

2026 Budget Updates & Additional Information

Kris Wilson, City Administrator

Amy Hove, Finance Director

September 2, 2025 Work Session



Budget Timelines & Statutory Requirements

- **Sept. 30** = statutory deadline for Minnesota cities to adopt a preliminary property tax levy for 2026
- Goal is to adopt IGH's preliminary levy at the Sept. 8 Council Meeting
- Once a preliminary levy is approved, it may be reduced but it cannot be increased

Timelines & Statutory Requirements

Nov. 11 - Nov. 24

Counties mail 2026 proposed property tax notices to property owners

Nov. 25 - Dec. 20

Cities hold public meeting to discuss budget and tax levy and receive public input

- *Often referred to as a Truth-in-Taxation (TNT) Meeting*
- *Proposed date for IGH is the Dec. 8 Council Meeting*

Dec. 28

Deadline for cities to adopt a final 2026 tax levy

- *Proposed date for IGH is the Dec. 15 Council Meeting*

What's Funded in the General Fund?

What's Included	What's <i>Not</i> Included
Administration & Mayor/Council	Community Center
Human Resources	Golf Course
City Clerk & Elections	Utilities (Water, Sewer, Storm)
Communications	Convention & Visitor's Bureau
Finance	
Community Development	
Planning	
Inspections	
Police	
Fire	
Engineering	
Streets & Street Lighting	
Parks & Recreation	
Transfers - to EDA & Parks Capital	
The Crossings Tax Abatement	

2026 General Fund by Function

Function	Proposed 2026 \$ Amount	% of General Fund
Police	\$13,239,384	36%
Fire	\$7,373,584	20%
Public Works	\$5,080,405	14%
Parks & Rec	\$3,902,280	11%
Admin & Finance	\$3,798,961	10%
Community Development	\$2,475,655	7%
Transfers to Other Funds	\$797,937	2%
TOTAL	\$36,668,206	100%

Proposed 2026 Preliminary Tax Levy - By Fund

	2025 Approved Budget	Proposed 2026 Preliminary Budget	% Change
General Fund	\$ 28,549,075	\$ 30,615,441	
General Fund - Tax Abatement	183,300	183,000	
Pavement Management	2,934,750	3,022,792	
Debt Service	2,547,632	2,550,657	
TOTAL	\$ 34,214,757	\$ 36,499,899	6.3%

- Tax Abatement and Debt Service Levies are unchanged from previous presentations.
- General Fund and Pavement Management levy amounts have small net reductions - \$69,313 reduction to General Fund and \$58,696 reduction to Pavement Management.

“Known” Cost Increases for 2026

DESCRIPTION	AMOUNT	% Increase to Levy
MN Paid Family & Medical Leave	\$151,900	0.44%
Other Personnel Changes (~ 3.5%)	\$734,044	2.15%
Fire – SAFER Savings Plan	\$235,000	0.69%
Fire – Phase-In of three 2025 hires	\$209,300	0.61%
Fire – AFLAC benefit	\$24,120	0.07%
Police – Phase-In of three 2025 hires	\$101,500	0.30%
TOTAL	\$1,455,864	4.26%

City Administrator Recommendations

Budget Adjustments since initial review

- Remove \$60,000 for recodification project
- Reduce Finance division software by \$20,000 – consider Technology Fund if/when current project funds run out
- Move Special Assessment software costs of \$23,480 from Finance to PMP budget
- Remove Police Dept software request of \$16,617
- Reduce Fire Dept supply increase by \$30,000
- Adjustments to Fire Department's part-time wage and full-time overtime budgets based on forecasted activity
- Add \$8,000 to Mayor/Council professional services

City Administrator Recommendations

Budget Adjustments since initial review

- Transfer to Park Capital Replacement Fund changed from a 5% increase to 3% increase (\$11,866 levy reduction)
- Pavement Management Levy changed from a 5% increase to a 3% increase (\$58,696 levy reduction)
- Savings from new cleaning contract
- Savings from property/casualty premium renewal

OVERALL REDUCTION = \$322,400

City Administrator Recommendations

Staffing Reclassification & Adjustments

- 4 position reclassifications ~ \$40,000
 - Engineering, Fire, Police, Inspections
- Hours Adjustments ~ \$28,400 net cost to General Fund
 - Finance - additional hours for Accounts Receivable Technician (increase from 20 to 30 hours per week)
 - Parks & Recreation - additional hours for Communications Specialist (increase from 25 to 32 hours per week)

NET REDUCTION AFTER STAFFING ADJUSTMENTS = \$254,000

General Fund New Staffing Requests

New Positions Requested:

- Parks Maint. (60% FTE) - FT during the warm weather months
- Communications - additional FTE
- Assistant City Administrator or additional FTE for HR
- Fleet & Equipment Manager
- Assistant Planner
- 2nd School Resource Officer (*no tax levy impact*)

City Administrator Recommendations

Staffing Priorities

- 2nd School Resource Officer (*no tax levy impact*)
 - City Council approved SRO contract August 11, 2025
- Parks Maint. (60% FTE) - FT during the warm weather months
 - **2026 Budget = \$64,350**
- HR Coordinator - consider mid-year hire with full cost of position in 2027 budget
 - **2026 Budget = \$61,600**
 - 2027 Budget = \$129,350

City Administrator Recommendations

Net Changes since initial review

Reductions	(\$322,400)
<u>Staffing Additions/Adjustments</u>	
Reclassifications	\$40,000
Other Staffing Adjustments	\$28,400
<u>New Staffing:</u>	
Parks Maintenance 60% FTE	\$64,350
HR Coordinator – mid year hire	\$61,600
Net Reduction to Budget/Levy	(\$128,050)

Impact of 6.3% Citywide Tax Levy Increase on Median Valued Residential Property (\$362,200)

Proposed Citywide 2025 Tax Levy	\$ 36,371,890
Increase (%)	6.3%
Change in Tax Rate	1.04%
2025 Median Valued Property *	\$ 362,200
Annual Change in City Taxes (for \$362,200 median property)	\$91.37

* In 2025, the median valued property was valued at \$349,100

Sample of Levy Options

City Administrator's Recommendations	6.30%
Remove recommended new staff positions	5.94%
Remove recommended positions & reclassifications	5.74%
Only Capture Tax Base Growth <i>(flat tax rate applied to growing tax base, which includes new construction plus growth in value of existing properties)</i>	5.31% <i>(estimate)</i>
<i>Requires cutting \$342,000 from City Administrator's Recommendation</i>	
3% Levy Increase	3.00%
<i>Requires cutting \$1,130,000 from City Administrator's Recommendation</i>	

Additional Options

- Consider utilization of some portion of Host Community Fund balance - possibly to cover smallest of the City's existing debt payments (\$261,765). *(Idea discussed and not preferred at Aug work session.)*
- Freeze Technology Allocation charge to city departments at 2025 level and have Technology Fund budget use fund balance *(saves the 2026 General Fund levy \$104,800)*
- Delay phasing the costs of 3 police officers hired in 2025 onto the levy by using same amount from One-Time Public Safety dollars in 2025 as used in 2026 *(saves the 2026 General Fund levy \$80,000).*
- Freeze transfer from the General Fund levy to the EDA Operating budget at 2025 level and rely more on EDA Fund balance *(saves the 2026 General Fund levy \$8,900).*
- *All of the above use one-time money to cover ongoing expenses and will come back as larger increases to future budget years.*

Questions?

Discussion

Direction for preliminary levy?