City Council
Work Session

Monday, August 17, 2026, 5:30 PM
106 Center Street

Members of the public may attend the work session either in person or by joining via Zoom either online or by telephone at:
https://us02web.zoom.us/j/86346794494

Meeting ID: 863 4679 4494

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AGENDA

1. Call to Order/Roll Call
2. Agenda Approval
3. New Business
    a) 2027 Preliminary Budget Discussion
4. Adjournment

THE CITY OF EXCELSIOR MINNESOTA

MEMORANDUM

Re: Item 3—2027 Preliminary Budget

Date: August 17, 2026

To: City Council

From: Jenny Palmer, Finance Director

Preliminary 2027 Budget Overview

This memorandum provides the City Council with its first review of the City of Excelsior's preliminary 2027 budget. The purpose of this work session is to review the major factors affecting the budget and tax levy, discuss the potential impact on taxpayers, and provide staff direction as the budget is refined.

During 2026, the City made significant investments in infrastructure and purchased a permanent location for City Hall. The City also completed a comprehensive compensation study to evaluate employee wages relative to the market. The preliminary 2027 budget continues these investments and includes wage adjustments intended to bring staff compensation in line with the study.

General Fund Budget

Key factors impacting the 2027 General Fund Budget include:

Revenue Considerations

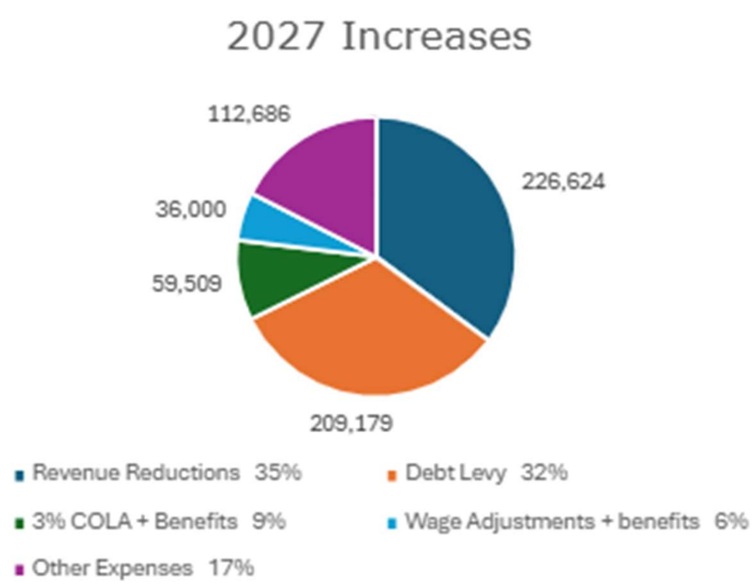
- Fiscal Disparities: Revenue is currently estimated to decrease in 2027.
- Interest Earnings: Interest earnings are expected to decrease because the City will hold fewer bond proceeds available for investment during 2027.
- Building and Development Fees: Several development-related revenues are trending below prior years, including building; mechanical and plumbing permits; zoning and subdivision fees; conditional use permits; application processing fees; and plan check fees.
- Special Events Fees. Revenue has been reduced to reflect current activity, including the discontinuation of the Klondike Dog Derby.

Expenditure Considerations

- Employee Compensation: Wage adjustments are included to bring staff compensation in line with the compensation study completed in 2026.
- Health Insurance: A 15% increase in health insurance costs has been included as a preliminary estimate. Final renewal information has not yet been received from the City's insurance agent.
- Insurance: Workers' compensation and property and casualty insurance costs are estimated to increase by 5%.

- Seasonal Employees: Funding for seasonal employee wages has been increased to bring the City’s seasonal pay rates more in line with surrounding communities.
- Comprehensive Plan: Includes $17,500 for Comprehensive Plan-related costs.
- Elections: Includes the cost for a special election depending on the results of the Governor’s race.
- Debt Service Levy: The preliminary budget includes an additional $209,178 in debt levy associated with the three bonds issued in 2026. The portion of debt for 261 School Avenue is $223,148.

The preliminary budget represents the City’s continued investment in its infrastructure, facilities, and workforce while recognizing areas where revenues are expected to decline and operating costs continue to increase. Staff will continue to refine revenue and expenditure estimates as additional information becomes available throughout the budget process.



Next Steps

Next Steps in the 2027 budget process are:

- September 8 - Preliminary Budget Work Session
- September 21 - Preliminary Budget Work Session and adoption of the 2027 Preliminary Budget for certification to Hennepin County
- October - November include General Fund adjustments, review of the Enterprise Funds, Parking Fund and School Building Fund
- December 7 - Truth in Taxation hearing
- December 16 - Final Budget Adopted
- December 30 - Final Budget Certified to Hennepin County

2027 Tax Levy Components

The preliminary 2027 levy is $3,552,198, an increase of $644,226, or 22.15%, from the 2026 adopted levy. Three primary factors account for the increase: General Fund revenues decreased by $228,124, General Fund expenditures increased by $209,224, and the debt service levy increased by $209,178.

