TRUTH IN TAXATION

Public Informational Hearing on the 2026 Budget and Tax Levy

December 4, 2025
6 p.m.

AGENDA

- Budget Process to Date
- General Truth in Taxation Hearing Information
- How do we compare?
- Property Taxation 101
- Tax Levy and General Fund Budget
- Enterprise Fund Budgets
- Capital Improvement and Debt Management Plan
- Conclusion/Summary
- Next Steps

BUDGET PROCESS TO DATE

- City Council and Staff have held 4 public work sessions over the past 7 months. The first work session was held on May 27 with the last one taking place on November 12
- The City Council adopted the preliminary budget and tax levy in September
- Truth in Taxation Notices were mailed to all City property owners last month

BUDGET PROCESS TO DATE

Truth in Taxation Hearing Purpose

The main purpose of the Truth in Taxation hearing is to enhance the public participation in the property tax system by allowing a public forum to:

- Discuss the Budget
- Discuss the Proposed Tax Levy
- Explain the Budget and Tax Levy Increases
- Hear Public Comments and Questions on the Budget and Tax Levy

BUDGET PROCESS TO DATE

- **TONIGHT** – Truth-in-Taxation Hearing
- **TUESDAY, DEC. 9:** Continuation of Truth-in-Taxation Hearing (*if necessary*)
- **TUESDAY, DEC. 23:** Final Budget and Tax Levy will be Adopted by the City Council

General Truth in Taxation Hearing Information

DATA SOURCE:

CITY OF HUTCHINSON
UNLESS NOTED

A REMINDER

Tonight, we discuss the City's share of your total 2026 proposed tax bill, not property valuations

CONNIE M. KURTZWEG
AUDITOR-TREASURER
520 CHANDLER AVE N
GLENCOE, MN 55336-2823
(320) 864-1234 • www.mcleodcountymn.gov

Property Information
Parcel Number: [redacted]

Property Address: [redacted]
HUTCHINSON MN 55350

Legal Description: [redacted] ACRES: 0

*************SCH 5-DIGIT 55328 6446/21/1
[redacted]

PROPOSED TAXES 2026

THIS IS NOT A BILL. DO NOT PAY.

Step 1 — VALUES AND CLASSIFICATION

Taxes Payable Year	2025	2026
Estimated Market Value	$279,000	$280,100
Homestead Exclusion	$21,440	$21,341
Taxable Market Value	$257,560	$258,759
Property Classification	RES HSTD	RES HSTD

Step 2 — PROPOSED TAX

Property Taxes before credits	$3,798.00
School building bond credit	$0.00
Agricultural market value credit	$0.00
Other Credits	$0.00
Property Taxes after credits	$3,798.00

Step 3 — PROPERTY TAX STATEMENT

Coming March 2026

The time to provide feedback on PROPOSED LEVIES IS NOW

It is too late to appeal your value without going to Tax Court.

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2025	Proposed 2026	
STATE GENERAL TAX	NO MEETING REQUIRED	$0.00	$0.00	
MCLEOD COUNTY MCLEOD COUNTY COMMISSIONERS 520 CHANDLER AVE N GLENCOE, MN 55336 PHONE: 320-864-1234 WWW.MCLEODCOUNTYMN.GOV	DECEMBER 2, 2025 6:00 PM MCLEOD CO GOVERNMENT CTR	$1,173.54	$1,183.72	
CITY OF HUTCHINSON CITY OF HUTCHINSON 111 HASSAN ST SE HUTCHINSON, MN 55350 PHONE: 320-587-5151 WWW.HUTCHINSONMN.GOV	DECEMBER 4, 2025 6:00 PM HUTCHINSON CITY CENTER	$1,456.14	$1,555.96	
SCHOOL DISTRICT 0423 SCHOOL DISTRICT 0423 111 HASSAN ST SE HUTCHINSON, MN 55350 PHONE: 320-587-2860 WWW.ISD423.ORG	DECEMBER 8, 2025 6:01 PM HUTCHINSON CITY CENTER			
VOTER APPROVED LEVIES		$506.14	$481.04	
OTHER LEVIES		$547.36	$502.68	
OTHER SPECIAL TAX DISTRICTS		$74.82	$74.60	
TOTAL EXCLUDING SPECIAL ASSESSMENTS		$3,758.00	$3,798.00	1.06%

Not this, evaluations can be contested in April/May at the County

This is the City's portion of your property tax bill for 2026

A portion of this amount is the EDA and the HRA

CITY POSE.

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As a taxpayer, at what time of the year do I do what?

NOVEMBER
- I receive the Notice of Proposed Taxes for next year.

DECEMBER
- Attend meetings about the proposed budget and tax levy to express concerns about the amount of tax I will pay.

MARCH
- I receive my property Tax Statement (based on <u>last</u> year's valuation notice).

OCTOBER
- I pay this year's second half of property taxes.

APRIL
- I receive the Notice of Valuation for next year's taxes.
- I can talk to the assessor about <u>next</u> year's value.
- Tax court petitions must be filed by the end of this month to appeal last year's estimated market value.

SUMMER
- The county, city or town, school district and other taxing districts decide on budgets and what portion must come from the property tax levy.

JUNE
- I have the right to appeal next year's value at the county board of equalization.

MAY
- I have the right to Appeal next year's value at the local board of review.
- I pay this year's first half of property taxes.

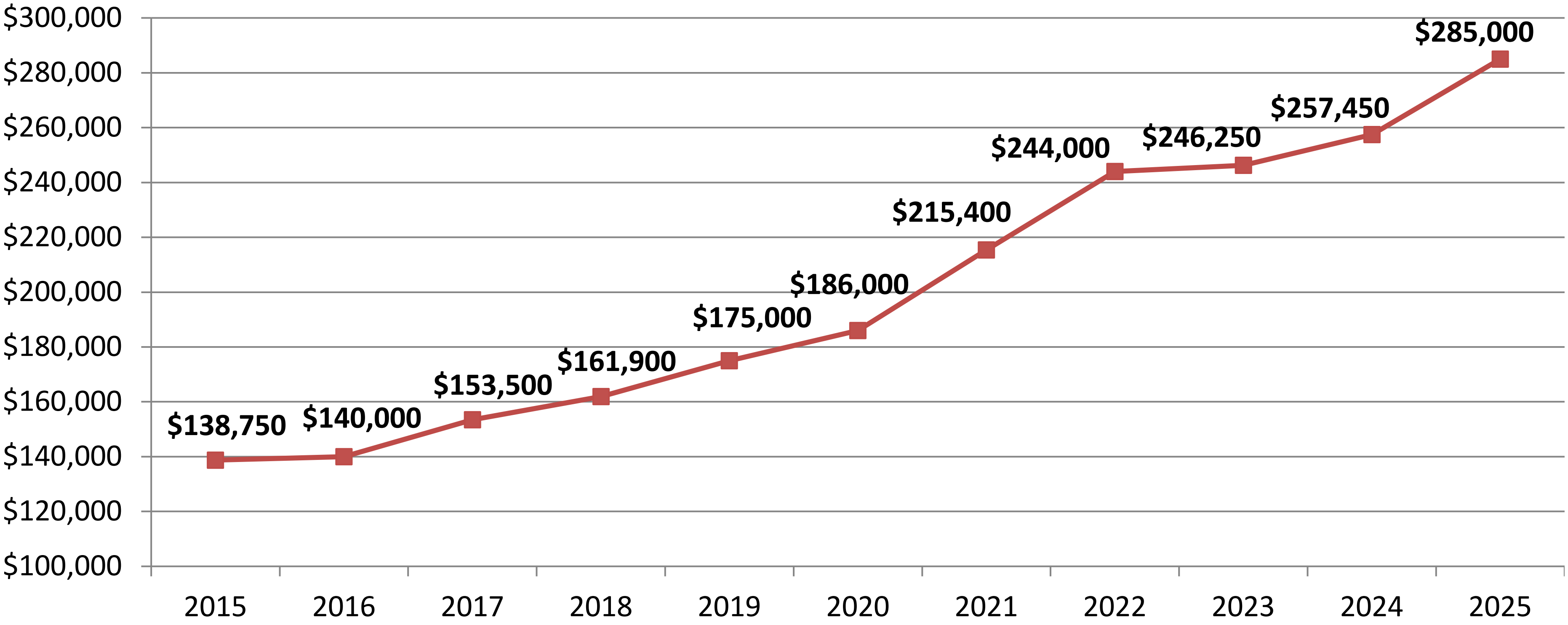
BRIEFLY ON VALUATIONS

- In Minnesota, the market value of a property is determined by January 2 of the year prior to the year in which taxes on that property are due. In other words, market values for taxes payable in 2026, were set in January 2025.

- Property Values on Statements recently received are based off home sales from October of 2023 to September of 2024.

- Property owners will receive new notices of market values from the assessor in March/April of 2026. Questions on Valuations should be addressed at the Open Book Meeting in May/June.

MEDIAN HOME VALUES



Source: Minneapolis Area Realtors & City of Hutchinson

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FIRST OFF!

- The preliminary tax levy set in September, and the property tax affect (statement you got in the mail) showed a City tax increase of **9.2%**
- The preliminary budget was balanced
- The revised budget being discussed tonight includes a **6.9%** tax levy increase and a balanced budget
- The City has adjusted its revenue & expense projections and eliminated **$214,243** in taxes since its preliminary budget was adopted in September

Truth in Taxation

How do we Compare?

WHERE WE STAND

Where does Hutchinson stand in regard to the rest of the County when it comes to our average City property tax rate?

Hutchinson's 2025 Average City Tax Rate ranked the <u>2nd lowest</u> in McLeod County!

