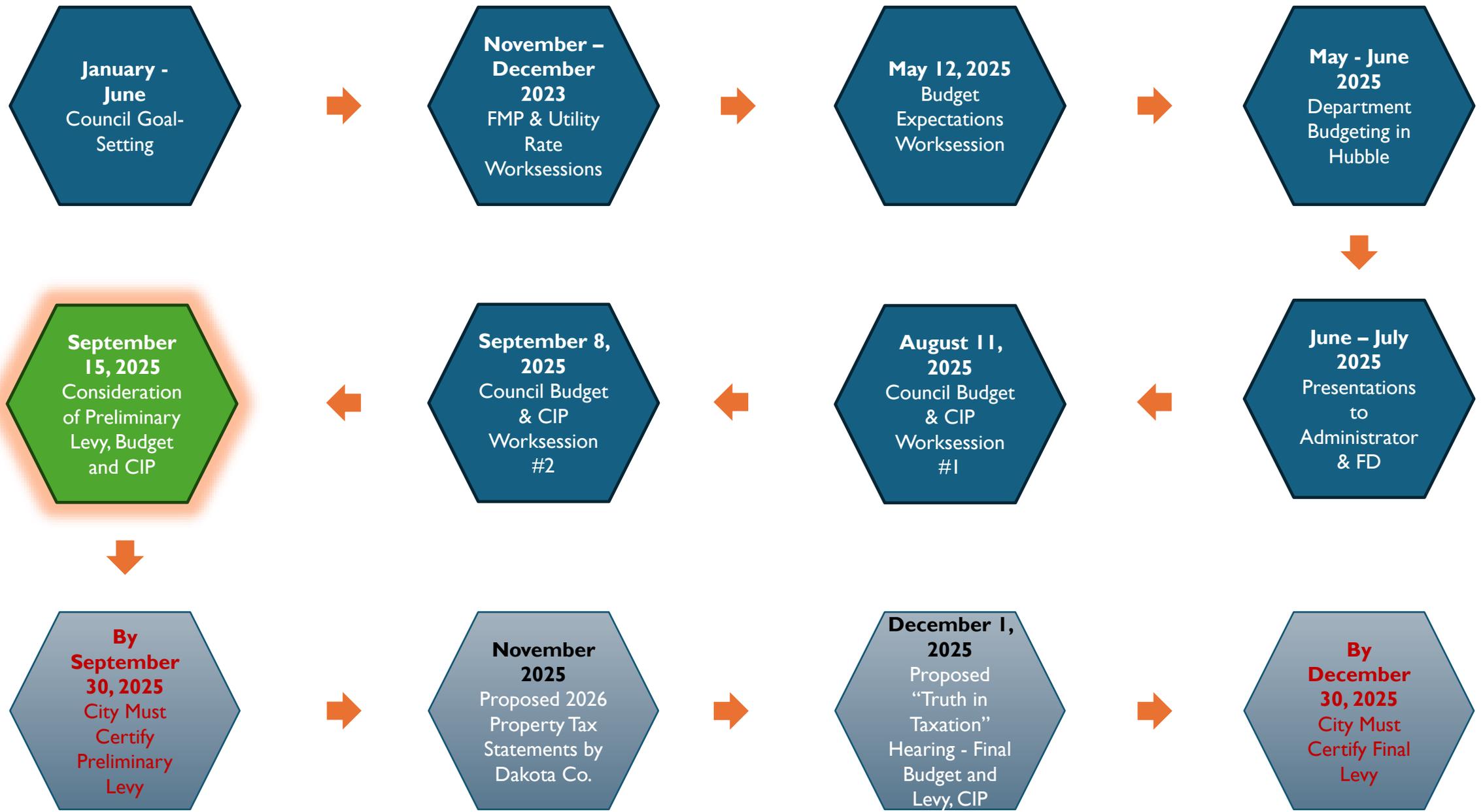

2026 PRELIMINARY PROPERTY TAX LEVY 2026 PRELIMINARY BUDGETS

CLARA HILGER, FINANCE DIRECTOR
RYAN GARCIA, CITY ADMINISTRATOR

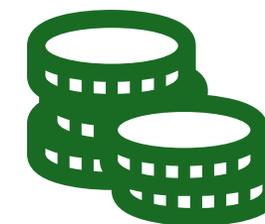
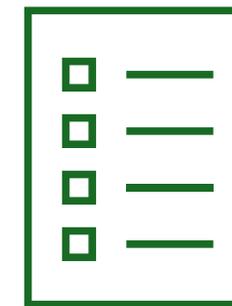


2026 BUDGET DEVELOPMENT PROCESS



FOUNDATIONAL TERMS/PRINCIPLES

- Annual Budget
 - Planning & prioritization of goals for the coming year for each department and municipal function
 - One year of estimated money coming in (revenue) and money going out (expenditure) as necessary to provide all City services
 - All cities required to prepare and adopt
- Tax Levy
 - The amount of money required to fund the City's budgeted needs, after accounting for all other sources of revenue
 - Is spread across all taxable properties in the City
 - Based on the type (class) of property and the assessed property value (set by Dakota County)
 - If certified (approved) tonight, the Preliminary Property Tax Levy can be lowered but not increased
 - Must be certified by 9/30/2025 (State Law)
 - Final Levy must be:
 - Considered at a Public Hearing (staff proposes December 1, 2025)
 - Certified (approved) by 12/30/2025 (State Law)