The total levy for the three debt issues sold in 2026 is $625,214. Of this amount:

- $100,000 from the completion of the 2010A debt levy
- $316,036 from the 2026 levy
- $209,178 from the 2027 debt service levy

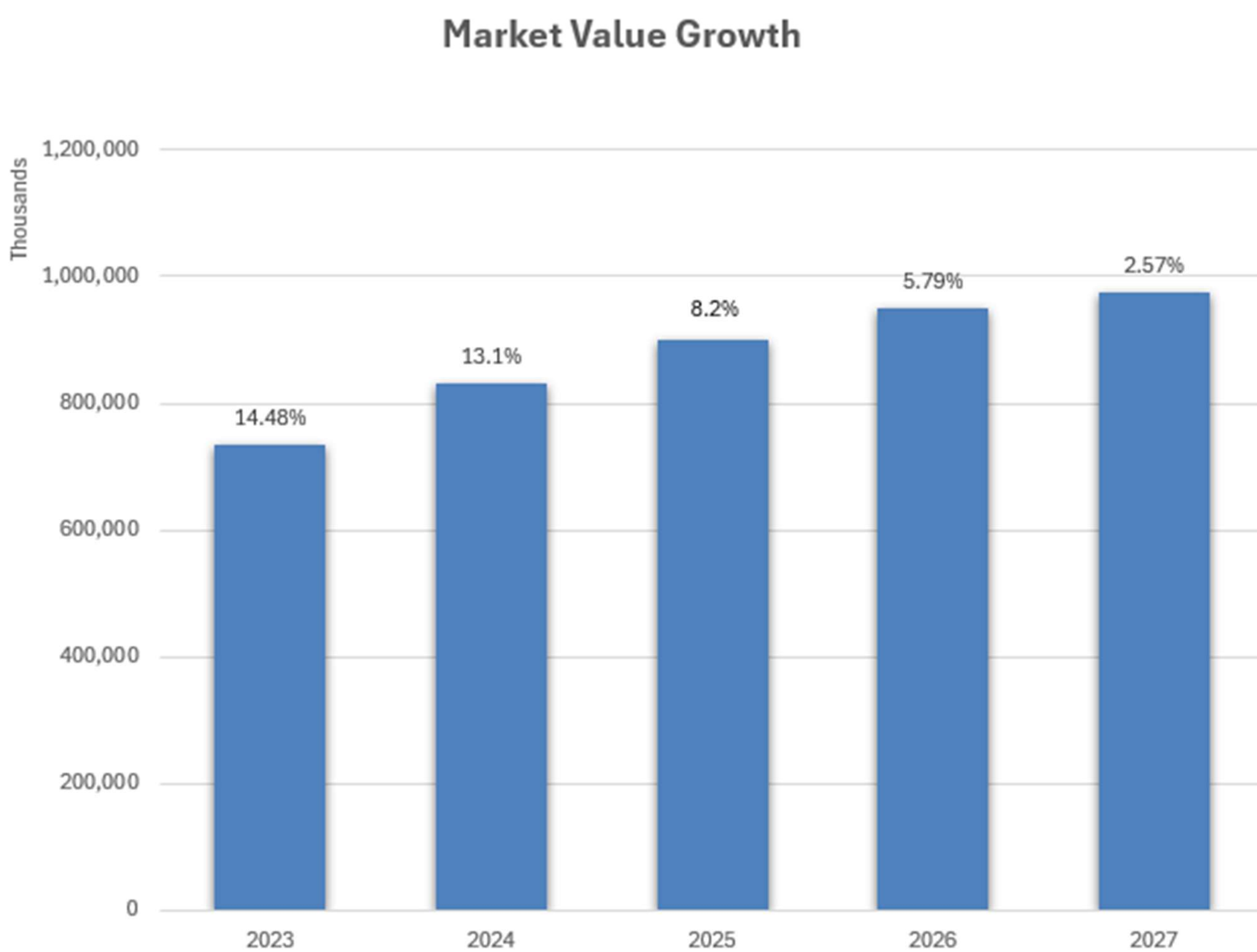
No additional debt issuance is anticipated in 2027.

For context, the first review of the 2026 budget showed a 17.12% levy increase over 2025. Through the budget process, the final 2026 levy increase was reduced to 8.5%. The 22.15% shown for 2027 is similarly a starting point for Council discussion and refinement.

2027 Tax Levy Components	2026 Adopted	2027 Preliminary	$ change from 2026	% change from 2026
General Fund	$ 1,929,551	$ 2,364,599	$ 435,048	
Capital Improvement	$ -		$ -	
Total General Revenue	$ 1,929,551	$ 2,364,599	$ 435,048	
Debt Service				
2010A	$ 100,000	$ -	$ (100,000)	
2017A	$ 80,188	$ 80,188	$ -	
2019A	$ 152,486	$ 152,486	$ -	
2020A	$ 96,635	$ 96,635	$ -	
2021A	$ 233,076	$ 233,076	$ -	
2026A	$ 75,613	$ 112,500	$ 36,887	
2026B	$ 140,423	$ 207,114	$ 66,691	
2026C	$ 100,000	$ 305,600	$ 205,600	
Total Debt Service	$ 978,421	$ 1,187,599	$ 209,178	
Total Levy	$ 2,907,972	$ 3,552,198	$ 644,226	22.15%

