County Administrator Recommended 2026 Preliminary Budget & Levy

Board Meeting

September 2nd, 2025

CARVER COUNTY

Presentation Summary

1. **Executive Summary**
   - 2026 and Beyond Legislative Impacts and Budget Strategies

2. **Administrator's Recommended 2026 Levy and Budget**
   - 2026 Tax Base Trends
   - Recommended Levy Increase
   - 2026 Budget Summary

3. **2026 and Beyond Long Term Financial Plan**

4. **Next steps: 2026 Budget Calendar**

State Legislative Summary: 2026 Impacts

- **Good Defense:**
  - Avoided **$3 million** transportation funding decrease
- **CPA Revenue Increase:**
  - **$800k** increase
- **Paid Family Medical Leave Payroll Tax:**
  - **$400k** + additional costs
- **H&HS State & Federal Cost Shift to Counties:**
  - **$1.5 million**

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Other Budget Pressure: 2027 & Beyond

- State and Federal cost shifts
- Inflation and tariff cost impacts?
- Similar property valuation trends?
- Continued expenditure pressures
  - Wages and benefits
  - 24.72 unfilled FTE requests in 2026 plus new requests (+new Chaska Library in 2027)
- Facility needs (per Master Space Plan)

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2026-28 Budget Strategies

- Address long-term federal and state cost shifts with a “2% Levy Surcharge"
- Targeted service level caps/reductions
  - Discretionary services
  - Mandated services above required minimums
  - Base vs one time with message of future cost control need
  - Apply strategies to mitigate impact where possible
- Maintain capital financing plans (Govt Center, road preservation, equipment)

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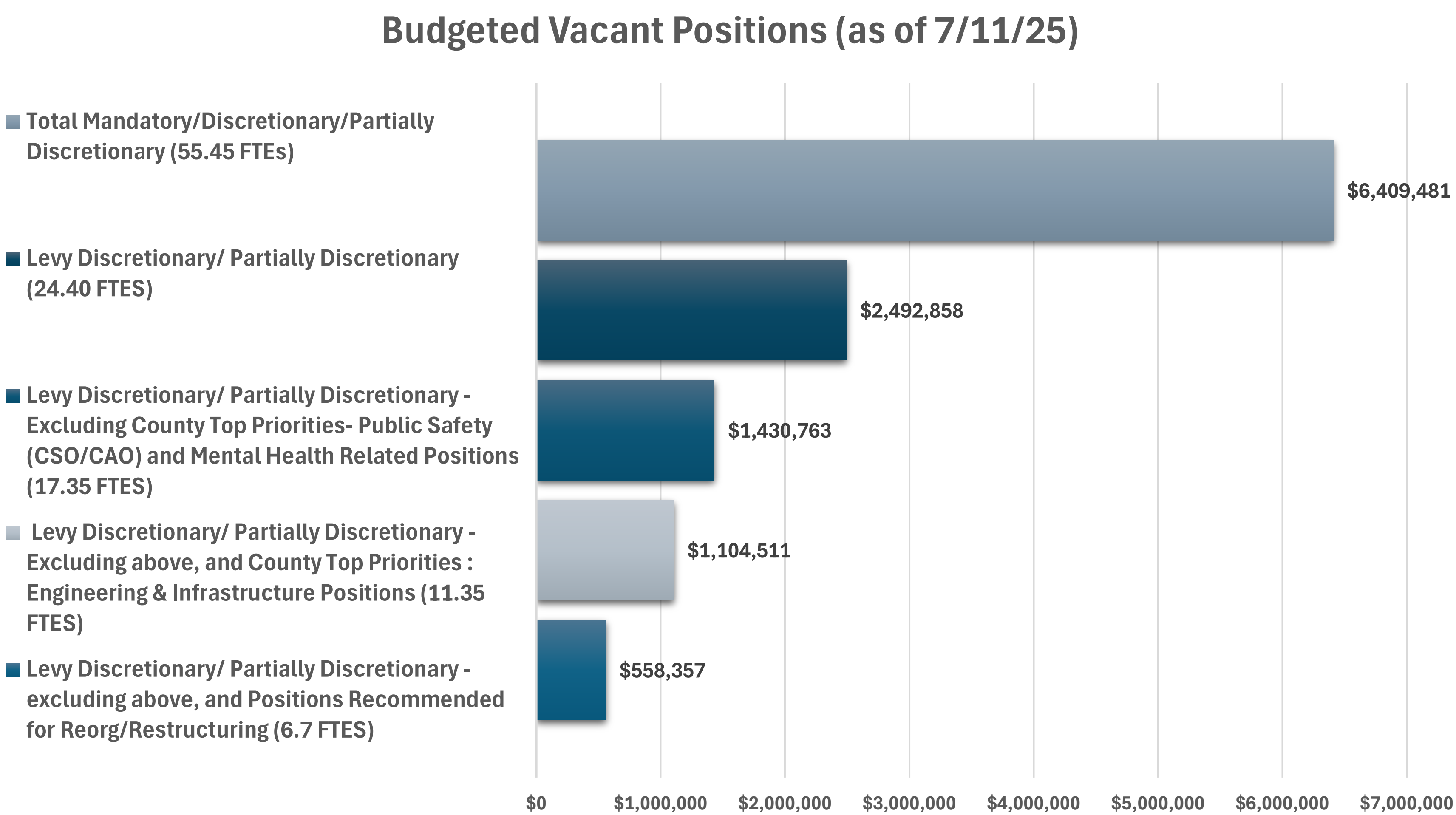
2026-28 Budget Gap Strategies (cont.)