			Preliminary	*Proposed*
1.	Biscay	52.22%		
2.	**Hutchinson**	**56.53%**	**60.12%**	**58.85%**
3.	Plato	64.40%		
4.	Glencoe	68.76%		
5.	Lester Prairie	71.05%		
6.	Winsted	71.35%		
7.	Silver Lake	95.89%		
8.	Brownton	131.36%		
9.	Stewart	141.05%		

Source: McLeod County/City of Hutchinson

WHERE WE STAND

Other Outstate Regional Centers (2025)

1.	Cloquet	32.00%	
2.	Alexandria	35.04%	
3.	Bemidji	44.50%	
4.	Winona	46.54%	
5.	Austin	50.15%	
6.	Faribault	50.60%	
7.	Brainerd	53.39%	2026 Proposed
8.	**Hutchinson**	**56.53%**	**58.85%**
9.	Willmar	57.22%	
10.	Fergus Falls	57.48%	
11.	Owatonna	58.13%	
12.	Worthington	58.77%	
13.	Albert Lea	60.13%	
14.	Fairmont	60.58%	
15.	Red Wing	66.92%	
16.	Marshall	67.07%	
17.	Northfield	68.61%	
18.	New Ulm	72.25%	
19.	Hibbing	84.03%	

Regional Center Average = 56.84%

State-Wide City Average = 62.59% (2024)

Source: MN Department of Revenue

WHERE WE STAND

10.6% -- Percentage of population below poverty level – **<u>4th Lowest</u>** of all Outstate Regional Centers (2023 Census Estimate)

$71,730 – Median Household Income – **<u>3rd Highest</u>** of all Outstate Regional Centers (2023 Census Estimate)

$291,649 – Median Home Value – **<u>5th Highest</u>** of all Outstate Regional Centers (2nd Quarter of 2025 - neighborhoodscout.com)

$3.10 Million – LGA payment in 2025 – **<u>3rd Lowest</u>** of all Outstate Regional Centers

8.7% -- 2026 State-Wide Proposed Property Tax Increase for Cities

6.9% -- 2026 State-Wide Proposed Property Tax Increase for all Taxing Agencies

Source: U.S. Census Bureau/Minnesota Dept. of Revenue

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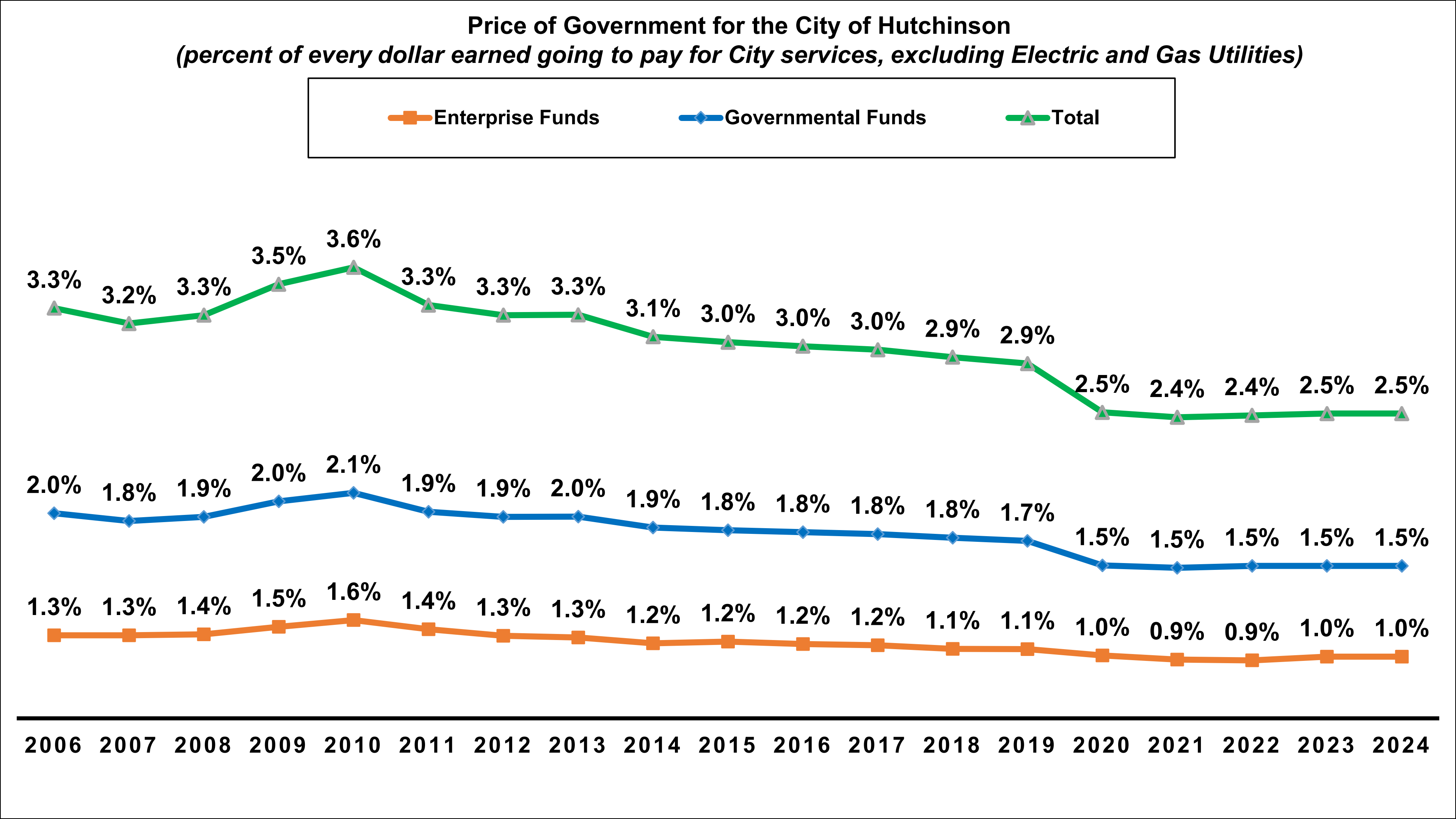
Price of Government for the City of Hutchinson
(percent of every dollar earned going to pay for City services, excluding Electric and Gas Utilities)
Enterprise Funds
Governmental Funds
Total
3.3% 3.2% 3.3% 3.5% 3.6% 3.3% 3.3% 3.3% 3.1% 3.0% 3.0% 3.0% 2.9% 2.9% 2.5% 2.4% 2.4% 2.5% 2.5%
2.0% 1.8% 1.9% 2.0% 2.1% 1.9% 1.9% 2.0% 1.9% 1.8% 1.8% 1.8% 1.8% 1.7% 1.5% 1.5% 1.5% 1.5% 1.5%
1.3% 1.3% 1.4% 1.5% 1.6% 1.4% 1.3% 1.3% 1.2% 1.2% 1.2% 1.2% 1.1% 1.1% 1.0% 0.9% 0.9% 1.0% 1.0%
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Truth in Taxation

Property Taxation 101

14 REASONS PROPERTY TAXES VARY FROM YEAR TO YEAR

1. The market value of property may change
2. The market value of other properties in your taxing district may change, shifting taxes from one property to another
3. The State general property tax may change
4. The City budget and levy may change
5. The Township budget and levy may change
6. The County budget and levy may change
7. The School District's budget and levy may change
8. A Special District's budget and levy may change
9. Special Assessments may be added to your property tax bill
10. Voters may have approved a school, city/township, county or special district referendum
11. Federal and State mandates may have changed
12. Aid and revenue from the state and federal governments may have changed
13. The State Legislature may have changed the portion of the tax base paid by different types of properties
14. Other state law change may adjust the tax base

Source: League of MN Cities

PROPERTY TAXATION 101

Minnesota's property tax system is based off of **5 components**.

1. Local Property Tax Levies (City, School District, County, Etc.) – Which create your local Property Tax Rate
2. Property Tax Classification Rates (Ranges from 0.25% to 2.0% - Set by the State)
3. Property Value (Based off of property sales and is set by the County Assessor)
4. Tax Credits (Only certain properties get this)
5. State General Tax (Set by the State and are assigned to mainly commercial/industrial properties)

EXPLANATION OF THE PROPERTY TAX RATE

Hutchinson's Property Tax Rate is set by taking the city's tax levy and dividing it by its total tax capacity.

$9,919,698 / $16,855,714 [Total Tax Capacity] = 58.85%

Total Tax Capacity = Tax capacity is determined by multiplying a property's market value by its classification rate. Each property rate is assigned a classification rate depending on its use by the State Legislature. Properties associated with income production (commercial & industrial) have a higher classification weight than other properties. The City's total tax capacity is an accumulation of all parcels within the city, minus adjustments.

PROPERTY TAXATION 101

How do I determine the City's portion of my proposed tax bill?

[parcel market value] – [homestead exclusion] x [parcel class rate] x [city tax rate] = City portion of your tax bill

Example:

$275,000 (home) – $21,800 (exclusion) x 1.0% (class rate) x .5885 (city tax rate) = **$1,490**

Glencoe = $1,741

Winsted = $1,807

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PROPERTY TAXATION 101

	Adopted 2025	2026 Tax Levy Options: Flat Levy	Maintains PY Tax Rate	Inflationary Levy Increase	CURRENT Levy Increase	Preliminary Tax Levy
General Fund levy:	***5.8%***	***0.0%***	***2.8%***	***3.1%***	***8.6%***	***11.3%***
Debt levy:	***2.8%***	***0.0%***	***2.5%***	***2.5%***	***2.5%***	***3.9%***
TAX CAPACITY	$16,410,588	$16,855,714	$16,855,714	$16,855,714	$16,855,714	$16,856,896
% Change		*2.7%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*
Tax Levy - General Fund	$6,729,034	$6,729,034	$6,917,237	$6,934,637	$7,308,906	$7,488,195
Tax Levy - Debt Service	2,547,379	2,547,379	2,610,792	2,610,792	2,610,792	2,645,746
TOTAL LEVY	**$9,276,413**	**$9,276,413**	**$9,528,029**	**$9,545,429**	**$9,919,698**	**$10,133,941**
Total Levy % Increase over 2025		**0.0%**	**2.7%**	**2.9%**	**6.9%**	**9.2%**
Tax Rate	**56.527%**	**55.034%**	**56.527%**	**56.630%**	**58.851%**	**60.117%**
Change in Tax Rate		-1.493%	0.000%	0.103%	2.324%	3.590%
Budget Cuts for Levy Scenario		**-$643,285**	**-$391,669**	**-$374,269**	**N/A**	**N/A**
% of General Fund Expenses		***3.9%***	***2.4%***	***2.3%***		

	Adopted 2025	City Tax Impact to Median Home Value: Flat Levy	Maintains PY Tax Rate	Inflationary Levy Increase	CURRENT Levy Increase	Preliminary Tax Levy
Median Home Value	$275,000	$275,000	$275,000	$275,000	$275,000	$275,000
Homestead Exclusion	-21,800	-21,800	-21,800	-21,800	-21,800	-21,800
Net Taxable Value	$253,200	$253,200	$253,200	$253,200	$253,200	$253,200
Estimated City Tax	$1,430	$1,393	$1,431	$1,434	$1,490	$1,522
Change from 2025		**-$36**	**$1**	**$4**	**$60**	**$92**
% Change		**-2.5%**	**0.1%**	**0.3%**	**4.2%**	**6.4%**

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HOMESTEAD EXCLUSION

2012: State Repealed the Market Value Homestead Credit (MVHC) and replaced it with the Homestead Market Value Exclusion (HMVE)