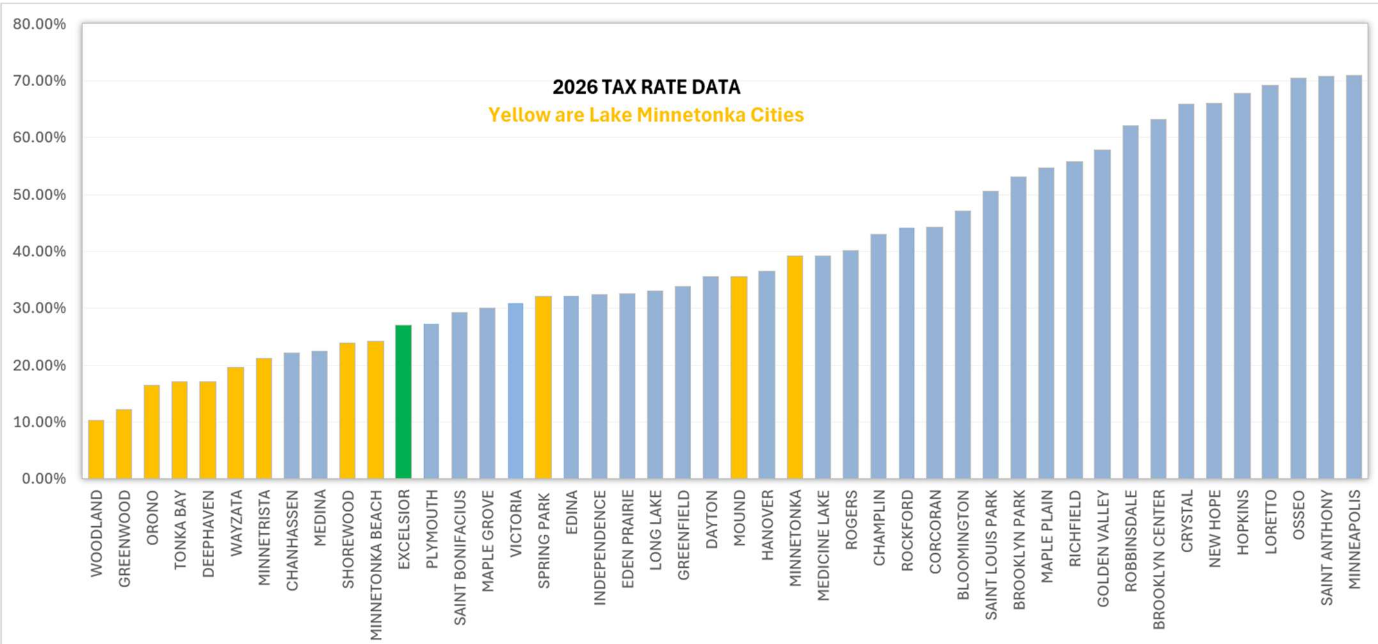
Summary of the City's Market Value Growth

Excelsior's market value continues to grow, but at a slower rate. Estimated market value growth for 2027 is 2.57%, compared with 5.79% for 2026. Slower market value growth means levy increases are spread across a tax base that is growing less rapidly.



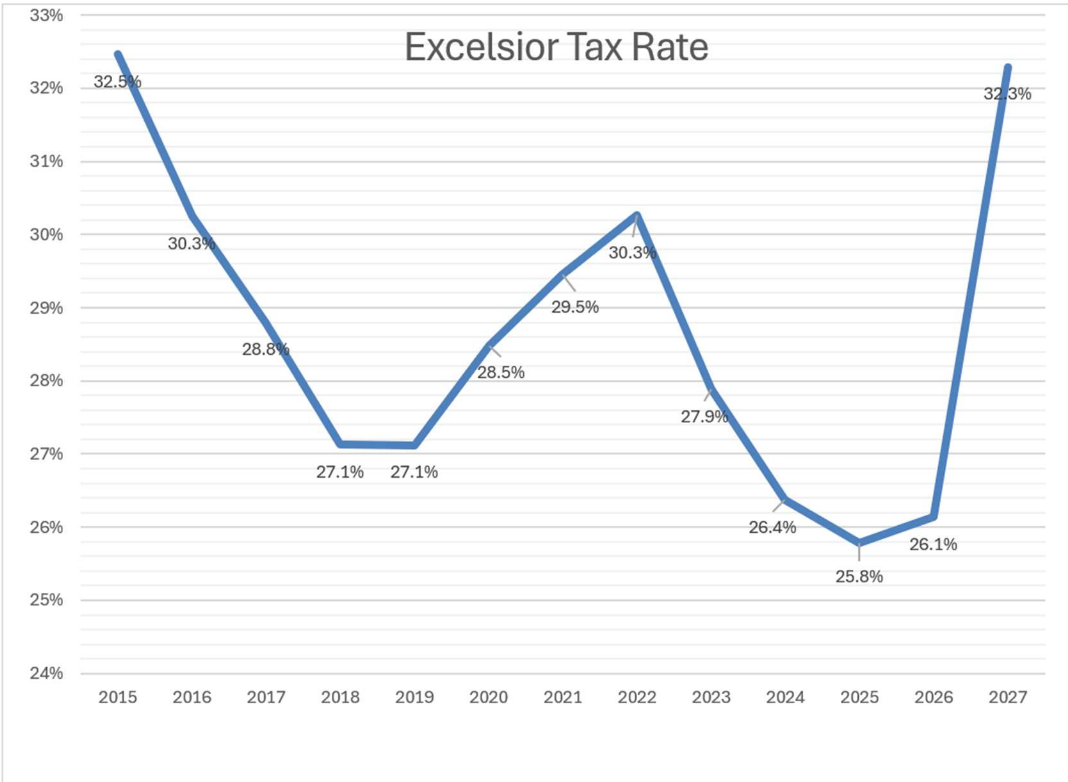
Comparison to Other Communities

The chart below compares Excelsior's 2026 tax rate with other communities. Lake Minnetonka communities are highlighted in yellow and Excelsior is shown in green. Excelsior's tax rate is higher than several neighboring Lake Minnetonka communities, but lower than a number of communities with comparable downtown areas, including Osseo, Hopkins, Robbinsdale, Victoria, and Edina.