- Total Local Tax Capacity
 - The valuation of all real property in the city
 - Based on taxable market values (determined by County Assessor) and property Class Rates (established in state law), subject to any deductions/adjustments
 - Sometimes referred to as “Tax Base”

- Local Tax Rate – a function of the Local Tax Levy and the Total Local “Tax Base”
 - The Local Tax Rate is applied to each parcel to determine the amount of Local Property Tax assessed to that parcel
 - Even if a City raises its Levy (reminder: the total amount of money it needs to raise to support budgeted expenditures, less all other sources of revenue such as grants, fees, fines and charges, etc.), a growing tax base can spread the impact of that Levy

2026 BUDGET & LEVY - GROUNDED IN COUNCIL GOALS & DIRECTION

Annual Goal-Setting

- City Infrastructure, Buildings & Facilities
- Recruitment and Retention
- Maintain housing stock
- Grow property tax base and employment

Spring Budget Worksession

- Tie CIP into discussion and process
- Recognize larger drivers (personnel/contracts, arena, maintenance of aging infrastructure/facilities)
- Continue to grow infrastructure levy
- Adhere to trend line (levy growth)

2026 BUDGET & LEVY – GROUNDED IN COUNCIL GOALS & DIRECTION



- Investing in key infrastructure and facilities
 - Woog Arena Floor/Boards (\$1,115,000 increase)
 - Vehicle/equipment maintenance and replacement (\$210,000 increase)
 - Asphalt/Street Maintenance (\$70,000 increase)
 - Increase arena levy (\$177,000 increase)
- Personnel / Contracts
 - All labor contracts unsettled for 2026 – Council direction to not “lag” or “lead” in market but remain competitive
 - PD Step progressions (\$231,862 increase)
 - Dakota 911 (\$39,966 increase)
 - IT/Software (\$30,170 increase)
- Staffing adjustments (NET \$219 increase for 2026)
 - Elimination of department support specialist – (\$36,140 reduction)
 - Add PT Communications Specialist – (\$21,574 increase)
 - Elimination of contracted Building Inspector (\$60,000 reduction)
 - Add FT Building and Code Inspector (\$74,785 increase)



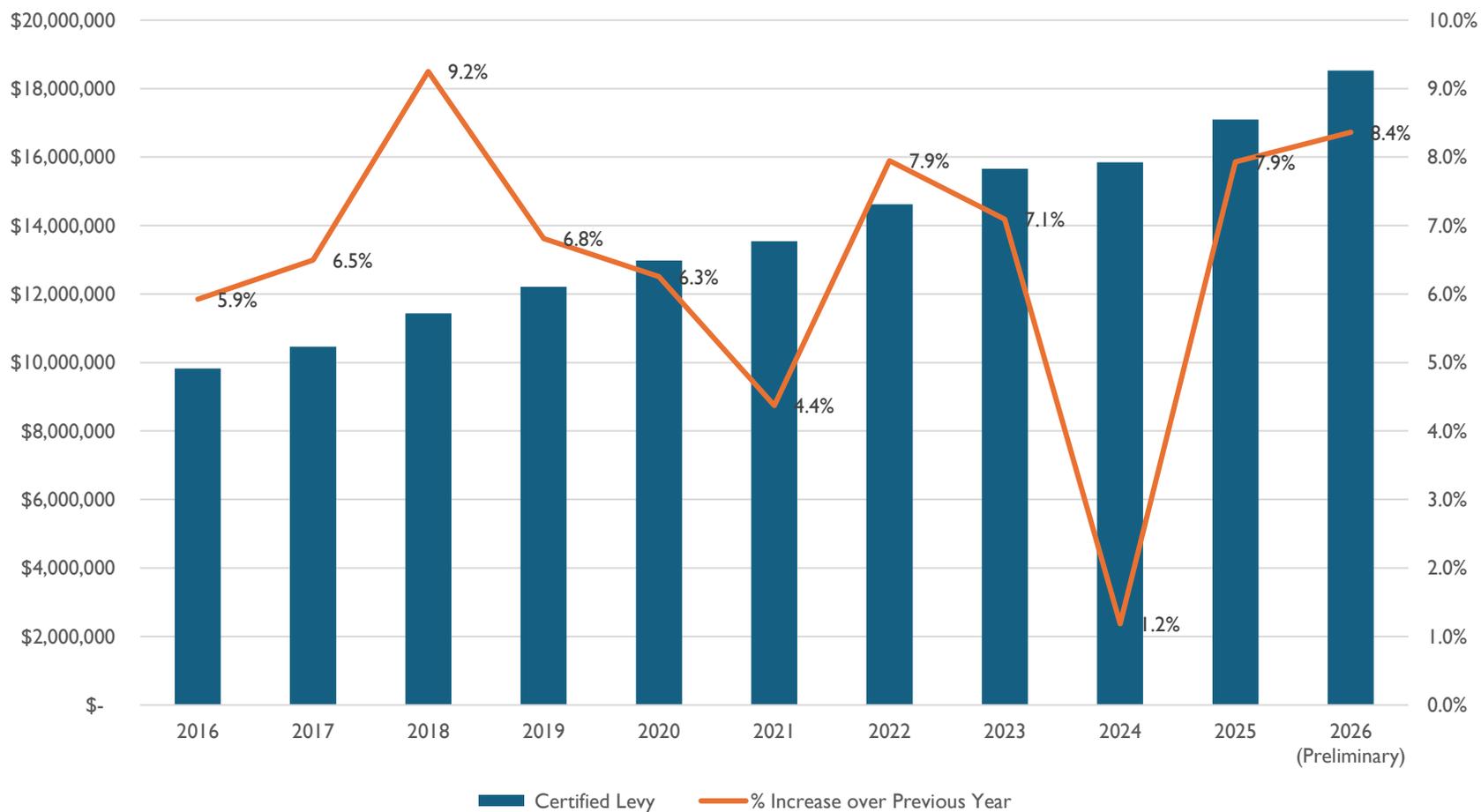
2026 BUDGET & LEVY – OTHER NOTABLE DRIVERS

