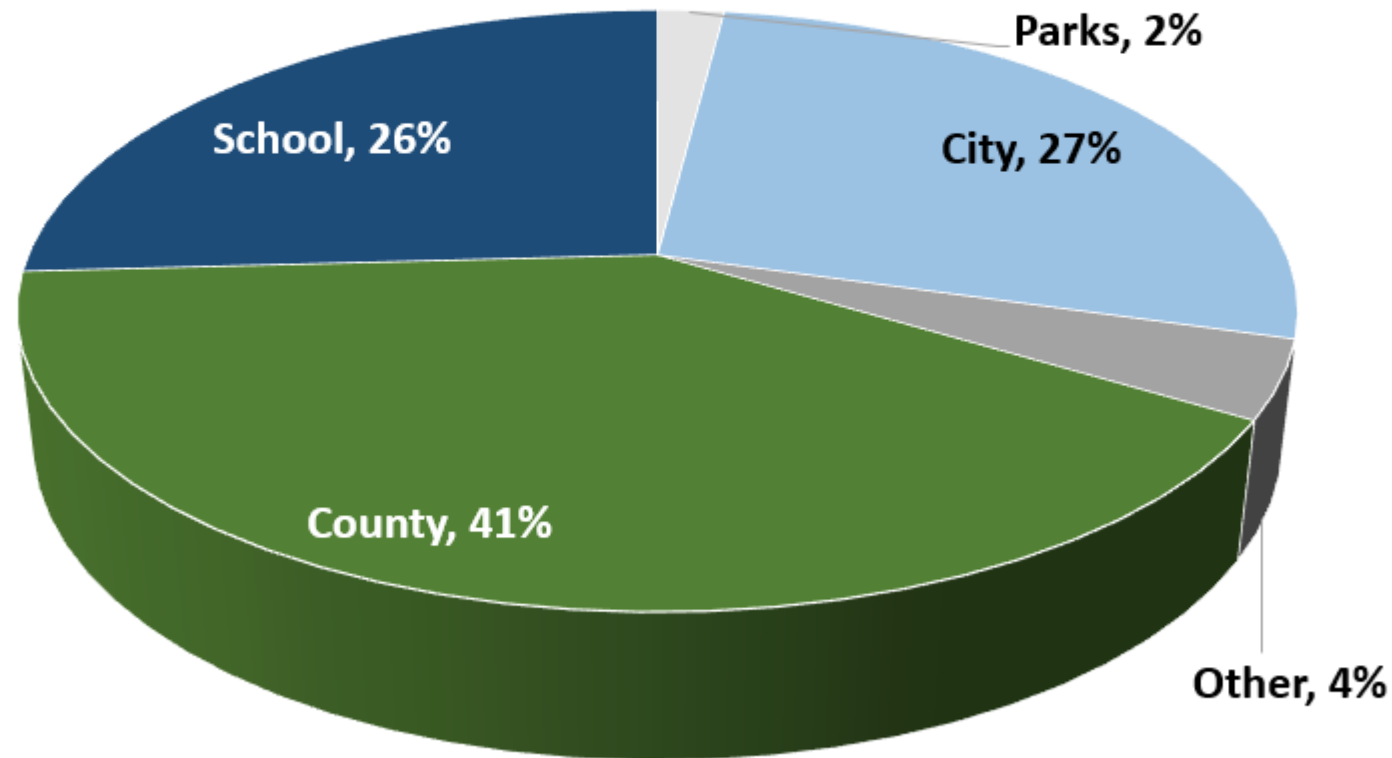


Proposed 2026 Maximum Property Tax Levy



Average Property Tax Bill by Taxing Entity

For City of Duluth Residents



Revenue from 1% Levy Increase

City of Duluth	\$443K
ISD709	\$449K
St. Louis County	\$1.8M

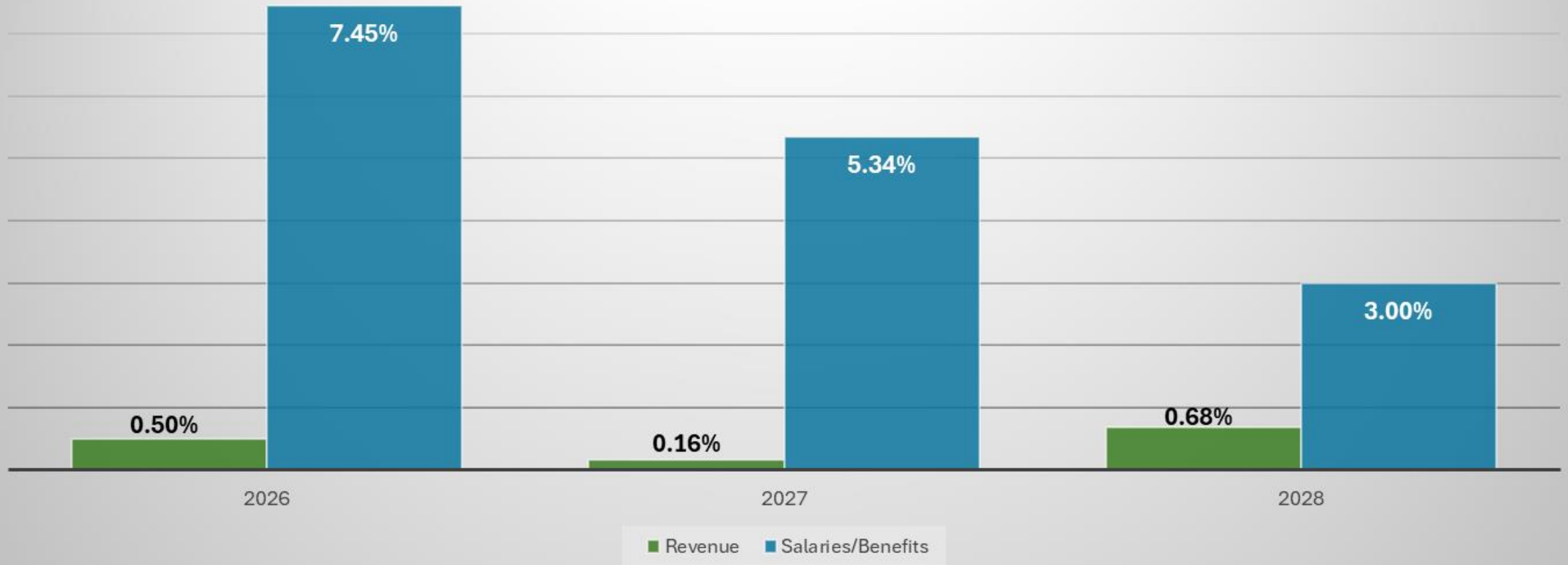
Projected 2026 Deficit
\$7,362,430

Projected 2027 Deficit
\$5,317,845

EXPENDITURES	2026F	2027F
Salaries (OT + Other Wages)	66,242,101	70,144,627
Medical	13,963,200	14,661,360
PERA	7,753,900	8,266,208
Retiree Medical	3,100,000	3,100,000
All other Benefits	5,417,900	5,457,395
Insurance (worker's comp + liability)	3,314,000	2,800,000
Fleet Services	3,611,000	3,669,016
Motor Fuels	929,800	1,074,688
All Other Expenditures	12,548,800	13,142,222
Tenant Landlord Connection	40,000	40,000
Paid Leave tax	293,659	308,636
Total Expenditures	117,214,360	122,664,152
DEFICIT	(7,362,430)	(5,317,845)
Total Levy %	16.96%	10.48%

Forecasted Revenue Growth vs Salary/Benefit Growth

Does not include Property Taxes



Balanced Budget Options:

0% Levy
(reductions only)
\$7,362,430

0% Budget Reductions
(levy only)
16.96%

Reminder:
Followed by
10.48% in 2027

REVENUES	2026F	2027F
Local Government Aid	35,231,196	35,231,196
Property Taxes	25,697,342	33,059,772
City Sales Tax	18,486,500	19,041,095
Minnesota Power Franchise Tax	4,010,000	4,010,000
Multiple Dwelling License	892,500	1,155,000
Other Financing Sources	6,497,700	6,914,144
Inspection Fees	3,122,000	3,072,000
Gas Utility In Lieu of Taxes	2,800,000	2,587,000
All Other Revenue Sources	13,114,692	12,276,100
Total Revenues	109,851,930	117,346,307
EXPENDITURES	2026F	2027F
Salaries (OT + Other Wages)	66,242,101	70,144,627
Medical	13,963,200	14,661,360
PERA	7,753,900	8,266,208
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Neither Option is Sustainable

- The proposed 2026 Budget must be a combination of:
 - Some new revenue
 - Significant expense reductions

- Trailing 2027 deficit means we can't get there with one-time fixes

Budget Planning Parameters

- One:** After nearly a decade of 9% average annual increases the COD property tax levy needs to be *affordable* and *sustainable*
- Two:** 2025 0% levy was an *intentional pause*
- Three:** Reasonable to capture *new growth* and consider *inflation*
- Four:** No increase in overall FTEs

Proposed 2026 Property Tax Levy:

2.7% (CPI*)

+ New Growth 1.43%

= \$1,793,383

*Past 12 month average through July, 2025

2026 Proposed Property Tax Levy

	2025 Approved Levy	2026 Proposed Levy	Change In Levy	
General Operations Levy				
General Operations	\$ 25,547,272	\$ 27,523,155	\$ 1,975,883	
Provision for Tax Delinquency	\$ 150,000	\$ 150,000	\$ -	
Total General Operations Levy	\$ 25,697,272	\$ 27,673,155	\$ 1,975,883	
Supplemental Parks Levy	\$ 280,000	\$ 280,000	\$ -	
Capital Projects Levy				
Debt Service	\$ 4,547,400	\$ 4,547,400	\$ -	
Infrastructure Permanent Improvements	\$ 7,564,200	\$ 7,564,200	\$ -	
Total Capital Projects Levy	\$ 7,844,200	\$ 7,844,200	\$ -	
Street Light Levy	\$ 2,547,200	\$ 2,547,200	\$ -	
Street Maintenance Levy	\$ 2,300,000	\$ 2,300,000	\$ -	
Duluth Housing Trust Fund Levy	\$ 182,500	\$ -	\$ (182,500)	
Total City Property Tax Levy	\$ 43,398,572	\$ 45,191,955	\$ 1,793,383	
General Operations Levy Increase			\$ 1,975,883	4.55%
Duluth Housing Trust Fund Levy			\$ (182,500)	-0.42%
2026 City Tax Levy Increase			\$ 1,793,383	4.13%
New Construction Growth			\$ 621,622	1.43%
Net Property Tax Impact After Growth			\$ 1,171,761	2.70%