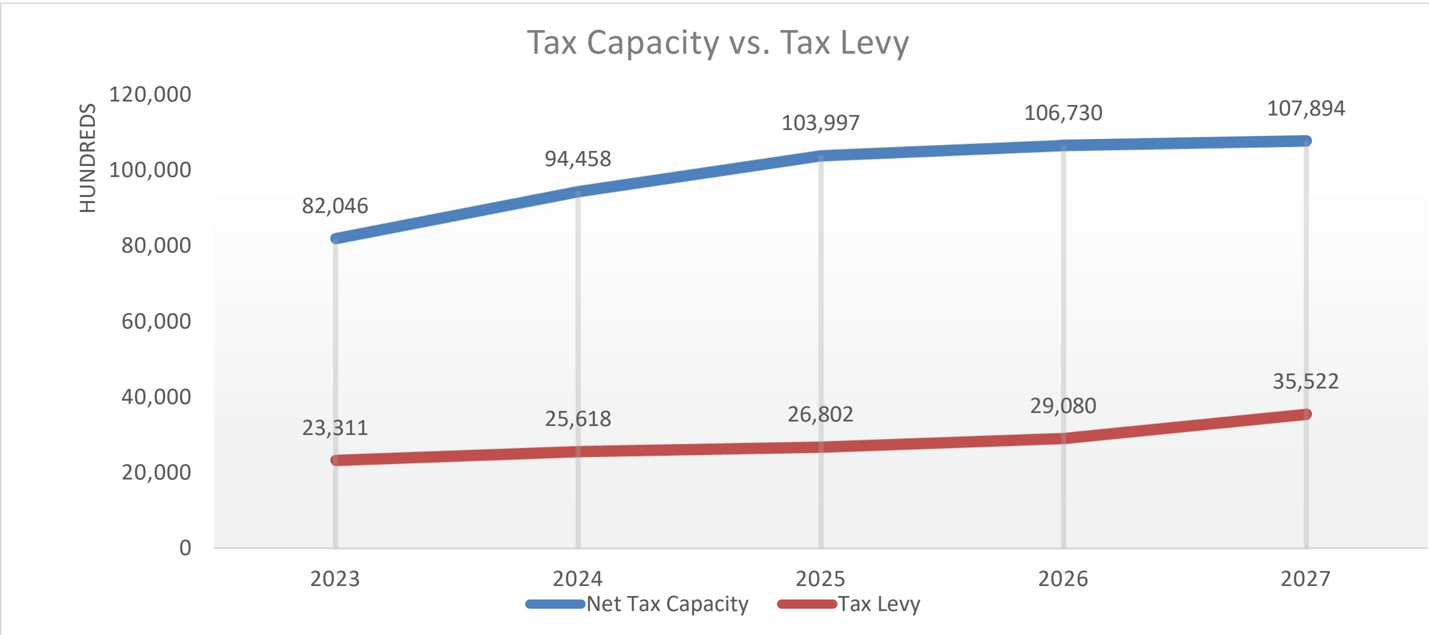


Tax Rate and Levy Comparison

Below is a summary of Excelsior's tax rate history. The proposed tax rate in 2026 is 32.29% for the first look at the budget. Last year the preliminary tax rate was 28.27% for the first look at the budget. The final tax rate was 26.14%.

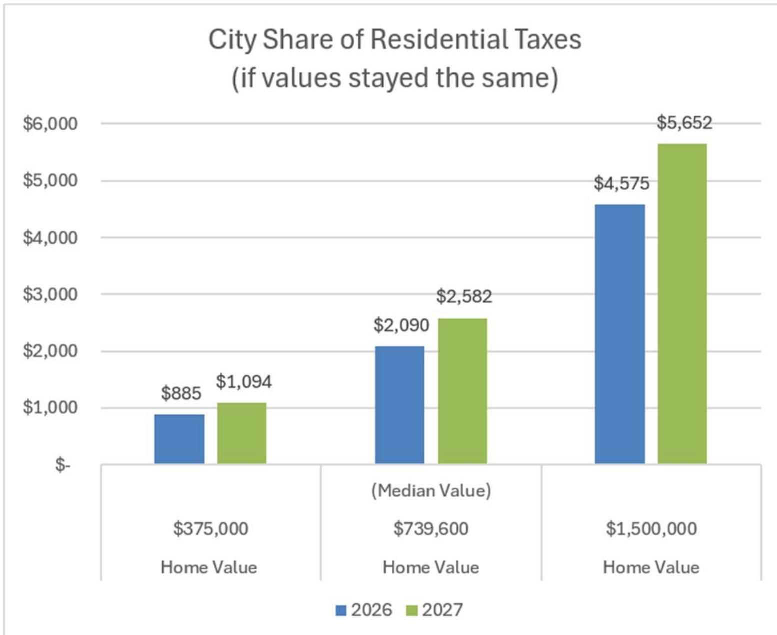


As market value growth slows, the gap between the City's tax capacity and tax levy narrows. This means future levy increases have a greater effect on the City tax rate than they would during periods of stronger tax-base growth.

