2026
Proposed Budget

Public Budget Hearing

City of MANKATO

Leading the way...

Purpose of Public Hearing

❖ Review 2026 budgeting process, budget structure and key budget definitions

❖ Review key changes in revenue and expenditures of the 2026 Budget

❖ Provide an opportunity for public comment

❖ Approve resolutions:

- Adopting 2025 Property Tax Levy payable in 2026
- Adopting 2026 City Operating Budget
- Adopting 2026 Fee Schedule
- Adopting 2026 CIP Budget

Budget Process

February – April
Review of strategic priorities and service levels

May – July
Operating budget adjustments are proposed by department heads based on service levels

July – Internal review

August
Recommended **preliminary budget and Community Investment Plan (CIP)** is presented to City Council

- Potential Levy Options presented on September 8th
- **Preliminary Levy Passed on September 22nd**

CIP Bus Tour – **September 18th**

CIP Open House – **September 25th**

General Fund Overview – **October 6th**

CIP Presentation to Planning Commission – **October 22nd**

Enterprise Funds Overview – **November 3rd**

Internal Services Overview – **November 24th**

Public Budget Hearing and Approval of Final Proposed Tax Levy, City Budget, Fee Schedule, and CIP – **December 1st**

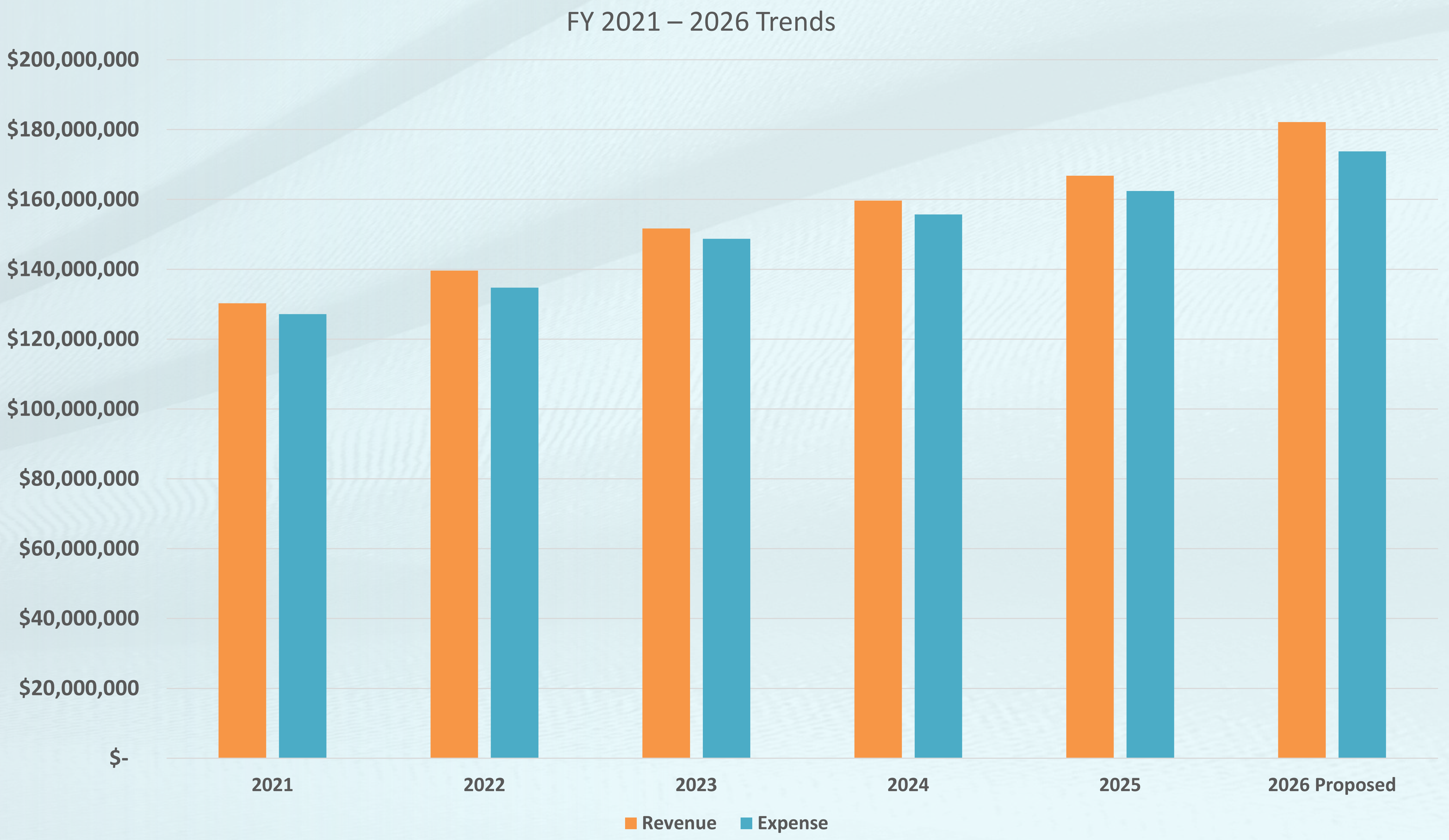
Focused Strategy

- The 2026 budget prioritizes service adjustments aligned with strategic plan objectives and fund reserve targets, and long-term fiscal strategy.

