

## Priority Statements

### INVEST IN IMPROVED INFRASTRUCTURE

**Good infrastructure is the backbone of a well-run city and the meat and potatoes work that tax dollars should support. Deferring maintenance on our infrastructure is a short-term solution which makes for long-term problems. With the long view in mind, we are committed to staying on track with our capital improvement plans.**

### ATTRACT MORE BUSINESS, DEVELOPMENT AND REDEVELOPMENT

**Growth is the marker of a thriving community. Redevelopment is an indication of its sustainability. Ensuring conditions are right for continued private investment means we can grow the tax base; the “denominator” in our equation. Business can lower the burden on the average resident and provide the services that make our city *as good as it sounds*.**

# 2026 Strategic Plan



## Priority Statements

### ENHANCE COMMUNITY PRIDE\*

Forest Lake does a lot of things right and its citizens care deeply about their town. It is important that the city fosters this pride of ownership by doing the same things we ask our residents and businesses to do. Our actions or inactions are a reflection on the community, not just our government.

### BUILD ORGANIZATIONAL RESILIENCE\*

Over the past decade or two, we have seen the city do its best to stabilize after the difficult task of merging a city and township. Instability can bring with it a host of issues which lead to inefficiency, ineffectiveness and waste. Investors steer clear of risk and gravitate towards calm waters. Slow and steady wins the race.

### NORMALIZE ENGAGED GOVERNANCE\*

The term “Community Engagement” has become a buzzword cities are striving to meet. We believe engagement can be built from the inside out. Rather than hoping citizens will engage, we meet them where they are and look to serve them at the expense of our own convenience.

# 2026 Strategic Plan



## Action Strategies

### INVEST IN IMPROVED INFRASTRUCTURE

- **Maintain legislative relationships**
- **Review development fees**
- **Solid financial planning**
- **Explore sales tax**
- **Revisit funding structure**
- **Revisit assessment policy**
- **Seek grants/sponsorships**
- **Find funding alternatives**
- **Continue to examine CIPs**
- **Educate the public**

### ATTRACT MORE BUSINESS, DEVELOPMENT AND REDEVELOPMENT

- **Create/Maintain relationships w/reputable builders**
- **Define complete development toolbox including TIF, etc.**
- **Reduce permitting turnaround**
- **Work on reputation**
- **Improve aesthetics**
- **Leverage city-owned land**
- **Maintain Responsible Tax Structure**

# 2026 Strategic Plan



## Action Strategies

<b>ENHANCE COMMUNITY PRIDE*</b>	<b>BUILD ORGANIZATIONAL RESILIENCE*</b>	<b>NORMALIZE ENGAGED GOVERNANCE*</b>
<ul style="list-style-type: none"> <li>• Enhance right-of-way Maint.</li> <li>• Cont'd investment in parks, streets</li> <li>• Code enforcement expansion</li> <li>• Commercial fire inspections</li> <li>• Outside storage ordinances</li> <li>• Monuments, placemaking</li> <li>• Consider rental inspections</li> <li>• Maintain quality of community facilities</li> <li>• Support Rec &amp; Sr Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Lower turnover</li> <li>• Increase interest in committee service</li> <li>• Offer competitive pay/benefit</li> <li>• Build reputation as destination workplace</li> <li>• Cross train staff</li> <li>• Develop SOPs</li> <li>• Retain POC Fire model</li> <li>• Offload parks programming when appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• More paths to “Yes” culture</li> <li>• Robust communications plan</li> <li>• In-person input opportunities</li> <li>• Destination workplace</li> <li>• Address human rights issues</li> <li>• More readable Council and Commission packets</li> <li>• Fund an Evolved Public Safety Dept.</li> <li>• Run a Community-informed Comp Plan process</li> </ul>



## STAFF REPORT

**MEETING DATE:** January 20, 2026  
**STAFF ORIGINATOR:** Mark Statz – City Administrator  
**AGENDA ITEM:** Police Chief Search Process

---

**INTRODUCTION:** At the Council’s meeting on January 12, 2026, the resignation of Police Chief Rick Peterson was accepted and a vacancy at the position was declared.