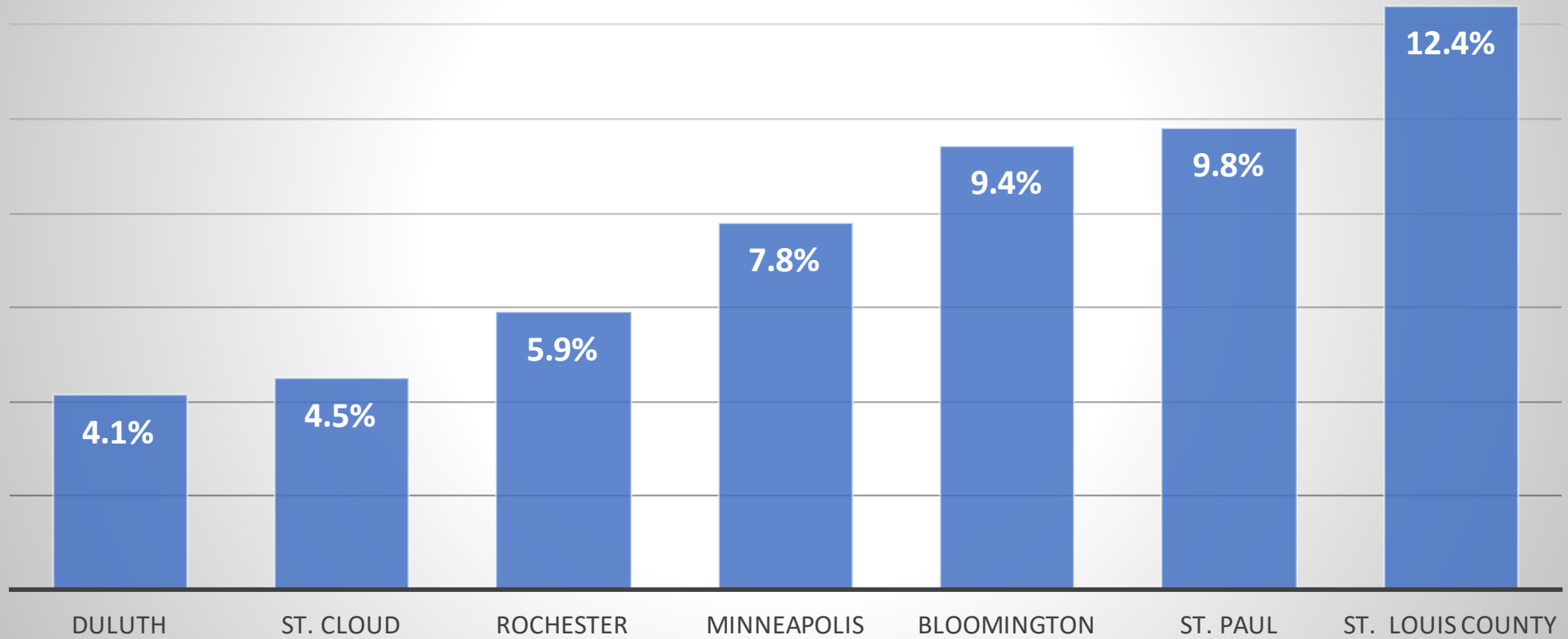
Proposed 2026 City of Duluth Property Tax Levy Impact*

Overall property values have increased with the average home value in Duluth increasing from \$273K in 2025 to \$289K in 2026.

\$175,000	Residential	(\$15.08)
\$225,000	Residential	(\$20.58)
\$275,000	Residential	(\$26.07)
\$250,000	Commercial	(\$41.10)
\$500,000	Commercial	(\$88.90)
\$750,000	Commercial	(\$136.69)

*Assumes no change in the assessed property valuation from 2025.

2026 Proposed Levies



Beginning 2026 Deficit: \$7,362,430

Remaining 2026 Deficit after levy:

\$5,569,047

Budget Guidelines for Directors

One:

Focus on core city services

Those things only we do and no one else is going to do for us

Two:

Are there things COD can stop doing?

Ex: Legacy programs. Nice to dos. Low return.

Three:

How do invite others to partner in what we do?