- Contingency (\$536,000 increase)
 - Collective Bargaining Agreements
 - Insurance premiums
- Elections-related costs (\$39,500 increase)
- MN Paid Leave (\$97,000 increase)
- Buildings and Parks repairs & maintenance contracts(\$38,600 increase)
- City Attorney Contract (\$23,000 increase)



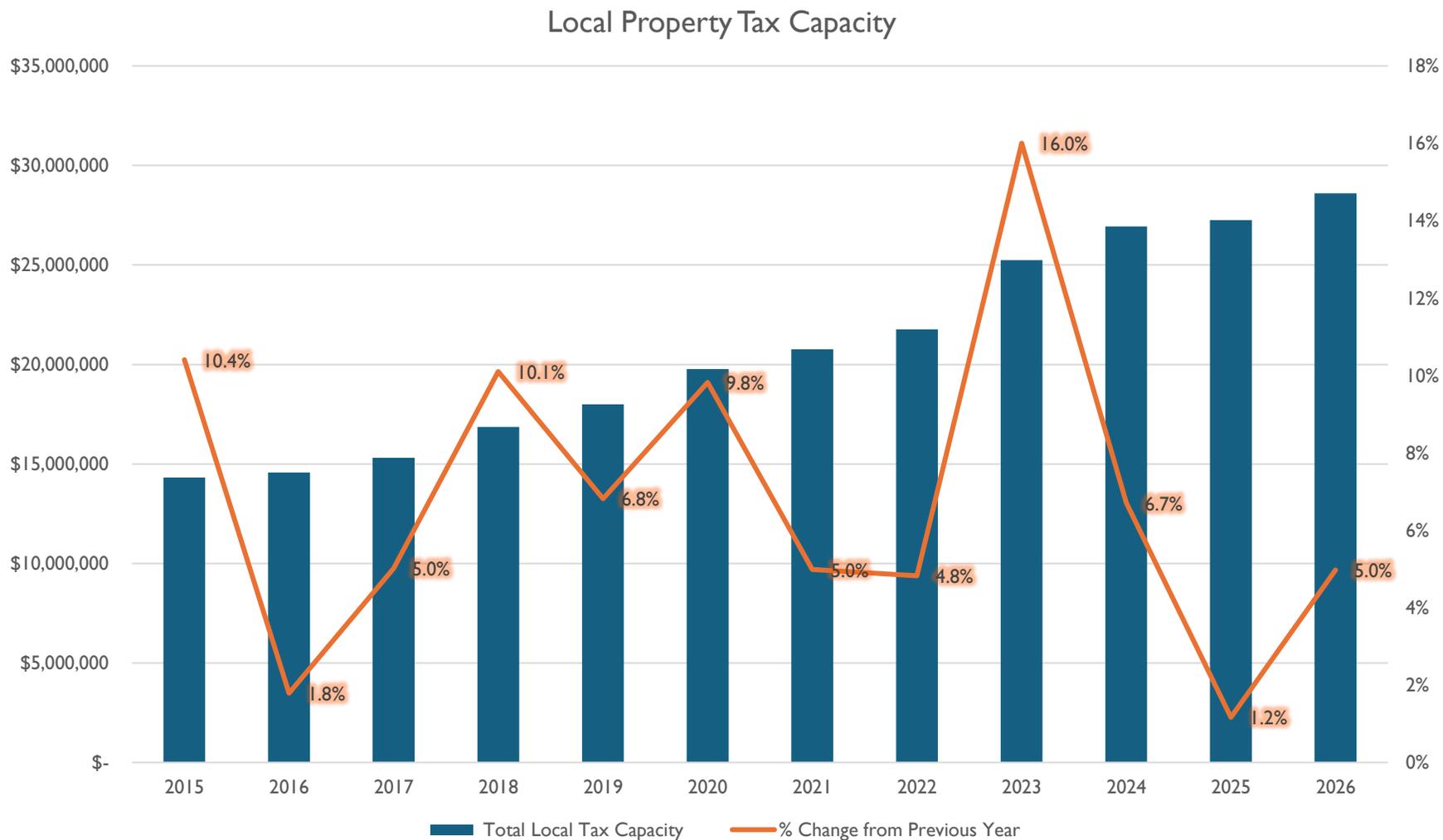
CITY PROPERTY TAX LEVY