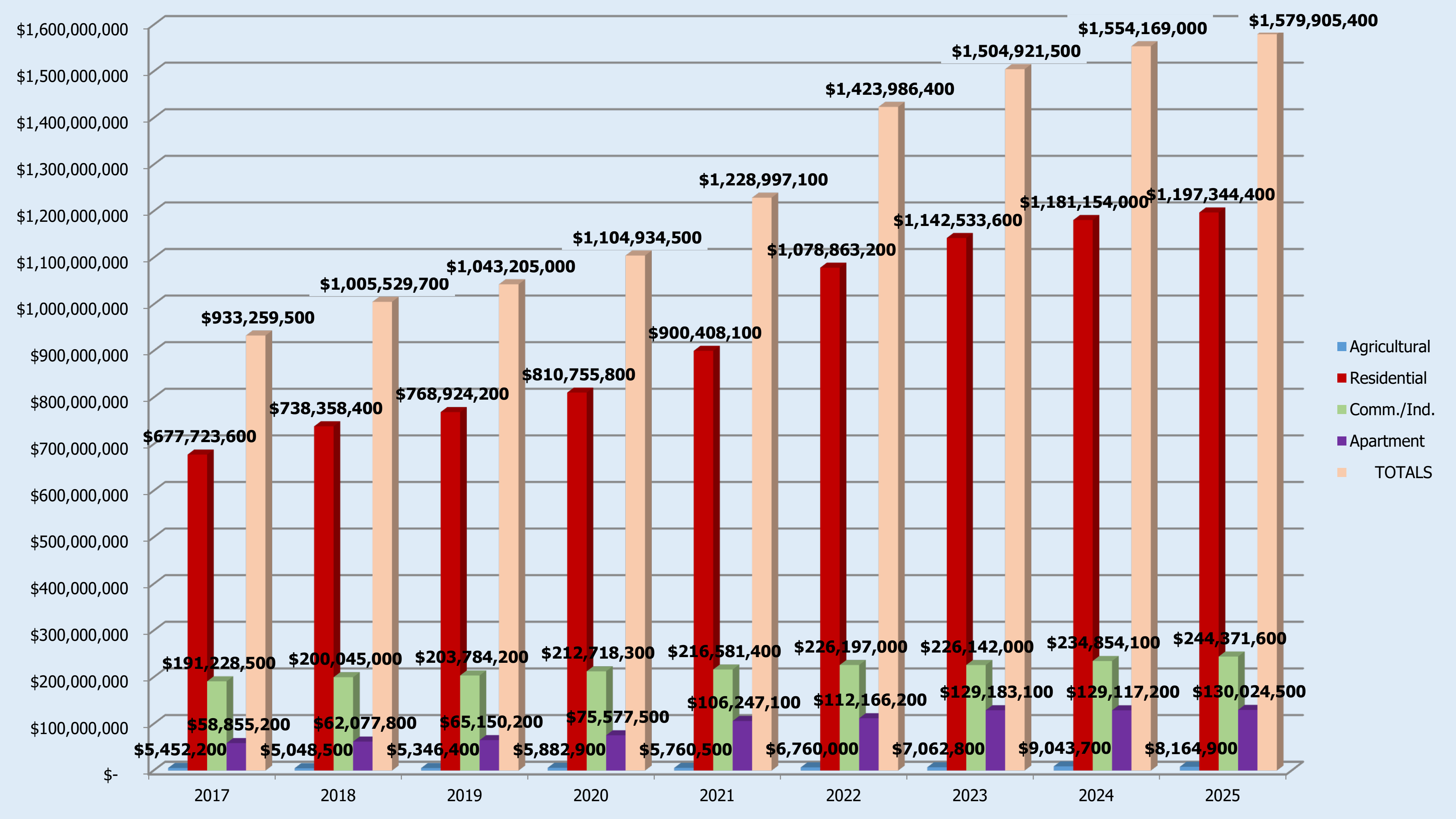
- Excluded from taxation 40% of the first $76,000 of the property's value
- The exclusion is reduced by 9% of the property's value exceeding $76,000
- Homesteads valued at more than $413,800 received no value exclusion

2025: State adjusted the HMVE amounts upwards to address rising residential property values

- Excludes from taxation 40% of the first $95,000 of the property's value
- The exclusion is reduced by 9% of the property's value exceeding $95,000
- Homesteads valued at more than $517,200 receive no value exclusion
- Change is effective with the 2024 Property Valuations for taxes payable in 2025
- This change will shift a portion of the tax liability to Commercial, Ag and Apartments
- **The increased MVHE will result in a lower Net Tax Capacity and ultimately a higher tax rate than under the prior HMVE**

MVHE Impact on 2025 Property Taxes:

	Original MVHE	Revised MVHE	Change
Median Home Valuation	$275,000	$275,000	$0
Homestead Exclusion	-$12,500	-$21,800	-$9,300
Net Taxable Value	$262,500	$253,200	-$9,300
Estimated 2025 Tax Rate	60.117%	60.117%	
Estimated 2025 City Tax	**$1,578**	**$1,522**	**-$56**

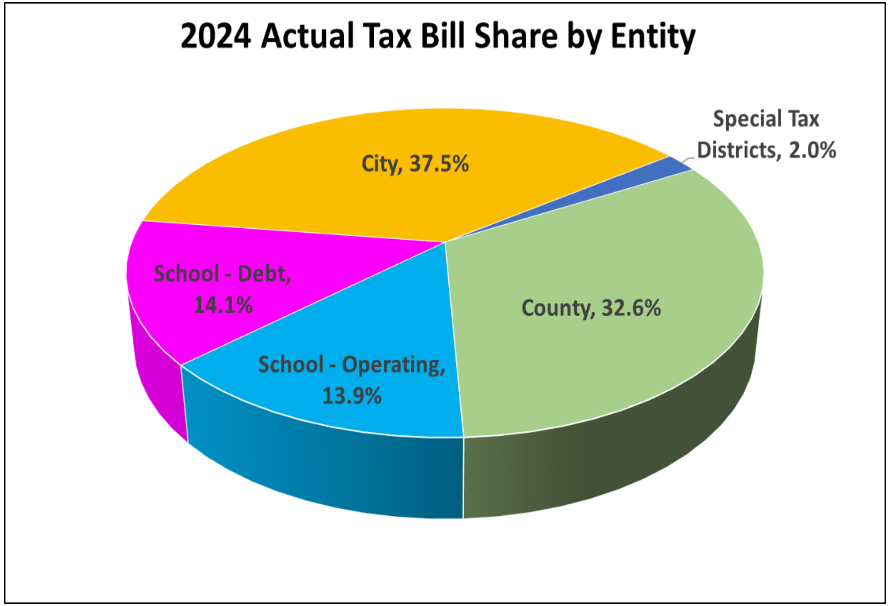


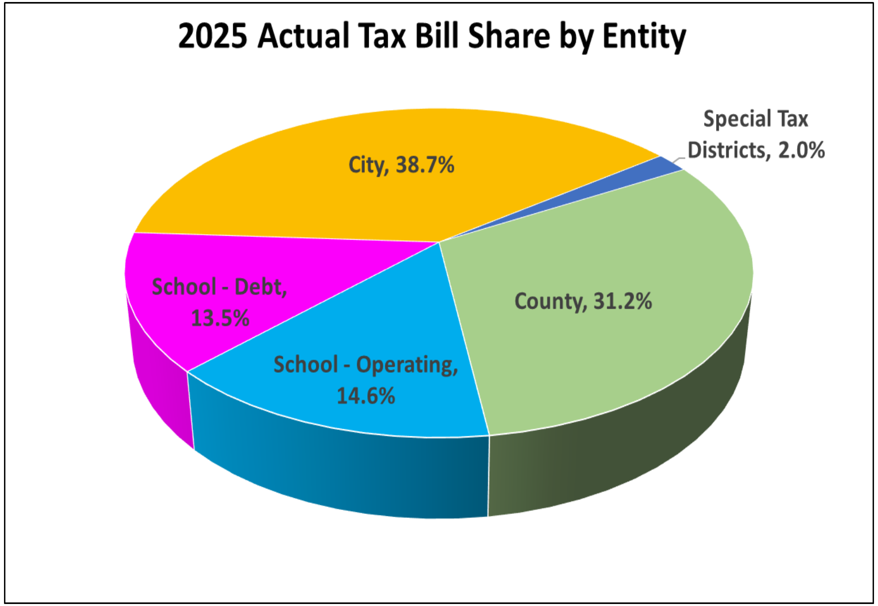
$1,600,000,000
$1,500,000,000
$1,400,000,000
$1,300,000,000
$1,200,000,000
$1,100,000,000
$1,000,000,000
$900,000,000
$800,000,000
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$-
2017
2018
2019
2020
2021
2022
2023
2024
2025
$5,452,200
$677,723,600
$191,228,500
$58,855,200
$933,259,500
$5,048,500
$738,358,400
$200,045,000
$62,077,800
$1,005,529,700
$5,346,400
$768,924,200
$203,784,200
$65,150,200
$1,043,205,000
$5,882,900
$810,755,800
$212,718,300
$75,577,500
$1,104,934,500
$5,760,500
$900,408,100
$216,581,400
$106,247,100
$1,228,997,100
$6,760,000
$1,078,863,200
$226,197,000
$112,166,200
$1,423,986,400
$7,062,800
$1,142,533,600
$226,142,000
$129,183,100
$1,504,921,500
$9,043,700
$1,181,154,000
$234,854,100
$129,117,200
$1,554,169,000
$8,164,900
$1,197,344,400
$244,371,600
$130,024,500
$1,579,905,400
Agricultural
Residential
Comm./Ind.
Apartment
TOTALS

MARKET VALUE GROWTH

TYPE	2017	2018	2019	2020	2021	2022	2023	2024	2025	2024/25 % Change
Agricultural	$ 5,452,200	$ 5,048,500	$ 5,346,400	$ 5,882,900	$ 5,760,500	$ 6,760,000	$ 7,062,800	$ 9,043,700	$ 8,164,900	**-9.7%**
Residential	$ 677,723,600	$ 738,358,400	$ 768,924,200	$ 810,755,800	$ 900,408,100	$ 1,078,863,200	$ 1,142,533,600	$ 1,181,154,000	$ 1,197,344,400	**1.4%**
Comm./Ind.	$ 191,228,500	$ 200,045,000	$ 203,784,200	$ 212,718,300	$ 216,581,400	$ 226,197,000	$ 226,142,000	$ 234,854,100	$ 244,371,600	**4.1%**
Apartment	$ 58,855,200	$ 62,077,800	$ 65,150,200	$ 75,577,500	$ 106,247,100	$ 112,166,200	$ 129,183,100	$ 129,117,200	$ 130,024,500	**0.7%**
TOTALS	**$ 933,259,500**	**$ 1,005,529,700**	**$ 1,043,205,000**	**$ 1,104,934,500**	**$ 1,228,997,100**	**$ 1,423,986,400**	**$ 1,504,921,500**	**$ 1,554,169,000**	**$ 1,579,905,400**	**1.7%**
Annual Increase	$ 33,945,300	$ 72,270,200	$ 37,675,300	$ 61,729,500	$ 124,062,600	$ 194,989,300	$ 80,935,100	$ 49,247,500	$ 25,736,400	
Annual % Change										
Agricultural	1.7%	-7.4%	5.9%	10.0%	-2.1%	17.4%	4.5%	28.0%	-9.7%	
Residential	4.7%	8.9%	4.1%	5.4%	11.1%	19.8%	5.9%	3.4%	1.4%	
Comm./Ind.	1.8%	4.6%	1.9%	4.4%	1.8%	4.4%	0.0%	3.9%	4.1%	
Apartment	0.0%	5.5%	4.9%	16.0%	40.6%	5.6%	15.2%	-0.1%	0.7%	
TOTALS	3.8%	7.7%	3.7%	5.9%	11.2%	15.9%	5.7%	3.3%	1.7%	
Residential/Comm	4.1%	8.0%	3.7%	5.2%	9.1%	16.8%	4.9%	3.5%	1.8%	
% of Total Valuation										
Agricultural	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%	
Residential	72.6%	73.4%	73.7%	73.4%	73.3%	75.8%	75.9%	76.0%	75.8%	
Comm./Ind.	20.5%	19.9%	19.5%	19.3%	17.6%	15.9%	15.0%	15.1%	15.5%	
Apartment	6.3%	6.2%	6.2%	6.8%	8.6%	7.9%	8.6%	8.3%	8.2%	