  - The final 2026 extension rate is 40.76%
  - Recommended rate adjustments in order to maintain assets, improve underperforming infrastructure, operate efficiently, and plan for the future
  - Water, Wastewater, and fixed cost of service are all recommended to increase at varying rates
    - Capital replacement account funding strategies

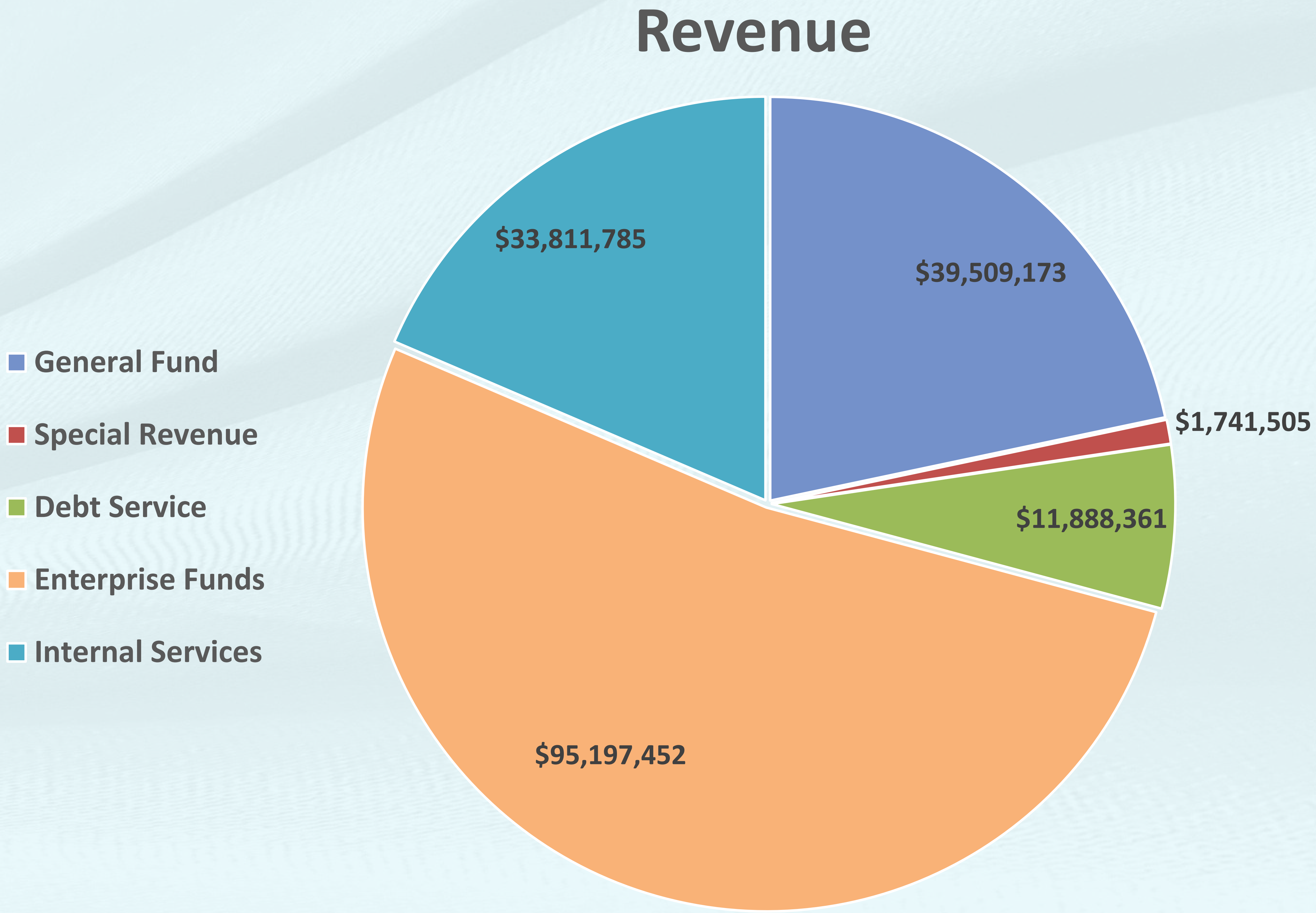
Overview of Mankato's 2026 Recommended Budget

