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SUBJECT: Mayor Roger Reinert provides statement regarding 2026 City of Duluth budget and tax levy

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Mayor Roger Reinert provides statement regarding 2026 City of Duluth budget and tax levy

[DULUTH, MN] Last night, the Duluth City Council approved the 2026 property tax levy and budget. The budget resolves a projected \$7.3 million deficit driven by rising labor and material costs while keeping property taxes to a minimum. The City of Duluth net property tax levy will be 3.5%. "This will still be one of the lowest municipal levies in all of northeastern Minnesota," noted Mayor Reinert, "and follows our 0% levy last year, which was the first time in a decade we have held property taxes flat." Truth in taxation statements show levies in neighboring Proctor at 7%, Hermantown at 10.3%, and Rice Lake at 8.2%.

In September, Mayor Reinert requested an 'inflation-only' max tax levy of 2.7%. At last night's meeting the City Council increased the levy to 3.5%. "Though I respect the Council's ultimate authority to increase the levy and spending, it has only made next year's budget deficit more challenging." Reinert noted last night's vote increased the projected 2027 deficit from \$5.4 million to \$5.8 million.

The mayor's proposed 2026 budget, presented in October, addressed the \$7.3M 2026 deficit through management of overtime, application of earned revenue and one-time funds, and reductions in overall FTEs--actions designed not only to close the 2026 gap, but also prepare for ongoing structural deficits. Current city budget trendlines show expenses outpacing revenues by a 4:1 ratio.

Reinert also noted to council at last night's meeting that, while the City only makes up 27% of the property tax levy, it must work hard to control future increases. "The average home value in Duluth has increased from \$185,000 in 2018 to \$295,000 today, while the average property tax bill has grown from just over \$2,000 to almost \$4,000. For too many Duluthians their property taxes have literally doubled in just eight short years. That is neither affordable nor sustainable."

Mayor Reinert closed his comments by emphasizing that maintaining the status quo is not an option. Structural budget challenges require difficult decisions and new approaches to city service delivery to ensure long-term fiscal sustainability. The mayor called on the council, councilors-elect, city leadership, and the community to prioritize bold and strategic action in 2026 that will strengthen the city's financial position and ensure ongoing core city services for residents and businesses.

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