TAX BILL BREAKDOWN





Truth in Taxation

Proposed 2026 Tax Levy and General Fund Budget

MISSION STATEMENT

"The City of Hutchinson exists so that residents, businesses, property owners and visitors are provided with <u>quality services and programs</u> that support a <u>safe, healthy, sustainable and business-friendly community</u> with a <u>small town atmosphere</u>, for a <u>cost of government similar to, or less than</u>, comparable out-state Minnesota cities."

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7 CORE AREAS OF FOCUS

1) **Public Safety**
   - Provide residents & visitors a "Safe" environment with protection of property
2) **Health & Recreation**
   - Provide and Contribute to a "Healthy Quality of Life"
3) **Transportation**
   - Provide safe and effective movement throughout the City
4) **Economic Development**
   - Provide diversification, job growth and employment opportunities
5) **Environment**
   - Provide concepts that are sustainable and environmentally friendly
6) **Good Government**
   - Citizens perceive the City is delivering quality services at a reasonable price and that there is adequate planning for the future
7) **Housing**
   - Safe and affordable housing for all with built on collaboration to meet community housing needs

TAX LEVIES FOR 2026

	2025	2026	% ↑
General Fund	$6,704,034	$7,283,906	8.6%
Tax Abatement	$25,000	$25,000	0.0%
Debt Funds	$2,547,379	$2,610,792	2.5%
Total:	**$9,276,413**	**$9,919,698**	**6.9%**

Other Levies	2025	2026	% ↑
EDA Levy	$281,771	$286,437	1.7%
HRA Levy	$170,000	$173,000	1.8%
TOTAL TAX IMPACT	**$9,728,184**	**$10,379,135**	**6.7%**

- Statewide preliminary average levy for cities is at 8.7% increase
- Overall preliminary statewide increase is at 6.9%

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2026 DEBT LEVY

G.O. Bond Issuance	Maturity Date	2026 Debt Levy	Special Assessments	Total Revenue	2026 Debt Payments
2014	2/1/2030	129,833	-	129,833	120,225
2015	2/1/2031	133,418	-	133,418	185,274
2016	2/1/2032	142,896	20,495	163,391	203,950
2017	2/1/2033	165,967	3,486	169,453	190,775
2018	2/1/2034	135,368	17,546	152,914	198,300
2019	2/1/2035	146,283	13,259	159,542	252,538
2020	2/1/2036	154,036	24,694	178,730	188,670
2021	2/1/2037	170,255	22,494	192,749	204,850
2022	2/1/2038	181,154	8,716	189,870	189,550
2023	2/1/2039	98,646	21,430	120,076	142,125
2024	2/1/2040	166,014	33,020	199,034	181,200
2025	2/1/2041	162,134	79,847	241,981	79,958
Police Facility	2/1/2052	824,788	-	824,788	847,263
Totals		**$ 2,610,792**	**$ 244,987**	**$ 2,855,779**	**$ 2,984,678**

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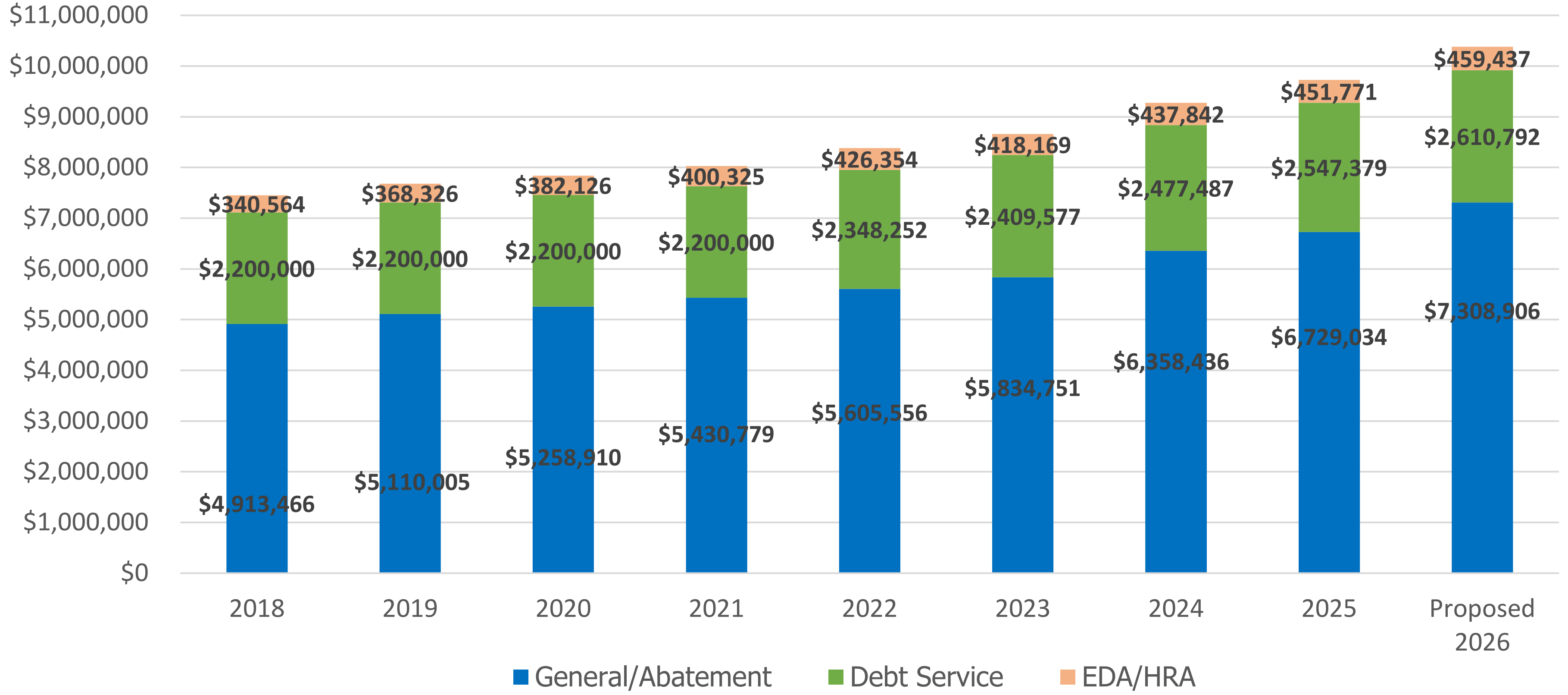
TAX LEVY COMPARISON



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ADDITIONAL INFORMATION ON THE TAX LEVY

- The proposed 2026 tax levy includes the eleventh straight year of an increase in the general fund portion of the levy
- The proposed 2026 tax levy includes the fifth straight year of an increase to the debt fund portion of the levy (2.5%)
- Compared to 2016, the total tax levy has increased by 46.5%
- The average annual total tax levy increase since 2016 has been 3.9%
- The 2026 total tax levy accounts for a per capita tax of $696, up from $656 in 2025

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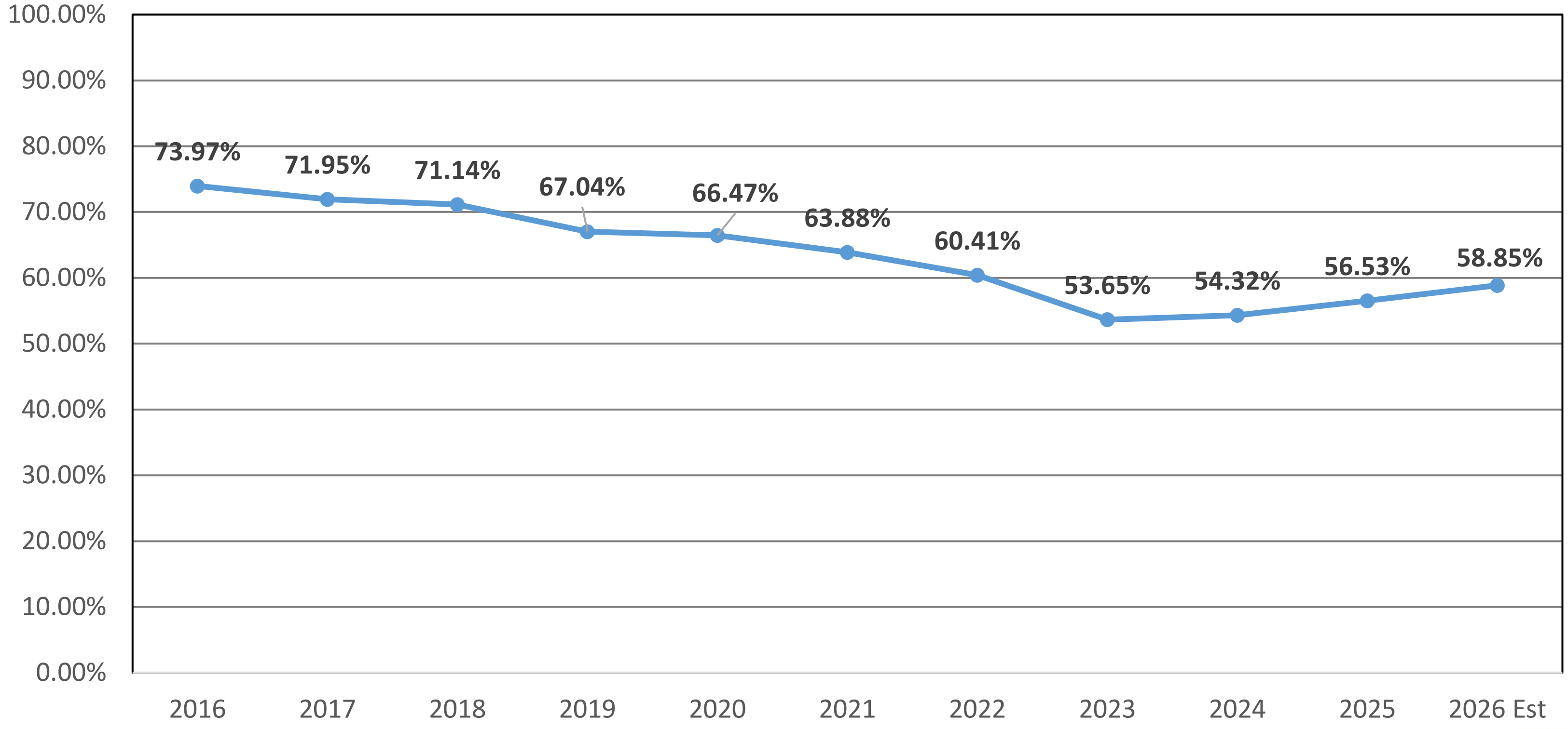
ADDITIONAL INFORMATION ON THE CITY'S TAX RATE