- Revenue opportunities
- Personnel expenditures
  - Continue soft hiring freeze
  - Workforce Realignment/Division Re-Orgs
  - Outsource
  - Voluntary furlough
  - 4-day workweek
  - Other?

Vacant Position Review



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2026 Tax Base Trends

- **Overall Taxable Market Value:**
  - **$23.9B = +6.22%**
  - 2025 Value of New Construction = $571M
    - » 2026 Levy Increase paid by New Construction = **+$2M**

- **2025 Average Value Increases:**
  - Ag = 5.8%
  - Residential = 4%
  - Commercial = (2.6%)
  - 2026 Tax Burden shift from Commercial to Ag/Residential

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Budget Summary

	2026 Budget Administrator Preliminary Recommends	**2025** Adopted Budget	**2024** Adopted Budget
County Levy Increase	$6.0M (1)	$4.7M (2)	$4.5M (3)
Projected Salaries/Benefits Increase	(5.7M)	(5.7M)	(5.9M)
"Legislative Impacts"	(1.5M)	*	*
Debt Service for Master Space Plan	(450k)	(450k)	0
County-Wide Levy Changes - Net	665k	950k	**2.3M**
Division Levy Adjustments- Net	680k	500k	(100k)
FTE Levy Changes - Net	**325k**	0	**(800k)**
Budget Gap	$0	$0	$0

(1) 2026: **8.0%** (6% "Base" + 2% "Legislative Impacts")

(2) 2025: **6.8**%

(3) 2024: **6.8**%

* Did not track/break out "Legislative Impacts" for 2025B and 2024B

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Budget Attach A2:"Legislative Impacts"

	2026 Budget	2027 Budget	2028 Budget
County-Wide State: Paid Family & Medical Leave* (*Funded by 6% county "base" levy)	$400k	$ 0	$ 0
HHS:			
Federal BBB: SNAP Cost Shift (Att A2) and +SNAP/Medicaid Staff Workload=+3.0 FTE (Att B)	$260k	$291k	$450k
State: MAAFPCWDA- ***(New child protection costs determined by court order)***	$125k	**$3.4M**	**-**
State: DNMC Cost Shift (Att A2)	$910k	-	-
State: Workforce Grant Cut, MnCHOICES & Behavioral Health Cost Shifts (Att A2)	$206k	$340k	$160k
HHS Incremental Levy Need	**$1.5M***	**$4.0M***	**$610k***

Administrator Recommends a 2% Levy "Surcharge" for the next three budget cycles:

2026 Budget: *2% Levy Surcharge* = **$1.5M**

2027 Budget: *2% Levy Surcharge* = $1.6M

2028 Budget: *2% Levy Surcharge* = $1.7M

Total Levy Increase = **$4.8M** *Total Levy Need = **$6.11M**

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2026 Levy Increase

$495K Average Home: (2025: +475K **+4%** increase)	County Property Tax Levy $ Increase	County Property Tax Levy % Increase	Monthly County Property Tax $ Increase*	Annual County Property Tax % Increase*
12.7%: "Close Budget Request Gap"	$9.5M	12.7%	$12.80	*10.5%*
8.0%: 6% "Base" + 2% "Surcharge"	$6.0M	**8.0%**	**$6.80**	***5.6%***
6.0%: "Base" Increase	$4.5M	6.0%	$4.25	3.5%
2.9%: "Capture New Construction"	$2.0M	2.7%	$0.00	0.0%

