CITY COUNCIL MEETING

AGENDA ITEM

Prepared By:	Meeting Date:	Item Name:
Allie Polsfuss, City Administrator and Janette Rust on behalf of the Finance Committee	*8/3/2026*	***2027 Proposed Preliminary Levy Discussion***

BACKGROUND

Staff began meeting early this summer to develop departmental budgets and review Capital Improvement Plan (CIP) requests for the 2027 budget. The Finance Committee met on July 9, 2026, to review the preliminary 2027 budget and levy and provided direction to staff on several revisions.

The proposed General Fund Levy, Cemetery Levy, Economic Development Authority (EDA) Levy, Debt Service Levy, and Capital Levy are included in **Attachment A** for Council review. As the Council considers the proposed 2027 budget, staff would also like to highlight the following key items which impact the budget and accounting overall:

- **Accounting and Budget Coding:** Janette has completed a comprehensive review of the City's budget coding and accounting practices. As a result, several expenditures have been reassigned to more appropriate accounts. These administrative changes improve financial reporting but do not have a material impact on the overall budget or levy.
- **Debt Service Reallocation:** The 2026 budget included a debt services payment. Following the City's receipt of the $1.5 million bond proceeds, the estimated annual debt service payment is approximately $220,000. Due to the delay in the project, the City will not make its first full debt service payment until 2028. Rather than reducing the 2027 levy and creating a significant levy increase in 2028, staff recommends levying for the $220,000 to the 401 Capital Revolving Fund in 2027.
- **Road Improvements:** Historically, road improvement expenditures have been budgeted within the General Fund Levy. Beginning with the 2027 budget, these costs have been moved to the 401 Capital Fund Levy to better align funding with capital expenditures.
- **Equipment Capital Improvement Plan (CIP):** Equipment CIP costs previously included in the General Fund have also been transferred to the 401 Capital Fund Levy, consistent with the City's capital funding strategy.
- **Technology Expenses:** Various technology purchases that were previously budgeted in the equipment CIP Levy have been moved to each department's operating budget, reflecting their ongoing operational nature.
- **Employee Wages & Benefits:** Per the pay plan, employees in all departments will receive a 4% COLA. Additionally, we anticipate a large increase in benefit premiums which is proposed to be split in part by employees and employer *(to be discussed with the Personnel Committee.)* In total, these increases account for about 3% of the total levy. We have not officially received the rate increase for 2027, but should have that information for adoption of the preliminary levy.

Preliminary Tax Levy

With the budget as proposed, the estimated preliminary tax levy for General Fund, EDA, Cemetery, Debt Service, and Revolving Capital is **7.79%.**

OVERVIEW

Below is a summary of the major expenditure impacts or changes made in the 2027 levy. Keep in mind, this does not encompass all levy impacts, just important and impactful items to note.

General Fund

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Department & Line Item Expenditure	Description	Amount (+/-)	Levy Impact (estimated)
City Council 41100	Council Pay	$3,000	.08%
All departments	Software & IT items	$13,500	.4%
Fire Services (41317)	2027 Contract services	$10,981	.3%
Building Inspector 41109	Contracted services	-$27,713	-.6% *(also reflected in revenues)*
Planning and Zoning 41308	Contracted services (Placid Lake Advisors deferred 2025 pay)	$60,000	1.6%
Police Department 41308	Security Monitoring System & Employee Wellness Policy *(to be discussed with the Personnel Committee)*	$15,000	.3%
Police Department 41108	Anticipated Severance Pay for Chief to be paid from reserves	No Impact to levy	0%
Public Works 43223	Sand/Salt	$6,530	.2%
Public Works 41115	Additional Part Time Employee *(to be discussed with the Personnel Committee)*	$22,500	.6%
Parks 41308	Grant Writing Services for Parks Master Plan	$10,000	.3%

EDA Fund (200)
Staff is not proposing any changes to the Economic Development Authority (EDA) levy for 2027.

Cemetery Fund (270)
The proposed budget includes an increase in expenditures to account for Public Works and administrative staff time dedicated to cemetery operations. These personnel costs will now be allocated to the Cemetery Fund to more accurately reflect the cost of providing cemetery services.

Debt Service Fund (300)
Because the City's first bond payment is not due until 2028, staff is proposing to reallocate the 2027 debt service levy to the capital improvement plan levy. This approach helps stabilize future levy increases while allowing the funds to be used for capital needs in 2027.

Revolving Capital Fund (401)
Staff is proposing the establishment of a new Capital Fund to provide a dedicated funding source for the City's ongoing capital needs. This fund will capture expenditures related to road improvement projects and the Equipment Capital Improvement Plan (CIP), creating a more sustainable and transparent approach to funding capital assets. The Finance Committee has reviewed the City's CIP plan which is included in this fund. The CIP will likely change once a Long Range Financial Plan is completed.

<u>STAFF RECOMMENDATION</u>

Staff recommends the Council discuss and direct staff or the Finance Committee to make adjustment to the 2027 Preliminary Budget and Levy prior to the September meeting.