- The City's growth in tax capacity (2.7%) has slowed down, increasing the pressure on tax rates
- This will be the third time that the tax levy (6.9%) outpaces the tax capacity in 11 years, resulting in a likely increased city tax rate
  - The 2026 city tax rate is expected to be 2.3% higher than the 2025 tax rate
  - This will be Hutchinson's third consecutive tax rate increase since 2014
- The median home value would see a $60 city tax bill increase, based on their home value remaining steady from 2025 to 2026 at $275,000
  - A property possibly might not see a city tax increase <u>if its value</u> does not increase at the same rate as the median home value or its value decreases
  - A property valued at $275,000 in 2025 with the same value in 2026 would see a $60 increase in its city tax bill

10-YEAR TAX RATE TREND



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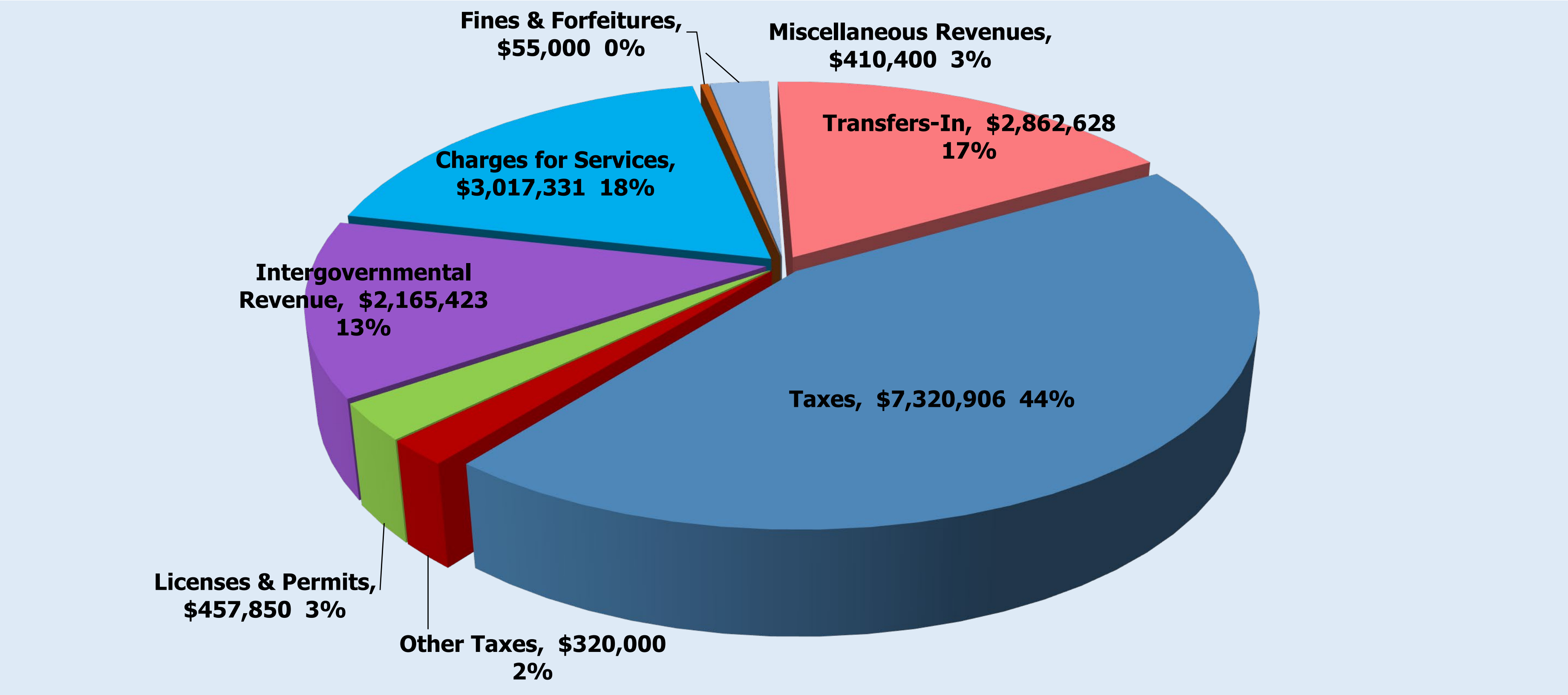
GENERAL FUND REVENUES

	2025	2026	% ↑
Property Taxes	$6,741,034	$7,320,906	8.6%
Other Taxes	$320,000	$320,000	0.0%
Licenses & Permits	$415,725	$457,850	10.1%
Intergovernmental Revenue	$2,166,525	$2,165,423	-0.1%
Charges for Service	$2,816,417	$3,017,331	7.1%
Fines & Forfeitures	$55,000	$55,000	0.0%
Miscellaneous Revenue	$382,400	$410,400	7.3%
Transfers-In	$2,812,628	$2,862,628	1.8%
TOTAL GENERAL FUND	**$15,709,729**	**$16,609,538**	**5.7%**

GENERAL FUND REVENUES



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ADDITIONAL FACTS ON GENERAL FUND REVENUES

- General Fund revenues include an 8.6% tax levy increase ($579,872)
- Property Taxes account for about 44% of the General Fund Revenues
- No increase in the PILOT Payment for 2026, but an increase in reimbursement rates for legal & IT ($42,000)
- Minimal LGA increase ($4,296) and Fire & Police Pension Aid increase ($30,752)
- Includes a slight increase in building permit fees ($32,000)
- $200,914 Increase in Charges for Service (various park and rec user fee increases, School Liaison Program, etc.)
- Increase contribution to general fund from Water/Sewer/Compost Funds ($50,000)
- Transfer-Ins account for $2,862,628. This is the equivalent of a 42% tax levy increase
  - Liquor Fund -- $550,000 (8.2%)
  - Water/Sewer -- $245,000 (3.6%)
  - Creekside -- $125,000 (1.9%)
  - HUC -- $1,942,628 (28.8%)

A 1% tax levy increase <u>to the general fund</u> is equivalent to $67,290

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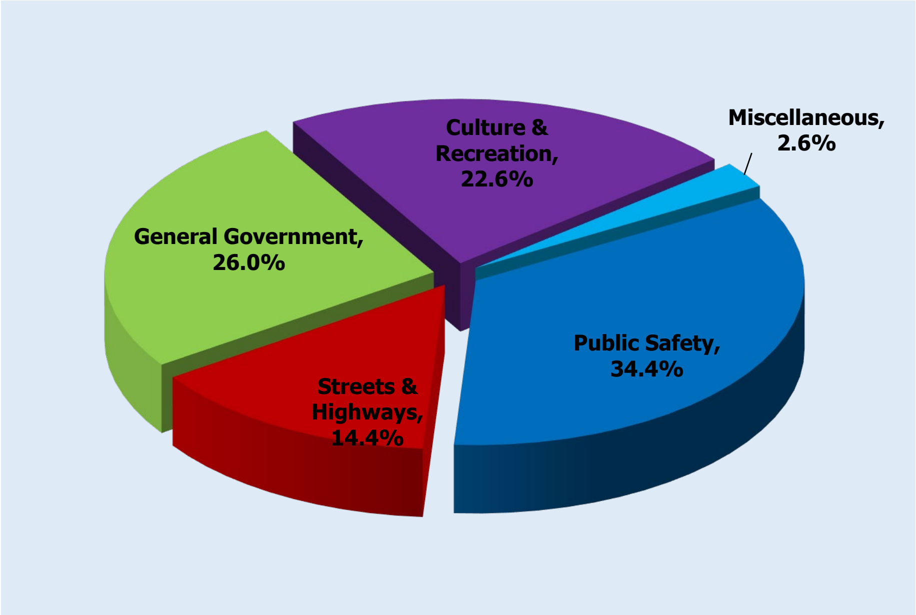
GENERAL FUND EXPENSES

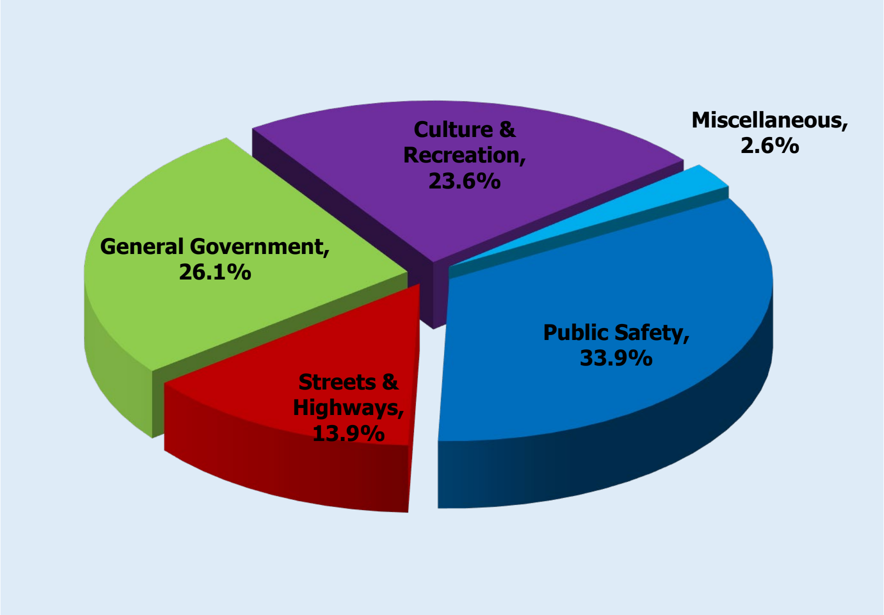
	2025	2026	% ↑
Wages & Benefits	$10,542,600	$11,218,819	6.4%
Supplies	$1,218,850	$1,268,350	4.1%
Services & Charges	$3,022,832	$3,170,236	4.9%
Miscellaneous Expenses	$379,905	$377,975	-0.5%
Transfers-Out	$545,542	$574,158	5.2%
Capital Outlay	$0	$0	0.0%
TOTAL GENERAL FUND	**$15,709,279**	**$16,609,538**	**5.7%**

