



**CITY COUNCIL
WORK SESSION AGENDA
LARGE CONFERENCE ROOM**

**Tuesday, November 25th, 2025
at 4:30 P.M.**

DISCUSSION ITEMS

1. 2026 Budget Discussion
2. Recess to December 1st, 2025 City Council Meeting

Preliminary General Fund Budget



Hermantown

Working together to serve
and build our community

2025
City Council/Departments



Preliminary Budget Message

2026 Budget

August 18, 2025

Preliminary Budget: Attached is a preliminary City of Hermantown General Fund Budget for 2026. The budget is submitted at this time because of state imposed deadlines for Truth in Taxation purposes. The Council will be asked to set the preliminary levy and a public hearing date of December 1st, 2025 at the City Council meeting on September 1st, 2025. The preliminary levy and the budget hearing date must be approved by the City Council and submitted to St. Louis County by September 30. This preliminary levy represents the maximum proposed levy. The City Council may lower the proposed tax levy between September 1st and the final approval which is scheduled for December 1st, 2025.

Expenditures: At this time, expenditures in the 2026 General Fund Budget are increasing 12.64% or \$1,123,669. As a measure of comparison, the expenditures increased 8% last year and 13% the year before. As a general rule in 2026 approximately \$100,000 in expenditures is the equivalent of 1% of tax levy. This increase is due in part to the following factors:

- Personnel expenditure increases (wage study, negotiated wage increases, cost of living, step increases, health insurance)
- An election in 2026
- Increase in Fire Department on call services
- Increase in City Engineer
- Adhering to the Financial Management plan for Transfers & Contingency
- Increase in outsourced Information Technology Services (labor and equipment)
- Transfer from fund balance for partial debt payment on Fitchner Field

Revenues: At this time, revenues in the 2026 General Fund Budget are \$9,844,686 an increase of \$953,669 from 2025.

The General Fund budget relies heavily on local property tax (levy) to fund the expenditures. The levy makes up over 89% of the total revenue.

Levy: The total levy with this general fund budget is increasing by 10.28% while the general fund levy is increasing 11.56%. The main components of this increase are the general fund levy, debt levy, HEDA levy, HRA levy, and the Fleet Farm and Pillars abatements. Using preliminary numbers from the County the effective tax rate would increase 1.75% with this budget.

2026 PROPOSED BUDGET

Revenues

Revenues	Original Budget 2025	Proposed Budget 2026	Increase (Decrease)	Percent
Property Taxes	7,871,730	8,780,634	908,904	11.55%
Licenses & Permits	200,000	218,675	18,675	9.34%
Intergovernmental	577,833	584,892	7,059	1.22%
Misc	288	288	-	0.00%
Charges for Services	170,151	179,377	9,226	5.42%
Fines & Forfeitures	44,515	44,320	(195)	-0.44%
Investment Income	10,000	20,000	10,000	100.00%
Franchise Fees	16,500	16,500	-	0.00%
Totals	8,891,017	9,844,686	953,669	10.73%

2026 PROPOSED BUDGET

Expenditures by Category

<u>Department</u>	<u>2025</u>	<u>2026</u>	<u>Increase (Reduction)</u>	<u>Percent Change</u>	<u>Percent of total</u>
Personnel Services	5,925,357	6,470,966	545,609	9.21%	64.61%
Supplies	521,524	543,348	21,824	4.18%	5.43%
Services	887,219	949,107	61,888	6.98%	9.48%
Maintenance	505,329	705,265	199,936	39.57%	7.04%
Capital Outlay - General Fund	220,000	235,000	15,000	6.82%	2.35%
Contingency	190,588	300,000	109,412	57.41%	3.00%
Other Financing Uses	641,000	811,000	170,000	26.52%	8.10%
Totals	8,891,017	10,014,686	1,123,669	12.64%	

