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Budget Overview

2026 Budget Engagement

BASE BUDGET
(January – April)

Office Financial Services calculates cost to continue all programs and services under the new year's conditions.

Includes updates to salary and benefit costs, removal of one-time items, and the addition of planned changes.

MAYOR'S PROPOSED BUDGET
(May – August)

Department requests and cost-saving ideas are submitted to Mayor.

Mayor's Office reviews and recommends proposals.

Mayor makes final decisions and proposes budget by mid-August.

CITY COUNCIL REVIEW AND ADOPTION
(August – December)

City departments brief the Council on impacts of Mayor's proposed budget.

City Council sets the property tax levy limit by September 30th.

Council holds a Truth in Taxation hearing in early December.

Council adopts the budget in December.

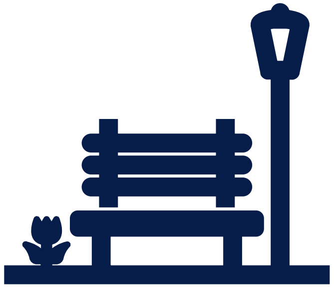
Operating vs. Capital Budget

OPERATING BUDGET

- Personnel, services, materials, debt payments
- Annual budgets
- Funded through: taxes, fees, intergovernmental revenue, and grants

CAPITAL BUDGET

- How the City funds the construction and maintenance of infrastructure
  - Ex. buildings, streets, parks, bridges
- Multi-year budgets
- Funded through: bonds, state and federal aid, sales tax, and utilities



GENEARL FUNDS

- Funded primarily through general revenues, not tied to specific expenses:
  - Property taxes
  - Local Government Aid (LGA) from the state
  - Other general revenues
- Includes: Police, Fire, Parks, Library, etc.

SPECIAL FUNDS

- Funded with dedicated revenue, tied directly to the expense
  - Sewer and Water utilities
  - Grant funds
  - Asphalt plant

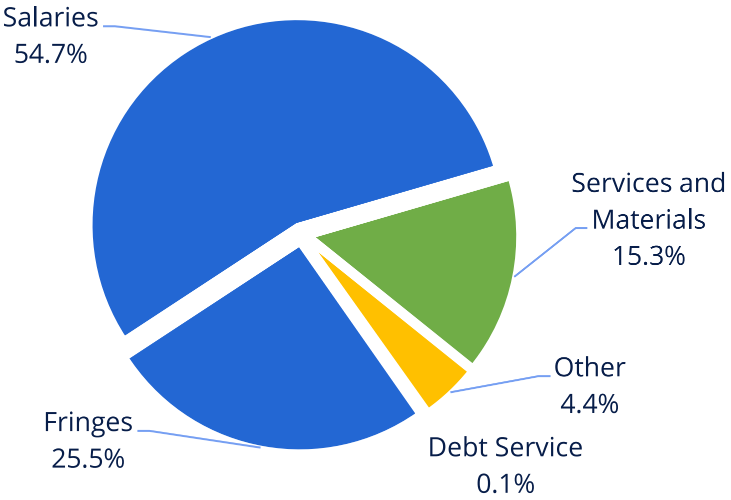
2026 vs. 2025 City and Library Operating Budget

	2025 Adopted	2026 Adopted	Change from 2025 Adopted	% Change from 2025 Adopted
General Fund	397,027,755	417,174,983	20,147,228	5.1%
Special Funds	450,037,702	411,686,835	-38,350,867	-8.5%
Debt Fund	50,000,743	54,278,407	4,277,664	8.6%
	897,066,200	**883,140,225**	**-13,925,975**	**-1.6%**

Total budget net of internal transfers and budgets for subsequent year debt payments.

