City of Blaine
City Council Workshop

August 11, 2025 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

AGENDA

NOTICE OF WORKSHOP MEETING
In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

2. Roll Call

3. New Business

3.1. 2025-179 Closed Session Pursuant to MN Statute 13D.03 Subd. (1)(b) - Labor Negotiations Update
Sponsors: Scott Johnson, Director of Administrative Services

3.2. 2025-180 2026 Budget - General Fund Budget and City Property Tax Levy
Sponsors: Jason Zimmerman, Finance Director

4. Other Business

5. Adjournment

City of Blaine
Staff Report

File Number: 2025-179

Agenda Date	Status
August 11, 2025	
In Control	**File Type**
City Council	Workshop Item

New Business - Labor Attorney Lida Bannink

Agenda Item # 3.1

Closed Session Pursuant to MN Statute 13D.03 Subd. (1)(b) - Labor Negotiations Update

Background

Attorney Lida Bannink and staff will provide an update on labor negotiations.

The contracts with Police Sergeants, Police Officers, and Public Works employees expire at the end of 2025. Collective bargaining with the groups will start in the near future.

Staff Recommendation

Questions for Council

Attachment List

None

City of Blaine
Staff Report

File Number: 2025-180

Agenda Date	Status
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City Council	Workshop Item

New Business - Jason Zimmerman, Finance Director

Agenda Item # 3.2

2026 Budget - General Fund Budget and City Property Tax Levy

Background

In accordance with the city's budget schedule, the August 11 Workshop was set aside for a presentation and discussion on the city managers' recommended 2026 budget and property tax levy. With the feedback received during prior public meetings, the current proposal was developed with the intent of aligning City Council priorities with available financial resources to provide Blaine property owners, residents, and visitors with quality municipal services at a responsible tax level. Based on established guidance, staff have prioritized investments in capital assets that provide a broad benefit across the community, while minimizing additional ongoing operating requests.

Because this document is being prepared in late July, many assumptions continue to be made based on trends in prior years' financial performance. Several factors may impact the final budget, including legislative changes, state mandates, economic shifts, and union negotiations. County-generated estimated market values for taxes payable in 2026 have yet to be provided, so at this time staff are unable to prepare an estimated tax capacity rate or impact scenario on the median valued single-family home. Additionally, metro-wide fiscal disparity information isn't anticipated until sometime in late August, which staff also need to calculate an accurate estimate of tax rate/impact.

Budget Preparation

The budgetary process began with Finance Department staff conducting small group discussions with all members of the Council during the second week of April to provide measured assumptions that incorporated operating, capital, and debt funding strategies as outlined in previous budgetary cycles while maintaining existing staffing and service levels at anticipated 2026 costs. An outcome of these small group meetings was the creation of a policy-driven framework containing key themes, goals, and expectations for the 2026 budget and property tax levy, which was informally supported by the majority of the Council at the April 14 Workshop. These items include:

- Equitable compensation for city staff

- Preserve existing complement of full-time staffing
- Prioritize new funding for capital investments
- Sufficient resources for internal service funds
- Connect budget requests to the strategic plan
- Evaluate non-personnel-related expenditures
- Leverage unrestricted reserves to fund non-reoccurring requests
- Maintain posture to incentivize development/redevelopment
- Reduce reliance on the property tax levy

The conditions outlined above were then incorporated into the messaging used to communicate expectations of staff as they entered their department's requested budgets, which were required to be approved by Department Heads and submitted to finance by May 9. These departmental requests were then evaluated, discussed, and further adjusted to ensure compliance with the directions provided by City Council and to maintain a consistent fiscal approach city-wide. At the June 9 Workshop, staff presented a revised budget that would have required a $55,300,000 tax levy, which represented an increase of $5,964,000 or 12.1%. Despite this increase falling in line with the estimates presented to Council during the small group discussions in early April, staff made considerable efforts to comply with established guidance. Early departmental inputs put the estimated tax levy at an increase of approximately 11.2%, but subsequent requests from the Information Technology division have increased the departmental requested tax levy back to the same framework discussed in small groups.

City Manager Recommended Budget and Tax Levy
While the responsibility of adopting the budget is that of the City Council, Blaine Charter Sec 7.05 specifies "The city manager shall prepare the estimates for the annual budget of the general fund. Estimates may be prepared for other funds as deemed necessary by the city manager or the city council. The city manager shall submit with the estimate such explanatory statements as such manager may deem necessary". Providing the City Council, staff, and the public with a budget which provides the financial blueprint to carry out the city's strategic plan while outlining the true cost of delivering municipal services is one of the core duties the city manager is expected to perform annually. Effectively managing the budgetary process is paramount for transparency, accountability, and successful financial governance.

In response to the feedback received at the June 9 Workshop, the city manager requested a multi-layer approach to reduce the tax levy and impacts on property owners.

1. Budget Reduction Exercise: On June 10, staff were directed to work on reducing budget requests, specifically on non-mandated line items. Additionally, staff were requested to enhance the itemization and justification for each budget request, helping ensure service continuity and accountability. Between June 24 and July 2, each department, along with Finance staff and the city manager, reviewed updated budget proposals. Within the General Fund, more than 600 budget codes were analyzed, resulting in the reduction of 109 lines. *Levy reduction = $181,000.*
2. Alternative Funding: In conjunction with the budget reduction exercise, staff were asked to pursue opportunities that would allocate costs to non-levy-supported funds. While few options materialized, it was recommended that the city newsletter be reallocated to the Communications Fund, which is supported by cable franchise fees. With few annual expenses, this model is expected to be sustainable through 2027 under the current model. *Levy reduction = $46,000.*