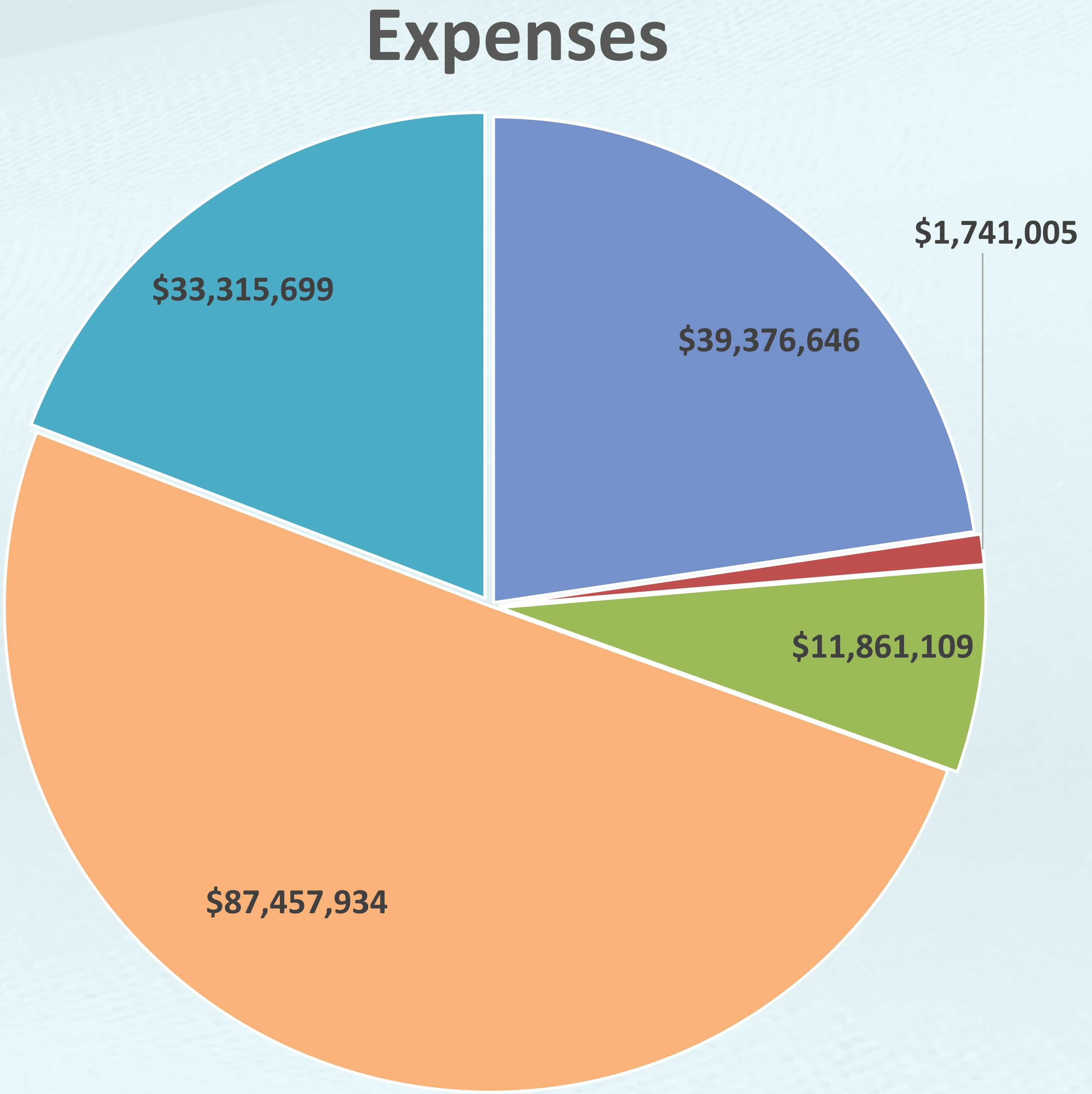
Overall Funds Revenue and Expenses



YOY change	Revenue	Expenses
21 -22	7.2%	5.9%
22-23	8.6%	10.4%
23-24	5.3%	4.7%
24-25	4.4%	4.3%
25-26	9.2%	7.0%