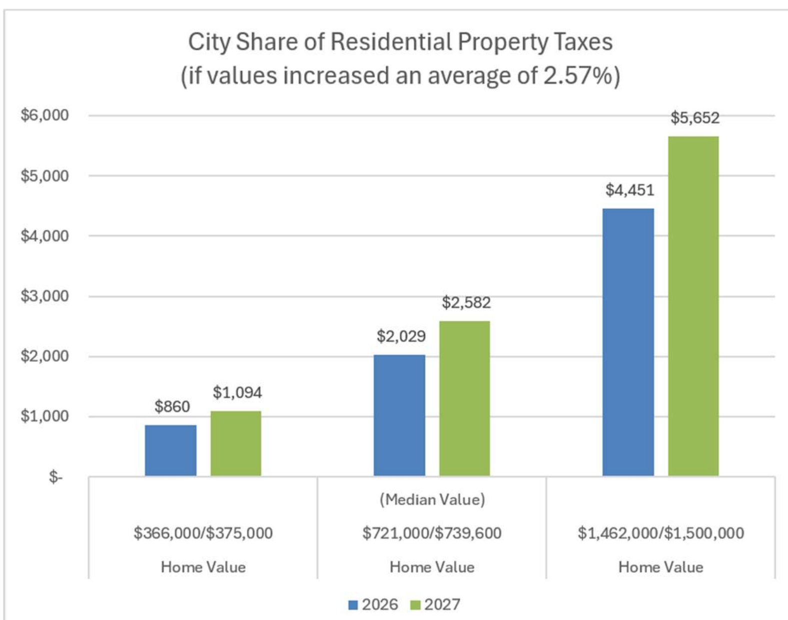


Impact to Residents

Property tax impacts vary by property value, changes in individual property value, homestead status, and changes in the overall tax base. Under the preliminary 2027 budget, the levy would increase 22.15%. If property values are held constant, a home with the current median value of $739,600 is estimated to see a $492 increase in the City portion of its annual property tax bill.



If a home increased in value by an average of 2.57% from prior year, a median home value of $739,600 would see an increase of $553 in the City's portion of their annual tax bill.



Tax Rate and Levy Analysis

The chart below breaks out the preliminary budget of $3,551,198. This is a 22.15% levy increase and 5.38% tax rate increase over 2026.

If the tax rate stayed the same as last year, it would be a $63,028 increase or 2.17% levy increase over 2026, which doesn't even cover the debt levy of $209,178.

The bottom section of the chart shows the taxes payable for houses at various market values from $375,000 to $1,500,000.

	KNOWN:		PROPOSED 2027 (Henn County - 8/2026):		
	2025 Total Tax Capacity	12,380,869		2027 Estimated Total Tax Capacity	12,590,863
	Less Fiscal Disp.	(1,243,020)		Less Fiscal Disp.	(1,336,591)
	Less Increment	(464,870)		Less Increment	(464,870)
	Tax Capacity - Local Rate	10,672,979		Tax Capacity - Local Rate	10,789,402
Incremental Tax Payable over Prior Year					
2026 Taxes	885	1,218	2,090	2,941	4,575
Est Market Value	**$ 375,000**	**$ 500,000**	**$ 739,600**	**$ 1,000,000**	**$ 1,500,000**
B. Tax increase over 2026 at Preliminary Requested Budget	$ 209	$ 287	$ 492	$ 692	$ 1,077
Proposed Preliminary Budget	**Levy $ (Includes Debt Levy)**	**2027**	**2026**	**Tax Rate Increase/ Decrease Over Prior Year**	levy $ increase
B. Preliminary Requested Budget 22.15% levy increase, 5.38% tax rate increase	3,552,198	32.29%	26.91%	5.38%	644,226
B. Preliminary Requested Budget 22.15% levy increase, 5.38% tax rate increase					
est market value	$ 375,000	$ 500,000	$ 739,600	$ 1,000,000	$ 1,500,000
homestead exclusion	12,800	1,550	-	-	-
taxable market value	362,200	498,450	739,600	1,000,000	1,500,000
net tax capacity	3,387	4,661	7,995	11,250	17,500
tax rate	32.29%	32.29%	32.29%	32.29%	32.29%
net tax payable	**1,094**	**1,505**	**2,582**	**3,633**	**5,652**