3. Staffing Adjustment: Over the last several years, each budget cycle has resulted in the police department adding two additional licensed officers. Given the current 2026 proposal includes no new staff, the police department is requesting the reclassification of an existing vacant evidence technician position into a patrol officer. This request is included to assist with managing call volume and improving response time. *Levy increase = $60,000.*
4. One-Time Requests: As a general budgetary strategy, best practices suggest that one-time requests be separated from ongoing operational costs. As part of the broader budget analysis, the following list could potentially be funded by unrestricted reserves. It's important to note that the items recommended are truly isolated and won't cause deficits in future years. *Levy reduction = $353,000*
   - Pavement Condition Index Analysis - $125,000
   - Replace rusted and rotting doors at Happy Acres and Aurelia Parks - $35,000
   - Provide irrigation clock upgrades that will include remote operation, allowing staff to improve irrigation schedules and reduce water usage - $10,000
   - Buy down final levy year for 2016A bonds - $183,000
5. 2025 Capital Equipment Purchases: The 2025 budget called for approximately $3.0 million of capital equipment, with over $2.5 million to be funded through equipment certificates, which are a form of debt. Staff recommend utilizing unrestricted General Fund reserves from fiscal year 2024 to pay for these purchases in lieu of bonding. This recommendation is being made based on prior Council direction to reduce borrowing when possible and the use of these funds doesn't create additional spending, as these commitments were previously authorized. *Levy reduction = $550,000*

The city managers' recommended budget includes a $54,230,000 tax levy, which represents an increase of $4,894,000 or 9.9% as outlined in the table below.

City Levy History

Levy Item	2022 Levy	2023 Levy	2024 Levy	2025 Levy	2026 Department Requested Levy (June)	2026 City Manager Recommended Levy (August)
Operating	$29,350,000	$31,712,000	$36,385,585	$39,547,598	$43,451,487	$43,239,487
Capital	$450,000	$600,000	$200,000	$1,769,752	$2,890,360	$2,765,360
Debt	$4,800,000	$4,800,000	$6,324,015	$8,018,650	$8,958,153	$8,225,153
Total	$34,600,000	$37,112,000	$42,909,600	$49,336,000	$55,300,000	$54,230,000

Unrestricted Reserves

Within the city managers' recommended budget and property tax levy is the recommendation to utilize unrestricted reserves that are in excess of the city's fund balance policy, which were generated by the city's performance for the 2024 fiscal year. Unaudited financial statements indicate approximately $3.8

million of funds are available, which represents the fund balance in excess of the following policy requirements:

- 25% of the succeeding year's budgeted expenditures to fund cash flow needs
- 5% of the current year's gross property tax levy as a safeguard for property tax delinquencies
- An amount equal to State funding commitments that are not constitutionally guaranteed by the State

Primary 2024 Budget Variances	
Revenues (better than budget)	
Investment Market Value Adjustments	$750,000
Police State Aid	$300,000
Plan review & building permit-related permits	$450,000
Expenditures (under budget)	
Personnel Services	$2,500,000
Road Chemicals	$250,000
Fuel	$165,000

The recommended use for one-time items in 2026 and procuring 2025 approved capital equipment would leave approximately $900,000 of unrestricted funds available. Maintaining an amount in excess of policy demonstrates fiscal strength to financial statement users and serves as a crucial tool for managing risk. Depleting these funds could expose the city in the short term, as the Strategic Priorities Fund, which was established in part to navigate economic volatility, has no further fiscal capacity beyond the City's purchase agreement assignment and cost share for the proposed development at the southwest corner of Lexington Avenue and Main Street.

Should the city managers' recommendation be supported, fiscal year 2025 materializes as budgeted, and the Council has a comfort level to further draw down these available reserves, one potential use would be to earmark these funds for the implementation of new financial ERP software. As previously noted, this request was removed from the 2024 CIP to resolve a financial gap, but the legacy software has been in place for over 15 years and is no longer receiving enhancements, leading to an inadequate product lacking the features of modern applications.

Proposed 2024 Unrestricted Reserves Utilization	
Preliminary Unrestricted Reserves	**$3,800,000**
One-Time Items	
Debt Levy Buy Down	183,000
PCI Analysis	125,000
Doors at Happy Acres and Aurelia Parks	35,000
Irrigation Clock Upgrades	10,000
Subtotal One-Time Items	353,000

Fund 2025 Capital Equipment	2,550,000
Total Proposed Uses	**2,903,000**
Remaining Reserves	**$897,000**

Levy Setting Process
State statute requires local governments to adopt a preliminary levy by September 30. After that approval, the preliminary budget can still be changed and the levy can be reduced, but not increased, prior to adopting the final budget and levy in December. Best practice is to adopt a preliminary levy that provides adequate flexibility for the council to react to changing economic conditions and needs of the community.

Note: The presentation will be uploaded prior to August 11.

Remaining Budget Schedule:

~~February 10~~	~~Budget Kick-off~~
~~March 10~~	~~Budget Key Dates Discussed~~
~~April 1 - 11~~	~~Small Group Meetings with Mayor and Councilmembers~~
~~April 14~~	~~Review of Small Group Meetings; Outcomes and Council Direction~~
~~June 9~~	~~General Fund and EDA Budget and Tax Levy~~
~~June 23~~	~~Internal Service Funds *(Budget Retreat – 4th Monday)*~~
~~July 14~~	~~Capital Funds Budget~~
~~August 11~~	~~Review General Fund, EDA, and Capital Budgets and Tax Levy~~
September 3	Reserved for Budget Review if needed / Parks Capital Improvement Plan
September 15	Adopt Proposed General Fund, EDA, and Capital Budgets and Tax Levy
September 29	Utilities and Refuse Funds *(Budget Retreat – 5th Monday)*
October 6	Charitable Gambling and Communications Funds
October 13	Review General Fund, EDA, and Capital Budgets and Tax Levy
October 20	Review Charitable Gambling Fund Scoring
November 10	Review Utilities and Refuse Funds
December 1	Truth-in-Taxation Public Meeting
December 15	Adopt Final General Fund, EDA, and Capital Budgets and Tax Levy

Staff Recommendation

Questions for Council

Does the Council support the city managers' recommended 2026 property tax levy, which is presented at a 9.9% increase from 2025?