Non-profits, businesses, civic and faith organizations, our residents

Four:

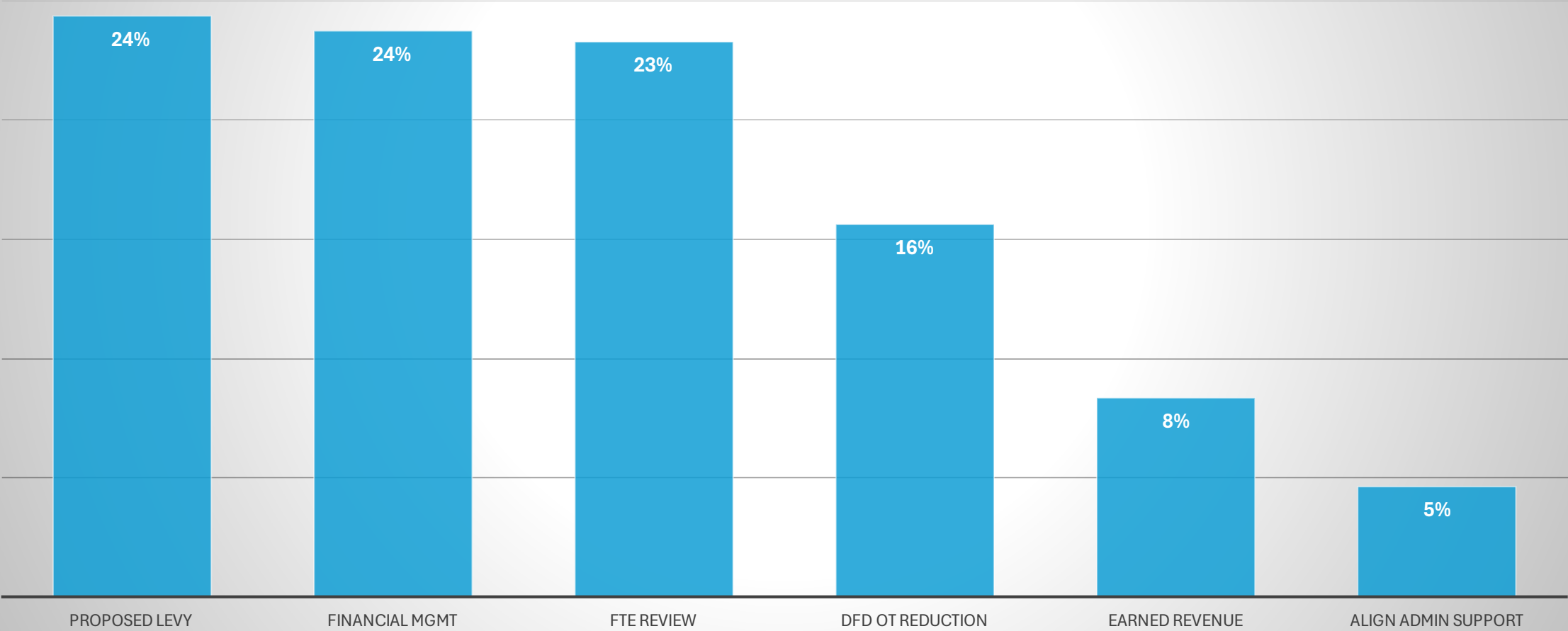
BE BOLD!!!

Significant challenges also present the greatest opportunities

How will we get there?

1. Active management of our finances
2. Earned revenue opportunities
3. Addressing ballooning DFD overtime
4. Evaluating and aligning open FTEs
5. Evaluating and aligning administrative and support functions

2026 Budget Strategies



Finance:

- Invest CIT in fixed-income and allocate a portion of additional earnings to operations
- Reduce consistently overbudgeted line items that plan for extremes
 - Establish a contingency fund to support unusual operational years
 - CIT and Fund Reserve exist for catastrophic emergencies
- Invest the housing trust fund levy into general operations
 - Council/community priority to support Life Safety and rental inspections
- Update projected revenue increases and align fees to fully cover costs

Operations:

- Add 3 FTEs to DFD to address excessive overtime and firefighter burnout
- Individually evaluate every vacant position (CA to personally authorize hiring)
- Better align administrative support functions