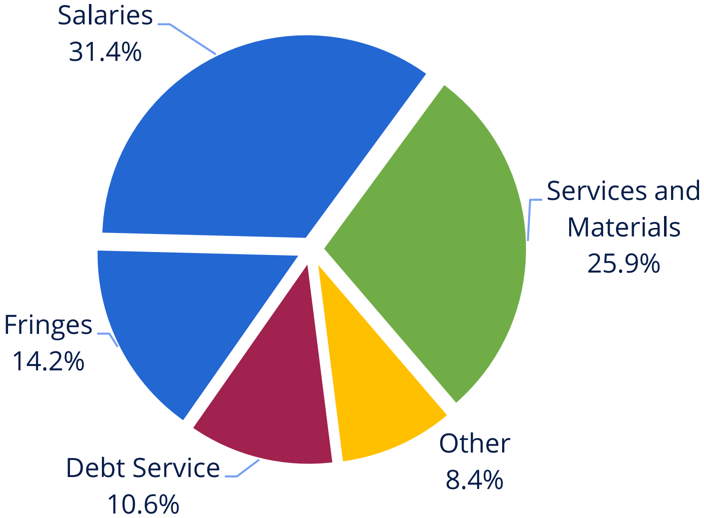
Spending by Category

General Fund



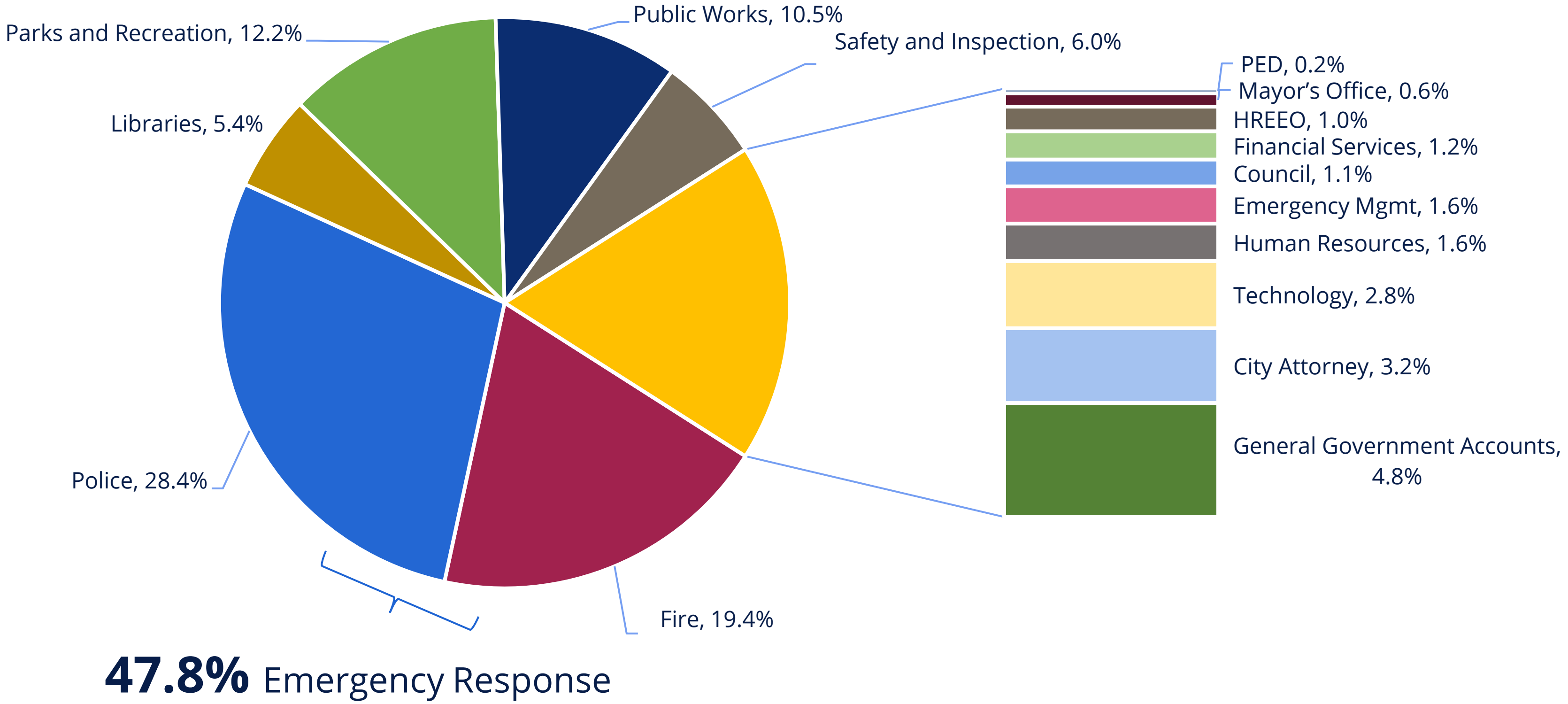
80% Employee Expenses

All Funds

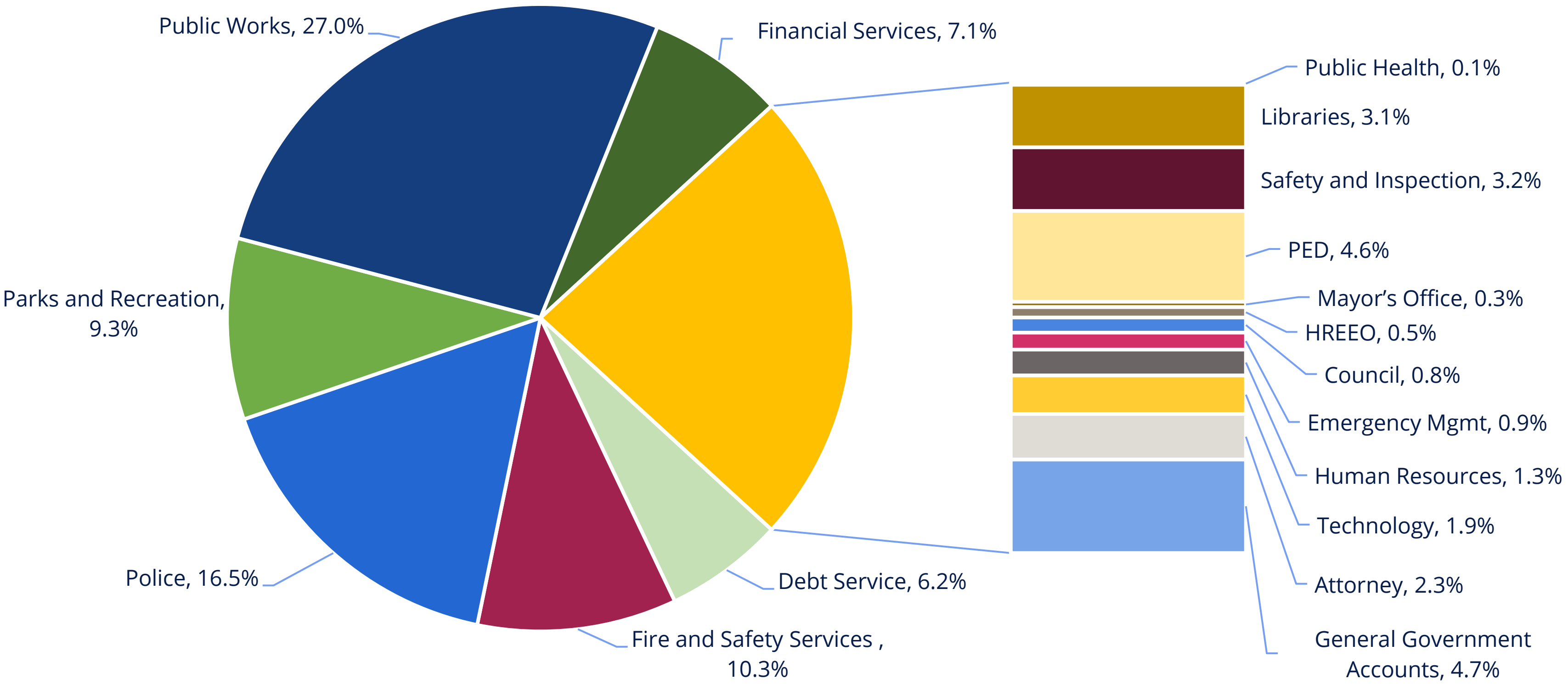