Expenditures by Department

<u>Department</u>	<u>2025</u>	<u>2026</u>	<u>Increase (Reduction)</u>	<u>Percent Change</u>	<u>Percent of total</u>
Council	57,410	84,040	26,630	46.39%	0.84%
Mayor	14,976	17,410	2,434	16.25%	0.17%
Elections	3,550	43,112	39,562	1114.42%	0.43%
Admin & Finance	820,114	878,584	58,470	7.13%	8.77%
Attorney	53,812	53,100	-712	-1.32%	0.53%
Communications	197,985	244,060	46,075	23.27%	2.44%
Community Development	455,733	476,597	20,864	4.58%	4.76%
City Hall Maintenance	235,895	238,705	2,810	1.19%	2.38%
Police	3,802,792	4,251,505	448,713	11.80%	42.45%
Fire	754,523	839,316	84,793	11.24%	8.38%
Fire Hall 1	70,509	71,141	632	0.90%	0.71%
Fire Hall 2	8,468	7,901	-567	-6.70%	0.08%
Fire Hall 3	9,617	9,030	-587	-6.10%	0.09%
Building Inspector	199,264	215,782	16,518	8.29%	2.15%
Street	1,006,889	1,061,049	54,160	5.38%	10.59%
City Engineer	24,600	45,000	20,400	82.93%	0.45%
Garage Building Maintenance	77,100	78,323	1,223	1.59%	0.78%
Parks & Recreation	161,742	175,931	14,189	8.77%	1.76%
Community Building	37,415	45,050	7,635	20.41%	0.45%
Cemetery	7,514	8,068	554	7.37%	0.08%
Transfers Out	635,000	805,000	170,000	26.77%	8.04%
Insurance	65,521	65,982	461	0.70%	0.66%
Contingency	190,588	300,000	109,412	57.41%	3.00%
Totals	8,891,017	10,014,686	1,123,669	12.64%	

Property Tax Impact of the Proposed 2026 Budget

Annual City Levy	Pay 2025	Incr (Deer) 2025-2024	%	Pay 2026	Incr (Deer) 2026-2025	%
Total Levy	9,408,324	1,084,356	13.03%	10,375,348	967,024	10.28%
Tax rate	0.4561			0.4641		
General Fund Levy	8,284,242	657,257	8.62%	9,241,509	957,267	11.56%
Tax rate	0.4128			0.4231		
Debt Levy	702,976	307,842	77.91%	697,674	(5,302)	-0.75%
Tax rate	0.0350			0.0319		
Pillars Abatement	98,190	98,190		106,546	8,356	8.51%
Tax Rate	0.0049			0.0049		
Fleet Farm Abatement	157,541	13,192	9.14%	130,975	(26,566)	-16.86%
Tax rate	0.0079			0.0060		
HRA Levy				25,000	25,000	
Tax rate				0.0011		
HEDA Levy	165,375	7,875	5.00%	173,644	8,269	5.00%
Tax rate	0.0082			0.0079		
Levy Impact						
Impact - \$150,000 home	\$684	\$8	1.17%	\$696	\$12	1.75%
Impact - \$200,000 home	\$912	\$11	1.17%	\$928	\$16	1.75%
Impact - \$300,000 home	\$1,368	\$16	1.17%	\$1,392	\$24	1.75%
Impact - \$400,000 home	\$1,824	\$21	1.17%	\$1,856	\$32	1.75%
Impact - \$500,000 home	\$2,281	\$26	1.17%	\$2,321	\$40	1.75%
Impact - \$600,000 home	\$2,737	\$32	1.17%	\$2,785	\$48	1.75%

2026	
Taxable Market Value	1,772,661,040.00
Taxable NTC	21,843,739.00

2025	
Taxable Market Value	1,622,203,462.00
Taxable NTC	20,066,744.00

2024	
Taxable Market Value	1,469,883,899.00
Taxable NTC	18,143,433.00

2023	
Taxable Market Value	1,319,935,110.00
Taxable NTC	16,436,844.00

2022	
Taxable Market Value	1,190,036,218.00
Taxable NTC	14,946,228.00