Annual Property Tax Levy

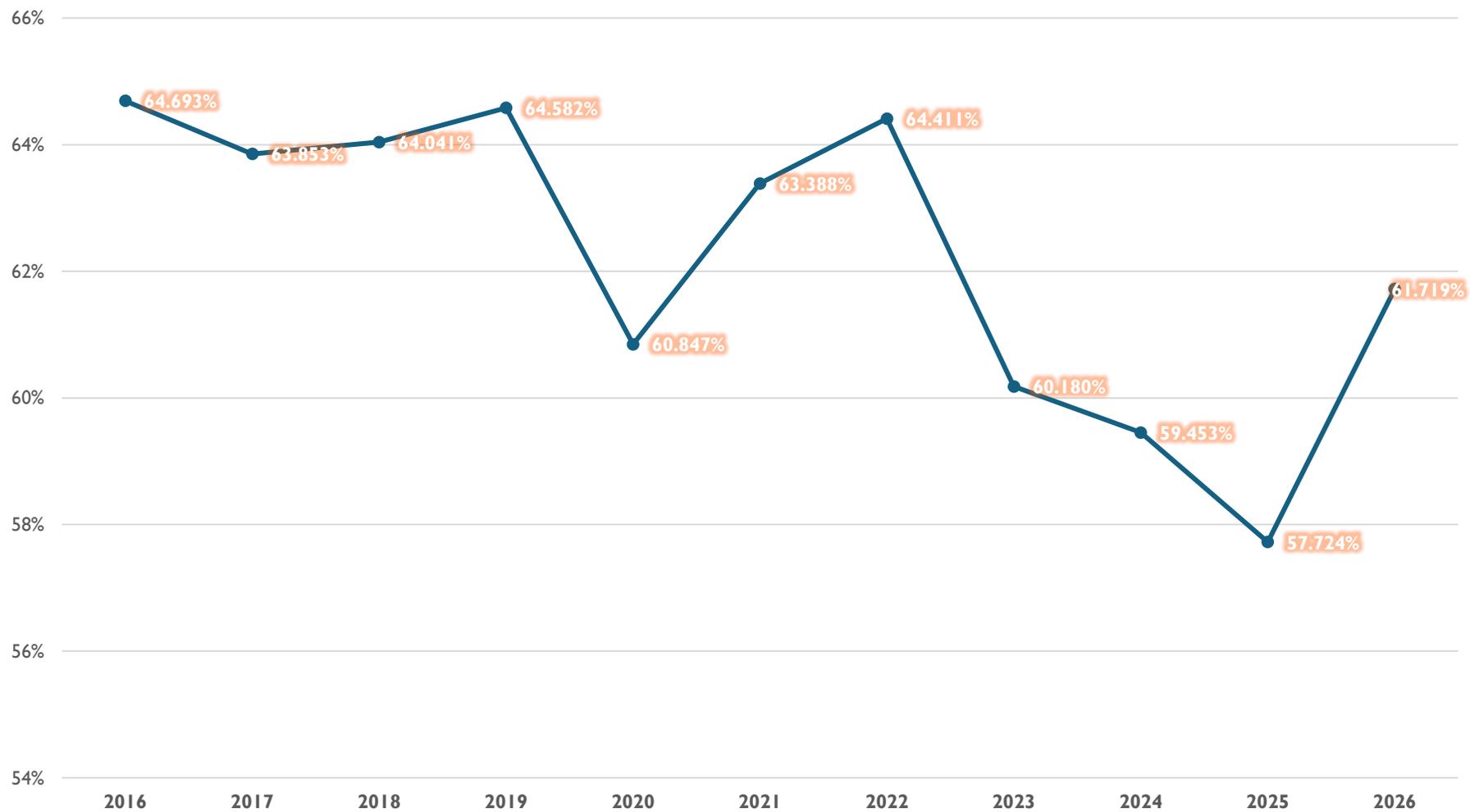


TOTAL TAX CAPACITY (TAX BASE)

- Tax base has almost doubled since 2015
- Averaged 7.0% Growth annually
- Slowdown in most classes, but continued even growth (15.6% of increase attributable to new construction)
- 64% of SSP's Local Tax Capacity is in Residential (1 – 4 units)