All Revenues and Expenditures by Major Area

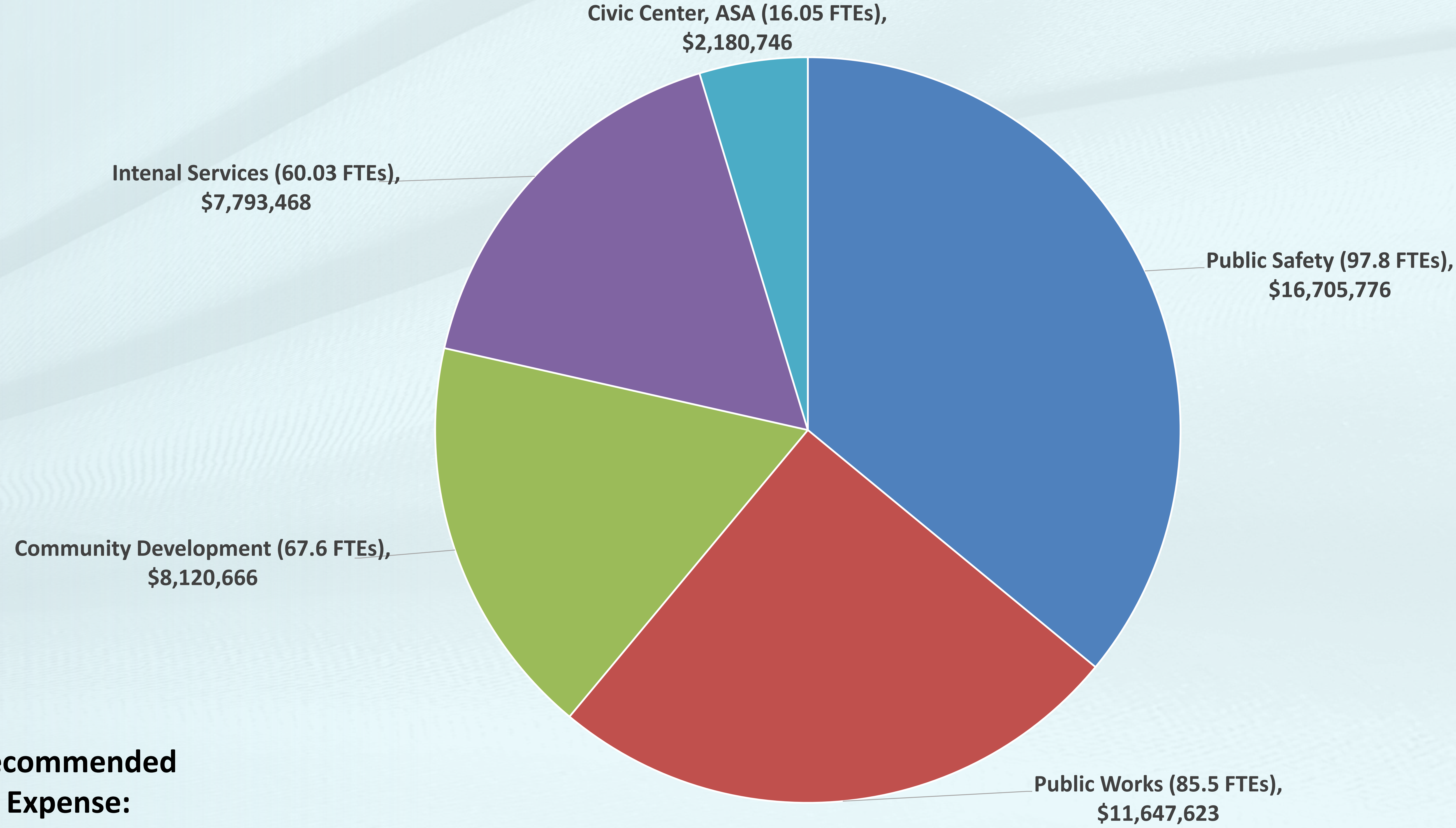




Total Revenue
$182,148,276

Total Expenditures
$173,752,394

Organizational Staffing Overview



Total Recommended Staffing Expense: $46,448,279 **(326.98 FTEs)**

Overview of Mankato's 2026 Recommended Property Tax Levy

Property Tax Levy Details

The levy is set at $26,370,000

General Fund levy is $21,990,000 ($1.53 million or 7.5% increase)

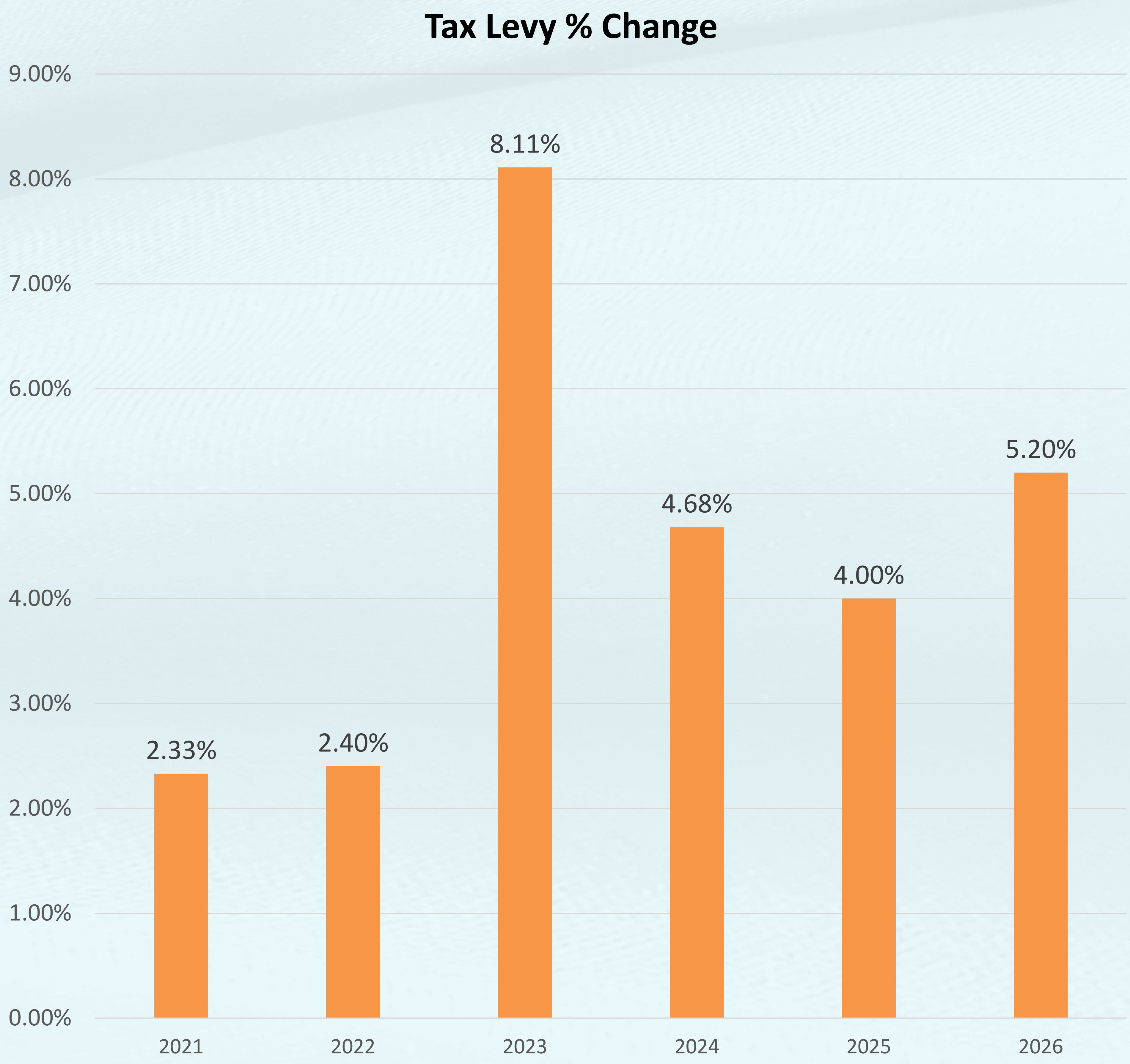
Debt Service Fund levy is $3,600,000 ($225k or 6% decrease)