Attachment List

1. Presentation
2. General Fund Summary
3. Levy Exhibits

2026 Budget – General Fund Budget and City Property Tax Levy

City Council Workshop | Finance

08/11/2025

Agenda

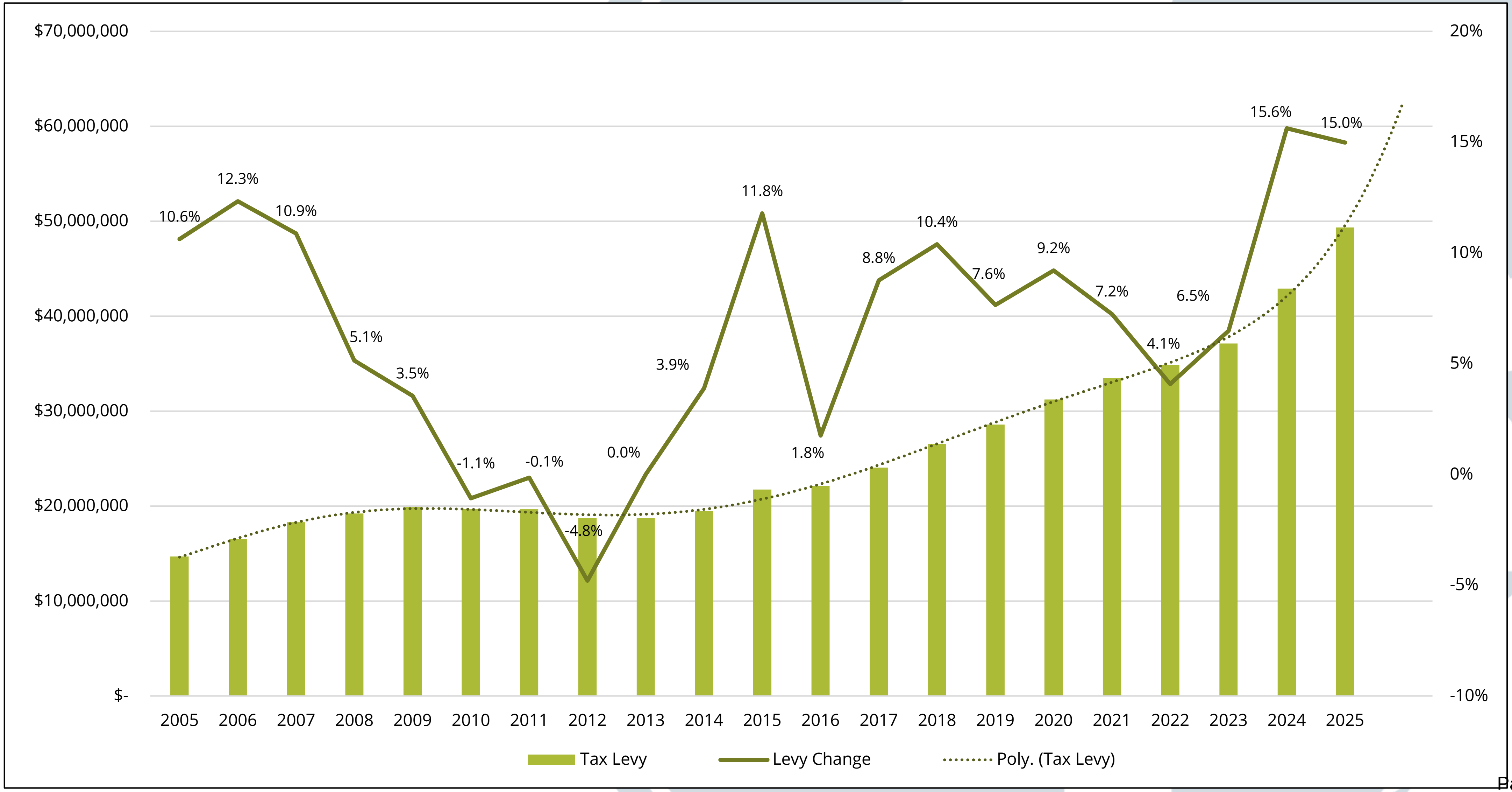
Presentation

- Levy History
- Preliminary levy/budget review
- Budget Reduction and Funding Exercise
- FTE Reclassification
- One-Time Items
- Use of Reserves

Outcome

- Discuss Council questions about the city manager budget
- Demonstrate budget/tax levy that aligns with Council framework
- Does support exist to adopt the recommended 2026 tax levy ↑ 9.9%

Levy History – 2005 to 2025



Prioritized Objectives

- Focusing on essential city services
- Sustaining high quality public safety operations
- Investing in modern technology
- Continuing to fund annual street reconstruction & maintenance projects
- Enhancing city parks, trails, and open spaces
- Fostering an efficient & transparent government
- Promoting citizen engagement
- Incorporating Council adopted Strategic Priorities
- Maintaining “AAA” credit rating

2026 City Council Guidance

- Equitable compensation for city staff
- Preserve existing complement of full-time staffing
- Prioritize new funding for capital investments
- Sufficient resources for internal service funds
- Connect budget requests to the strategic plan
- Evaluate non-personnel related expenditures
- Leverage unrestricted reserves to fund non-recurring requests
- Maintain posture to incentivize development & redevelopment
- Reduce reliance on the property tax levy

General Direction: 2026 tax levy % Increase < 2025

2026 Budget Process

Finance staff analyzed personnel and benefits

Finance staff prepared a proposed budget with built in assumptions for operating, capital, and debt

Small group meetings with all members of Council were conducted

Departments were instructed to complete their budgets based on guidance provided

Additional departmental budget requests were submitted

Budget reduction exercise was completed

Non-levy funding opportunities were explored

Position reclassification opportunity

Removal of one-time expenditures from general fund budget

Presentation of the city managers’ recommended budget/tax levy

2026 City Levy Progression

- April small group results outlined an approximate 12.1% levy increase based on a combination of known, anticipated, and projected costs from trend data
- June department requests resulted in an anticipated 11.2% levy increase utilizing the guidance outlined by City Council
- Additional requests were submitted from IT to enhance infrastructure resiliency

	April Small Group Levy	June Department Requests	June Additional Department Requests	August City Manager Recommended Levy
Levy Dollars	$ 55,300,000	$ 54,840,700	$ 55,300,000	$ 54,230,000
Percent Increase	12.1%	11.2%	12.1%	9.9%