CITY TAX RATE

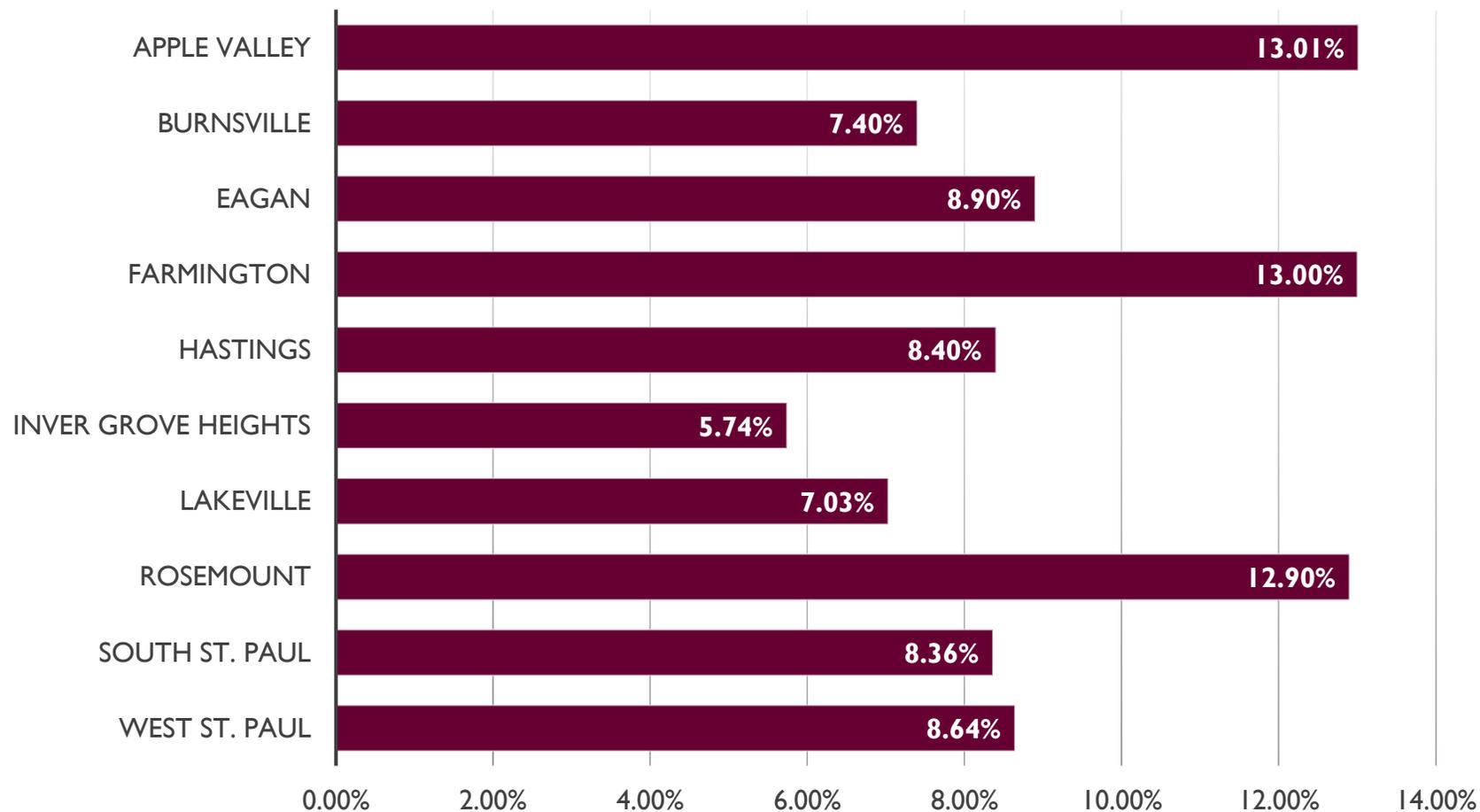


PROPOSED PRELIMINARY 2026 PROPERTY TAX LEVY & BUDGET

	2025 REVISED BUDGET	2026 PRELIMINARY BUDGET	INCREASE (DECREASE)	PERCENT CHANGE
BUDGETED EXPENDITURES	\$26,042,978	\$28,655,049	\$2,612,071	10.03%
BUDGETED REVENUES	\$10,521,430	\$10,801,966	\$280,536	2.67%
PROPERTY TAX LEVY	\$17,099,948	\$18,530,136	\$1,430,188	8.36%
INCREASED TAXES FOR:				
OPERATIONS			\$1,293,015	7.56%
INFRASTRUCTURE REPLACEMENT			\$125,000	0.73%
DEBT SERVICE			\$12,173	<0.1%
TOTAL INCREASE			<u>\$1,430,188</u>	<u>8.36%</u>

PRELIMINARY 2026 LEVY INCREASES – DAKOTA COUNTY CITIES

- 1% levy increase in SSP equates to \$170,999
- This is the smallest among Dakota County's 10 largest cities and is equal to only 53% of the Countywide average
- Our total dollar levy increase (\$1,430,188) is the lowest in the County (next closest is Hastings - \$250K+ more)



