City of
Hermantown
Minnesota
5105 Maple Grove Road
Hermantown, MN 55811

CITY COUNCIL
WORK SESSION AGENDA
COUNCIL CHAMBERS

Monday, August 24th, 2026
at 4:30 P.M.

DISCUSSION ITEMS

1. 2027 Budget

2. Recess to September 8th, 2026 City Council Meeting

Preliminary General Fund Budget

Hermantown

Working together to serve and build our community

2027

City Council/Departments

City of Hermantown Minnesota

Preliminary Budget Message

2027 Budget

August 24, 2026

Preliminary Budget: Attached is a preliminary City of Hermantown General Fund Budget for 2027. 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 7th, 2026 at the City Council meeting on September 7th, 2026. 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 30th and the final approval which is scheduled for December 7th, 2026.

Expenditures: At this time, expenditures in the 2027 General Fund Budget are increasing 10% or $973,386. As a general rule in 2026 approximately $110,000 in expenditures is the equivalent of 1% of tax levy. The attached budgeted expenditures have already been reduced by $141,448 in cuts by Department Heads. In this budget CIP is funded for $813,350 while 2027 requests currently are $1,213,350. The current proposed expenditure increase is due in part to the following factors:

- Personnel expenditure increases (wage study, negotiated wage increases, cost of living, step increases, health insurance)
- Increase in legal services cost due to new representation and new contracts
- Inflation
- Assessment reduction to Hermantown road assessment
- Payment on Fire Dept Ladder Truck
- Police Department contracted services and vehicle maintenance
- Building inspection contracted services
- Parks contracted services and maintenance
- Increase in Insurance costs
- Partial debt payment on Fitchner Field

Revenues: At this time, revenues in the 2026 General Fund Budget are $10,838,072… an increase of $1,143,386 from 2026.

The General Fund budget relies heavily on local property tax (levy) to fund the expenditures. The levy makes up 90% of the total revenue. In 2027 the State of MN is cutting our LGA by over $104,000 (from 319,992 to 215,960)

Levy: The total levy with this general fund budget is increasing by 12.89% while the general fund levy is increasing 14.21%. The main components of this increase are the general fund levy, debt levy, HEDA levy, HRA levy, and the Fleet Farm and Pillars abatements. The growth in net tax capacity is only 3.77% for 2027 while the prior four years averaged over 10% growth per year. Currently, the effective tax rate would increase 9% with this budget. In order to have a 0% effective tax rate increase approximately $879,000 in expenditure cuts and/or revenue increases would be needed.

Transfers Out: This expenditure line item has significantly increased and is made up of the following:

Municipal Building Reserve $50,000

General Capital Projects Fund $813,350 (2027 requests are $1,213,350)

Hermantown Road Assessment reduction $51,000

Park Dedication $50,000

Water credit for hockey and soccer $6,000

Debt payment on Fitchner Field $170,000

Fire Department Ladder Truck payment $160,278

2027 PROPOSED BUDGET

Revenues

Revenues	Original Budget 2026	Proposed Budget 2027	Increase (Decrease)	Percent
Property Taxes	8,530,634	9,742,535	1,211,901	14.21%
Licenses & Permits	218,675	231,320	12,645	5.78%
Intergovernmental	584,892	493,160	(91,732)	-15.68%
Misc	1,800	1,970	170	9.44%
Charges for Services	177,865	187,432	9,567	5.38%
Fines & Forfeitures	44,320	45,155	835	1.88%
Investment Income	120,000	120,000	-	0.00%
Franchise Fees	16,500	16,500	-	0.00%
Totals	9,694,686	10,838,072	1,143,386	11.79%

2027 PROPOSED BUDGET

Expenditures by Category

Department	2026	2027	Increase (Reduction)	Percent Change	Percent of total
Personnel Services	6,470,966	6,738,690	267,724	4.14%	62.18%
Supplies	543,348	542,896	-452	-0.08%	5.01%
Services	949,107	1,112,092	162,985	17.17%	10.26%
Maintenance	705,265	702,766	-2,499	-0.35%	6.48%
Capital Outlay - General Fund	235,000	235,000	0	0.00%	2.17%
Contingency	200,000	200,000	0	0.00%	1.85%
Other Financing Uses	761,000	1,306,628	545,628	71.70%	12.06%
Totals	9,864,686	10,838,072	973,386	9.87%	

