

2026 Preliminary General Fund Budget & Tax Levy

*Kris Wilson, City Administrator
Amy Hove, Finance Director
September 8, 2025*



Council Actions Needed Tonight (4 Resolutions)

1.) Adopt Citywide Preliminary Tax Levy

- Council is required to pass a preliminary levy by September 30 each year.
- When the final levy is adopted in December, it may be lower but cannot be higher than the preliminary levy.
- Proposed tax notices mailed to residents in November will be based on the approved preliminary levy.

Council Actions Needed Tonight (4 Resolutions)

2.) Adopt Special Taxing District Preliminary Levies

3.) Adopt Preliminary General Fund Budget

4.) Set the date, time, and place for statutorily required public meeting on the City's proposed budget and levy

Council Budget Discussions To-Date

July 21 Work Session

- First Draft of General Fund Budgets & Tax Levy Discussion

August 5 Work Session

- Debt Service
- Economic Development Authority
- Host Community Fund
- Pavement Management Fund
- Internal Service Funds
- Public Safety Small Equip Fund

September 2 Work Session

- General Fund Budget & Tax Levy Review
- City Administrator Recommendations

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	

“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%

2026 Additional Budget Assumptions

- Reduced revenue from NDC4 (\$24,000)
- 3% increase to Pavement Management levy funding
- 3% increase to Parks Capital Replacement levy funding



2026 Budget Recap

Use of Fund Balance

- General Fund - 2026 is the second year to start spending down previous year's savings from Fire SAFER Savings Plan (\$340,000)
 - 2027 is the final year to spend down savings (\$135,000)
- From one-time Public Safety Aid
 - \$144,326 to cover phase-in of 3 new police officers
 - \$36,120 for additional emergency warning siren in NWA
 - \$100,000 + \$80,000 (from forfeiture funds) to purchase a new incident command vehicle
- Central Equipment - Utilize past years' Police savings to cover the 2026 vehicle outfitting costs on leased vehicles
- City Facilities
 - Use fund balance for ongoing capital needs (\$500,000)
 - Goal is to revamp the allocation formula in future years to add a capital component for these costs.

2026 General Fund Expenditures 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%
Tax Abatement Payment	183,000	0%
TOTAL – Sept. 2	\$ 36,851,206	100%
Additional Reductions (TBD)	(193,300)	
REVISED TOTAL – Sept. 8	\$ 36,657,906	

2026 General Fund Budget Tax Levy Calculation

Total Expenditure Budget	\$ 36,657,906
Less: Non-Property Tax Revenues Building-Related Permits, Licenses, Grants/State Aid, Charges for Services (Engineering, Admin Allocations to Utility Funds), Interest, etc.	<u>(6,052,765)</u>
Additional Funding Needed (tax levy)	\$ 30,605,141
General Fund Tax Levy	\$ 30,422,141
Tax Abatement Tax Levy	<u>183,000</u>
	\$ 30,605,141

Proposed 2026 Preliminary Tax Levy - By Fund

	2025 Approved Budget	Proposed 2026 Preliminary Budget	% Change
General Fund	\$ 28,549,075	\$ 30,422,141	
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	\$ 36,178,590	5.74%

- General Fund Levy has been reduced to meet Council’s direction at the Sept. 2 work session that the city’s total levy would not exceed 5.74%.
- Tax Abatement and Debt Service Levies are unchanged from previous presentations.
- Pavement Management levy was presented as a 3% increase at the Sept. 2 work session and remains at that level in the Resolution.

Impact of 5.74% Citywide Tax Levy Increase on Median Valued Residential Property (\$362,200)

Proposed Citywide 2025 Tax Levy	\$ 36,178,590
Increase (%)	5.74%
Change in Tax Rate	0.45%
2025 Median Valued Property *	\$ 362,200
Annual Change in City Taxes (for \$362,200 median property)	\$80.59

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

Approval Needed Tonight: **Special Taxing District Preliminary Levies**

Council is required to pass a preliminary levy by September 30 each year; when the final levy is adopted in December, it may be lower but cannot be higher than the preliminary levy.

- Storm Water Special Taxing District Levy
 - Established under MN Statute 444
 - Used to fund trunk storm sewer improvements installed in conjunction with the 70th Street East Reconstruction Project from Cahill Avenue to Concord Blvd (City Project 2001-02)
 - Babcock Trail
 - South Grove
 - 70th Street
 - Contains approximately 3,000 parcels
 - 10-Year Term (2018-2027)
 - Annual levy of \$79,394

Approval Needed Tonight:
**Set the date, time, and place for statutorily
required public meeting on the City's proposed
budget and levy**

Monday, December 8, 2025 at 6pm

Council Chambers - 8150 Barbara Avenue
Inver Grove Heights

Council Actions Needed Tonight (4 Resolutions)

- ✓ Adopt Citywide Preliminary Tax Levy
- ✓ Adopt Special Taxing District Preliminary Levies
- ✓ Adopt Preliminary General Fund Budget
- ✓ Set the date, time, and place for statutorily required public meeting on the City's proposed budget and levy