ITEMS RELATING TO THE 2025 PRELIMINARY TAX LEVIES AND THE 2026 PRELIMINARY BUDGET

SEPT. 8, 2025

STAFF RECOMMENDATION

- Motion to approve:
  - A resolution setting a preliminary 2025 tax levy, collectible in 2026, and a preliminary 2026 budget, and consenting to a special benefit tax levy of the Minnetonka Economic Development Authority,
  - A resolution setting a preliminary 2025 tax levy, collectible in 2026, for the Bassett Creek Watershed Management Tax District, and
  - A resolution canceling a debt service levy for taxes payable in 2026.

2026 LEVY ANALYSIS

Operational Levy (thousands)	2025	2026	Change
City property taxes, current services	$55,124	$55,541	0.8%
Staffing COLA/Market		$1,457	2.6%
Health Insurance		$480	0.9%
MN Paid Family & Medical Leave		$150	0.3%
New Paralegal Position		$115	0.2%
SubTotal		**$57,743**	**4.8%**
Ice Arena & The Marsh		$400	0.7%
Capital Improvement Program		($513)	(0.9%)
Public Safety Investment		1,464	2.6%
Facility Improvements		$405	0.735%
Total City Levy	**$55,124**	**$59,499**	**7.935%**
HRA Levy	$300	$300	0.00%
Total City Levies	**$55,424**	**$59,799**	**7.892%**

WHAT'S IN THE OPERATING BUDGET – WHAT DOES IT REPRESENT

- Third year of a multi-year program to implement the public safety master plan
  - 9 firefighters added as mid-year hires in 2025, impact on the 2026 budget $630,000. No new requests for 2026.
  - 10-year Axon service agreement for tasers, body & squad cameras, training equipment and records management, cost of $615,000.
    - Future savings as implementation is completed over the next couple years
  - Community engagement officer, cost of $140,000.
  - Drones as First Responders, $300,000 annually. Will need to be included in the 2027 operating budget. DFR's supplant the need for additional officers that the public safety master plan called for in future years

WHAT'S IN THE OPERATING BUDGET – WHAT DOES IT REPRESENT

- Third year of non-union class and compensation study implementation
  - Budget is build with 3% COLA and 0 to 2% market value adjustment based on bargaining unit or non-union wage scale
  - General Fund impact of wages is $1.45 million
  - Personnel is over 78% of the General Fund expenditure budget
- Health insurance increase of 8.9%,
  - Typically a 50/50 cost share between the city and its employees - $480,000.
- MN Paid Family & Medical Leave, new for 2026. City impact of $150,000
- One additional FTE request for the Legal Department
  - Paralegal to assist with the increase in both prosecution and civil caseload - $115,000

WHAT'S IN OPERATING BUDGET – WHAT DOES IT REPRESENT

- Facility Improvements (Community Facilities)
  - Council approved the Community Facilities study on May 6, 2024
  - Additional 2% was initially added to the 2025 preliminary levy and subsequently removed prior to adoption last Sept.
  - Reviewed the study again on May 12, 2025, with what appeared to be general consensus around the Glen Lake Activity Center and remodeling of the Community Center
  - Estimates could be in the range of up to $4 million based on prior bids in 2021
- Facility Improvements (Satellite Fire Stations)
  - Council reviewed the satellite fire stations long-term needs assessment on April 28, 2025
  - Station #2 is the most immediate need for the fire department
  - Remodel or rebuild range from $2.5 million to $9 million