GENERAL FUND EXPENSES

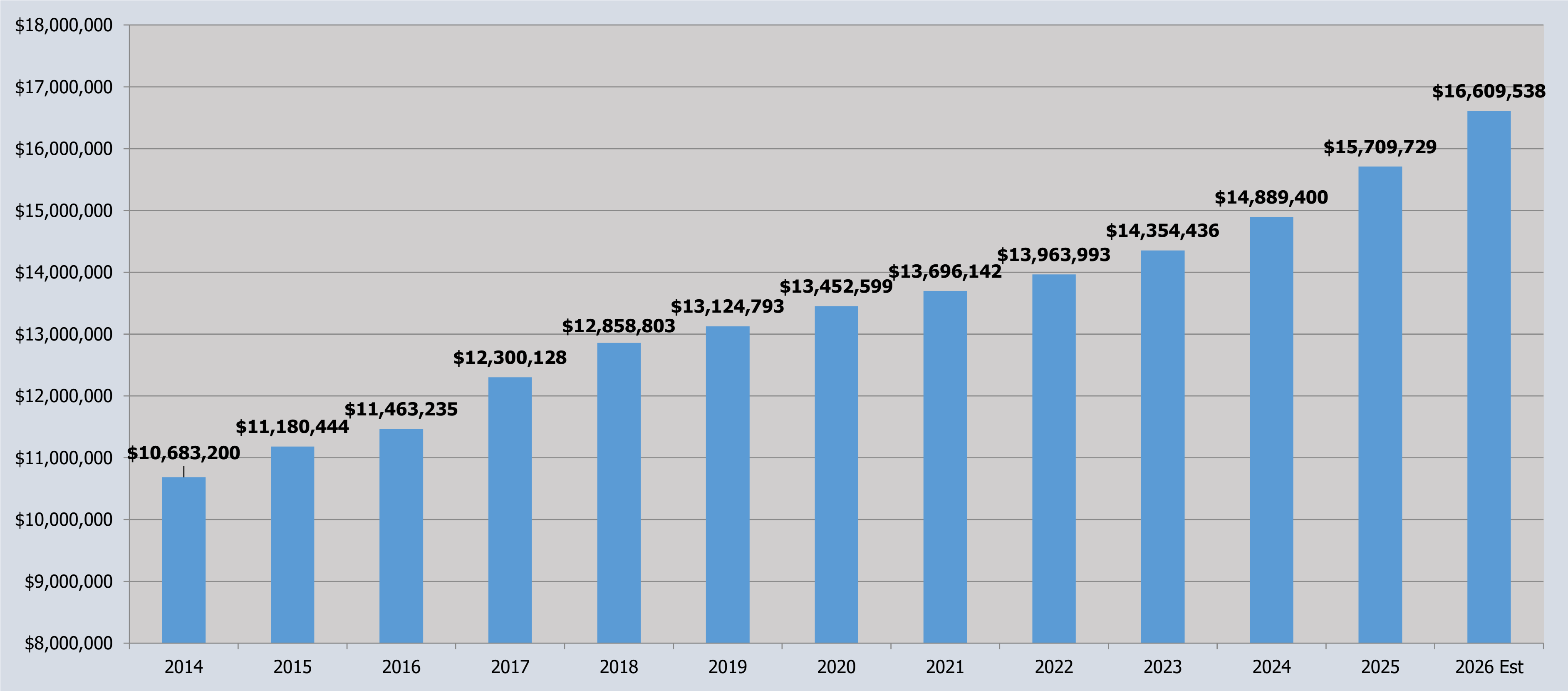
2025 General Fund



2026 General Fund



GENERAL FUND BUDGET HISTORY



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TAX LEVY ALLOCATION TO DEPARTMENTS

Department	Revenues	Expenses	Total Subsidy Amount	Total Subsidy % of Expenses	% of Expenses Covered by Fees	% of Expenses Covered by Taxes	% of Expenses Covered by LGA/Other
Mayor & City Council	$0	$43,100	$43,100	100%	0%	61%	39%
Administration	$0	$590,260	$590,260	100%	0%	61%	39%
Elections	$0	$27,100	$27,100	100%	0%	61%	39%
Finance	$16,000	$465,743	$449,743	97%	3%	59%	37%
Motor Vehicle	$396,500	$421,736	$25,236	6%	94%	4%	2%
Legal	$48,620	$358,806	$310,186	86%	14%	53%	33%
Planning	$27,000	$197,669	$170,669	86%	14%	53%	33%
Information Services	$193,974	$833,733	$639,759	77%	23%	47%	30%
City Hall Building	$2,200	$225,361	$223,161	99%	1%	61%	38%
General Government	**$684,294**	**$3,163,508**	**$2,479,214**	**78%**	**22%**	**48%**	**30%**
Police	$482,510	$4,498,346	$4,015,836	89%	11%	55%	35%
Emergency Management	$0	$15,500	$15,500	100%	0%	61%	39%
Safety Committee	$0	$16,135	$16,135	100%	0%	61%	39%
Fire	$219,409	$839,872	$620,463	74%	26%	45%	29%
Building Inspections	$431,900	$462,691	$30,791	7%	93%	4%	3%
Public Safety	**$1,133,819**	**$5,832,544**	**$4,698,725**	**81%**	**19%**	**49%**	**31%**
Engineering *(subsidized by bonded debt)*	$565,592	$565,592	$0	0%	100%	0%	0%
Streets & Alleys	$85,396	$1,743,286	$1,657,890	95%	5%	58%	37%
Streets & Highways	**$650,988**	**$2,308,878**	**$1,657,890**	**72%**	**28%**	**44%**	**28%**

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TAX LEVY ALLOCATION TO DEPARTMENTS

			Total Subsidy		% of Expenses Covered by		
Department	Revenues	Expenses	Amount	% of Expenses	Fees	Taxes	LGA/Other
PRCE - Administration	$87,423	$301,766	$214,343	71%	29%	44%	27%
Recreation	$205,000	$264,808	$59,808	23%	77%	14%	9%
Civic Arena	$396,000	$476,937	$80,937	17%	83%	10%	7%
Parks Department	$270,500	$1,315,542	$1,045,042	79%	21%	49%	31%
Recreation Building	$110,000	$414,119	$304,119	73%	27%	45%	28%
Event Center	$35,000	$99,305	$64,305	65%	35%	40%	25%
Senior Center	$48,100	$148,957	$100,857	68%	32%	42%	26%
Evergreen Building - Senior Dining	$6,600	$28,900	$22,300	77%	23%	47%	30%
Library	$0	$262,698	$262,698	100%	0%	61%	39%
Waterpark	$327,500	$601,510	$274,010	46%	54%	28%	18%
Culture & Recreation	**$1,486,123**	**$3,914,542**	**$2,428,419**	**62%**	**38%**	**38%**	**24%**
Cemetery	$103,150	$155,763	$52,613	34%	66%	21%	13%
Airport	$254,650	$263,063	$8,413	3%	97%	2%	1%
Unallocated Expenses	$363,800	$971,240	$607,440	63%	37%	38%	24%
Miscellaneous	**$721,600**	**$1,390,066**	**$668,466**	**48%**	**52%**	**30%**	**19%**
TOTALS	**$4,676,824**	**$16,609,538**	**$11,932,714**	**72%**	**28%**	**44%**	**28%**

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ADDITIONAL FACTS ON GENERAL FUND EXPENSES

- Wages & benefits increased by $676,219 in 2026 (6.4%)
  - Includes costs for general performance increases, union impacts and staff timing/allocation changes & minor shifts
  - 14% increase to health insurance
  - $30,501 increase to account for MN Paid Family Medical Leave
  - New IT full-time employee ($90,289)
  - Waterpark/Rec Building Manager Position ($86,150) – Accidentally left out of 2025 budget (approved for in the 2024 budget)
  - Engineering/Public Works Staffing Changes ($45,831) – Eliminate Utility Relief Operator position, add engineering tech and impacts of combining Engineering Tech/Project- Environmental-Regulatory Manager position into City Engineer/Asst. Public Works Director
- Wages & benefits account for **68%** of general fund expenses
  - Largest expense in the general fund
- Increase of $62,200 in Operating Supplies to replace outdated equipment at Park & Rec
- Increase of $131,700 in Contractual R&M for Aquatic Center/Ice Rink
- Additional $25,000 for fleet funding
- The 2026 budgeted expenses are balanced with revenues

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Truth in Taxation

Proposed 2026 Tax Enterprise Funds Budgets

ENTERPRISE FUNDS

	2025	2026	%↑↓
Liquor Revenue	$7,909,500	$7,629,400	-3.5%
Liquor Expenses	$7,916,568	$7,632,529	-3.6%
Compost Revenue	$2,551,500	$2,940,400	15.2%
Compost Expenses	$3,023,338	$3,205,037	6.0%
Garbage Revenue	$1,562,200	$1,638,200	4.9%
Garbage Expenses	$1,740,856	$1,858,768	6.8%
Water Revenue	$3,853,500	$3,310,000	-14.1%
Water Expenses	$5,277,593	$4,190,361	-20.6%
Wastewater Revenue	$5,123,800	$8,661,800	69.1%
Wastewater Expenses	$8,854,087	$9,948,817	12.4%
Stormwater Revenue	$1,274,800	$1,353,800	6.2%
Stormwater Expenses	$1,623,736	$1,649,858	1.6%

ENTERPRISE FUNDS - CASH

	2025	2026
Liquor Estimated Cash Flow	$50,932	$56,871
Liquor Estimated Ending Cash Balance	$700,000	$756,871
Compost Estimated Cash Flow	($111,513)	$104,663
Compost Estimated Ending Cash Balance	$2,500,000	$2,604,663
Garbage Estimated Cash Flow	($6,656)	$14,432
Garbage Estimated Ending Cash Balance	$765,000	$779,432
Water Estimated Cash Flow	($304,093)	$369,639
Water Estimated Ending Cash Balance	$3,900,000	$4,269,639
Wastewater Estimated Cash Flow	($2,530,287)	$212,983
Wastewater Estimated Ending Cash Balance	$7,250,000	$7,462,983
Stormwater Estimated Cash Flow	($93,936)	$3,942
Stormwater Estimated Ending Cash Balance	$1,050,000	$1,053,942