2025: Levy = $74.8M, Levy Inc. = **6.8**%, County Tax Impact = **2.4%**

2024: Levy = $70.1M, Levy Inc. = **6.8**%, County Tax Impact = **4.5%**

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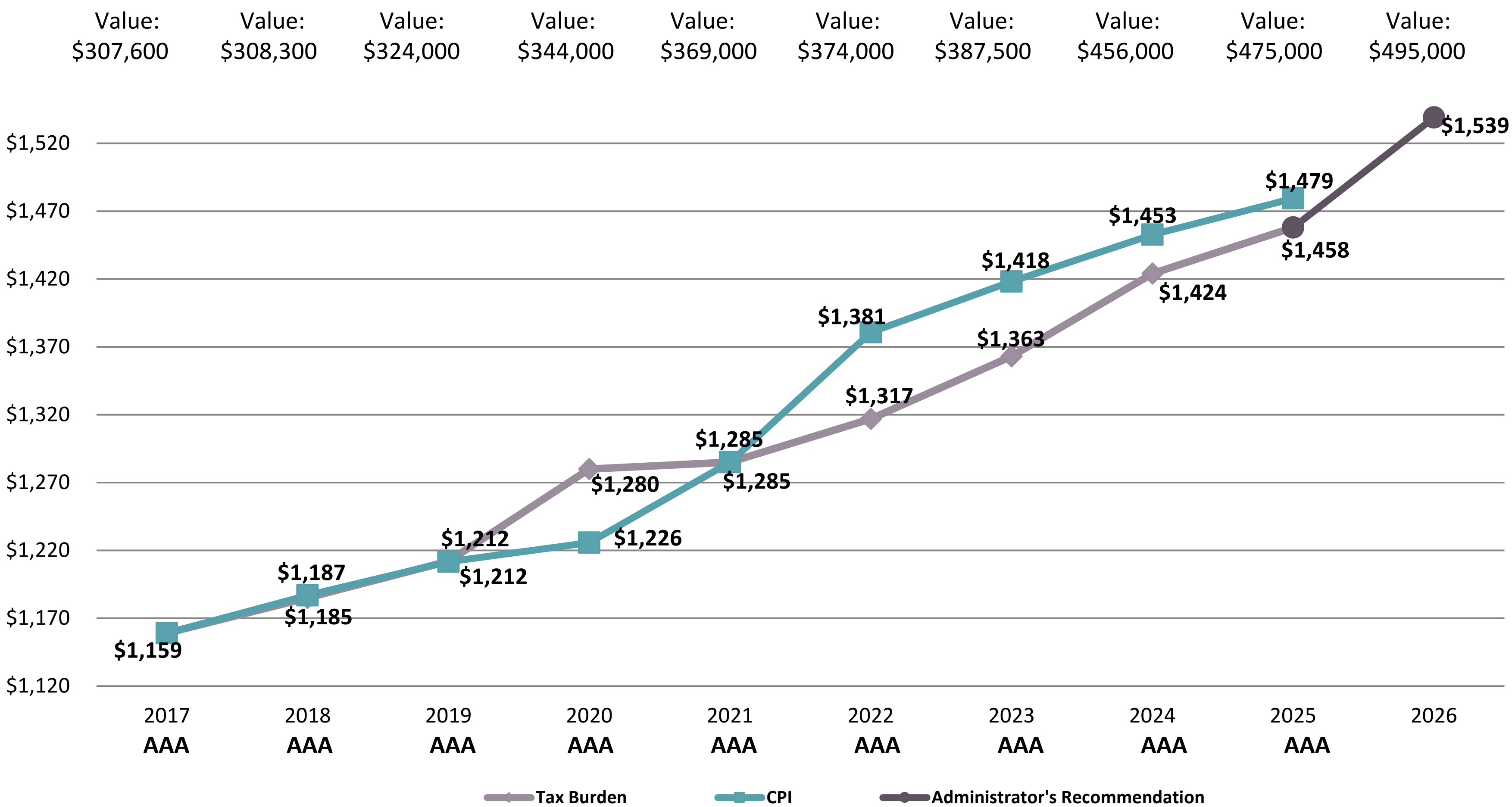
Average-Value Home County Property Tax Impacts 2017-2026



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Budget Attach A1: County Wide Levy Changes

2026 Long-Term Financial Plan:	
$4.2M Levy Increase for 2028 Bond Sale (+$450k for 2025 - 2028)	$ (450k)
Parks & Trails Repairs & Maintenance, and Facilities, Vehicles & Equipment Replacement *(Budget Att C & D)*	(200k)
CPA transfer from Operating Budget to fund One-Time Project Requests *(Budget Att E)*	(100k)
Annual IT Cost Increases (fees, additional staff, etc.)	(30k)
New Levy Adjustments:	
Increase from State County Program Aid Formula to $5.7M	795k
Vacancy Savings: **5.5%** 2026 Wage & Benefit Projection (**5.5**% '25)	200k
Subtotal – Attachment A1	**$ 665k**