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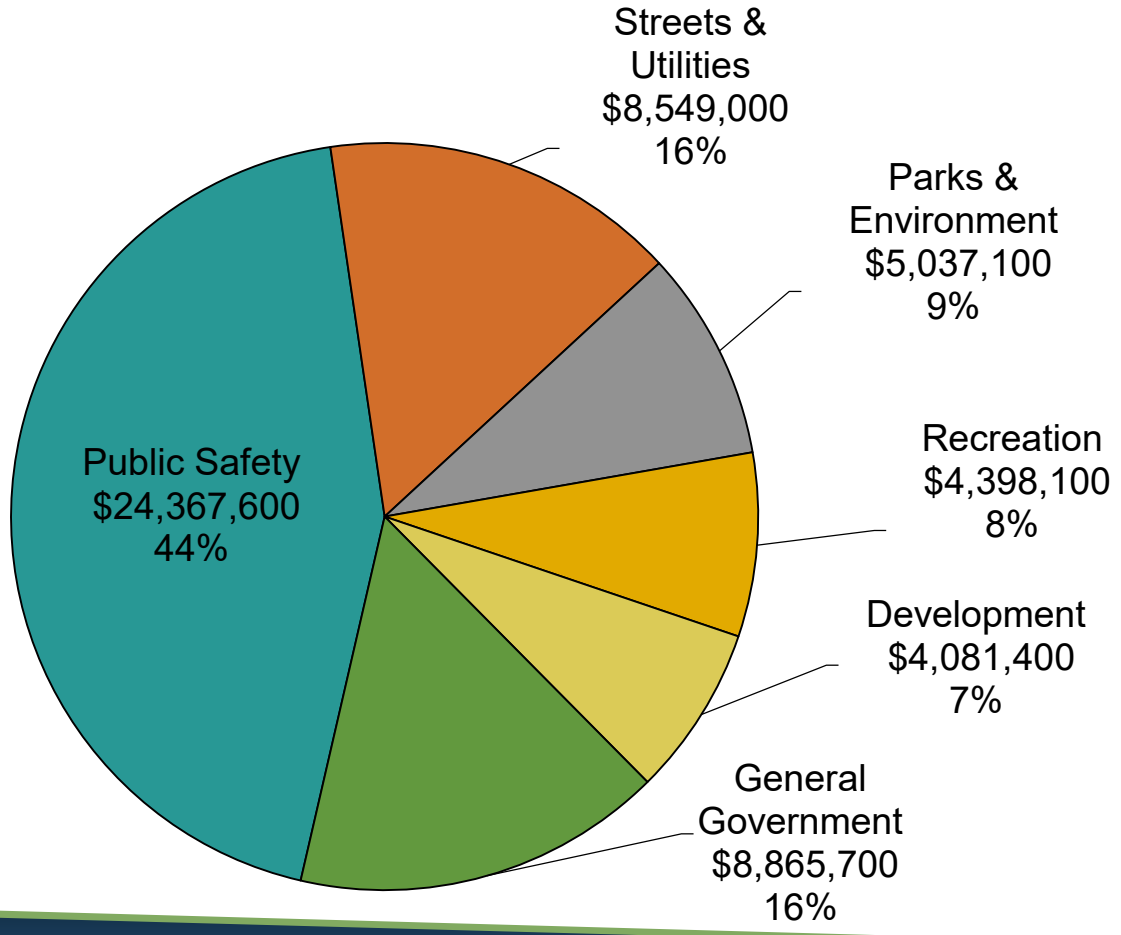
PRELIMINARY GENERAL FUND BUDGET

Object Account	2023 Actual	2024 Actual	2025 Budget	2026 Requested	$ Change from 2025 to 2026	% Change from 2025 to 2026
Revenues						
Property Taxes						
4010 - AD Valorem Tax Levy	$ 36,801,591	$ 39,456,008	$ 43,757,600	$ 47,834,200	$ 4,076,600	9.3%
4020 - Uncollectible Taxes	(66,403)	(60,705)	(200,000)	(200,000)	-	0.0%
4030 - Tax Penalties and Interest	(60,389)	2,156	24,000	24,000	-	0.0%
4050 - Tax Forfeit Sale Revenue	-	-	-	-	-	
Total Taxes	36,674,799	39,397,459	43,581,600	47,658,200	4,076,600	9.4%
Licenses & Permits	3,900,828	5,818,604	3,652,000	4,052,000	400,000	11.0%
Intergovernmental	1,646,303	2,256,519	2,321,900	2,000,600	(321,300)	-13.8%
Charges for Services	567,973	773,085	533,400	597,600	64,200	12.0%
Fines & Forfeitures	145,851	184,853	150,900	166,000	15,100	10.0%
Investment Interest	1,361,364	1,131,585	1,136,000	1,063,000	(73,000)	-6.4%
Recreation Charges	1,506,845	1,781,093	1,614,600	1,700,600	86,000	5.3%
Miscellaneous	1,203,094	1,075,920	943,000	973,400	30,400	3.2%
Transfers In	1,494,800	1,499,000	1,542,000	1,586,000	44,000	2.9%
Total Revenues	48,501,857	53,918,117	55,475,400	59,797,400	4,322,000	7.8%
Expenditures						
Personnel Services	35,783,228	38,867,199	43,105,900	46,958,700	3,852,800	8.9%
Supplies	2,131,980	2,030,124	2,156,300	2,175,300	19,000	0.9%
Other Services & Charges	8,553,392	8,930,175	10,036,700	10,585,200	548,500	5.5%
Operating Transfers Out	126,501	128,209	176,500	78,200	(98,300)	-55.7%
Total Expenditures	46,595,101	49,955,707	55,475,400	59,797,400	4,322,000	7.8%
Revenues Over/(Under) Expenditures	1,906,756	3,962,410	-	-	-	2.9%
Other Financing Uses						
Capital Transfers Out	3,600,000	1,625,000	900,000	2,550,000	1,650,000	183.3%
Total Revenues Over/(Under) Expenditures after Transfer Out	$ (1,693,244)	$ 2,337,410	$ (900,000)	$ (2,550,000)	$ (1,650,000)	