46% Employee Expenses

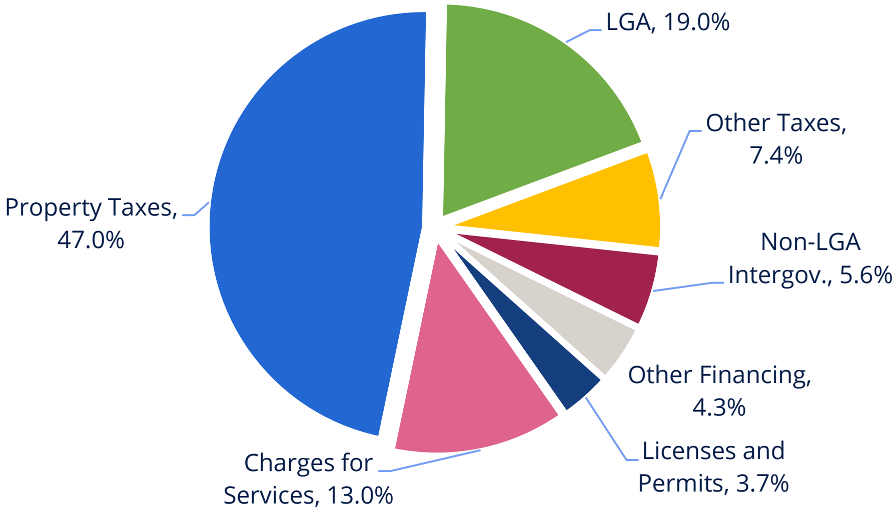
General Fund Spending by Department



All Funds Spending by Department

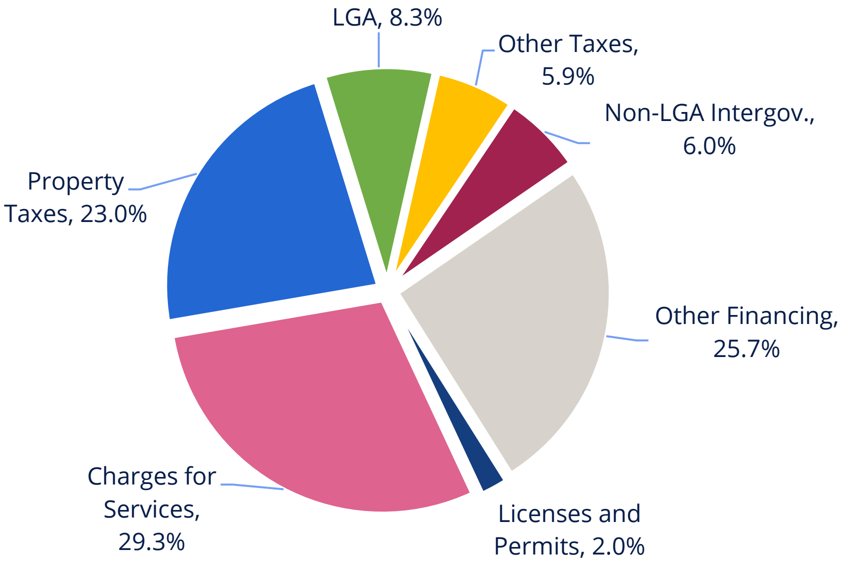


General Fund