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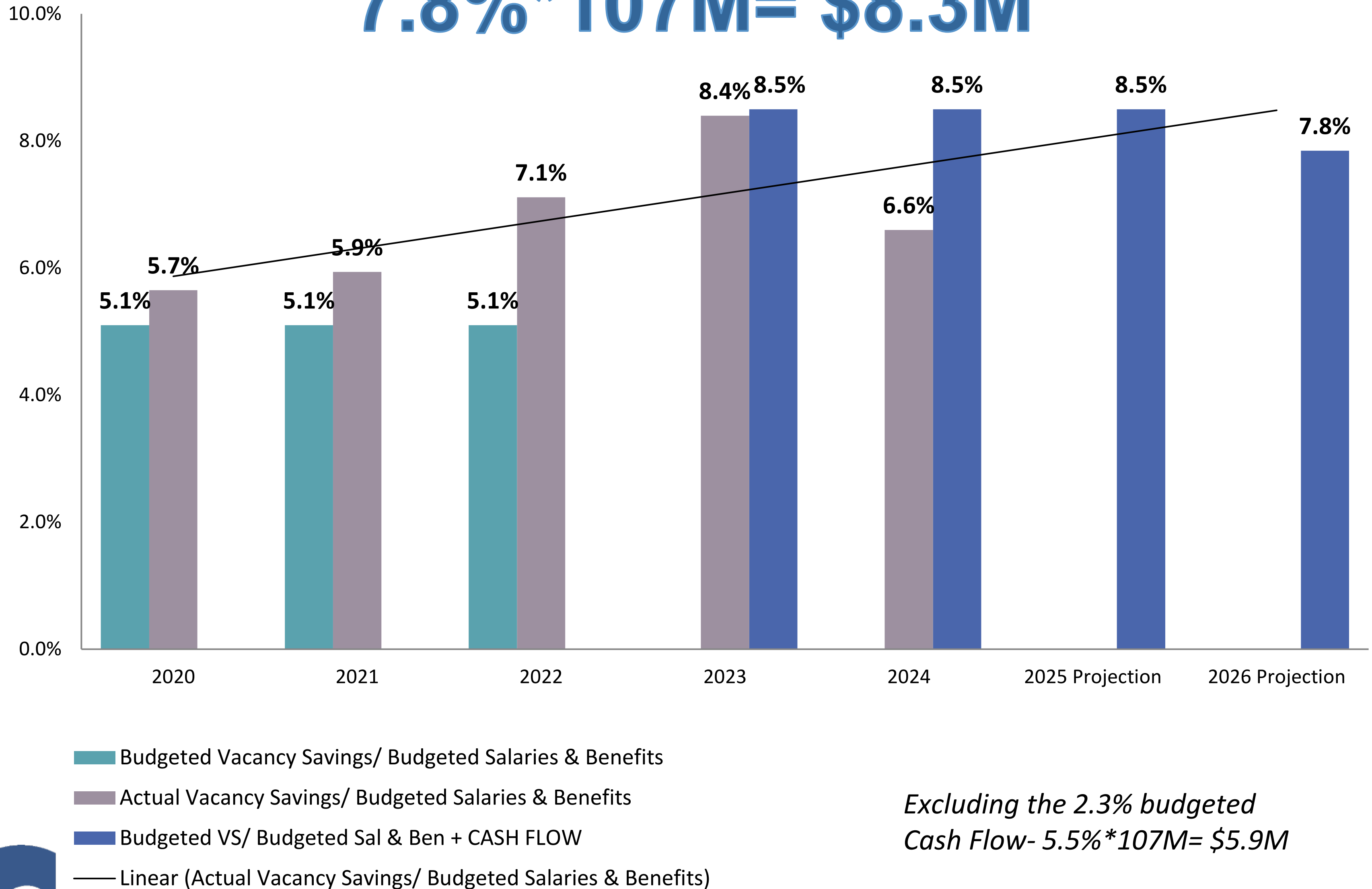
2026 Projection: Vacancy Savings 7.8%*107M= $8.3M