Budget Reduction Exercise

- City manager directed process initiated on June 10
- Required enhanced itemization and justification
- Evaluated need and historical trends
- Consistent and uniform budgetary approach
- Finance and city manager met with departments between June 24 - July 2
- All departments participated at varying levels
- 631 General Fund budget lines were reviewed; 109 were adjusted

Levy impact from June ≈ $181,000

Budget Funding Options

- Reviewed budget requests within the General Fund
- Sought items that could potentially be supported by non-levy funds
- The city newsletter was identified to potentially be reallocated
- Eligible use of Cable Franchise Fees
- The Communications Fund has ≈ $135,000 in available cash as of YE 2024
- Funding can remain in place for several years before resources are depleted

Levy impact from June ≈ $46,000 ⬇

FTE Reclassification

- The 2025 budget included holding two positions vacant to reduce the tax levy

- Both positions are proposed to be funded in the 2026 budget
  - Permit Technician
  - Evidence Technician

- With no new positions included in the budget proposal, the Police Department is requesting converting the Evidence Technician to a Patrol Officer

Levy impact from June ≈ $60,000 ⇧

One-Time Items

- Reviewed budgetary requests for non-reoccurring items
- Budget strategy to separate one-time items from ongoing costs
- Need to ensure items won't "bounce back" and create levy issues in subsequent years
- Buy down levy for final year of 2016A debt service - $183,000
- Fund Pavement Condition Index (PCI) analysis done every 3-4 years - $125,000
- Replace rusted and rotting doors at Happy Acres and Aurelia Parks - $35,000
- Provide irrigation clock upgrades that will include remote operation to reduce water usage - $10,000
- Proposed use of unrestricted General Fund reserves

Levy impact from June ≈ $353,000 ⬇

Capital Equipment Funding

- The 2025 budget appropriated ≈ $3.0 million for capital equipment and projects
  - Equipment bonds sold in 2025 would hit the tax levy in 2026
- Funding was split
  - $500,000 from Tax Levy
  - ≈ $2,500,000 million from Equipment Certificates (debt)
- Proposed use of unrestricted General Fund reserves

<u>Levy impact from June ≈ $550,000</u>

2024 General Fund Performance

Unaudited 2024 financial statements indicated the General Fund will end with ≈ $3.8 million of unrestricted reserves

- Revenues (better than budget)
  - Investment Market Value adjustments - $750,000
  - Police State Aid - $300,000
  - Plan review and building related permits - $450,000

- Expenditures (under budget)
  - Personnel Services (vacancy savings*) - $2,500,000
  - Road Chemicals - $250,000
  - Fuel - $165,000

*Vacant positions included:
Director of Administrative Servies, HR Manager, Deputy Police Chief, Plumbing Inspector, Embedded Mental Health Coordinator, Victim Services Specialist, GIS Analyst, Community Standards Manager/Fire Marshal, Assistant Finance Director, Accountant, Fleet Manager

Use of Unrestricted General Fund Reserves

City Manager Recommendation	Amount
Preliminary Unrestricted Reserves	**$3,800,000**
One-Time Items	
Debt Levy Buy Down	183,000
PCI Analysis	125,000
Doors at Happy Acres and Aurelia Parks	35,000
Irrigation Clock Upgrades	10,000
Subtotal One-Time Items	353,000
Fund 2025 Capital Equipment	2,550,000
Total Proposed Uses	**2,903,000**
Remaining Reserves	**$897,000**

- Using all available reserve is generally not advisable because it eliminates the safety net for future unforeseen events
  - Loss of Emergency Buffer
  - Missed Opportunities
  - Loss of Influence
- Strategic Priorities Fund was established in part to withstand economic turmoil
  - Resources are committed to assist with 125th Avenue and Lexington Avenue Development

City Manager Tax Levy

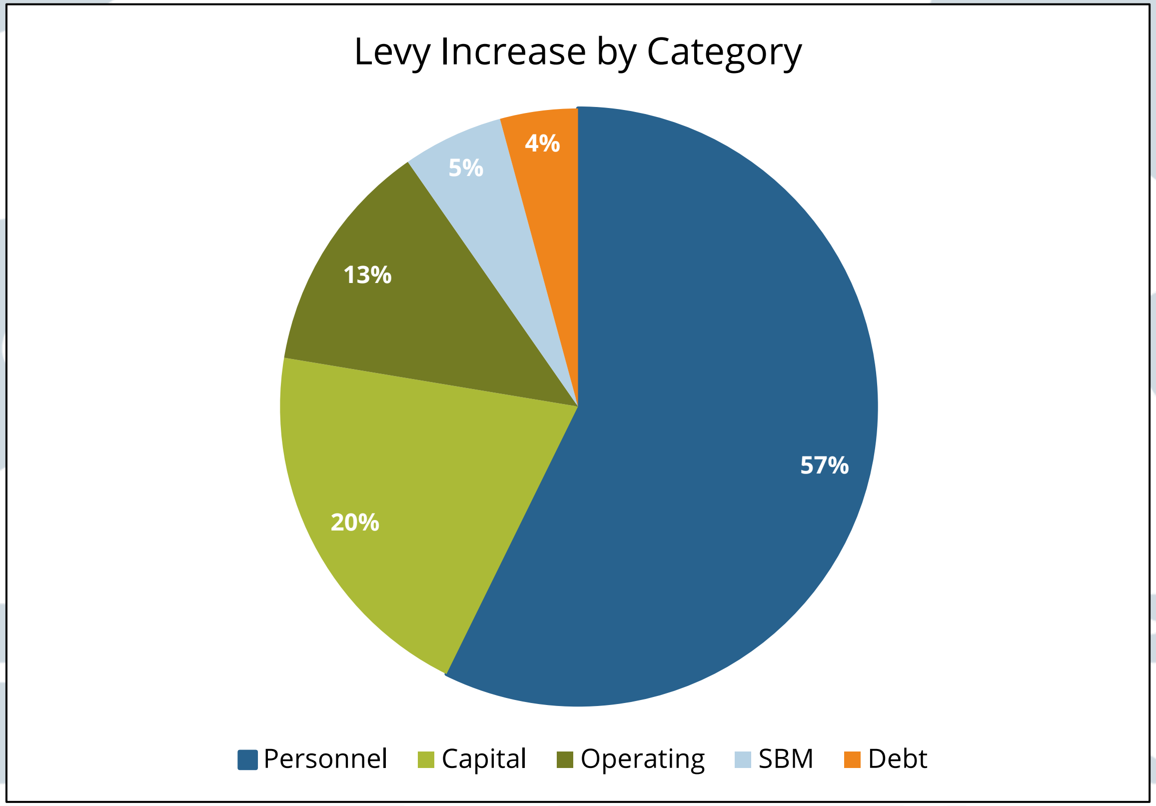
Core aspects for city manager recommended tax levy

