



Executive Summary

City Council Workshop

AGENDA ITEM: 2027 Tax Levy and Future Budget Needs
PREPARED BY: Jacob Schillander, City Administrator
RECOMMENDED ACTION: Add back the \$30,000 and decide how much to save for capital needs

My Recommendation

I recommend adding the \$30,000 back into the budget. The current 6.26% levy increase includes a \$30,000 cut based on one-time money we expect to receive in 2026. I do not recommend using this money just to lower the 2027 levy increase. Adding the \$30,000 back would bring the increase to 7.77%. The levy is the total amount the City raises through property taxes.

This one-time money does not lower the cost of City services. If we use it to lower the 2027 levy, we will need to replace \$30,000 in 2028. That would be on top of any other cost increases. We would be pushing part of the cost into the next year.

What This Means for 2028

Based on the current draft, replacing the \$30,000 would add about 1.4 percentage points to the 2028 levy increase. For example, if other needs called for a 3% increase, replacing this money would bring it to about 4.4%. This is only an example, not a prediction. The exact amount will depend on the final 2027 levy and the needs in 2028.

The way we calculate the City's share of Fire Department costs will change next year. We do not yet know those numbers. We should not count on savings from that change to cover the \$30,000 or other costs in 2028.

Four Budget Options

Capital transfers are money moved to other City funds for future needs, such as major repairs and equipment. We have already cut these transfers from \$122,000 in 2026 to \$40,000 in the 2027 draft. That is an \$82,000 cut. Removing the last \$40,000 would bring the current levy increase down to 4.26%. It would also leave no money in this budget line for transfers to other funds.

Current Option: Use the \$30,000 in one-time money to lower the levy. Keep the \$40,000 capital transfer. (6.26% Increase)

Option 1: Use the \$30,000 in one-time money. Remove the \$40,000 capital transfer. This brings the levy increase below 5%. (4.26% Increase)

Option 2: Add back the \$30,000 so we do not rely on one-time money. Keep the \$40,000 capital transfer. This is my recommendation. (7.77% Increase)

Option 3: Add back the \$30,000, but remove the \$40,000 capital transfer. The levy increase would still be above 5%. (5.76% Increase)

Reaching the 5 Percent Goal

Under the Current Option, Council could cut the capital transfer by \$25,226 to reach a 5% levy increase. That would leave \$14,774 for the transfer. Under Option 3, Council would need another \$15,226 in cuts or other funding to reach 5%.

Council Decision

I recommend Option 2. Using one-time money now leaves us with \$30,000 to replace next year. Cutting capital transfers leaves less money for future repairs and equipment. Neither choice makes those needs go away.

Council should choose an option and identify any other cuts needed to meet its goal. Abdo's memo explains the full budget. This summary explains how these choices affect future budgets.

What Fiscal Disparities Means

Fiscal disparities is a regional tax-sharing program. It shares part of the commercial and industrial tax base among Twin Cities area communities. Part of the City's tax levy is paid through this shared pool. The rest is raised through the local levy. The program changes where levy dollars come from.

Why We Should Not Add It as Extra Revenue

Our current budget already counts the full levy as property tax revenue. Adding fiscal disparities again as a new source of money would count part of that levy twice. It could make the budget look balanced even though the City would not receive that extra money. Adding 10% of a past average would have the same problem.

We can show fiscal disparities on a separate budget line if the matching amount is removed from the other property tax revenue line. That would make the sources easier to see, but would not create more money. The comparison table covers the full City levy, including debt; they are not all General Fund revenue.

I recommend keeping the levy revenue counted once and showing fiscal disparities as part of that total. We should not use it as extra revenue to lower the levy increase.

Sources: Abdo budget memo and confirmed County inputs; Minnesota Department of Revenue, Glossary F, Fiscal Disparities and Fiscal Disparities Distribution Levy (revenue.state.mn.us/mndorpp/11706?type=html).

City of Maple Plain 2027 Budget Options

Council comparison • Option 2 is the City Administrator's recommendation

Budget and tax comparison	Current Option	Option 1	Option 2 Recommended	Option 3
Use \$30,000 in one-time money	Yes	Yes	No	No
Capital transfer	\$40,000	\$0	\$40,000	\$0
Total City levy	\$2,122,307	\$2,082,307	\$2,152,307	\$2,112,307
Levy increase over 2026	6.26%	4.26%	7.77%	5.76%
Meets Council's 5% goal	No	Yes	No	No
Fiscal disparities — included in levy	\$208,932	\$208,932	\$208,932	\$208,932
Local levy after fiscal disparities	\$1,913,375	\$1,873,375	\$1,943,375	\$1,903,375
City tax rate — 2026 was 54.60%	54.96%	53.81%	55.82%	54.67%
Annual City tax change from 2026				
\$200,000 home	+\$6	-\$14	+\$21	+\$1
\$300,000 home	+\$10	-\$22	+\$34	+\$2
\$400,000 home	+\$14	-\$31	+\$48	+\$3
\$500,000 home	+\$18	-\$39	+\$61	+\$4
One-time funding to replace in 2028*	\$30,000	\$30,000	\$0	\$0

Fiscal disparities: The \$208,932 is already part of the total levy. Adding it again as extra revenue would count it twice. It can be shown on a separate budget line only if the matching amount is removed from the other property tax revenue line.

Tax estimates: City taxes only, using confirmed County inputs and unchanged property values and classes. Annual changes are rounded. City tax rates apply to tax capacity, not directly to market value.

*The last row covers only the one-time money. Other costs may change in 2028. Cutting capital transfers also leaves less money for future repairs and equipment. The effect of next year's Fire Department funding formula is not yet known.