*Excluding the 2.3% budgeted Cash Flow- 5.5%*107M= $5.9M*

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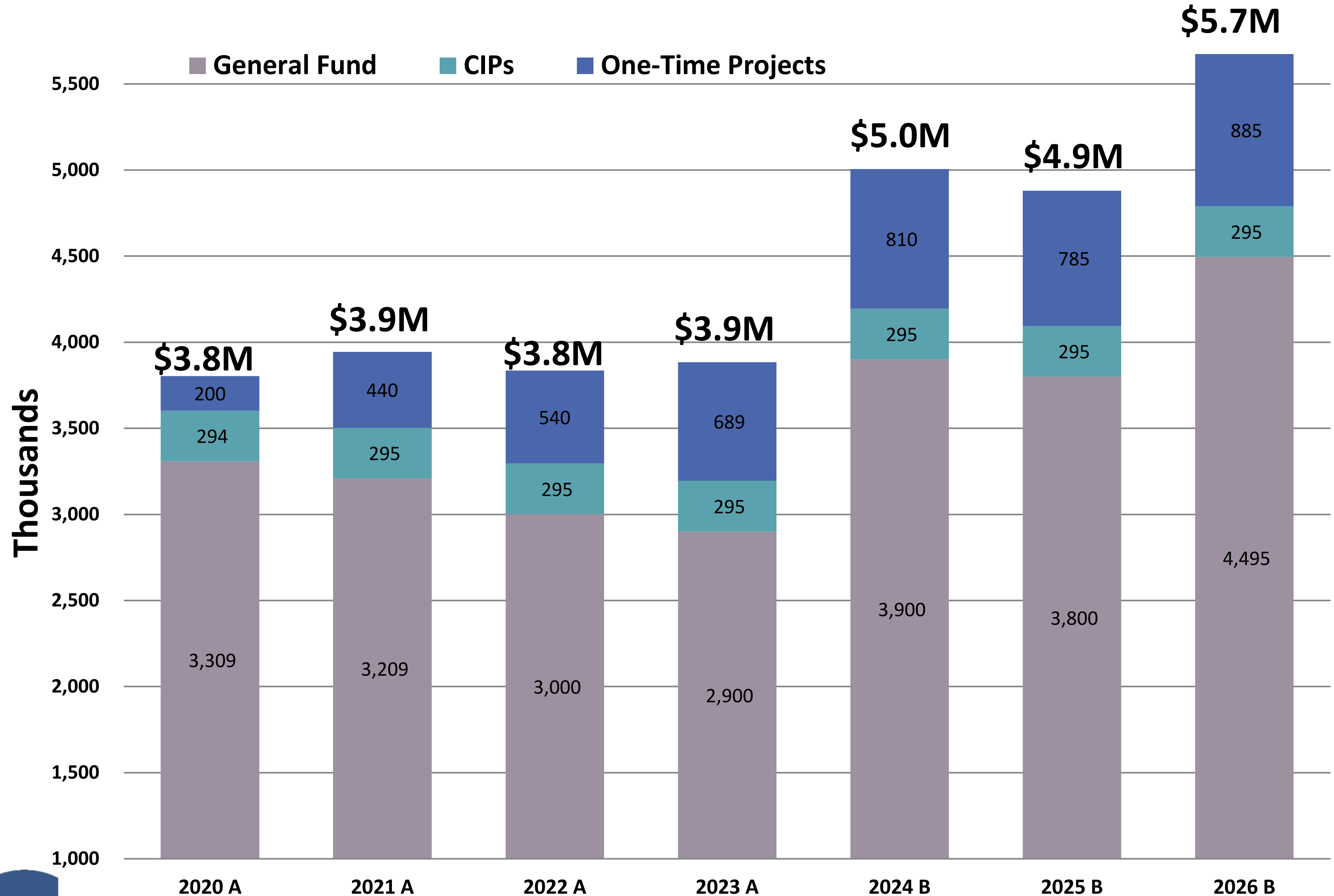
$5.7M 2026 State CPA*



*CPA formula increase in 2026 due to above average increases in 65+ population and SNAP benefits

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Attach A1: Division Needs, Trends, Revenues & Close Budget Gap Levy Adjustments (Rounded- see Att A1 for details)

Sheriff: Jail medical/meals/supplies, software, equipment, etc.	$(245k)
PS: IT & AI software, library streaming service, utility costs, etc.	(210k)
ER: Software, Professional Services	(56k)
P&F: Property Tax Training & Software Increases	(28k)
PW: Parks- Sheriff Patrol and Program Guide	(56k)
Court Admin: Juvenile court appointed attorney costs	(20k)
HHS: Jail Mental Health Services	(75k)
County Commissioners: membership dues	(5k)
Various Divisions: Revenue Increases - Net	**365k**
Various Divisions: Targeted Levy Adjustments	**1.01M**
Subtotal Attachment A1	$680k

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Attach B: Recommended Staffing Changes