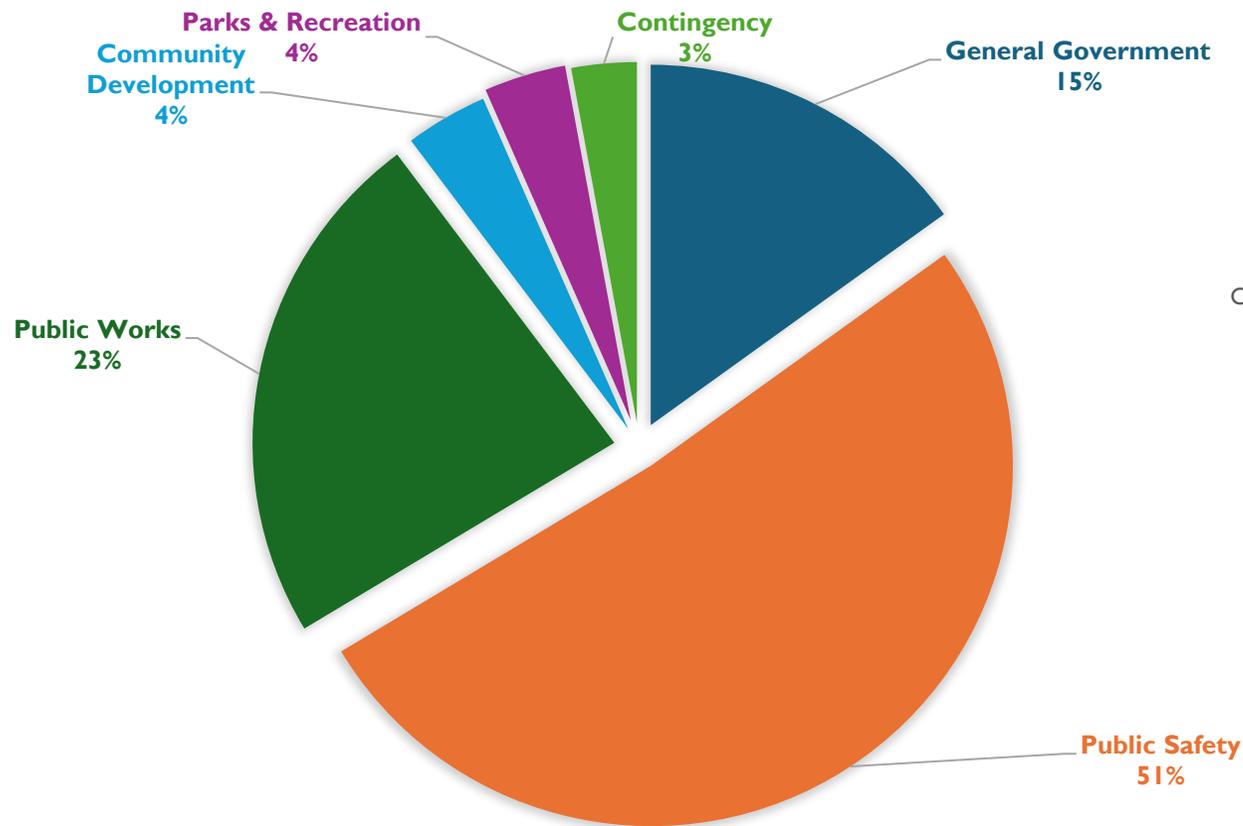
PROPOSED PRELIMINARY 2026 CITY PROPERTY TAX LEVY

	2025 REVISED LEVY	2026 PRELIMINARY LEVY	INCREASE (DECREASE)
	<hr/>	<hr/>	<hr/>
GENERAL FUND	\$13,576,420	\$14,692,435	\$1,116,015
DOUG WOOG ARENA	323,000	500,000	177,000
DEBT SERVICE	1,475,528	1,487,701	12,173
INFRASTRUCTURE	1,725,000	1,850,000	125,000
TOTAL PRELIMINARY LEVY	<hr/> \$17,099,948	<hr/> \$18,530,136	<hr/> \$1,430,188