PRELIMINARY GENERAL FUND BUDGET

Object Account	2023 Actual	2024 Actual	2025 Budget	2026 Requested	$ Change from 2025 to 2026	% Change from 2025 to 2026
Expenditures by Department						
10 - Mayor & City Council	$ 297,713	$ 410,108	$ 421,300	$ 483,400	$ 62,100	14.7%
11 - General Administration	657,508	1,071,763	969,100	1,057,800	88,700	9.2%
12 - Community Center	523,330	543,119	721,300	758,300	37,000	5.1%
13 - IT	1,461,151	1,737,854	1,915,700	2,057,400	141,700	7.4%
14 - Legal	1,027,640	1,095,363	1,255,900	1,496,600	240,700	19.2%
15 - Finance	1,074,830	1,162,726	1,194,800	1,278,100	83,300	7.0%
16 - Assessing	881,618	943,856	1,066,300	1,125,100	58,800	5.5%
17 - Building Maintenance	1,883,465	1,841,815	2,145,100	2,296,800	151,700	7.1%
18 - Joint Recreation	2,126,807	2,171,626	2,500,200	2,539,600	39,400	1.6%
19 - Planning	908,104	732,650	1,041,800	942,800	(99,000)	-9.5%
20 - Engineering	1,569,468	1,625,836	1,766,900	1,887,100	120,200	6.8%
21 - Community Development	2,639,084	2,678,142	3,039,600	3,236,000	196,400	6.5%
22 - Street Maintenance	4,046,732	3,996,745	4,637,000	4,570,400	(66,600)	-1.4%
24 - Parks & Trails	2,381,110	2,512,397	2,558,900	2,661,200	102,300	4.0%
25 - Police	13,359,852	14,608,548	15,449,600	17,466,800	2,017,200	13.1%
26 - Fire	6,014,541	6,215,980	7,222,000	8,056,100	834,100	11.5%
28 - Senior Citizens	432,711	560,129	594,900	622,400	27,500	4.6%
29 - Environmental Health	381,308	381,314	440,100	456,000	15,900	3.6%
30 - MTKA Recreation	642,326	679,609	758,200	692,200	(66,000)	-8.7%
31 - Natural Resources	1,940,704	2,127,164	2,478,200	2,414,600	(63,600)	-2.6%
33 - City Manager	818,409	979,832	1,178,700	1,307,100	128,400	10.9%
34 - Human Resources	1,164,678	1,372,370	1,476,500	1,577,700	101,200	6.9%
35 - Contingency & Transfers	-	-	100,000	100,000	-	0.0%
36 - Communications	362,013	506,764	543,300	713,900	170,600	31.4%
Total Departmental Expenditures	$ 46,595,101	$ 49,955,708	$ 55,475,400	$ 59,797,400	$ 4,322,000	7.8%

PROPERTY TAXES SUPPORT BASIC SERVICES – GENERAL FUND (2025)

