

TO: Mayor and Council
FROM: Darcy Mulvihill, Finance Director
Kate Thunstrom, City Administrator
SUBJECT: Levy Discussion
DATE: October 27, 2025

OVERVIEW:

Cities begin their budgeting process in May for the following year. As staff complete those early projections, there are assumptions on the costs of goods and services, vehicle repairs, wind/storm damage, fire responses, road salt needs, potholes, etc. 18 months in advance. At that time, staff make assumptions on issues that impact the next year's budget.

Budgets are created based on a year-over-year review of actual costs with inflationary projections and updated costs from service and professional contracts. Budgets are set with the intent of getting as close as possible to actual cost with the understanding that a city by law must have a balanced budget.

At the July work session, we discussed a preliminary levy pending final numbers from Anoka County as tax values were outstanding. County values are not received until August and can impact our Levy with an increase or decrease.

Since Council set the Levy cap in September, we have reviewed the budget and identified potential inflation markers that could be pulled back. The number below identifies how this would adjust the final levy in December. If the overall economy holds and the costs of goods and services stabilize, the anticipated budget could be in line with operational needs.

If Council chooses to reduce the budget to work towards the rate below, and the economy and assumptions of emergency needs does not hold, the following risks apply.

1. If the operational expense of the city comes in higher than the budget set, Staff will be required to request Council to release and utilize reserves.
2. If the operational expenses of the city come in higher than set for 2026, this will impact the 2027 budget as it will be required to address 2026 shortfalls, and meet the financial inflationary needs of 2027

The following table shows how a shift in the levy rate from 16.09% to 14.47% will affect different valued homes for city taxes only.

Estimated Market Value *	As Proposed 2026 City Taxes	With Cuts 2026 City Taxes	Yearly Difference
250,000	\$ 1,350.94	\$ 1,328.45	\$ (22.49)
270,000	\$ 1,480.95	\$ 1,456.30	\$ (24.65)
290,000	\$ 1,611.26	\$ 1,584.44	\$ (26.82)
310,000	\$ 1,741.57	\$ 1,712.58	\$ (28.99)
330,000	\$ 1,871.89	\$ 1,840.73	\$ (31.16)
350,000	\$ 2,002.20	\$ 1,968.87	\$ (33.33)
370,000	\$ 2,132.51	\$ 2,097.01	\$ (35.50)
390,000	\$ 2,262.82	\$ 2,225.15	\$ (37.67)
410,000	\$ 2,393.13	\$ 2,353.30	\$ (39.83)
430,000	\$ 2,523.44	\$ 2,481.44	\$ (42.00)
450,000	\$ 2,653.76	\$ 2,609.58	\$ (44.18)
470,000	\$ 2,784.07	\$ 2,737.73	\$ (46.34)
490,000	\$ 2,914.38	\$ 2,865.87	\$ (48.51)
510,000	\$ 3,044.69	\$ 2,994.01	\$ (50.68)
530,000	\$ 3,168.13	\$ 3,115.39	\$ (52.74)
550,000	\$ 3,287.68	\$ 3,232.96	\$ (54.72)

Levy adjustments throughout our discussions have gone as follows:

- July 28 Work session – projected rate 16.09%
- September 15th CC meeting -Levy rate set at 16.09%
- October 27th work session discussion- projected rate at 14.47%. This figure was reached with a budget cut of roughly \$95,000.

As it does not make it easier for SF residents, SF is not unique in our 2026 levy numbers and the strains of inflation on operating costs. Statewide levy increases for 2026 range from 3.5% to 30% with many of the higher increases impacting cities outside of the metropolitan area. This does not include what Counties and school districts are faced with due to changes at the State and Federal levels.

COUNCIL DIRECTION

Staff is requesting Council to provide direction on the budget and Levy goals to be used in the December meeting. The decision tonight will set the totals for the December meeting presentation as well as Resolutions that are submitted to Anoka County on behalf of the 2026 tax year.

Does Council want Staff to reduce the budget and Levy to the 14.47% or leave the numbers as set at the September 15th Council meeting?

Attachments: none