Division	Description	Total Requests (Cost)	Other Funding Sources*	Tax Levy Savings/ (Cost)
Employee Relations	Eliminate Deputy Director (1.0)* , Staffing & Recruitment Supervisor/Office Manager 1.0	62k	-	62k
Public Services	IT Systems Engineer 1.0, Library Re-Org (1.65)*	64k	150k	214k
Public Works	Parks Re-Org (1.0)*, Parks Reservation Specialist .1	108k	(57k)	51k
County Sheriff Office	Eliminate Jail Health Nurse (1.0)*, Jail Health Nurse Supervisor 1.0	(2k)	-	(2k)
Recommended FTE Reduction- Net (1.55)* * All vacant positions		**$168k**	**$157k**	**$325k**

2% Levy "Surcharge" Funded/Net Cost Included in $1.5M Legislative Impacts:				
Health & Human Services +3.0 FTEs	Lead Financial Assistance Specialist 2.00, Employment Counselor 1.00	(368k)	161k	(207k)

Requested FTEs = 26.17

Administrator Recommended = +1.45 FTE

** Grants, sustainable revenue increases, reallocation of existing levy, etc.*

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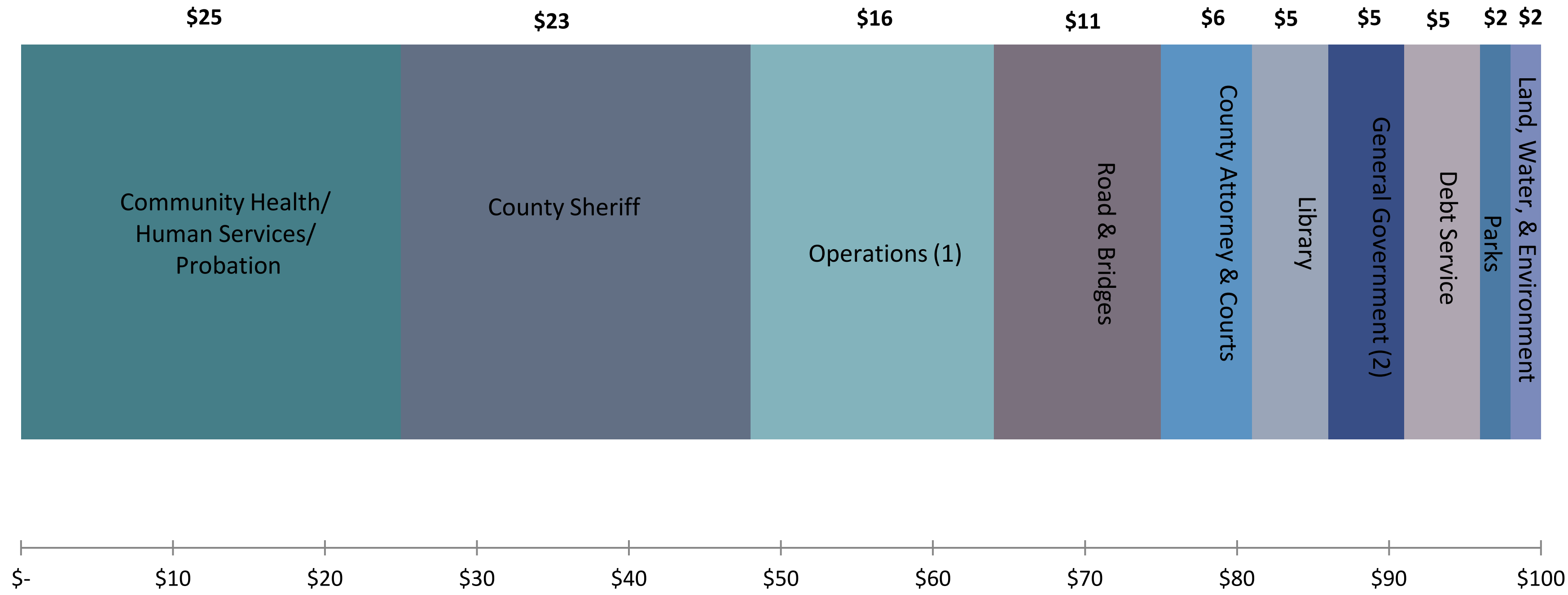
Visual Breakdown: How $100 of County Levy is Allocated



(1) Operations includes: Administration, County Board, Communications, Finance, Information Services, Employee Relations, Facilities, and Other Services
(2) General Government Services includes: Property Taxation, Assessor, Land Records, Veteran Services, Extension, and Other Services