66% Property Taxes and LGA

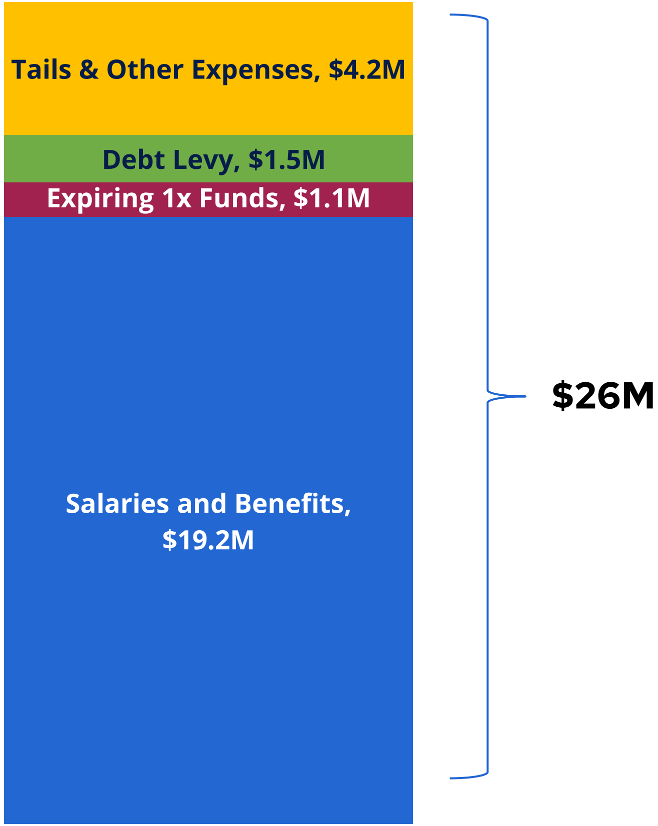
All Funds



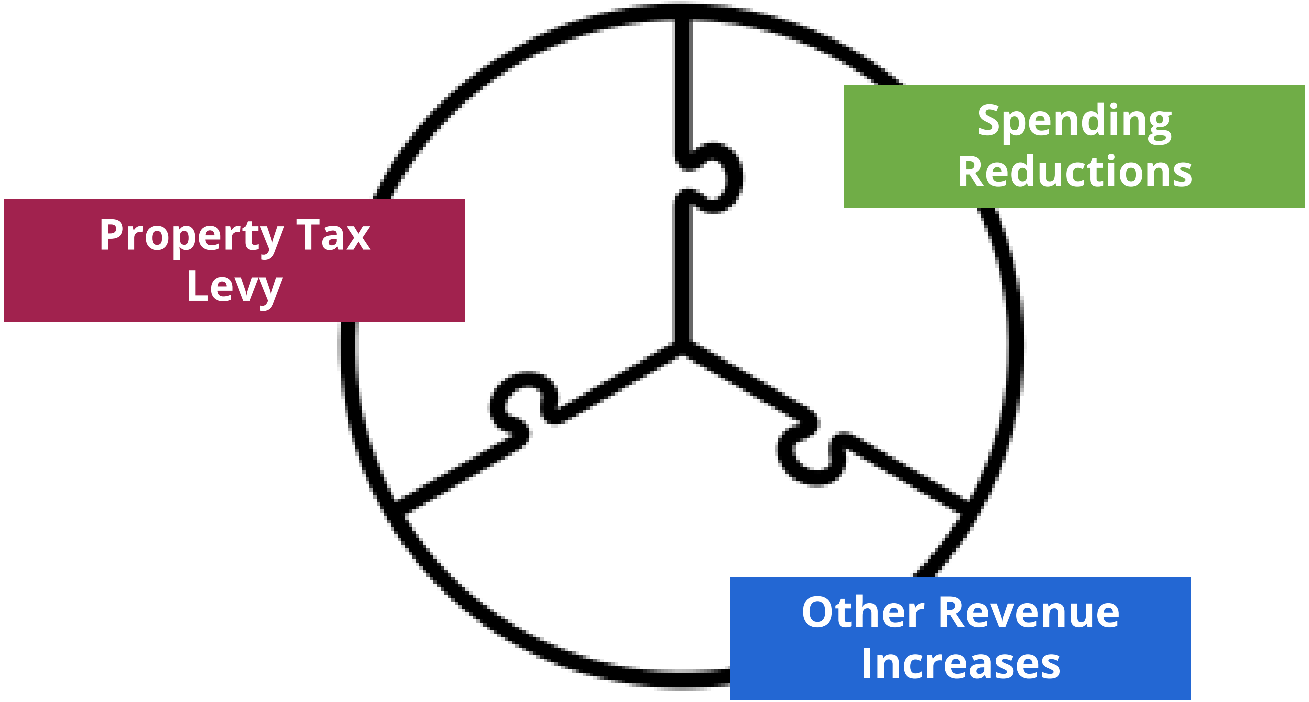
31% Property Taxes and LGA

2027 Budget Gap

- Approximately 80% of budget gap is employee expenses
- Expiring one-time funds
  - ARP: $530k
  - COPS grant: $570k
- Other expenses
  - Judgment bond: $2.3M
  - Utilities: $500k
  - Reversal of 1x items: $1.2M