- Tax levy not increasing at rate of last two years
- Adequate funding of operational commitments
- Reduction efforts from June won't create future budget deficits
- Continues to advance efforts to prefund capital
- Information Technology Investments
- No new staffing

City Manager Recommendation	Amount	Increase from 2025
June Estimated Tax Levy	**$55,300,000**	**12.1%**
Budget Reduction	(181,000)	
Move to Communication Fund	(46,000)	
Position Reclassification	60,000	
One-Time Items		
Debt Levy Buy Down	(183,000)	
PCI Analysis	(125,000)	
Doors at Happy Acres and Aurelia Parks	(35,000)	
Irrigation Clock Upgrades	(10,000)	
Subtotal One-Time Items	(353,000)	
Fund 2025 Capital Equipment	(550,000)	
Total 2026 Levy Reduction	**(1,070,000)**	
City Manager Recommended 2026 Tax Levy	**$54,230,000**	**9.9%**

City Manager Recommended Levy

Category	Amount	Percent of Levy Increase
Personnel/Cafeteria Plan/Other Benefits/Taxes	2,363,089	4.8%
Self-Insurance/Workers' Comp/Comp Abs/Facilities	440,000	0.9%
Commodities/Services	223,401	0.5%
Information Technology Improvements	459,300	0.9%
Department Requests	233,000	0.5%
SBM Fire Funding (Operating)	267,000	0.5%
Reduce Engineering Charges	250,000	0.5%
Misc Revenue Increase	(583,901)	-1.2%
Safe Margin	40,000	0.1%
Capital	995,608	2.0%
Debt Service	206,503	0.4%
Total	$ 4,894,000	9.9%



City Manager Requested Levy Components

- The 2016-2025 compound annual rate of change is 9.3%
- The capital equipment levy is proposed to assist with prefunding the replacement of vehicles & equipment in lieu of debt
- The debt levy is increasing due to the city's commitment to investing in critical infrastructure

Levy Component	2016 Budget	2025 Budget	2026 City Manager Recommended Levy	2025 to 2026 % Change	2016 to 2025 Rate of Increase
General Fund	$ 19,190,375	$ 39,547,598	$ 43,238,487	9.3%	8.4%
Transportation (Pavement Maintenance)	-	200,000	250,000	25.0%	N/A
Transportation (Pavement Management)	-	-	-	N/A	0.0%
Capital Equipment	-	500,000	1,000,000	100.0%	N/A
Parks and Trails	-	500,000	500,000	0.0%	N/A
SBM Capital Equipment	-	569,752	1,015,360	78.2%	N/A
Debt	2,936,000	8,018,650	8,226,153	2.6%	11.8%
Total	**$ 22,126,375**	**$ 49,336,000**	**$ 54,230,000**	**9.9%**	**9.3%**

Sample Proposed Tax Statement

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2025	Proposed 2026	
State General Property Tax	No public meeting	$0	$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 4, 7:00 PM	$438.06	$484.18	
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 2, 6:30 PM Spruceville City Hall	$273.79	$312.06	
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 9, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		$289.35	$296.68	
Other Levies		$340.11	$374.60	

Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2026 may be higher than the proposed amount shown on this notice.

Metro Special Taxing Districts		$57.76	$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts	No public meeting	$12.80	$13.02	
Tax Increment Tax	No public meeting	$10.15	$11.22	
Total excluding any special assessments		**$1,422.02**	**$1,550.46**	**9.0%**

What Else Should You Know?

Your local units of government have proposed the amounts they will need to levy in 2026.

The following circumstances could change these amounts:
- Upcoming referenda
- Legal judgments
- Natural disasters
- Voter-approved levy limit increases, or
- Special assessments

Your county commissioners, school board, city council (if your property is located in a city with a population over 500), and metropolitan special taxing district will soon be holding meetings to discuss the 2026 budgets and proposed 2026 property taxes. (The school board will discuss the 2025 budget.) You are invited to attend these meetings to express your opinion.

How Can You Learn More?

The time to provide feedback on proposed levies is now.

You are invited to attend budget meetings to express your opinion.

Levy information is provided by the county, city, and school district. It compares two years for those jurisdictions. For more information, contact the county, city, or school district directly or visit their websites.

Levy amounts impact the taxes owed for your property. Additional factors that may impact your property tax amount include changes to taxable market value, improvements made to the property, and changes in special programs, such as the homestead market value exclusion.