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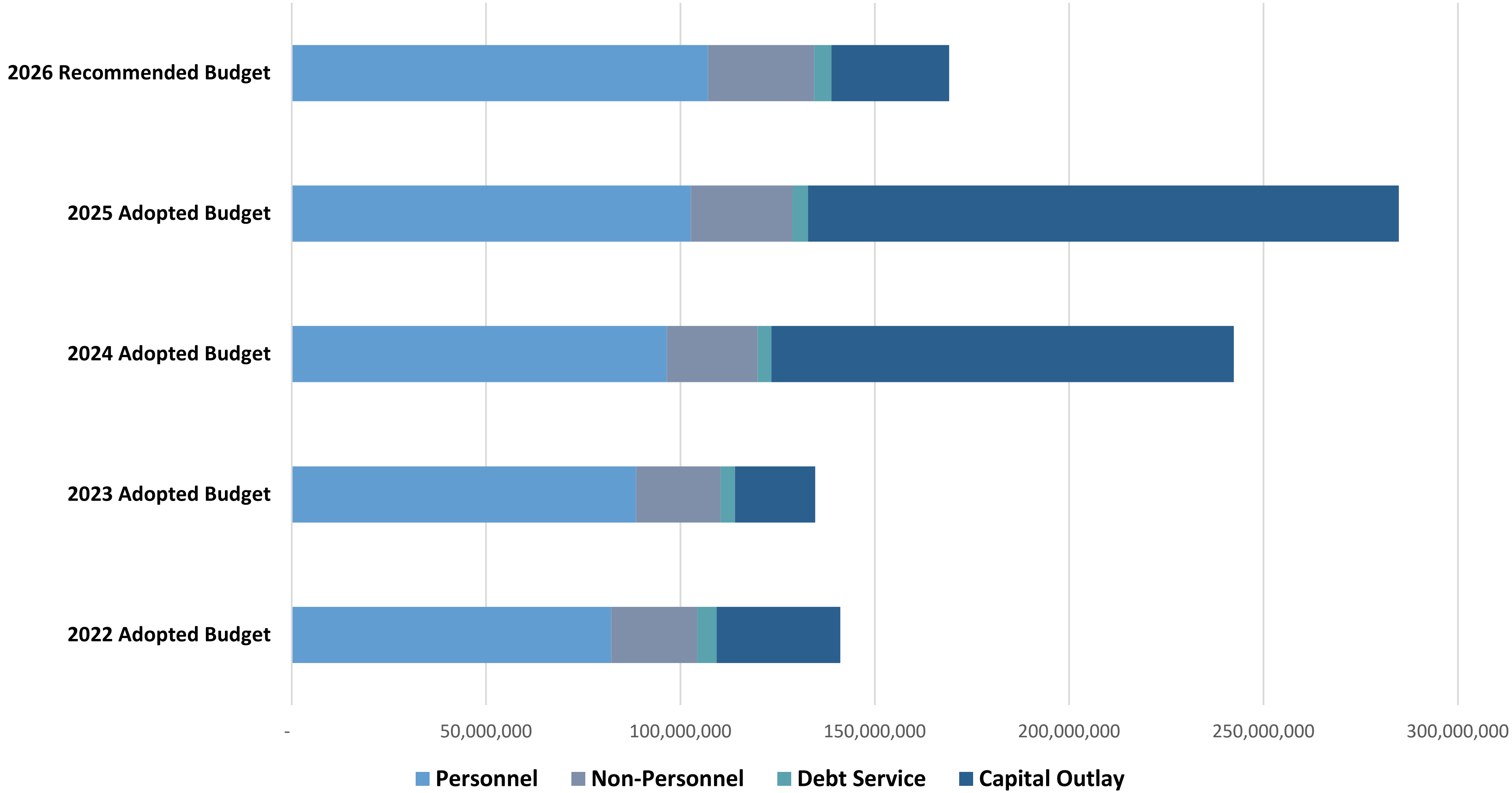
Understanding the County Budget: Historical Data and 2026 Recommendation



2026 CIPs & FVE Replacement

- **<u>Attachment C:</u> Capital Improvement Plans ("CIP"):**
  - $**<u>28.2M</u>** Roads & Bridges:
    - $2.2M County Tax Levy for Road Preservation **<u>(same $ as 2025)</u>**
  - $**<u>678k</u>** Parks & Trails:
    - $200k County Tax Levy for Repairs & Maintenance **<u>(+100K from 2025)</u>**
  - $**<u>958k</u>** Buildings & Misc.: $0 County Tax Levy
  - $**<u>241k</u>** Regional Rail Authority: $0 County Tax Levy

- **<u>Attachment D:</u> Facilities, Vehicles & Equipment ("FVE")**
  - **5 Year Replacement Schedule:**
    - $1.9M County Tax Levy for FVE Replacement **<u>(+100k from 2025)</u>**

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Attachment E: $4.1M One-Time Funding

($900k CPA (+100k from 2025) + $2.1M Redirected debt service + $1.08M YES Transfer)

- **$4.1M** Capital Projects Recommended:
  - $1.6M Long-Term Financial Plan:
    - Building one-time projects – Jail, Pavement, HVAC, etc.
  - $2.5M Divisions 2026 Requests
    - Baylor Park and Site Improvements, Hoists, HVAC, etc.