Transit Fund levy is $415,000 (no increase)

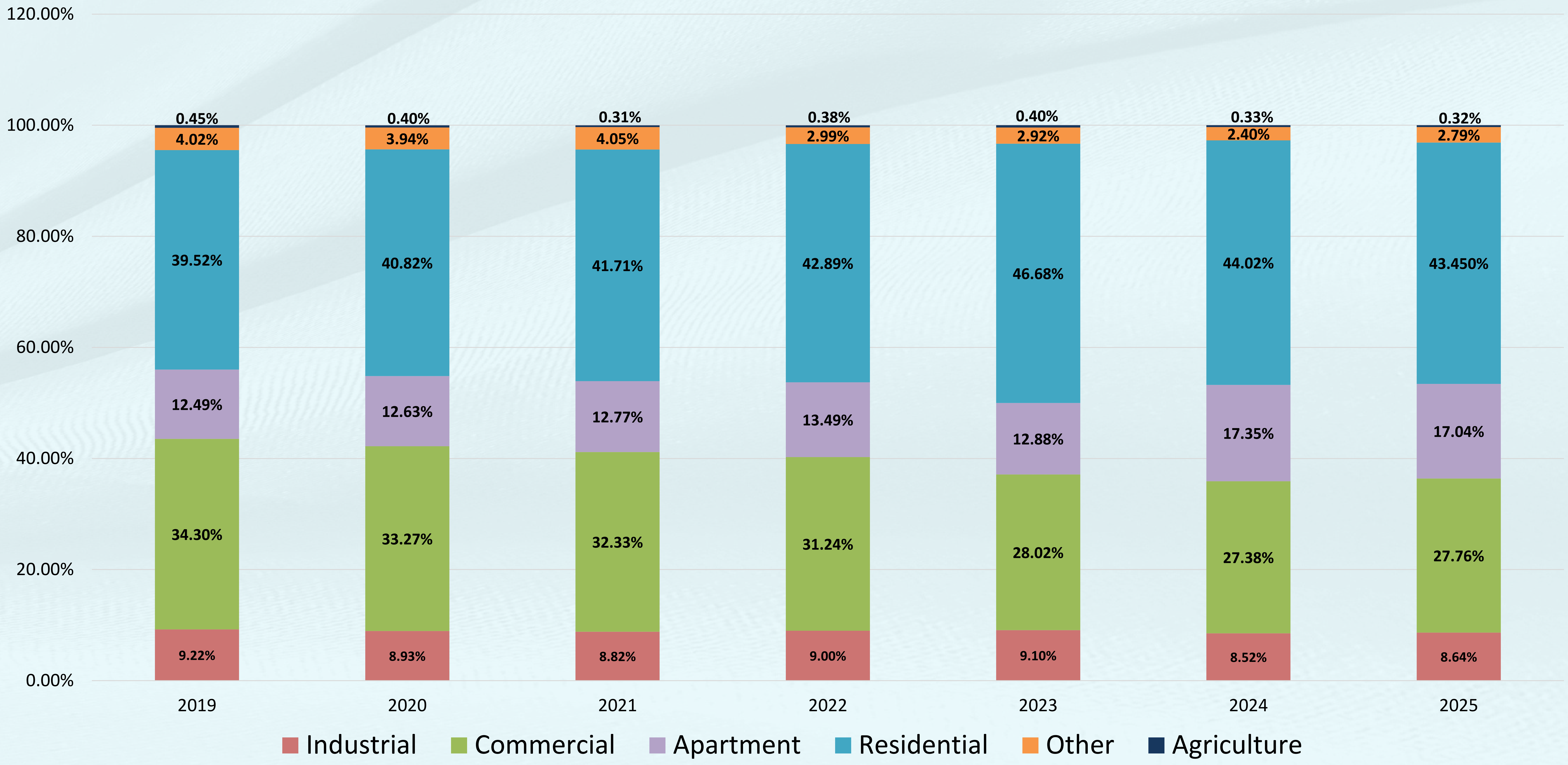
Economic Development levy is $365,000 (no increase)