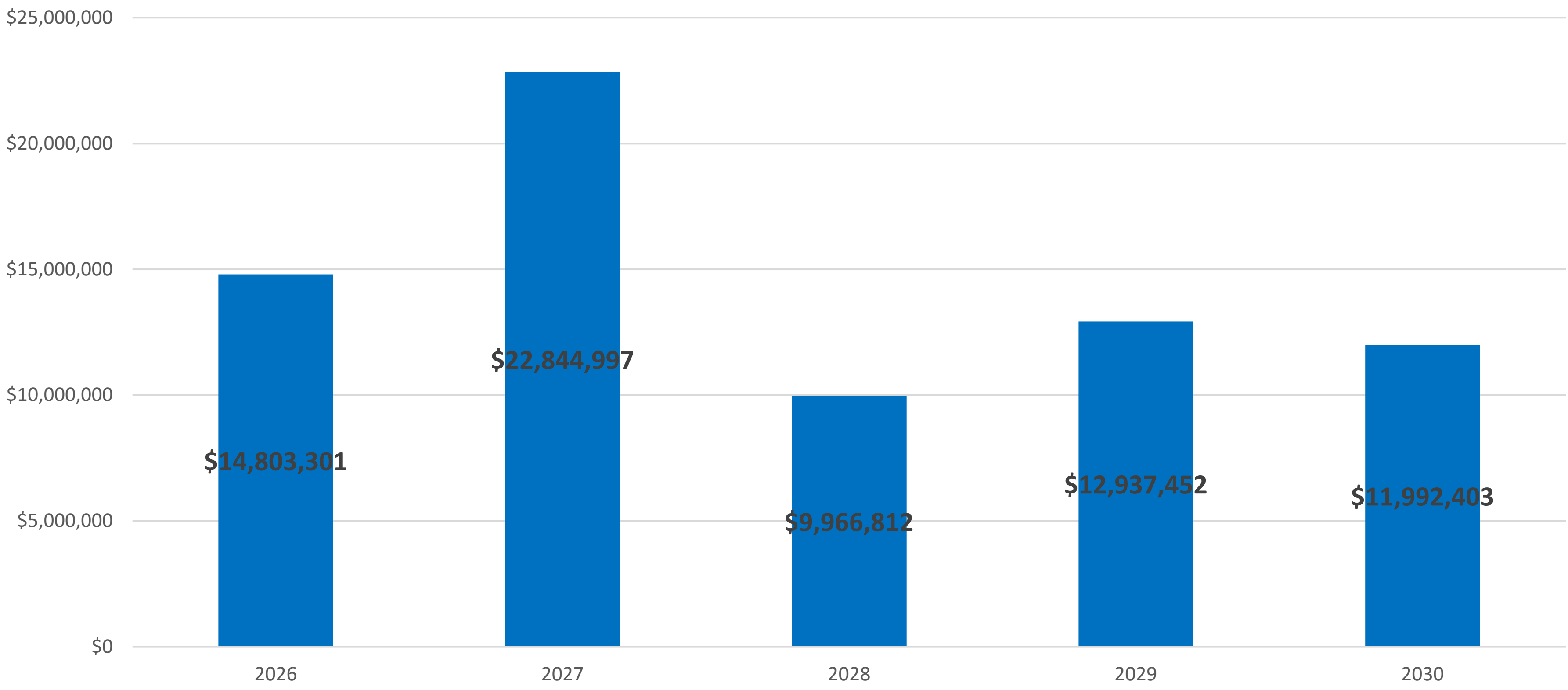
ADDITIONAL FACTS ON ENTERPRISE FUNDS

- Liquor Hutch ($550,000) and Creekside ($125,000) continue to do well and will contribute $675,000 to the general fund in 2026
- 5% increases in garbage rates
  - Third (of probably 5) straight increase since 2008
- All enterprise funds continue to have healthy fund balances
- Rate increase to stormwater rates (8%)
- Transfers to the General Fund from the Enterprise Funds will be at $920,000 in 2026.
- Total Enterprise money is $2,862,628 when you include the HUC money
- Capital needs due to the age of all the facilities are continuing to be a factor.

Truth in Taxation

Proposed 2026 Capital Improvement Plan (CIP) and Debt Management Plan

2026 – 2030 CIP



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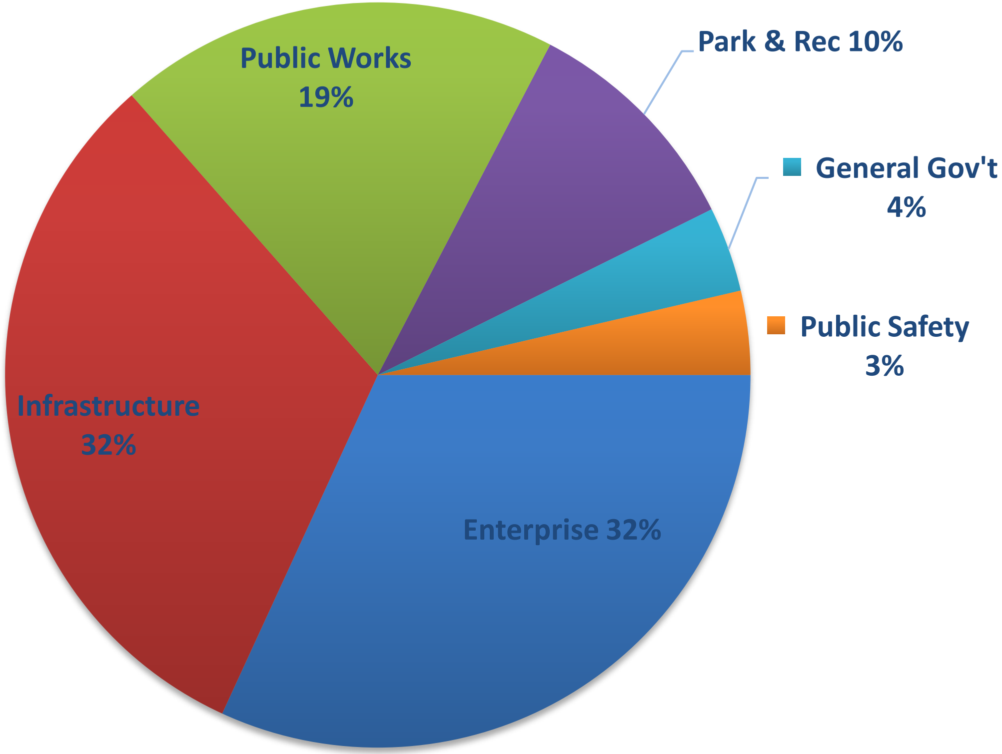
2026-2030 CIP – Where it Goes

- Infrastructure ($23.11 million)
  - New Construction
  - Reclaims
  - Partial Reconstruction
  - Pavement Management
- Enterprise Funds ($22.97 million)
  - Creekside/Refuse
  - Liquor Store
  - Water and Wastewater
  - Stormwater
- Public Works ($13.89 million)
  - Airport
  - Cemetery
  - Engineering
  - Streets (buildings/vehicles)
- Park & Rec. ($7.26 million)
  - Pool/Rec Center
  - Civic Arena
  - Parks
  - Library
- Public Safety ($2.68 million)
  - Police
  - Fire
  - Inspections
- General Government ($2.64 million)
  - Admin/Technology
  - City Center



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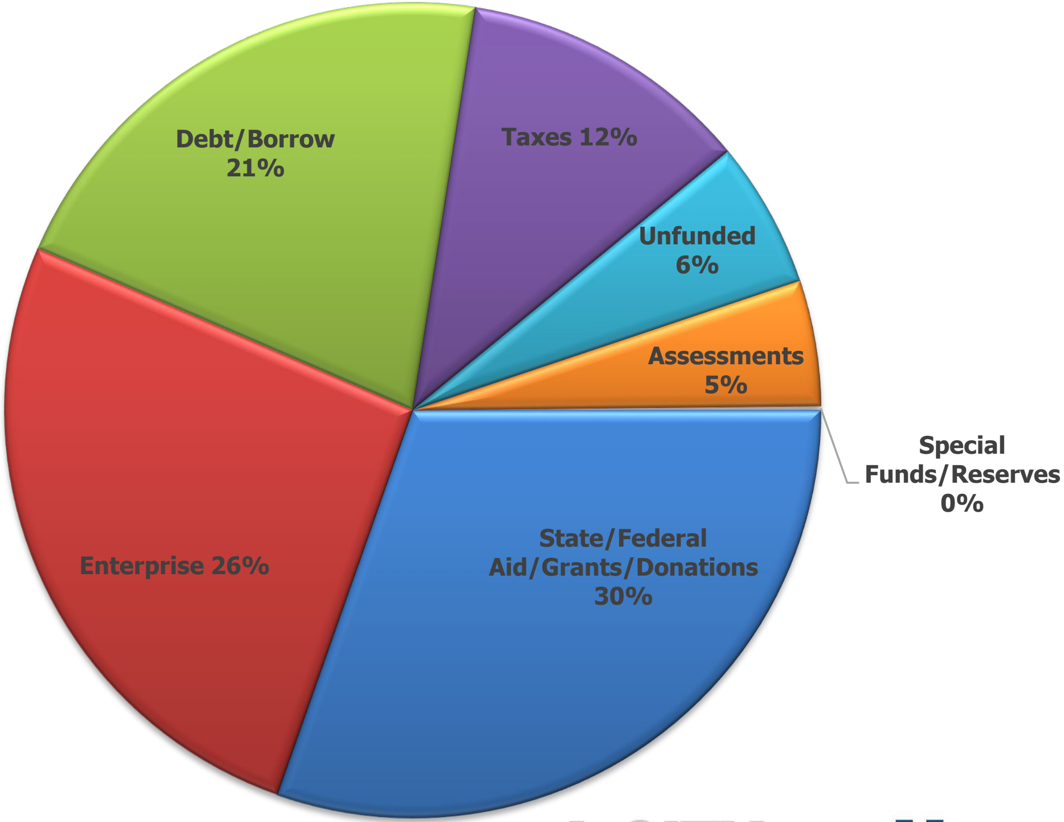
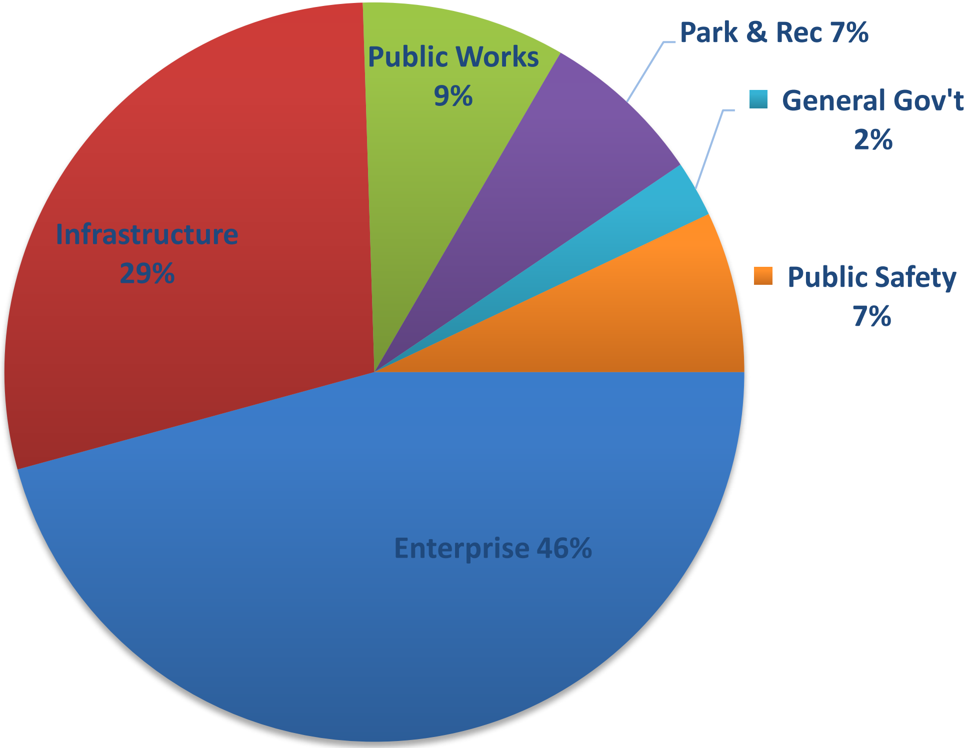
2026-2030 CIP – Where it Comes From

