MEMORANDUM

Date: 8/19/2026

From Susan MH Arntz, City Manager

To: Honorable Mayor and City Council

RE: 2027- 2028 Budget Overview

Tax Levy:

During the June 22nd work session staff reported on initial budgets supported primarily by property taxes including; General Fund; Debt Service Fund; Transit Fund and Economic Development Fund. At that time staff reported that it was likely that a proposed tax increase of 5.6%-5.8% would be recommended as part of the proposed budget. Since that time staff have worked to reduce the initial property tax recommendation to a 5.0% increase, consistent with past increase strategies set forth in 2022. Ultimately the proposed 5% increase results in an increase of $1,330,000 to the tax levy. Furthermore, the overall tax capacity increased 2.9%, necessitating the tax rate to increase to a proposed 41.54%. Finally, it is important to note that the proposed tax levy and proposed budget ensure that the General Fund reserve remains above 48% (percentage representing reserve amount to following year's total planned annual expenditures) throughout the five-year financial projection.

User Fees:

In 2027 and 2028, the City Council will notice various proposed increases in cost of service, water, sewer, stormwater, refuse, and streetlight rates. The increases are projected to address increases in operating expenditures in these respective funds, growing capital replacement needs in utilities, including the wastewater upgrade project which started in 2024, and provide the reasonable fund balance reserves necessary to maintain high-quality credit ratings for debt service reserves and maintain positive cash flow for all operations.

Strategic Initiatives:

The proposed 2027-2028 operating and capital budget allocates considerable resources to all 21 initiatives identified in the five-year strategic plan. Those can be highlighted by the initial development of a Parks and Recreation Department, updated pavement management strategy, and continued streetscape improvements. Proposed operating dollars have been allocated for future program and infrastructure expansion and replacement across the organization and continued resource commitment to furthering initiatives in the sectors of housing and transportation are included. It should also be noted, that at the June 22nd work session staff heard from City Council members on a variety of requests desired to be considered within the upcoming budget. Staff is happy to report that every request that was brought forward has been included in some measure within the proposed budget for your consideration.

Capital Improvements:

The 2027-2031 Capital Improvement Plan includes 280 projects valued at $173,140,102. In continuation of the City of Mankato's ongoing financial strategy, as proposed to the City Council all capital funds meet and exceed the respecting fund reserve target designated for each individual fund. The 2027 proposed plan specifically includes 117 projects highlighted by $23.3 million in surface transportation improvements. Proposed Park improvements to the playgrounds at Land of Memories (campground) and Wings Over White Oaks, while also conducting significant resurfacing maintenance to the tennis courts at Alexander and Erlanson parks respectively. A host of recommended facility maintenance and space reconfiguration projects are proposed to the Intergovernmental Center, Public Safety Center, Public Works Center and Transit buildings. Finally, staff have spent a considerable amount of time formulating a robust utility maintenance and expansion plan to be considered. These efforts are highlighted by an intentional Stormwater Capital replacement plan that includes dollars allocated for the completion of the Shiloh Court Slope in 2027, with significant projects such as Indian Creek Ravine, University Pond and Warren Street Pond rehabs taking place in future years.