The final estimated tax extension rate is 40.76 %

Change in 2026 levy is due to a $1,255,122 or 2% increase in net tax capacity mainly due to the impact of new construction and a small residential value increase.



Net Tax Capacity by Property Type



2026 Property Tax Impact Projection

Type	2025 Taxed Amount	Average Pay 2026 Value	2026 Taxed Amount	Total Yearly Change	Monthly Cost
Res Homestead	$1,186	$325,000	$1,254	$68	$5.67
Ag Land Homestead	$2,043	$1,230,000	$2,507	$464	$38.67
Commercial/ Industrial	$6,990	$917,800	$7,176	$186	$15.50
Apartments (4 + Units)	$12,704	$2,518,000	$12,830	$126	$10.50

Truth in Taxation Notice Example

Property with no increase in value sees a slight increase in city tax payable

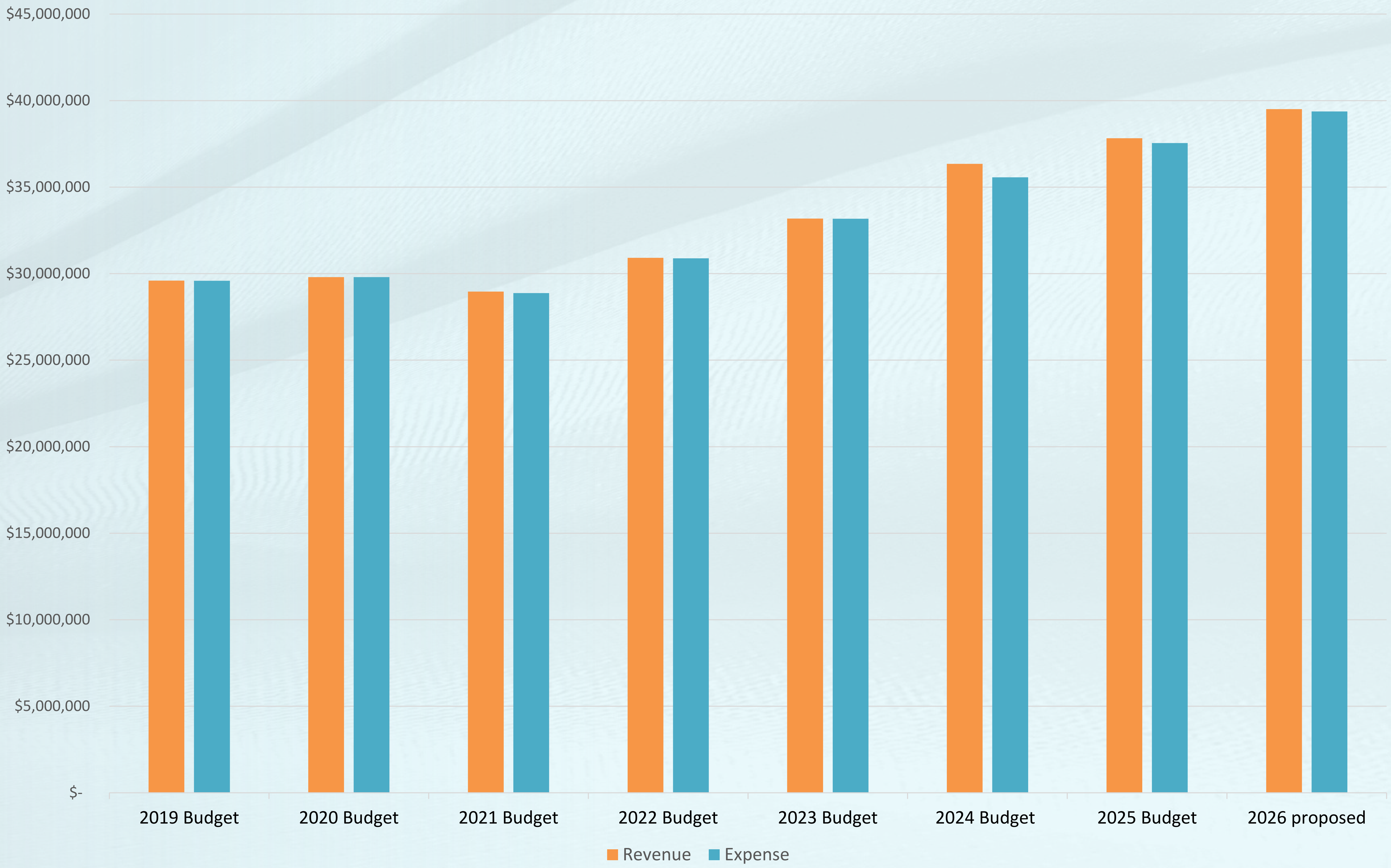
An averaged-value residential homestead with a new property valuation ($325,000) or 2.1% higher than last year will see a $68 (5.7%) increase to the city portion due to a 1.25% extension rate increase along with a market value increase. This is based on Blue Earth County Estimates.