General Fund Budget Summary

Revenues

Description	2027	2026	2026	2026	2025	2024	% Increase	Dollar Increase
	Requested	YTD x 2	YTD	Adopted	Actual	Actual	2026 v. 2027	2026 v. 2027
	Budget	06.30.26	06.30.26	Budget				
Delinquent Ad Valorem Taxes	12,000	12,063	6,031	20,000	9,518	25,323	-40.00%	(8,000)
Fiscal Disparities	47,000	55,041	27,520	61,374	47,511	52,813	-23.42%	(14,374)
Franchise Fees Gas	75,000	73,726	36,863	75,000	61,087	71,003	0.00%	0
Penalties and Interest AdValTx	300	300		1,200	302	860	-75.00%	(900)
Tree Removal Permit	1,500	1,600	800	2,000	2,400	400	-25.00%	(500)
Tree Trimmer License	1,200	2,400	1,200	1,000	950	1,150	20.00%	200
Alchoholic Beverages	115,000	115,000	250	115,000	116,909	128,840	0.00%	0
Cigarettes & Tobacco	650	650	650	975	975	975	-33.33%	(325)
Garbage Haulers	1,500	1,525	1,525	600	675	3,350	150.00%	900
Sidewalk Café Permits	900	900	900	1,350	1,200	600	-33.33%	(450)
Special Events	45,000	52,603	26,301	65,000	27,030	59,653	-30.77%	(20,000)
Peddlers License	300	300	270	300	120	240	0.00%	0
Refueling Permit	450	0		900	450	600	-50.00%	(450)
Right of Way Registration Fee	400	720	360	700	160	625	-42.86%	(300)
Street Use/Dumpster Permit	1,500	1,500	1,200	1,000	1,520	1,280	50.00%	500
Food Truck Permit	5,500	6,000	5,435	5,000	4,275	5,130	10.00%	500
Building Permits	80,000	90,774	45,387	115,000	80,097	101,127	-30.43%	(35,000)
Sign Permits	900	920	460	2,000	2,263	1,244	-55.00%	(1,100)
Variance	4,000	8,400	4,200	3,000	3,000	2,500	33.33%	1,000
Mech Permit-Base & Unit Chrg	13,000	15,336	7,668	20,000	17,034	18,597	-35.00%	(7,000)
THC License	0	1,050	1,050	1,750	1,750	1,350	-100.00%	(1,750)
Plumbing Permits	8,000	10,368	5,184	10,000	8,407	5,268	-20.00%	(2,000)
Right of Way Permits	4,000	55,000	51,205	4,000	4,313	2,935	0.00%	0
Animal Licenses	0	350	315	300	295	315	-100.00%	(300)
Multiple Dwellings Lic/Permits	33,000	32,950	32,950	37,000	36,050	30,490	-10.81%	(4,000)
Short-Term Rental Permits	1,400	1,400	1,400	2,500	2,700	0	-44.00%	(1,100)
Trolley/Driveway Permits (Miscellaneous)	100	100	50	100	175	125	0.00%	0
Conditional Use Permit	700	1,000	700	1,000	600	0	-30.00%	(300)
Other State Aid Grants	30,000	1,466	733	35,000	20,619	35,105	-14.29%	(5,000)
County Grants	6,000	6,490	6,490	5,000	3,027	1,763	20.00%	1,000
Zoning and Subdivision Fees	500	360	180	2,500	2,480	1,000	-80.00%	(2,000)
Plan Check Fee	40,000	65,604	32,802	60,000	43,482	59,876	-33.33%	(20,000)
Application Process Fees	8,000	9,756	4,878	11,000	12,349	13,312	-27.27%	(3,000)
Street, Sidewalk and Curb Fees	125	0		400	125	1,035	-68.75%	(275)
Transfer from Parking Fund	350,000	350,000		350,000	350,000	499,954	0.00%	0
Garden Plots Rental	2,700	4,860	4,860	2,000	1,890	2,745	35.00%	700
Park Vendor Lease Agmt	20,000	0		20,000	23,748	22,337	0.00%	0
Cemetery Lots	200	5,000	5,000	20,000	10,900	200	-99.00%	(19,800)
Fines and Forfeits	15,000	15,000	12,907	15,000	27,980	84,561	0.00%	0
Interest Earnings	80,000	95,000	20,863	120,000	95,633	135,138	-33.33%	(40,000)
Kayak Rental Revenue Sharing	500	250	125	500	780	721	0.00%	0
Rent-Water Tower Antennae	50,000	50,000	49,661	46,000	66,863	44,655	8.70%	4,000
Refunds & Reimbursements	2,000	2,000	1,000	10,000	7,112	20,915	-80.00%	(8,000)
Insurance Dividend	3,000	4,500		4,500	2,484	5,611	-33.33%	(1,500)
Hennepin Cnty Recycling Reimbursement	9,000	9,680	4,840	17,000	1,964	17,150	-47.06%	(8,000)
Transfer from Other Funds-Concert	10,000	30,000		30,000	30,000	0	-66.67%	(20,000)
Transfer From Other Fund-Docks	245,000	245,000		245,000	225,000	200,000	0.00%	0
	1,325,325	1,436,991	1,367,946	1,551,949	1,374,441	1,704,924	-14.60%	(226,624)