Levy Information

Taxing Authority	2025 Actual	2026 Proposed	Percent Change
Spruce County	$338,743,612	$354,123,588	4.5%
City of Daffodil	$11,481,450	$12,615,350	9.9%
City of Dahlia	$5,820,296	$6,553,071	12.6%
City of Daisy	$25,308,114	$26,927,389	6.4%
City of Emerald	$2,360,444	$2,474,298	4.8%
City of Holly	$950,351	$1,010,172	6.3%
City of Juniper	$4,479,291	$4,785,770	6.8%
City of Laurel	$3,761,410	$4,244,790	12.9%
City of Olive	$2,051,403	$2,215,515	8.0%
City of Opal	$24,369,853	$25,963,885	6.5%
City of Spruceville	$14,076,707	$15,051,898	6.9%
City of Tulip	$5,724,529	$6,461,264	12.9%
City of Violet	$5,793,870	$6,195,499	6.9%
Daisy School District	$30,350,240	$27,440,145	-9.6%
Holly School District	$38,291,058	$40,749,495	6.4%
Laurel School District	$24,171,980	$25,211,575	4.3%
Opal School District	$37,366,073	$40,320,531	7.9%
Spruceville School District	$132,473,350	$133,792,608	0.8%

Considerations

- Several union agreements are unsettled
  - Police Officers
  - Police Captains
  - Public Works
- Bonds have not been sold to support 2025 city projects
- SBM agreements with Circle Pines & Centerville have not been formally memorialized
- Preliminary property tax values are anticipated in early August
- The final levy can be reduced but not increased from prelim value

Upcoming Council Dates - UPDATE

February 10	Budget Kick-off
March 10	Budget Key Dates Discussed
April 1 - 11	Small Group Meetings with Mayor and Councilmembers
April 14	Review Small Group Meeting Outcomes – General Council Direction
June 9	General Fund and EDA Budget and Tax Levy
June 23	Internal Service Funds *(Budget Retreat – 4th Monday)*
July 14	Capital Funds Budget
August 11	Review General Fund Budget and City Property Tax Levy
September 3	Reserved for Budget Review if needed/Parks Capital Improvement Plan
September 15	Adopt Proposed General Fund, EDA, and Capital Budgets and Tax Levy
September 29	Utilities and Refuse Funds *(Budget Retreat – 5th Monday)*
October 6	Charitable Gambling and Communications Funds
October 13	Review General Fund, EDA, and Capital Budgets and Tax Levy
October 20	Review Charitable Gambling Fund Scoring
November 10	Review Utilities and Refuse Funds
December 1	Truth-in-Taxation Public Meeting
December 15	Adopt Final General Fund, EDA, and Capital Budgets and Tax Levy

Questions for Council

- Does the Council support the city managers recommended 2026 property tax levy, which is presented at a 9.9% increase from 2025?

City of Blaine, Minnesota
General Fund - 101
Summary of Revenues, Expenditures, and Change in Net Position
2025 Budget - As of August 11, 2025

	2022 Actual	2023 Actual	2024 Adopted Budget	2024 Amended Budget	2024 Actual	2024 Budget to Actual Variance		2025 Budget	2026 Budget	2026 to 2025 Budget
Revenues										
Taxes	$ 29,298,176	$ 31,233,575	$ 36,385,585	$ 36,385,585	$ 36,252,629	$ (132,956)	99.63%	$ 39,547,598	$ 43,239,487	$ 3,691,889
Special Assessments	-	799	-	-	-	-	0.00%	-	-	-
Charges for Services	5,602,152	5,348,447	5,109,300	5,109,300	5,321,971	212,671	104.16%	5,183,900	5,269,301	85,401
Licenses & Permits	3,207,554	2,952,707	2,823,200	2,823,200	3,045,226	222,026	107.86%	2,777,700	2,653,700	(124,000)
Intergovernmental	1,878,710	2,079,673	1,945,000	1,995,000	2,500,893	505,893	125.36%	1,945,000	2,208,000	263,000
Fines & Forfeits	201,678	263,017	193,000	193,000	299,602	106,602	155.23%	193,000	220,000	27,000
Proprietary Fund Revenues	-	-	-	-	-	-	0.00%	-	-	-
Miscellaneous	129,846	75,920	163,500	163,500	127,329	(36,171)	77.88%	153,500	220,000	66,500
Investment Earnings	(750,207)	566,600	150,000	150,000	951,279	801,279	634.19%	159,000	150,000	(9,000)
Total Revenues	**39,567,909**	**42,520,738**	**46,769,585**	**46,819,585**	**48,498,929**	**1,679,344**	**103.59%**	**49,959,698**	**53,960,488**	**4,000,790**
Expenditures										
Legislative	462,763	460,109	475,163	475,162	463,329	11,833	97.51%	541,935	541,921	(14)
Administrative Services	2,445,181	2,642,225	3,117,206	3,117,206	2,924,431	192,775	93.82%	3,154,421	3,342,136	187,715
Finance	3,433,394	3,207,501	3,651,462	3,651,462	3,208,493	442,969	87.87%	3,868,683	4,470,649	601,966
Safety Services	15,322,128	17,369,766	20,402,622	20,452,622	18,872,205	1,580,417	92.27%	21,719,268	23,185,361	1,466,093
Fire Services	2,281,120	2,361,784	2,598,085	2,598,085	2,490,793	107,292	95.87%	2,731,464	2,998,464	267,000
Public Works	7,135,658	7,863,921	9,039,867	9,039,868	8,127,280	912,588	89.90%	9,652,386	10,394,173	741,787
Engineering	1,339,262	1,884,954	2,110,861	2,110,861	1,999,846	111,015	94.74%	2,279,549	2,385,659	106,110
Recreation	1,409,447	1,560,596	1,617,958	1,617,958	1,683,678	(65,720)	104.06%	1,810,436	1,933,179	122,743
Community Development	2,559,352	2,657,734	2,937,883	2,937,883	2,750,179	187,704	93.61%	2,995,898	3,243,288	247,390
Unallocated	431,083	436,319	623,758	623,758	686,400	(62,642)	110.04%	928,058	1,148,058	220,000
Total Expenditures	**36,819,388**	**40,444,909**	**46,574,865**	**46,624,865**	**43,206,634**	**3,368,231**	**92.67%**	**49,682,098**	**53,642,888**	**3,960,790**
Revenues Over (Under) Expenditures	**2,748,521**	**2,075,829**	**194,720**	**194,720**	**5,292,295**	**5,097,575**	**2717.91%**	**277,600**	**317,600**	**40,000**
Other Financing Sources (Uses)										-
Transfers In	23,023	112,807	122,400	122,400	37,500	(84,900)	30.64%	122,400	122,400	
Transfers Out	3,400,000	1,500,000	-	260,000	260,000	-	100.00%	-	-	-
Total Other Financing Sources (Uses)	**(3,376,977)**	**(1,387,193)**	**122,400**	**(137,600)**	**(222,500)**	**(84,900)**	**161.70%**	**122,400**	**122,400**	**-**
Net Change in Fund Balance	**(628,456)**	**688,636**	**317,120**	**57,120**	**5,069,795**			**400,000**	**440,000**	**40,000**
Beginning Fund Balance	16,980,732	16,352,276			17,040,912					
Ending Fund Balance	16,352,276	17,040,912			22,110,707					
Adjust for Inventory	148,248	280,492			360,270					
Adjust for Prepaid Items	57,170	57,236			74,893					
Adj Fund Balance, Dec 31 (Net of Restricted)	**16,146,858**	**16,703,184**			**21,675,544**					
30% Subsequent Years Budget	12,475,083	13,972,460			14,904,629					
5% Subsequent Years Property Tax Levy	1,585,600	1,819,279			1,977,380					
State Funding Un-Allotment	555,000	670,000			990,000					
Minimum Unassigned Fund Balance	**14,615,683**	**16,461,739**			**17,872,009**					
Unrestricted Fund Balance	**$ 1,531,175**	**$ 241,445**			**$ 3,803,535**					