How does Mankato compare?

Location	Pay 2025 Net Tax Capacity	Average 2025 City Tax Rate	Certified 2026 LGA	Pay 2025 City Net Levy
Mankato	$64,973,535	39.52 %	$8,497,593	$25,064,752
Duluth	$122,368,463	36.78 %	$35,332,327	$45,997,189
Moorhead	$44,413,340	56.00 %	$8,323,628	$24,189,225
North Mankato	$20,792,289	46.98%	$2,289,542	$9,598,635
St. Cloud	$70,086,459	53.66 %	$15,912,415	$39,614,675
Rochester	$224,193,849	51.15 %	$5,034,737	$111,645,482

Recommended 2026 General Fund Adjustments

General Fund Adjustments



YOY Change	Revenue	Expense
19-20	0.68%	0.70%
20-21	-2.81%	-3.08%
21-22	6.73%	6.93%
22-23	7.35%	7.42%
23-24	9.54%	7.22%
24-25	4.06%	5.57%
25-26	**4.46%**	**4.87%**

Overview of 2026 General Fund Adjustments

Function	Description
Revenues - Levy	General Fund Levy increase of $1,528,004 or 7.5%.
Revenues - Levy	The contingency set aside for uncollectable property taxes is just under 0.6%.
Expenditures – Personnel	Salaries & Benefit costs went up $1,255,284 or 5.7%. This includes a PT to FT reclass (public works tech), COLA’s, and benefits.
Expenditures – Supplies	$114,050 or 6% decrease. This mainly includes decreases in general supplies.
Expenditures – Contractual	$869k or 31% increase. Contractual – engineering services is the main driver of this.

Recommended 2026 Enterprise Funds Adjustments

Proposed Utility Rate Adjustments

Type	Approved 2024	Approved 2025	% increase	Proposed 2026	% increase
Water & Wastewater - Fixed cost of service per residential unit	$ 12.22	$ 12.22	0.00%	$ 12.59	3.00%
Water - Rate per month (per 100 cubit feet - 750 gallons)	$ 4.71	$ 4.71	0.00%	$ 4.85	3.00%
Wastewater - Rate per month (per 100 cubic feet - 750 gallons)	$ 5.25	$ 5.45	3.75%	$ 5.66	3.75%
Refuse & Recycling (65 Gallon Cart)	$ 18.92	$ 19.49	3.00%	$ 19.49	0.00%
Stormwater - Fixed Cost of Service per residential unit	$ 4.89	$ 4.89	0.00%	$ 4.89	0.00%
Refuse & Recycling (65 Gallon Cart)	$ 18.92	$ 19.49	3.00%	$ 19.49	0.00%
Street Light	$ 2.50	$ 2.55	2.00%	$ 2.55	0.00%

Proposed Water and Wastewater Rates - Average

YEAR	TOTAL
2020	$ 82.75
2021	$ 85.07
2022	$ 86.69
2023	$ 90.10
2024	$ 91.90
2025	$ 93.50
2026	$ 96.67

Enterprise – Utilities Fund Adjustments

Function	Description
Revenues – Water & Wastewater Fixed Cost of Service	Water and Wastewater Fixed Cost of Service is proposed to increase 3% in 2026. The proposed increase results in approximately $105,000 in 2026 in additional revenue necessary to maintain and operate the water and wastewater systems.
Revenues – Water Rates	Water unit rates are proposed to increase $0.14 or 3% in 2026. The proposed increases result in approximately $292,500 in 2026 in additional revenue necessary to maintain and operate the wastewater treatment system.
Revenues – Wastewater Rates	Wastewater unit rates are proposed to increase $0.21 or 3.75% in 2026. The proposed increases result in approximately $320,000 in 2026 in additional revenue necessary to maintain and operate the wastewater treatment system.
Expenditures	Expenditures had a $1,343,957 increase or 3.65%. This increase accounts for increase in Salaries & Benefits, Supplies, Admin Charges and Contractual Services.
Expenditures	Personnel has an increase of $442k or 7.7% mainly due to an additional Infrastructure Supervisor.

Economic Development Highlights

Recommended 2026 Internal Services Funds Adjustments

Overview of Internal Services Adjustments

Function	Description
Expenditures – Salaries & Benefits	Salaries & Benefits were increased by $604,192 or 8% due to COLA adjustments and some reclassifications.
Revenue – Management Fees	Management Fees that are charged to other funds as part of their cost share were increased by $894,824 or 9.75%.