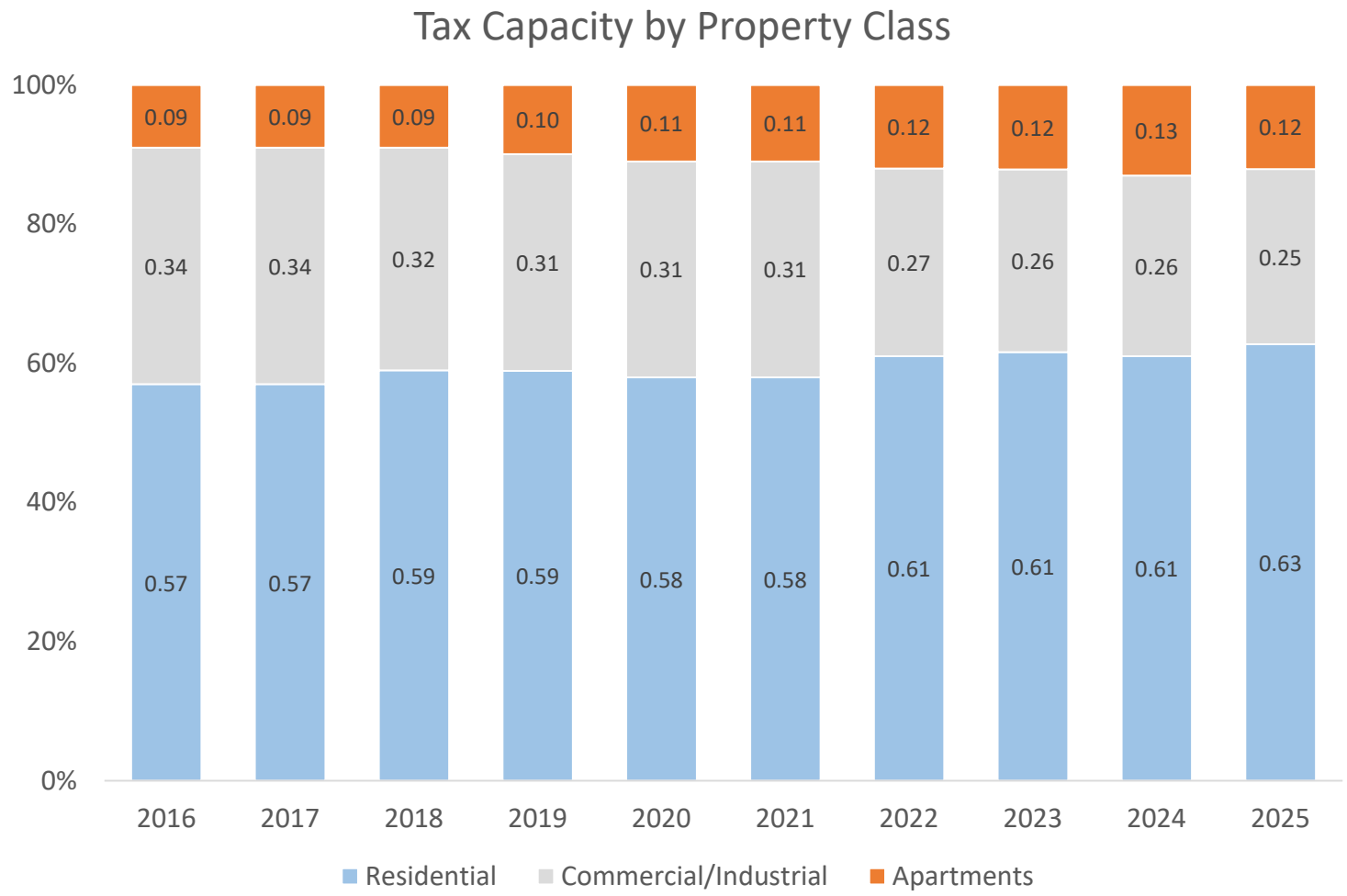


HOMEOWNER IMPACTS

	Overall Growth	Total Change (millions)
Single-household Residential	4.1%	$300.4
Lakeshore	8.9%	$49.8
Townhouses	2.3%	$18.3
Condominiums	-0.7%	$-4.9
Commercial	-0.5%	$-8.0
Industrial	1.1%	$4.3
Apartments	-1.2%	$-21.8
Other Property Types	4.6%	$9.0
Total Change	**2.6%**	**$347.2**

- Median valued home increasing in value 3.8% to $521,300 will see an annual tax increase of $169 (9.06%)
- 25th Percentile home increasing in value 3.8% to $428,800 will see an annual tax increase of $139 (9.20%)
- 75th percentile home increasing in value 3.8% to 689,650 will see an annual tax increase of $219 (8.80%)

HOMEOWNER IMPACTS



HRA LEVY

- City's first HRA levy began in 2009
- State law limits levies to a max rate of 0.0185% of city's taxable market value
  - Approximately $2.5 million for 2026
  - EIP recommends the 2026 HRA levy remain constant at $300,000
  - Council reviewed the EIP on June 16, no recommended changes since that time

2026 BUDGET COMMUNICATION & FEEDBACK

- Minnetonka always encourages input on its budget from the public
- Truth-in-Taxation notices mailed by the county in early November
- Regular communication through the Minnetonka Memo
- Minnetonka Matters is again being utilized to communicate budget information and solicit feedback
- Staff share all comments received with the council
- Tonight is not an “official” public hearing, but the council is welcome to solicit feedback
- Official opportunity for the public to provide feedback on the tax levy and the budget will be on Monday, Dec. 8 at 6:00 p.m. in these city council chambers

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Questions/Comments?