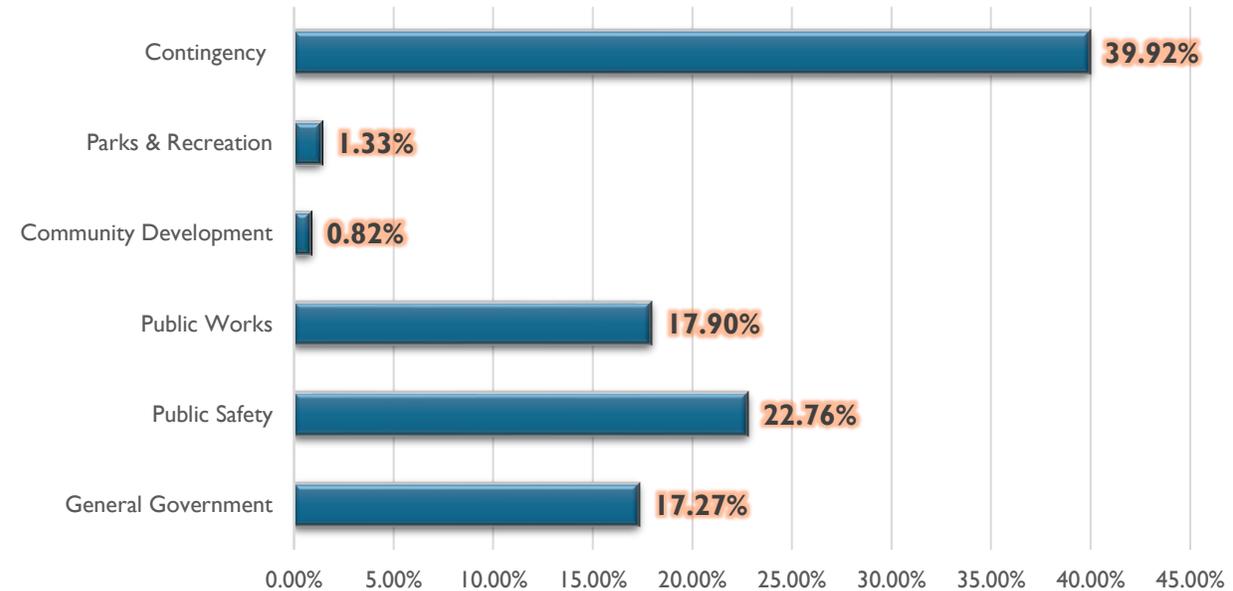
PROPOSED PRELIMINARY 2026 GENERAL FUND EXPENDITURES

	2025 REVISED BUDGET	2026 PROPOSED BUDGET	INCREASE (DECREASE)
GENERAL GOVERNMENT	\$3,260,818	\$3,492,700	\$208,882
PUBLIC SAFETY	11,605,964	11,911,565	305,601
PUBLIC WORKS	5,183,023	5,423,366	240,343
COMMUNITY DEVELOPMENT	843,019	854,804	11,065
PARKS & RECREATION	831,397	849,217	17,820
CONTINGENCY	139,000	675,000	536,000
TOTAL GENERAL FUND EXPENDITURES	\$21,863,221	\$23,205,932	\$1,342,711

PROPOSED PRELIMINARY 2026 GENERAL FUND EXPENDITURES (DEPARTMENT)



Percent of 6.14% Genral Fund Increase
Attributable to....



WHAT DOES MY TAX DOLLAR GO TOWARDS?



PERSONAL SERVICES, \$0.45

CONTRACTUAL SERVICES,
\$0.28

INFRASTRUCTURE, \$0.10

DEBT SERVICE, \$0.08

MATERIALS AND SUPPLIES,
\$0.03

DOUG WOOG ARENA,
\$0.03

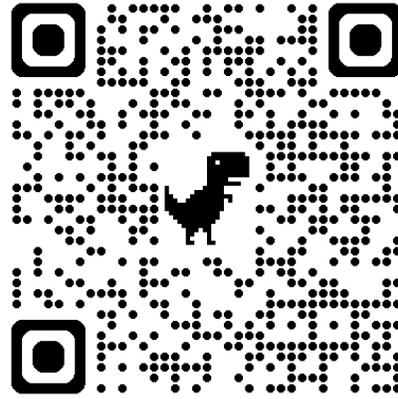
CONTINGENCY/OTHER,
\$0.03

2026 PROPERTY VALUES – CITY OF SOUTH ST. PAUL

	2025 Final	2026 Preliminary	Increase (Decrease)
Estimated Market Value	\$2,441,082,400	\$2,540,320,900	\$99,238,500
Taxable Market Value	2,306,816,124	2,414,362,135	107,546,011
Total Tax Capacity Value	27,250,288	28,605,058	1,354,770
Reduce by:			
Captured TIF District Value	(1,084,562)	(1,170,896)	(86,334)
Fiscal Disparity Contribution Value	(2,044,471)	(2,044,471)	(312,267)
Net Local Tax Capacity	\$24,121,255	\$25,077,424	\$956,169

IMPACT ON AVERAGE RESIDENTIAL PROPERTY IN SSP (CITY PORTION OF TAX BILL ONLY)

	2025	2026	Change
Estimated Value	\$282,869	\$293,847	\$10,978
Homestead Exclusion	(21,092)	(20,104)	988
Taxable Value	261,777	273,743	11,966
Tax Capacity Value	2,618	2,737	120
City Tax Rate	57.724%	61.719%	3.995%
Estimated City Tax	1,511	1,690	179
<i>*Note: City Tax saw a \$70 reduction in 2025</i>			
Change Related to Value			70
Change Related to Tax Rate			109



<https://southstpaulmn.portal.civicclerk.com/event/262/files/attachment/1057>

2026 CAPITAL IMPROVEMENT PLAN (PROPOSED)

Public Works Central Maintenance

- \$27,950,000 estimated total cost (including design and FFE) – split over 2 years
- Capital Programs Fund sourced for Design
- Anticipate debt issuance in 2026