2026 Capital Improvement, Debt Service Funds, Assessment Fees

Debt Service Fund

❖Overall revenue for Debt Service Fund anticipated at $11,191,691 for 2026.

❖Proposed Levy portion is set at $3,600,000 in 2026

- General Obligation Debt is retired at a relatively rapid rate using a combination of tax levy, assessments, utility revenue, and non-local funds (state and federal grants)
- Over 90% amortized within ten years

❖City reviews projects annually and determines if any can be internally financed

- Internal financing reduces bond issuance costs

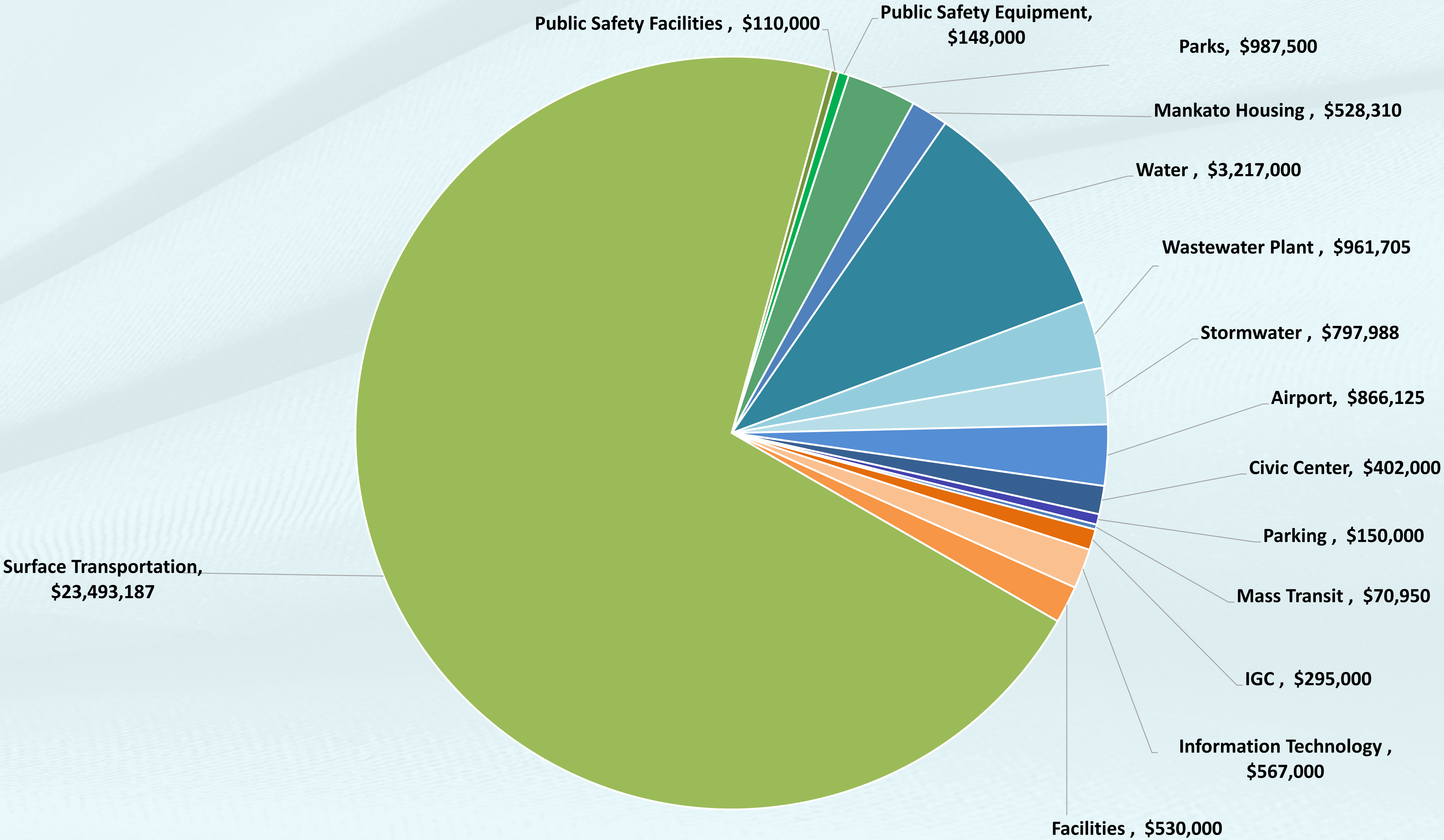
❖Funding Guidance related to Annual Levy Limits for GO Bonded surface transportation projects

- $1.0 M Expansion Project
- $1.5 M Reconstruction

❖Charter Bonds may be issued in an amount equal to ¼ of one percent of the annual assessed valuation

❖Previously issued debt is reviewed annually and determination made as to feasibility and value of refinancing

2026 CIP Expenses



Total Cost $33,124,765

THANK YOU!

QUESTIONS OR COMMENTS?