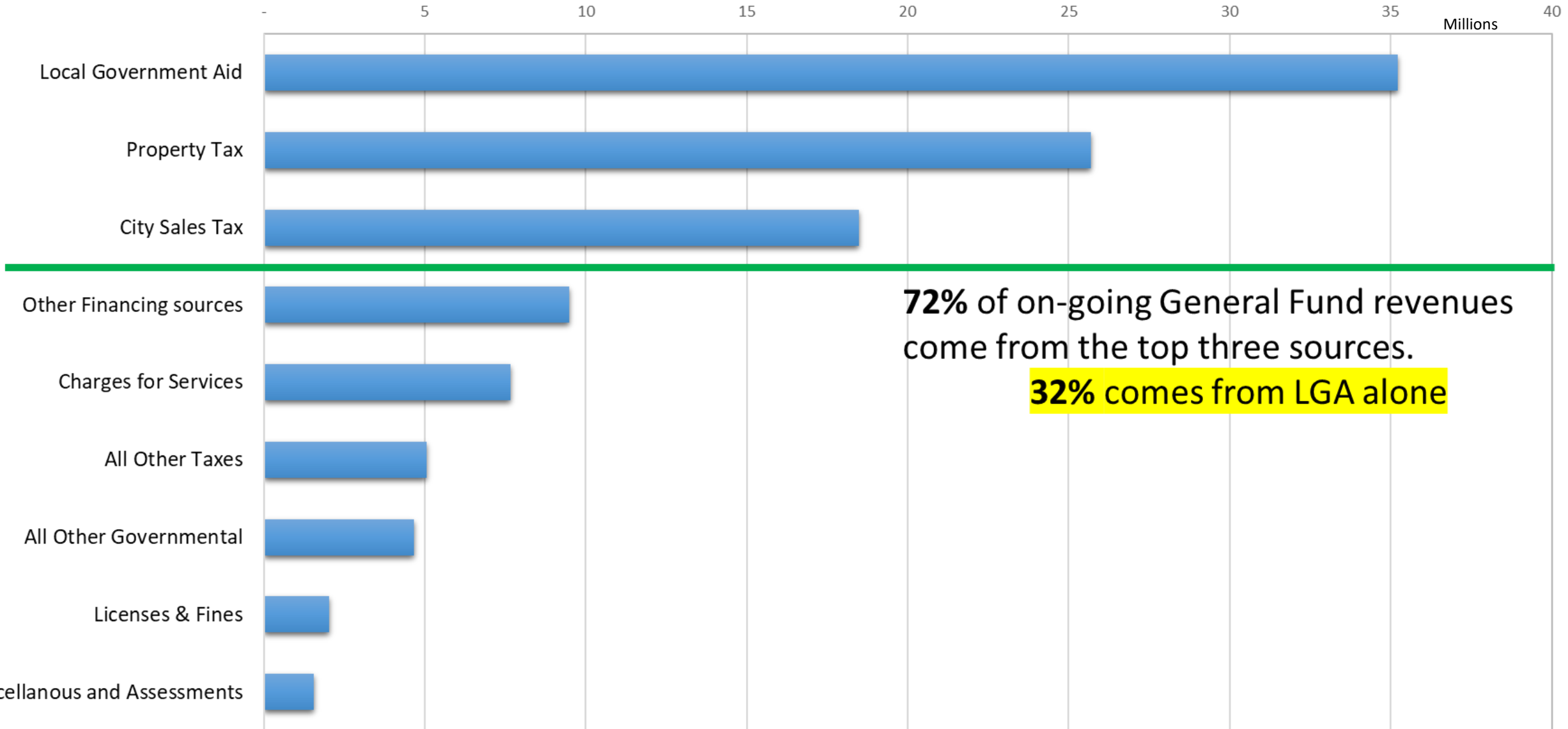
What WILL be in the 2026 Budget:

- Prioritizing core city services: public safety and public works
- Prioritizing FTEs that deliver frontline services
- COD portion of funding for CRT efforts downtown