Expenditures by Department

Department	2026	2027	Increase (Reduction)	Percent Change	Percent of total
Council	84,040	91,667	7,627	9.08%	0.85%
Mayor	17,410	17,928	518	2.98%	0.17%
Elections	43,112	7,200	-35,912	-83.30%	0.07%
Admin & Finance	878,584	936,914	58,330	6.64%	8.64%
Attorney	53,100	89,000	35,900	67.61%	0.82%
Communications	244,060	249,085	5,025	2.06%	2.30%
Community Development	476,597	502,063	25,466	5.34%	4.63%
City Hall Maintenance	238,705	254,952	16,247	6.81%	2.35%
Police	4,251,505	4,367,877	116,372	2.74%	40.30%
Fire	839,316	900,239	60,923	7.26%	8.31%
Fire Hall 1	71,141	81,992	10,851	15.25%	0.76%
Fire Hall 2	7,901	8,102	201	2.54%	0.07%
Fire Hall 3	9,030	9,237	207	2.29%	0.09%
Building Inspector	215,782	253,000	37,218	17.25%	2.33%
Street	1,061,049	1,081,798	20,749	1.96%	9.98%
City Engineer	45,000	59,000	14,000	31.11%	0.54%
Garage Building Maintenance	78,323	80,654	2,331	2.98%	0.74%
Parks & Recreation	175,931	214,146	38,215	21.72%	1.98%
Community Building	45,050	37,165	-7,885	-17.50%	0.34%
Cemetery	8,068	8,443	375	4.65%	0.08%
Transfers Out	755,000	1,300,628	545,628	72.27%	12.00%
General Insurance partial allocation	65,982	86,982	21,000	31.83%	0.80%
Contingency	200,000	200,000	0	0.00%	1.85%
Totals	9,864,686	10,838,072	973,386	9.87%	

Property Tax Impact of the Proposed 2027 Budget

Annual City Levy	Pay 2026	Incr (Decr) 2026-2025	%	Pay 2027	Incr (Decr) 2027-2026	%
Total Levy	10,112,191	703,867	7.48%	11,415,458	1,303,267	12.89%
Tax rate	0.4521			0.4929		
General Fund Levy	8,978,352	694,110	8.38%	10,254,247	1,275,895	14.21%
Tax rate	0.4110			0.4524		
Debt Levy	697,674	(5,302)	-0.75%	707,333	9,659	1.38%
Tax rate	0.0319			0.0312		
Pillars Abatement	106,546	8,356	8.51%	112,418	5,872	5.51%
Tax Rate	0.0049			0.0050		
Fleet Farm Abatement	130,975	(26,566)	-16.86%	131,504	529	0.40%
Tax rate	0.0060			0.0058		
HRA Levy	25,000	25,000		27,631	2,631	10.52%
Tax rate	0.0011			0.0012		
HEDA Levy	173,644	8,269	5.00%	182,325	8,681	5.00%
Tax rate	0.0079			0.0080		
Levy Impact						
Impact - $150,000 home	$678	-$6	-0.89%	$739	$61	9.03%
Impact - $200,000 home	$904	-$8	-0.89%	$986	$82	9.03%
Impact - $300,000 home	$1,356	-$12	-0.89%	$1,479	$122	9.03%
Impact - $400,000 home	$1,808	-$16	-0.89%	$1,971	$163	9.03%
Impact - $500,000 home	$2,260	-$20	-0.89%	$2,464	$204	9.03%
Impact - $600,000 home	$2,712	-$24	-0.89%	$2,957	$245	9.03%

2027	
Taxable Market Va	1,846,471,712.00
Taxable NTC	22,666,452.00

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

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

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

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

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

Resolution No. 2026-XXX

Resolution To Adopt The Proposed Property Tax For Taxes Payable In 2027 And Scheduling The Truth In Taxation Hearing

WHEREAS, the City Council will hold a Truth In Taxation Hearing on Monday, December 7th, 2026 at 6:30 p.m.

BE IT RESOLVED, by the City Council of the City of Hermantown, County of St. Louis, Minnesota, that the following sums of money be levied for the current year, collectible in 2027, upon taxable property in the City of Hermantown, for the following purposes:

General Fund Levy	$10,254,247
General Obligation Bonded Debt	$ 707,333
Other Debt	$ -0-
Pillars Abatement	$ 112,418
Fleet Farm Abatement	$ 131,504
HRA Levy	$ 27,631
HEDA Levy	$ 182,325
Total Levy	**$11,415,458**

The City Clerk is hereby instructed to transmit a certified copy of this resolution to the County Auditor of St. Louis County, Minnesota.

Councilor introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor and, upon a vote being taken thereon, the following voted in favor thereof:

Councilors, aye.

and the following voted in opposition thereto:

None

WHEREUPON, such resolution was declared duly passed and adopted September XX, 2026.