Balancing the Budget



Paths to Balance the Budget

	Scenario A	Scenario B	Scenario C	Scenario D
2027 Budget Gap	**$26,000,000**	**$26,000,000**	**$26,000,000**	**$26,000,000**
Inflationary Revenue	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Department Reductions	**$1,000,000**	**$5,000,000**	**$10,000,000**	**$14,000,000**
Property Tax Levy	$22,000,000	$18,000,000	$13,000,000	$9,000,000
% Levy Growth	**9.7%**	**7.9%**	**5.7%**	**4%**

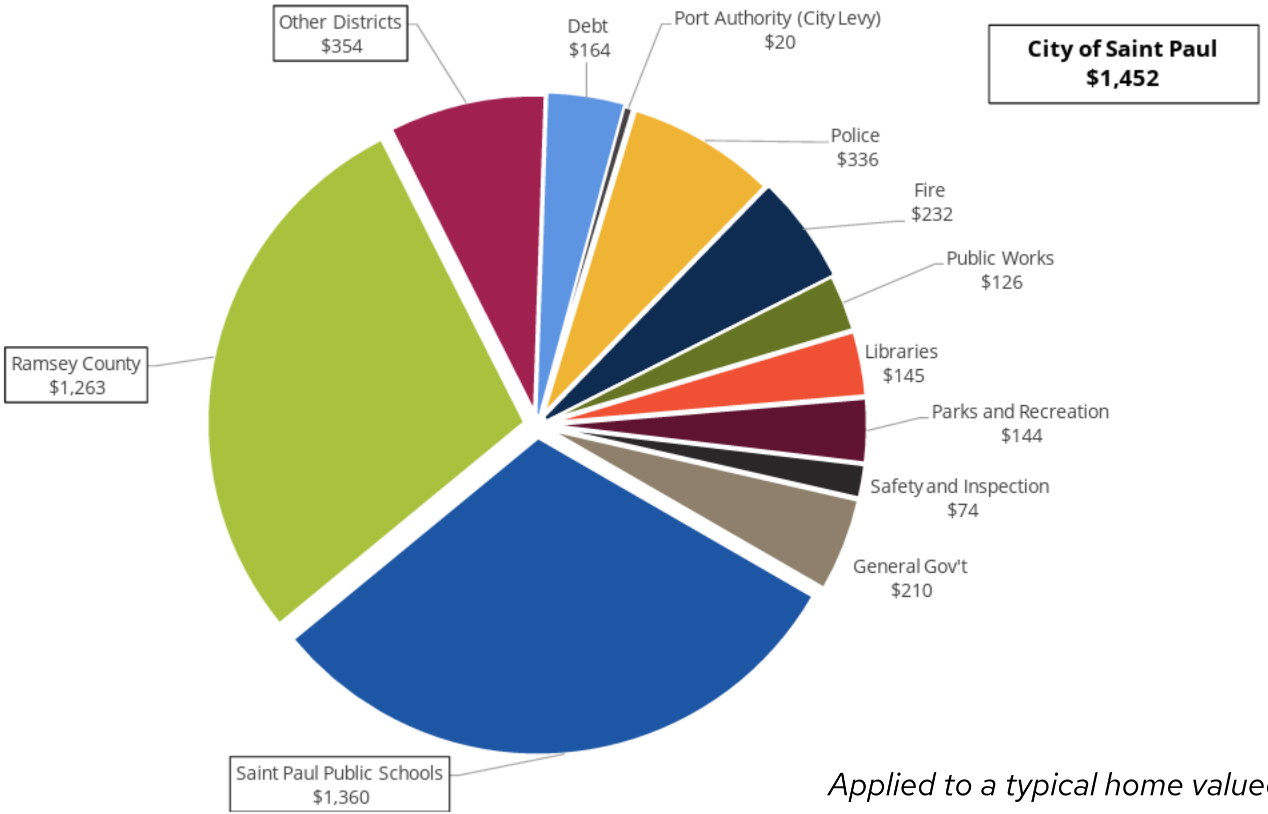
Example: Balancing the 2026 Budget

Starting Budget Gap	**$ 23M**
5.3% increase in property tax levy	- $ 11.5M
Inflationary revenue growth	- $ 4.1M
Removal of vacancies	- $ 2.9M
Other department budget solutions	- $ 5.4M
New spending • $0.2M Data practices team • $0.5M Technology/cybersecurity • $0.2M District Council support	+ $ 0.9M
Ending Budget Gap	**$0**

Property Taxes

- **Reliability:** property taxes are the primary revenue that the Mayor and City Council control. Other revenues, like fines or fees can be tweaked but are largely estimates and can fluctuate.
- **Flexibility:** unlike some aid or grants that are restricted to specific uses, property tax dollars can be used to support all City operations, including personnel.
- **Public impact:** property taxes are one of the most direct ways residents and business owners feel the impact of City financial decisions.
- **Scale:** property taxes make up 47% of City and Library general fund revenues.

2026 Estimated Tax Rates



Applied to a typical home valued at $289,200

Other General Fund Revenues

- **Franchise fees**
  - Paid by utilities for use of City streets and right-of-ways
  - Under state law, can be passed on to utility customers
  - Negotiated agreements with Xcel Energy, Comcast, and District Energy
  - **2026 budget:** $29.67M

- **Paramedic fees**
  - 36,000+ medical emergency calls each year
  - Transportation and life support services
