



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 9/21/2026
Agenda Section: Other Business

Department Origination: Finance

Agenda Item: 2027 Proposed Governmental Funds Budget and 2027 Proposed Property Tax Levy

- Continued Discussion on Proposed Governmental Funds Budget and Property Tax Levy
- Next Steps: Consider Adoption of Resolutions Setting the Preliminary 2027 Property Tax Levy and Approving the Preliminary 2027 Governmental Funds Budget or Reconvene on Monday, September 28, 2026 at 5:30 p.m. for Continued Discussion

Approval Required: Choose an item.

BACKGROUND

City staff, under the direction of the council, continue to prepare the 2027 proposed budget and property tax levy for the council's approval. To assist with further discussion, the draft 2027 Governmental Funds budget document from the September 15 budget work session is attached to the September 21 work session agenda.

Also attached is a table illustrating the operating levy impact with proposed adjustments made by administration. The initial levy requirement for the 2027 proposed budget was \$12,163,100, an increase of \$2,484,300 or 25.67% over 2026. Based upon the 4.01% increase estimated for the city's net tax capacity (tax base) for 2027, the estimated tax capacity rate (TCR) would be about 60.38%, up from the 2026 final TCR of 49.97%.

As shown on the proposed adjustments table, \$1,260,300 of proposed adjustments reduce the proposed property levy for 2027 to \$10,902,700, a \$1,224,000 increase or 12.65% over 2026 to balance the preliminary general fund budget. The revised proposed property tax levy results in an estimated TCR of 54.12% for 2027.

Attached to adjustments table is the "Property Tax Comparison on Selected Values" table with a comparison of three different valued homes and a smaller commercial/industrial property for 2026 and 2027 with an estimated average 1.57% increase for the residential properties and a 2.09% estimated average increase for the small commercial property. Based upon a proposed property tax levy of \$10,902,700 for 2027, the annual increase in city property taxes is estimated to range from \$32 to \$273 for the three residential examples and a \$497 increase for the small commercial property.

Time is allotted at the Monday, September 21 special council meeting for additional discussion and council direction on any additional adjustments to the preliminary levy and budget. Upon conclusion of the discussion, if the council is prepared to adopt the resolutions to set the preliminary 2027 property tax levy and approve the preliminary governmental funds budget as presented with the adjustments or amended, the attached resolutions can be updated and adopted, based upon the council's direction.

If additional discussion is necessary beyond Monday, a special meeting should be called prior to September 30, the deadline to submit the preliminary levy and related information to Crow Wing County. The recommended special meeting date previously identified for a continuation meeting is Monday, September 28, 2026.

The water, sewer, and storm water enterprise fund operating budgets are scheduled to be reviewed on November 9, 2026. After November 9, the enterprise funds will be incorporated into the overall proposed budget and if necessary, an additional work session will be scheduled to provide direction on the preparation of the final draft of the 2027 budget.

The informational meeting date to review the budget and property tax levy and allocate time for public testimony is scheduled for Monday, November 30, 2026 at 6:00 p.m. The 2027 final property tax levy and budget are scheduled to be adopted at the Tuesday, December 1, 2026 regular council meeting.

FINANCIAL IMPLICATIONS

See the attached documents and narrative in the Background section above.

STAFF RECOMMENDATIONS

Time has been set aside at Tuesday's special council meeting for additional discussion on the preliminary 2027 property tax levy and proposed budget. Staff will review the adjustments and the preliminary levy impact of the proposed budget.

If the council is prepared to adopt the preliminary levy and budget upon the conclusion of the discussion, resolutions are attached that can be updated based upon any changes. Otherwise, if additional time is needed, it is recommended to set a special council meeting to continue discussion and adopt the preliminary levy and budget prior to the September 30 deadline. Monday, September 28 is recommended to provide adequate time to finalize the preliminary levy and budget filings with the county.

The preliminary levy must be approved and submitted to the Crow Wing County Auditor's office by September 30, the last day to certify the proposed levy. Beyond discussion of the preliminary budget and levy by September 30, additional review and refinement on the proposed budget and levy will occur prior to adoption of the final levy and budget in December, including more details on the impact of the change in the market value and tax capacity.

The final levy cannot be increased from the proposed levy per state law. If the council wishes to modify the current proposed budget that would result in the **need for additional property tax revenue** for 2027, the **proposed levy should be adjusted prior to its adoption.**

COUNCIL ACTION REQUESTED

Attached are draft resolutions to set the preliminary 2027 property tax levy and approve the preliminary governmental funds budget, respectively, as determined by the council at Tuesday's meeting.

As an alternative, a special council meeting to set the preliminary 2027 property tax levy and approve the governmental funds budget can be held on Monday, September 28, 2026 at 5:30 p.m. for continued discussion.