City of Blaine, Minnesota

Exhibit A - 1

2026 Property Tax Levy - Summary

Levy Item	Fund	2025 Final Levy	2026 Dept. Requested Levy (June)	2026 City Manager Recommended Levy (Aug)	Total Change From '25 to CM Levy	Percent Change From '25 to CM Levy
	General Fund	$ 39,547,598	$ 39,547,598	$ 39,547,598		
1	Personnel (Insurance, COLA, etc.)	-	1,931,281	1,931,281		
2	Paid Family Medical Leave Act Premiums	-	136,808	136,808		
3	Self Insurance	-	190,000	190,000		
4	Workers Compensation	-	100,000	100,000		
5	Compensated Absences	-	30,000	30,000		
6	Facilities Fund Internal Service Charges	-	120,000	120,000		
7	Commodities/Services (Aggregate; Excluding SBM)	-	391,622	391,622		
8	Budget Reduction Exercise	-	-	(181,000)		
9	Alternative Funding Exercise	-	-	(46,000)		
10	Information Technology Improvements	-	459,300	459,300		
11	Department Requests	-	233,000	233,000		
12	One-Time Requests	-	-	(45,000)		
13	SBM Fire Funding (Operating)	-	267,000	267,000		
14	2026 Election Year	-	103,779	103,779		
15	Restore Permit Technician	-	105,000	105,000		
15	Restore Evidence Technician	-	105,000	105,000		
16	Reclass Evidence Techician to Patrol Officer	-	-	60,000		
17	Reduce Engineering Charges for City Projects	-	250,000	250,000		
18	Crime Victim Services Grant Expiring	-	25,000	25,000		
19	Misc Revenue Increase	-	(583,901)	(583,901)		
20	Additional Safe Margin	-	40,000	40,000		
	Total General Fund	**39,547,598**	**43,451,487**	**43,239,487**	**3,691,889**	**9.3%**
	Capital					
21	Pavement Maintenance	200,000	250,000	250,000		
22	Pavement Management Plan	-	125,000	-		
23	Capital Equipment	500,000	1,000,000	1,000,000		
24	Parks & Trails	500,000	500,000	500,000		
25	SBM Capital Equipment	569,752	1,015,360	1,015,360		
	Total Capital	**1,769,752**	**2,890,360**	**2,765,360**	**995,608**	**56.3%**
26	**Debt Service**					
	GO Improvement Bonds 2013A (67)	439,539	-	-		
	GO Equipment Capital Note 2016A (70) (NMTV)	-	-	-		
	GO Improvement Bonds 2016A (71a)	196,633	200,068	17,068		
	GO Improvement Bonds 2016A (71b)	163,892	163,251	163,251		
	GO Improvement Bonds 2016A (71d)	707,490	723,870	723,870		
	GO Taxable Improvement Bonds 2017A (72a)	251,711	253,888	253,888		
	GO Improvement Bonds 2019A (75)	555,697	556,306	556,306		
	GO Capital Improvement Plan Bonds 2019B (76)	486,938	487,725	487,725		
	GO Capital Improvement Plan Bonds 2020A (77)	514,683	513,115	513,115		
	GO Improvement Bonds 2021A (78A)	466,088	466,096	466,096		
	GO Improvement Bonds 2021A (78B)	110,358	112,248	112,248		
	GO Improvement Bonds 2022 (79A)	680,313	675,884	675,884		
	GO Improvement Bonds 2023A (80A)	715,783	713,129	713,129		
	GO Equipment Certificates 2023A (80C)	689,325	692,475	692,475		
	GO Improvement Bonds 2024B	835,000	806,813	806,813		
	GO Equipment Certificates 2024B	700,000	689,850	689,850		
	105th Ave Tax Abatement Debt Service (81) 2024A	505,200	603,435	603,435		
	City Improvement Bonds 2025	-	750,000	750,000		
	City Equipment Bonds 2025	-	550,000	-		
	Debt Service Total	**8,018,650**	**8,958,153**	**8,225,153**	**206,503**	**2.6%**
	2026 Tax Levy	**49,336,000**	**55,300,000**	**54,230,000**	**4,894,000**	**9.9%**

