Memorandum

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To: **Mayor Nelson and Members of the City Council**

From: **Daniel R. Buchholtz, ICMA-CM, Administrator, Clerk/Treasurer**

Date: **September 15, 2026**

Subject: **Proposed Preliminary 2026 Property Tax Levy Collectible in 2027**

The City Council is being asked to adopt the City's preliminary 2026 property tax levy, collectible in 2027, in the amount of $5,270,704. The preliminary levy establishes the maximum amount the City may levy for 2027. The City Council may reduce the levy when the final budget and levy are adopted in December, but it may not increase the levy above the amount established in September.

The proposed levy is based on the 2027 Council Preliminary General Fund Budget developed through the City Council's budget work sessions. The General Fund budget totals $6,495,115, an increase of $376,343, or 6.15%, from the 2026 amended budget. The budget is balanced without using General Fund reserves and continues to use $125,000 of remaining one-time Public Safety Aid.

The proposed levy is comprised of the following:

Levy Component	2026 Levy	2027 Proposed	Change	% Change
General Revenue	$4,310,534	$4,588,922	$278,388	6.46%
Capital Improvement Plan	$204,320	$214,536	$10,216	5.00%
2022 Street Improvement Project	$24,078	$24,078	$0	0.00%
2024 Street Improvement Project	$28,421	$28,421	$0	0.00%
2024A G.O. CIP Bond	$414,747	$414,747	$0	0.00%
Total City Levy	**$4,982,100**	**$5,270,704**	**$288,604**	**5.79%**

The levy adopted by Resolution No. 2026-43 is consistent with these amounts.

The 2027 budget reflects several decisions made during the Council's budget review, including increasing the Parks and Recreation Office Support Specialist position from 28 to 40 hours per week, replacing the proposed Police Administrative Captain position with an Administrative Sergeant, and making operating reductions in several departments. The Police Department accounts for the largest portion of the General Fund increase, primarily due to wages, health insurance, retirement contributions and other personnel costs.

The budget does not rely on General Fund reserves to balance operations. The City is projected to begin 2027 with approximately $3.73 million in General Fund balance, equal to approximately 52% of annual General Fund spending.

A 5.79% increase in the overall City levy does not mean that every property owner's City taxes will increase by 5.79%. Individual tax impacts depend on how a property's value changes relative to other properties in the City and other factors used in the property tax calculation.

For illustration, assuming a residential property increases in value by the Citywide average of approximately 6.1%, a median-value homesteaded property valued at approximately $296,180 in 2026 is estimated to experience an increase of approximately $92 per year, or $7.63 per month, in City property taxes. Actual taxes will depend on final property values and tax information provided by the counties.

Following adoption of the preliminary levy, staff will continue to review revenue and expenditure estimates and incorporate updated information before final budget adoption. The City's Truth in Taxation public hearing is scheduled for Monday, December 7, 2026, at 7:00 p.m. at City Hall. The final 2027 budget and property tax levy will return to the City Council for consideration following the hearing.

Recommendation

Staff recommends that the City Council approve Resolution No. 2026-43, adopting the proposed 2026 property tax levy collectible in 2027 in the amount of $5,270,704.

If you have any questions, please do not hesitate to contact me at 763-784-6491.