Expenditures

CITY OF EXCELSIOR
2027 UPDATED BUDGET
General Fund Expenditures by Department

	2027 Preliminary	2026 06.30.26	2026 Budget	2025 Actual	2025 Budget	2024 Actual	Dollar Change	Percent Change
GENERAL FUND								
COUNCIL								
Wages and Benefits	15,467	7,682	15,469	14,345	17,361	15,260	(2)	0%
Professional Services	2,030	830	1,800	1,336	1,800	3,676	230	13%
Community Events and Support	-	-	-	2,500	2,500	2,500	-	0%
Total Council	**17,497**	**8,512**	**17,269**	**18,181**	**21,661**	**21,436**	228	1%
CITY MANAGER/CLERK								
Wages and Benefits	277,073	130,524	245,652	229,555	269,810	316,197	31,421	13%
Total City Manager/City Clerk	**277,073**	**130,524**	**245,652**	**229,555**	**269,810**	**316,197**	31,421	13%
ELECTIONS								
Election Judge Pay	4,424	-	4,424	-	-	8,413	-	0%
Operating Supplies	2,600	867	2,600	-	1,000	6,024	-	0%
Repair and Maintenance	600	-	600	-	-	782	-	0%
Total Elections	**7,624**	**867**	**7,624**	**-**	**1,000**	**15,219**	-	0%
FINANCE								
Wages and Benefits	91,874	41,816	84,549	77,845	82,511	78,461	7,325	9%
Professional Services	-	-	-	-	-	2,592	-	0%
Total Finance	**91,874**	**41,816**	**84,549**	**77,845**	**82,511**	**81,053**	7,325	9%
PLANNING AND ZONING								
Wages and Benefits	298,179	98,652	260,411	213,918	229,543	132,317	37,768	15%
Professional Services	37,000	36,616	15,000	43,380	5,000	30,095	22,000	147%
Total Planning and Zoning	**335,179**	**135,267**	**275,411**	**257,298**	**234,543**	**162,412**	59,768	22%
CITY ADMINISTRATION								
Operating Supplies	18,600	9,004	17,800	12,987	17,200	16,194	800	4%
Professional Services	204,500	100,131	181,000	206,054	215,500	98,463	23,500	13%
Utilities	5,000	1,624	5,500	3,254	3,500	2,693	(500)	-9%
Repair and Maintenance	16,500	8,169	15,000	15,166	14,000	81,241	1,500	10%
Other Charges & Supplies	70,502	57,347	80,353	61,241	57,783	44,196	(9,851)	-12%
Building Rent	-	13,009	35,000	83,812	80,000	44,640	(35,000)	-100%
Capital Outlay	2,000	77	2,000	1,638	4,000	6,651	-	0%
Total City Administration	**317,102**	**189,361**	**336,653**	**384,152**	**391,983**	**294,079**	(19,551)	-6%
HERITAGE PRESERVATION								
Professional Services	25,500	10,215	25,500	21,276	26,200	466	-	0%
Total Heritage Preservation	**25,500**	**10,215**	**25,500**	**21,276**	**26,200**	**466**	-	0%
POLICE								
Professional Services	1,074,471	799,877	1,049,764	974,332	963,076	713,103	24,707	2%
Code Enforcement	15,000	1,334	15,000	27,645	2,500	14,191	-	0%
Total Police	**1,089,471**	**801,211**	**1,064,764**	**1,001,977**	**965,576**	**727,294**	24,707	2%
FIRE CONTRACT								
Professional Services	384,312	271,406	361,208	293,777	293,777	330,818	23,104	6%
Total Fire Contract	**384,312**	**271,406**	**361,208**	**293,777**	**293,777**	**330,818**	23,104	6%

CITY OF EXCELSIOR
2027 PRELIMINARY BUDGET
General Fund Expenditures by Department

	2027 Preliminary	2026 06.30.26	2026 Budget	2025 Actual	2025 BUDGET	2024 Actual	Dollar Change	Percent Change
BUILDING INSPECTION								
Professional Services	60,000	22,279	75,000	96,257	55,000	72,311	(15,000)	-20%
ENGINEERING								
Professional Services	40,000	7,374	50,000	68,545	47,250	62,362	(10,000)	-20%
STREETS								
Wages and Benefits	212,978	105,976	199,952	174,245	187,252	121,518	13,026	7%
Operating Supplies	34,200	20,771	33,700	29,127	33,700	23,031	500	1%
Professional Services	5,500	6,104	2,050	1,645	2,050	4,621	3,450	168%
Utilities	20,500	10,500	15,500	15,859	17,000	10,918	5,000	32%
Repair and Maintenance	47,000	24,210	51,000	34,602	51,000	22,425	(4,000)	-8%
Other Charges & Supplies	7,944	7,597	6,000	6,422	7,000	6,263	1,944	32%
Total Streets	**328,122**	**175,159**	**308,202**	**261,900**	**298,002**	**188,775**	**19,920**	**6%**
PARK MAINTENANCE								
Wages and Benefits	454,620	196,290	403,928	381,704	359,621	298,637	50,692	13%
Operating Supplies	33,100	27,217	31,540	32,176	29,900	37,777	1,560	5%
Professional Services	16,300	8,002	25,400	15,524	20,400	15,515	(9,100)	-36%
Utilities	32,000	16,229	29,000	28,162	29,000	25,240	3,000	10%
Repair and Maintenance	12,000	3,433	12,000	25,648	11,000	12,046	-	0%
Other Charges & Supplies	23,350	17,257	26,500	14,259	18,703	15,659	(3,150)	-12%
Total Park Maintenance	**571,370**	**268,428**	**528,368**	**497,473**	**468,624**	**404,874**	**43,002**	**8%**
RECREATION								
Entertainment in the Park	0	923	500	458	1,000	434	(500)	-100%
Total Recreation	**0**	**923**	**500**	**458**	**1,000**	**434**	**(500)**	**-100%**
TREES AND PLANTINGS								
Tree Care	125,000	63,231	88,000	122,469	144,000		37,000	42%
Plantings	13,500	8,373	3,000	1,903			10,500	350%
Maintenance Supplies	6,300	1,310	9,000	0			(2,700)	-30%
Total Trees and Plantings	**144,800**	**72,913**	**100,000**	**124,372**	**144,000**		**44,800**	**45%**
TOTAL GENERAL FUND	**3,689,924**	**2,136,254**	**3,480,700**	**3,373,687**	**3,343,662**	**2,711,511**	**209,224**	**6.01%**