City of Blaine, Minnesota			
Exhibit A - 2			
2026 Property Tax Levy - Detail			
Levy Item	**Fund/Category**	**Detail**	**Amount**
1	**Personnel (Insurance, COLA, etc.)**	No new positions included Equitable compensation for city staff Cafeteria plan and other benefits and taxes included	$ 1,931,281
2	**Paid Family Medical Leave Act Premiums**	New state-administered mandatory paid family and medical leave insurance beginning January 1,2026 Premium is 0.88% of payroll, assuming city will fund 1/2, the minimum requirement by law Administered by the Minnesota Department of Employment and Economic Development (DEED)	136,808
3	**Self Insurance**	2025 funding $1M, 2024/2025 Premium $756k, Deductible $200,000 2025/2026 policy renewal process has not started (Standard and MEL premium), July 15 to July 15 Ending 2024: Net Position $192k, incurred but not reported $367k $100k deductible per occurrence/$200k standard aggregate/$4M MEL aggregate No current/proposed funding for new vehicle/equipment replacement (residual vs new) Land-use litigation costs are based on a sliding scale, includes a 15% copay on the the first $250k and 40% on amounts above that Increase spread amongst funds, 75% General Fund	190,000
4	**Workers Compensation**	Current funding $1.98M, 2026 Premium $1.36M 2024 Retro-Premium $282k, 2023-2024 Audit Adjustment $49k 2025/2026 policy renewal process has not started, July 15 to July 15 2024/2025 Standard Policy, $10k deductible per Occurrence Ending 2024: Cash $(81k), Net Position $(86k) 2024 expenditures exceed revenue by $56k Increase spread amongst funds, 92% General Fund	100,000
5	**Compensated Absences**	2020-2024 Funding $784k, Payouts $1.18M, total shortfall $392k Ending 2024: Cash $1.25M Increase spread amongst funds, 93% General Fund	30,000
6	**Facilities Fund Internal Service Charges**	Assumes 8.5% increase year over year, Increase spread amongst funds, 76% General Fund	120,000
7	**Commodities/Services (Aggregate; excluding SBM)**	23.15% of total General Fund expenditures for 2025 budget Figure represents 2.8% increase for 2026 budget Historical increases: 23% for 2022 Actuals, 12% for 2023 Actuals, 9% for 2024 Actuals, 8% for 2025 Budget	391,622
8	**Budget Reduction Exercise**	Identification and implementation of cost-saving measures related to non-personnel costs	(181,000)
9	**Alternative Funding Exercise**	Alignment of operating expenditures to their most suitable funds	(46,000)
10	**Information Technology Improvements**	Recommended technology investments to enhances business continuity	459,300
11	**Administration Request**	Body Worn Cameras for non-sworn personnel (Community Standards, Building Inspections)	5,000
		Wellness Committee, Online wellness platform that integrates with the city's vendors	8,000
11	**Planning Request**	2050 Comprehensive Plan required by Met Council, a three-year process, additional funding needed in future years to complete	30,000
11	**Police Request**	Public Safety Data System (PSDS) costs	10,000
		Flock Cameras, currently paid using Public Safety (PS) Funds, phase out the PS Funds, $100k annually	20,000
		Axon Officer Safety Plan (OSP) for new officers	10,000
11	**Parks Maintenance**	LRS Portable Toilet services for city parks and special events	15,000
		Part-time labor costs, current budget $153k (including payroll taxes)	30,000
11	**Parks Forestry**	Emerald Ash Borer (EAB) removals, removed $120k in 2025 to fund the Forester position, remaining budget is $195k	105,000
12	**One-Time Requests (Moved From Operating)**	Replacement of rusted and rotting doors at Happy Acres and Aurelia Parks - $35,000 Irrigation clock upgrades that will include remote operation allowing staff to improve irrigation schedules and reduce water usage - $10,000	(45,000)

City of Blaine, Minnesota			
Exhibit A - 2			
2026 Property Tax Levy - Detail			
Levy Item	**Fund/Category**	**Detail**	**Amount**
13	**SBM Fire Funding (Operating)**	Ongoing operating funding, represents 9.75% increase, the city's portion is 76% of the total budget	267,000
		Includes the request of 3 Battalion chief-level positions, 20% increase in total salary budget	
14	**Elections**	2026 election year, costs fluctuate accordingly	103,779
15	**Restore Positions**	Building Inspections, Permit Technician	210,000
		Police, Evidence Technician	
16	**Reclass Evidence Technician to Patrol Officer**	Reclassification of an existing vacant evidence technician position into a patrol officer to assist with managing call volume and improving response time	60,000
17	**Engineering Fees**	Engineering staff track their time spent on city projects then charge this time back to the associated project account (capital project or utility fund)	250,000
		In addition to the administrative time spent, most of the projects this time is allocated to are funded through debt	
		The current revenue budget for this activity in the General Fund is $500,000, 2026 is the 2nd year of a 3-year timeline to eliminate this chargeback	
18	**Crime Victim Services Grant**	Grant amended, originally set to expire in September of 2025, extended through September of 2026	25,000
19	**Misc. Revenue Increase**	Administration fees charged to the EDA Fund for services provided by city employees, $474k per year	(583,901)
		Administration fees charged to the Enterprise Funds for services provided by city employees, $2.5M per year	
		Vehicle & equipment maintenance fees charged to the Water and Sewer Funds, $376,200/yr	
20	**Additional Safe Margin**	City safe margin to be established in an amount between 1% and 1.5%, the adjustment brings the 2026 safe margin to $440k	40,000
21	**Transportation - Pavement Maintenance**	Crack-sealing program, 2025-2029 CIP increased funding from $200k to $250k in 2026, city-wide 7 year program	50,000
22	**Transportation - Pavement Management**	Pavement Condition Index (PCI) Study, last completed city-wide in 2022, ideally would like to complete study every 3 years	-
		Use of Unrestricted Fund Balance ($125,000)	
23	**Capital Equipment**	2025-2029 CIP increased funding from $500k to $1M	500,000
		Goal is to be pre-funded by 2029	
		Lack of prefunding capital needs may impact credit rating	
24	**Parks & Trails**	2024 levy eliminated, used strategic priority funds, restored in 2025, no increase for 2026	-
25	**SBM Capital Equipment**	Increase funding from $569,752 to $1,015,360	445,608
		As existing debt expires, funding is reallocated to the SBM capital account	
		In total no levy increase	
26	**Debt Service**	Main funding source for Capital Projects	206,503
		Assumes 25% of all improvements will be assessed for the 2025 Transportation projects	
		Assumes current interest rate environment at time of sale for 2025 projects	
		No buffer for assessment/interest rate changes related to 2025 bonding	
		Use of Unrestricted Fund Balance ($182,000)	
		See Exhibit A-3 for further details	
		TOTAL FINAL LEVY INCREASE	**4,894,000**