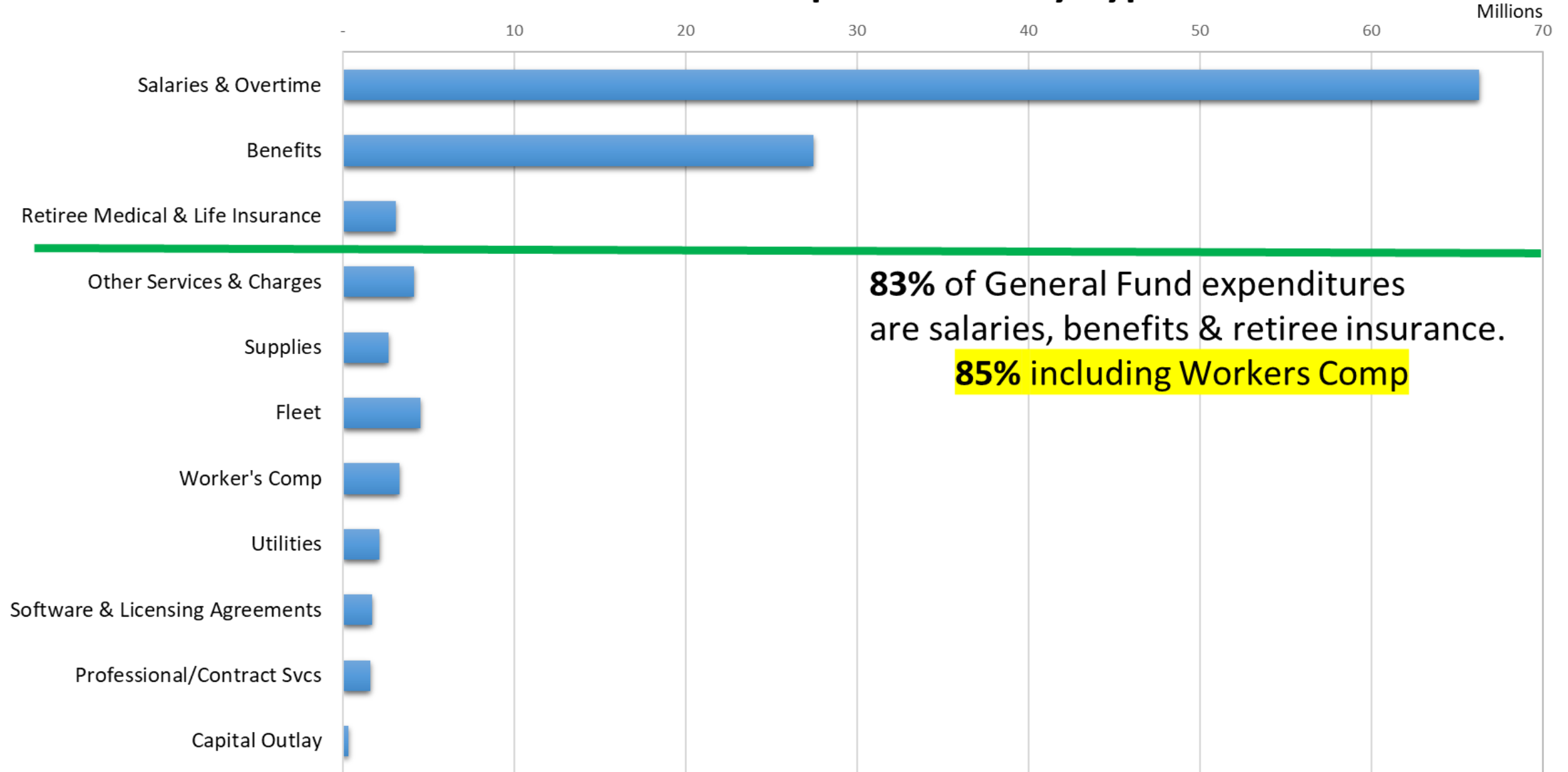
What will NOT be in the 2026 Budget:

- Deficit spending (use of the Reserve or ARPA/Covid dollars to cover GF shortfall)
- Across the board cuts
- Hiring freeze
- 17% property tax increase
- Massive reductions in any one department (ie Library or Parks)

2026 General Fund Revenues by Source

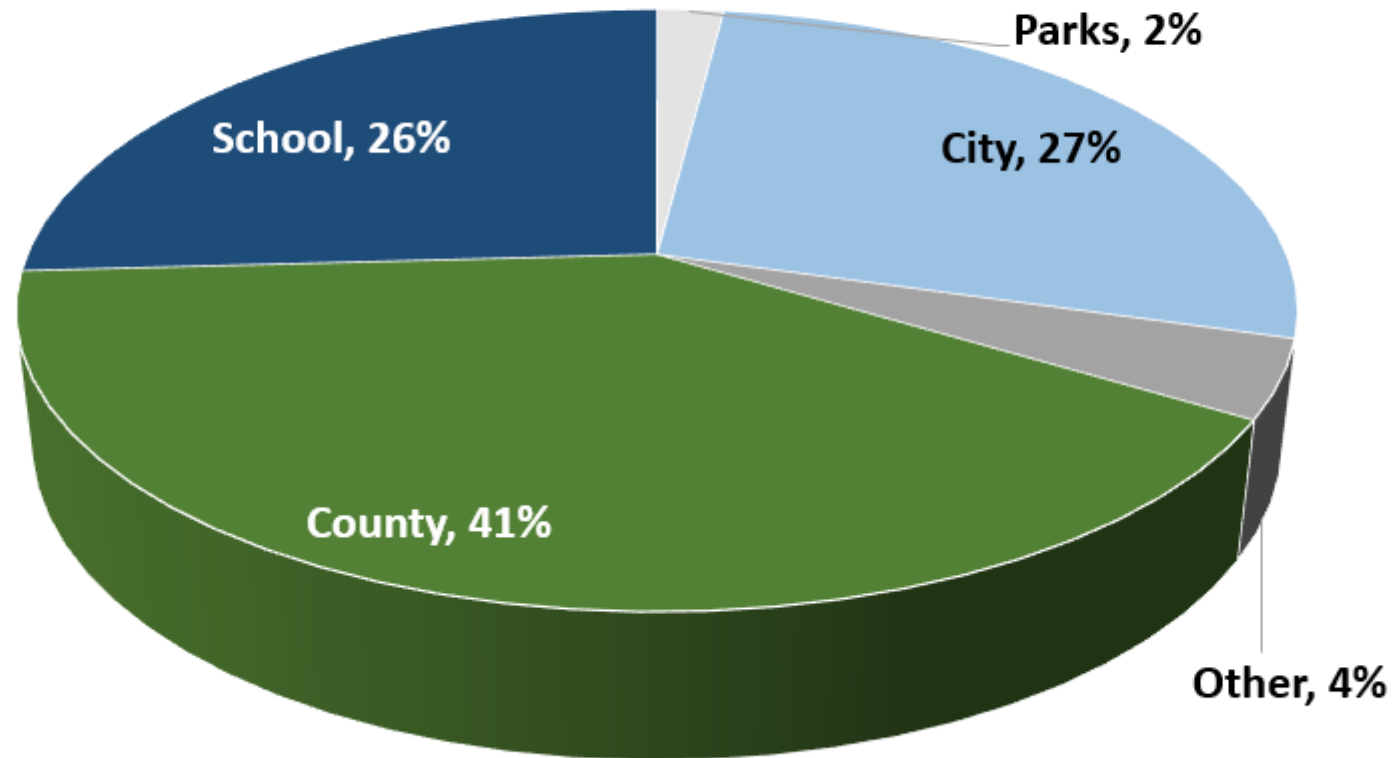


2026 General Fund Expenditures by Type



Average Property Tax Bill by Taxing Entity

For City of Duluth Residents



THANK YOU!