  - Mostly paid through insurance, Medicare, and Medicaid
  - **2026 budget:** $17.2M

- **Parking meters and fines**
  - Still recovering after significant decline in 2020
  - Pre-pandemic high point: $8.4M
  - **2026 budget:** $3.12M

Other General Fund Revenues

- **Hotel and motel tax**
  - 6% on hotels with more than 50 rooms, 3% under 50
  - Receipts divided among City's General Fund and the RiverCentre Convention and Visitors Authority (RCVA)
  - **2026 budget:** $5.25M ($2.09M General Fund)

- **Building permits and business licenses**
  - Includes building permits, zoning plan review, business licenses, certificate of occupancy
  - **2026 budget:** $24M

- **Municipal State Aid**
  - Funding distributed via MN Department of Transportation for transportation infrastructure improvements
  - **2026 budget:** $4.4M for maintenance in operating budget, $11M capital

Sales tax

- Half-cent sales tax (STAR)
  - Established in 1993
  - STAR formula:
    - Neighborhood and Cultural STAR shall not be less than 60%
    - Cultural STAR must equal 10% of Neighborhood + Cultural
    - RiverCentre + Economic Development may equal up to 40%
  - **2026 budget:** $24M

- One cent sales tax (Common Cent)
  - Established in 2024
  - Funds $1 billion in streets ($738M) and parks ($246M) infrastructure over 20 years
  - **2026 budget:** $48M

Taxes and Fees on a Home

	2025	Estimated 2026	Change
City Share of Property Tax	$1,336	$1,451	$115
Sanitary Sewer Charges (14% volume fee increase)	$359	$404	$45
Storm Sewer Charges (14% increase)	$128	$146	$18
Recycling Fee (3% increase)	$173	$178	$5
Residential Waste Collection	$43	$43	$ -
Subtotal: Direct Billing for City services	**$2,039**	**$2,222**	**$183**
Water Charges (SPRWS)	$453	$509	$56
Grand Total: All City Services	**$2,492**	**$2,731**	**$239**

Typical home valued at $275,300 in 2025 and an estimated $289,200 in 2026 stpaul.gov/budget