- Aid/Grants/Donations ($22.04 million)
  - State Aid
  - Federal/State/County Grants
  - Bonding Dollars
  - Donations
- Enterprise Funds ($18.93 million)
  - Creekside, Liquor Store, Refuse, Water, Wastewater, Storm
  - Revenue generated by these funds help pay for capital projects
- New Debt ($15.22 million)
  - Amount of money that we need to borrow to pay for capital projects
- Taxes ($8.40 million)
  - Money from our tax levy that gets designated towards capital projects
  - $1.68 million/year
  - About 17% of our overall levy
  - Could come from Capital Fund balances
- Unfunded ($4.23 million)
  - No current funding source
- Special Assessments ($3.60 million)
  - Direct costs that will be assigned to property owners adjacent to projects
- Special Funds/Reserves ($119,500)
  - Rural Fire Dept.
  - Cooperative Agreements
  - Special Funds



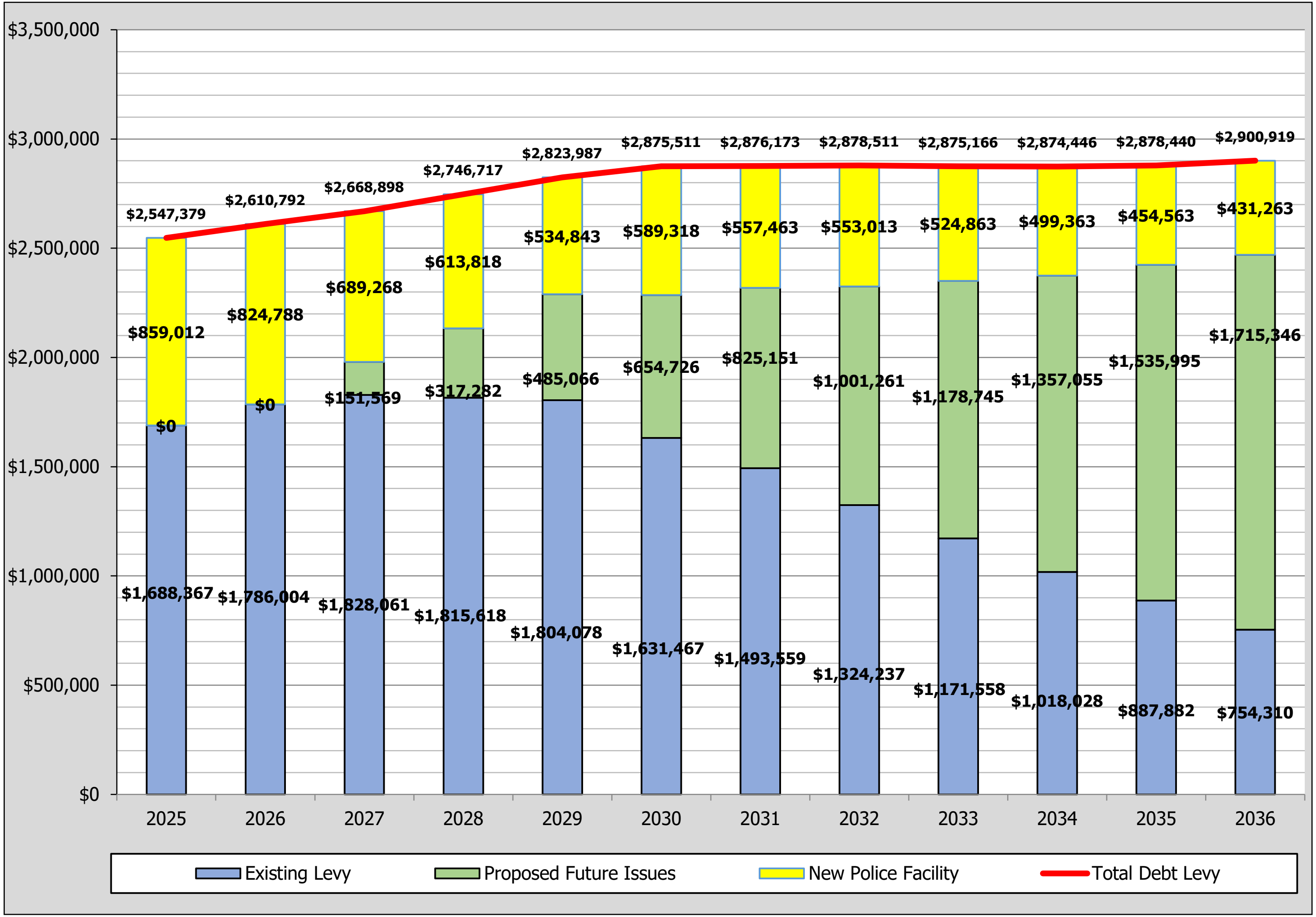
2026 Portion of the CIP

- Enterprise Funds ($6.77 million)
  - Liquor Store Improvements
  - Creekside Equipment
  - Water and Wastewater, Improvements and Equipment
  - Water Meters
  - Storm Water Improvements
- Infrastructure ($4.25 million)
  - Edmonton Avenue
  - Larson, Bradford, Orchard, Sherwood, Elks, etc.
  - Sealcoating
- Public Works ($1.32 million)
  - Airport
  - Cemetery
  - Vehicles/equipment
- Park & Rec. ($1.05 million)
  - Pool Repairs/Features
  - Vehicles/Equipment
  - Playgrounds
  - Campground
  - Outdoor Basketball Courts
- Public Safety ($1.04 million)
  - Fire Truck
  - Squad Car/Police Robot
- General Government ($363,000)
  - City Center Improvements



DEBT MANAGEMENT PLAN

- The big impact was the new police station
- 2022 was the first increase in our debt levy since 2016 (6.7%)
- The 2026 increase is set at 2.5%
- Increased interest rates have/will impact future debt decisions
- Rising project costs have put pressure on increasing the debt tax levy
- Debt levy has not kept up with inflation (less "bang for the buck" when it comes to projects)
- Special assessment rates still need to be reviewed.
- Have run some debt scenarios for additional future debt – not included in this scenario



Truth in Taxation

Conclusion of the Proposed 2026 Budget Presentation and Truth in Taxation Hearing

ADDITIONAL INFORMATION

PROPOSED FINAL LEVIES FOR 2026

					Change from Prelim	
	2025	2026	Change	% Chg	Amount	%
General Fund	$6,704,034	7,283,906	$579,872	8.6%	(179,289)	-2.7%
Tax Abatement	25,000	25,000	-	0.0%	-	0.0%
Total General Fund	6,729,034	7,308,906	579,872	8.6%	(179,289)	-2.7%
Debt Funds	2,547,379	2,610,792	63,413	2.5%	(34,954)	-1.4%
Total City Tax Levy	**$9,276,413**	**$9,919,698**	**$643,285**	**6.9%**	**($214,243)**	**-2.3%**
EDA Levy	281,771	286,437	4,666	1.7%	-	0.0%
HRA Levy	170,000	173,000	3,000	1.8%	-	0.0%
TOTAL TAX IMPACT	**$9,728,184**	**$10,379,135**	**$650,951**	**6.7%**	**($214,243)**	**-2.2%**

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ADDITIONAL INFORMATION

	2025	2026	
General Fund Revenue	$15,709,729	$16,609,538	5.7%
General Fund Expenses	$15,709,729	$16,609,538	5.7%
General Tax Levy	$6,704,034	$7,283,906	8.6%
Tax Abatement	$25,000	$25,000	0.0%
Debt Tax Levy	$2,547,379	$2,610,792	2.5%
Total:	**$9,276,413**	**$9,919,698**	**6.9%**
EDA Tax Levy	$281,771	$286,437	1.7%
HRA Tax Levy	$170,000	$173,000	1.8%
TOTAL TAX IMPACT	**$9,728,184**	**$10,379,135**	**6.7%**

BIGGEST FACTOR BEHIND A LEVY INCREASE

General wage and benefit increases, along with a couple of additional positions are expected to cost us an additional $676,219 in 2026

Reminder: A 1% levy increase is equal to $92,764 ($67,290 – General)

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ADDITIONAL INFORMATION

- The 2026 budget includes an additional IT staff position, the Waterpark/Rec Building position, and Engineering/Public Works staffing changes. The proposed budget for 2026 includes no other significant increases or cuts in staffing or changes in service
- 2026 Budget includes a 14% increase in health insurance costs and new costs for the MN Paid Family Medical Leave
- **Staffing costs and capital needs are the biggest “driver” of our budget**
- Major capital improvements are needed at the Pool and Ice Arena.
- Fund balances continue to remain high, and the fiscal condition of the City is healthy
- The State’s budget forecasts isn’t great and could have an impact in future years
- Home values continue to increase, and the city is continuing to see growth at all levels (residential including multi-family, commercial, industrial)
- Inflation and supply chain issues continue to impact the City as well

NEXT STEPS

- Additional Questions from Council Members and the Public
- Council to approve final budgets and levies at their December 23 city council meeting.
- Certify Final Levies to the County by December 30

THANK YOU!

Questions? – mjaunich@hutchinsonmn.gov

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