The Personnel Committee has outlined the following process to fill the Chief’s position and is seeking feedback from the rest of Council.

### **ANALYSIS:**

#### **Job Description and Minimum/Preferred Qualifications**

The attached job description and job posting, laying out both minimum and preferred qualifications, have been updated for your review.

#### **Internal vs. External Candidates**

An invitation was sent to all sworn personnel within the Forest Lake Police Department to meet and discuss leadership with the city’s Personnel Committee. The committee met with four individuals with interest in some level of leadership responsibilities as the department adjusts after the Chief’s retirement. We believe there are several highly qualified candidates within our department who may submit an application for the open position of Chief of Police. Therefore, our recommendation would be to post the job for internal applicants only, at this time.

#### **Interview Process**

It is common practice to have multiple interview panels for a position of this importance. The committee is suggesting, at a minimum, two panels be allowed to interview the candidates:

##### **Panel 1 – Chief Law Enforcement Officers (CLEOs) from neighboring jurisdictions**

This panel would be made up of CLEOs or other high-ranking members of adjacent or comparable jurisdictions. We also feel that this is the appropriate panel for our current chief to sit on. The panel would be made up of 3 to 5 members.

##### **Panel 2 – Staff and Personnel Committee**

The City Administrator, Assistant City Administrator and Fire Chief would represent city staff, while the two City Councilmembers from the Personnel Committee would sit on the panel on behalf of the Council.



## STAFF REPORT

Each Committee will put forth their recommendations to the Personnel Committee for consideration.

### **Timeline**

The proposed timeline would look like this:

- January 12 – Declare vacancy
- January 20 – CC Workshop on process
- January 26 – CC Meeting to adopt process and authorize posting
- January 27 – February 6 – Job is posted internally
- February 6 – Application deadline
- February 9 – 13 – Evaluation of applications
- February 17 – 20 – First round of interviews
- February 23 – 27 – Second round of interviews
- March 2 – 4 – Personnel Committee makes recommendation on hiring
- March 9 – CC meeting to vote on hire
- April 3 – Chief Peterson’s last day
- April 3 – New Chief is sworn-in

**RECOMMENDATION:** Discuss the hiring process outline above and give feedback to the Personnel Committee.

### **ATTACHMENTS:**

- Job Description\*
- Job Qualifications/Posting\*

\*Each of these will be sent under separate cover, after the packet is published.

# STAFF REPORT



**MEETING DATE:** January 20, 2026  
**TO:** Honorable Mayor Roberts and Members of the City Council  
**STAFF ORIGINATOR:** Jolleen Chaika, Assistant City Administrator  
**AGENDA ITEM:** Council Liaison Appointments

---

**INTRODUCTION:**

The Council appoints members to be assigned liaisons to various commissions, committees, and boards both within the City and in organizations adjacent to the City. While annual reappointment is not required in years without Council turnover due to elections, it is considered a best practice to periodically review liaison assignments to determine whether any adjustments are desired.

**ANALYSIS:**

Current appointments are as follows:

Airport Commission	Mayor Roberts
Airport Guidelines Steering Committee	Councilmember Miller
Cable Commission	Councilmember Valento
Fire Board	Mayor Roberts Councilmember Larson
Economic Development Authority	Mayor Roberts Councilmember Erickson
Forest Lake Area School Board	Councilmember Miller
Parks and Recreation Commission	Councilmember Valento
Planning Commission	Councilmember Valento
Personnel Committee	Councilmember Larson Councilmember Miller
Public Works Steering Committee	Mayor Roberts Councilmember Larson
Watershed Districts	Councilmember Miller

**RECOMMENDATION:**

For discussion. Staff will bring a recommendation for approval at the January 26, 2026 meeting to ensure a clear record of current liaison designations.

**ATTACHMENTS:**

None.