Renovation of Library Building

- \$2,300,000 estimated total cost
- Base building scope (envelope, mechanicals)
- Heavy lean on Capital Program Funds (more than half of all 2026 expenditures in this fund)

Fire Station

- \$80,000 estimated total cost
- Replace part of garage floor, relocate laundry room
- Capital Program Funds

Northview Pool Replacement

\$8,000,000 estimated total cost
 Replaces existing, 70+ year-old Northview Pool and bathhouse
 Targeting state funding for up to 75% of cost; abatement bond to finance remainder



Playground & Parks Improvement

\$665,000 in total estimated costs
 Lorraine and Jefferson playgrounds; Dog park fencing; ballfield rehabs
 Capital Programs Fund



Woog Arena Floor and Board Replacement

\$1,300,000 estimated total cost
 Replace 20+ year-old floor and boards – improve energy efficiency and reduce maintenance/repair costs
 Supported by Arena Levy

2026 EDA & HRA LEVIES AND BUDGETS

BACKGROUND – SOUTH ST. PAUL'S HRA AND EDA

- Statutes provide that a City may levy a special property tax on all property as follows:
 - For the purposes of Housing and Redevelopment, a levy not to exceed 0.0185% of the total taxable market value of property in the City (City Created in 1964)
 - For the purposes of Economic Development, a levy not to exceed 0.01813% of the total taxable market value of property in the City (City Created in 2015)

- In 2016, the City Council transferred responsibility for preparing and approving the HRA's Annual Levy and Budget to the South St. Paul Economic Development Authority (EDA)

- South St. Paul, through the EDA, performs numerous housing, redevelopment, and economic development activities:
 - Business retention and expansion
 - Business attraction/recruitment
 - Development financing
 - Brownfields cleanup and redevelopment
 - Administration of grants (from County, State, Federal sources)
 - Publicly-owned senior housing (John Carroll & Nan McKay)
 - Rehabilitation loan administration

IMPORTANT CONSIDERATIONS

- Public housing program
 - HRA staffs, budgets
 - Federal Government (HUD) provides operating funds to support administration
 - Rental income supports operation
- Economic Development Strategy adopted in 2016, updated in 2021
- Master Housing Strategy adopted in 2021
- City's approach / investment paying dividends
 - 5th fastest growth in Market Values in Dakota County since 2016 (almost 90% growth)
 - Reclamation and conversion of more than 60 acres of contaminated, vacant, obsolete, otherwise distressed property to private, tax-generating, job-producing development since 2016 (more than \$12M in grants from state, county, federal partners)
 - More than 500,000 square feet (\$55,000,000 in value) of new construction, expanded, or renovated commercial/industrial development between 2016 – 2025
 - More than 325 new residential units (\$70,000,000 in value) between 2016 - 2025

2016 – 2025: \$125M+ IN CONSTRUCTION VALUE

- 500K+ SF NEW / RENOVATED COMMERCIAL / INDUSTRIAL
- 325+ UNITS MARKET-RATE MULTIFAMILY



BREMER BANK

WellPet



Walser | Subaru

KWIK TRIP



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PROPOSED 2026 LEVY AND BUDGET – TOTAL 2026 TAX OF **\$80.76 (~\$6.73/MO.)** FOR AVERAGE VALUE HOUSE IN SSP

■ EDA

- Preliminary Levy: \$442,568
 - 2.03% Increase over '25
 - \$39.97 annual impact to median value home in SSP (an increase of \$2.09 from 2025)
- Preliminary Budget: \$442,568
 - Investment of \$120,000 towards small business/development loan program
 - Investment of \$40,000 in property maintenance (EDA properties and key corridors)
 - Investment of \$94,970 towards targeted redevelopment strategies (Hardman Triangle, Concord Corridor)
 - Transfer of \$30,000 to General Fund (Planning & Administrative support)

■ HRA (General Housing)

- Preliminary Levy: \$451,600
 - 2.03% Increase over '25
 - \$40.79 annual impact to median value home in SSP (an increase of \$2.15 from 2025)
- Preliminary Budget: \$751,600
 - Investment of \$150,000 towards housing improvement loan program
 - Investment of \$157,563 towards targeted redevelopment strategies (Hardman Triangle, Concord Corridor)
 - Investment of \$300,000 (LAHA) in Radon Mitigation Grants, Low Interest Rehab Loans

REQUESTED ACTIONS

“Motion to approve Resolution 2025-099 Certifying the Preliminary 2026 Property Tax Levy to Dakota County and Setting a Date for a Public Hearing on the 2026 Tax Supported Budgets and Property Tax Levy.”

“Motion to approve Resolution 2025-100 Approving a 2026 Budget and Certifying the Preliminary 2026 Property Tax Levy Adopted by the South St. Paul Economic Development Authority (EDA).”

REQUESTED ACTIONS

“Motion to approve Resolution 2025-101 Consenting to the Preliminary 2026 HRA Special Property Tax Levy Adopted by the South St. Paul Economic Development Authority (EDA).”