General Fund Summary of Significant Changes in Expenditures

City Manager/City Clerk

Line Item	Dollar Change	Reason
Wages and Benefits	$31,421 Increase	Incorporating wages from the 2026 compensation study in addition to an estimated 15% increase in health insurance.

Finance

Line Item	Dollar Change	Reason
Wages and Benefits	$7,325 Increase	Incorporating wages from the 2026 compensation study in addition to an estimated 15% increase in health insurance.

Planning and Zoning

Line Item	Dollar Change	Reason
Wages and Benefits	$37,768 Increase	Incorporating wages from the 2026 compensation study in addition to an estimated 15% increase in health insurance.
Professional Services	$22,000 Increase	Increase of $17,500 for a portion of the comprehensive plan. An additional $4,500 for an attorney to attend Planning Commission meetings.

City Administration

Line Item	Dollar Change	Reason
Professional Services	$23,500 Increase	Increase for attorney fees for both City Attorney and Prosecution Attorney.
Other Charges and Supplies	$9,851 Decrease	Reduced due to no moving expenses and reduced expenses for building repairs and maintenance now accounted for in the 261 School Avenue building fund.
Building Rent	$35,000 Decrease	Rent Expense no longer needed.

Police

Line Item	Dollar Change	Reason
Professional Services	$24,707 Increase	Increased per the recommended 2027 South Lake Minnetonka Police budget.

Fire

Line Item	Dollar Change	Reason
Professional Services	$23,104 Increase	Increased per the recommended 2027 Excelsior Fire District budget.

Building Inspection

Line Item	Dollar Change	Reason
Professional Services	$15,000 Decrease	Decreased due to reduced number of building permits issued.

Engineering

Line Item	Dollar Change	Reason
Professional Services	$10,000 Decrease	Decreased due to more engineering fees being allocated to individual departments and not allocated to the general engineering account.

Streets

Line Item	Dollar Change	Reason
Wages and Benefits	$13,026 Increase	Incorporating wages from the 2026 compensation study in addition to an estimated 15% increase in health insurance.
Professional Services	$3,450 Increase	Increased for engineering fees for the street department, also included $798 for a portion of a peer coach for the Public Works Director.

Park Maintenance

Line Item	Dollar Change	Reason
Wages and Benefits	$50,692 Increase	Incorporating wages from the 2026 compensation study in addition to an estimated 15% increase in health insurance. Also, increasing seasonal wages by $5,000 to increase wages and hire for more fall help.
Professional Services	$9,100 Decrease	Moved expenses for Men's Garden Club and Uncommon Gardners to Plantings in the Trees and Plantings budget. Also includes $570 for a portion of a peer coach for the Public Works Director.
Other Charges and Supplies	$3,150 Decrease	Decreased for less than anticipated costs for organic weed spraying.

Recreation

Line Item	Dollar Change	Reason
Entertainment in the Park	$500 Decrease	Combined with the Park Maintenance Fund under the Professional Services line item.

Trees and Plantings

Line Item	Dollar Change	Reason
Tree Care	$37,000 Increase	Increased for additional tree removal anticipated for next year.
Plantings	$10,500 Increase	Allocated $10,000 to Men's Garden Club and $500 to Uncommon Gardners.
Maintenance Supplies	$2,700 Decrease	Reduced for fewer maintenance supplies purchased than anticipated.

Council Discussion Items

Revenue Questions

- Does the City Council want to discontinue animal licenses?
- Should the $350,000 transfer from the Parking Fund to the General Fund remain the same or be lowered to reflect the revenue trends in the Parking Fund?
- Does the City want to continue the kayak rental agreement with the revenue only being $500 a year?
- Does the City want to reduce the transfer from the Park Capital Fund due to the reduced contribution from Concerts in the Commons?

Expenditure Questions

- Should the wage adjustments from the compensation study be phased in more?
- Does the Council want to hire an outside firm to complete a more thorough update of the comprehensive plan or complete it in-house with basic updates?
- Does the Council want to allocate Comprehensive Plan expense to the Capital Fund instead of the General Fund?
- Does the City Council want to shift some of the debt levy to the General Fund expenses by paying building rent in City Administration?
- Does the Council want to allocate $10,000 to the Men's Garden Club or lower the amount? They spent $6,535 to date in 2026, $5,538 in 2025, and $4,118 in 2024.
- Should the City continue hosting Cinema in the Commons at a cost of $3,300?

Council Action: Review the preliminary 2027 budget and levy, discuss priorities and potential adjustments, and provide staff direction for the next phase of the budget process.