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Capital Projects Financial Plan

County Funding: Levy and CPA	2025	2026 Recomm. Increase	Final Goal?	Final Year?
Capital Improvement Plans ("CIP")				
Road & Bridge CIP: Attach C	$2.2M levy	$0	$2.2M	**2024**
Parks & Trails CIP: Attach C	100k levy	100k levy	TBD	TBD
Buildings & Misc. CIP: Attach C & E	800k CPA 2.1M levy*	100k CPA 1.08M YES	Ongoing	Ongoing
FVE 5 Year Replacement: Attach D	1.8M levy	100k levy	Ongoing	Ongoing
Total	**$7M**	$1.38M		
Master Space Plan:				
Phase I - $82M Gov't Center	$3.5M levy*	$450k levy	**$5.3M**	**2029**
Phase II – Behavioral Health, Public Works, Other?	0	0	??	**??**
Total	$3.5M levy*	$450k levy		

* Includes redirected debt service levy

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Y.E.S.* Update:

1/1/25 Y.E.S. Available Balance:	**$7.91M**
2025 Budget: Attachment E	**(1.5M)**
July – Dec 2025 DNMC costs shifted to county	**(381K)**
July – IRA Rebate- Paradise Commons Project	**630K**
Administrator's Recommended Preliminary 2026 Budget: Funding for Attachment E	**(1.08M)**
08/26/25 Y.E.S. Available Balance (Est.) :	**$5.58M**

* Year-End Savings ("Y.E.S") i.e. Unassigned Fund Balance/Unrestricted Retained Earnings/etc.

Government Center – Master Space Plan
Project Summary

Project Objective

Address current and future (20+ years) space requirements at the Government Center.

Scope of Work

Demolish the two oldest structures; **Build** a new 3-story facility; **Renovate** the 602 Building

Timeline

- **Late 2027**: Demolition
- **2028–2029**: Construction

Estimated Budget

- **Total**: **$82M**

P&I Funding

- $5.3M levy need
- $3.5M levy available (includes redirected debt service)
- +**$450K 2026 Budget** +1.35M in next 3 Budget cycles ($450k per year)

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Pros/Cons of Delaying Project

✅ Pros

- Short-Term Budget Relief: Eliminates $450K bond payment in the current cycle.
- Lower Operating Costs (for now): Delays $175K–$200K/year in added costs for cleaning, maintenance, and utilities.

⚠️ Cons

- Escalating Costs:
  3–5% annual increase = $2.5M–$4M/year
  → Raises bond payments by $150K–$250K/year
- Delays Other Projects: Pushes back future capital needs (e.g., First Street).
- Workplace Limitations: Current buildings offer suboptimal environments.
- Deferred Maintenance Risks: Facility Services paused investments; aging systems increase risk of costly failures.

Renovation Option

Estimated Cost - $62-72 million

- **$16 million** required to update buildings to meet current standards (including HVAC, roofs, parking lots, entry doors, elevators, building envelope, etc.)
- **$26 million** required to remodel interior spaces to improve layouts, furniture, modernize workspaces for hybrid work, etc.
- Current building size does not meet 20-year space needs. Would need to construct a building offsite to meet long-term space needs. Cost **$20-30 million**.

Limitations

- Split campus – reducing efficiencies
- May not address building environment concerns
- Space layout would be better but not optimal

Long Term Financial Plan Highlights

- **Roads and Bridges CIP - 2040 Plan:**
  - County Match: Transportation Sales & Wheelage Taxes
- **Buildings & Misc. CIP - 5 Year Plan:**
  - Master Space Plan Study – reevaluating w/ hybrid County staff
  - Chaska Library: One-time books & shelves
- **Parks and Trails CIP - 5 Year Plan:**
  - Maintain/New Projects - Priorities, costs, timing & funding:
    - 2026 Goal: Very Poor condition = 0%
    - 5 Year Goal: Poor condition less than 25%
- **Operations:**
  - FTEs: Minimize Requests from Technology, Innovation, Cooperation, etc.
    - 2027 Levy $ for Chaska Library?
  - Employee Health Insurance: 2025 RFP: 2-year contract, 2026 **12%** rate cap

C A R V E R C O U N T Y

2026 Budget Calendar

4/22 Work Session	2025 Budget: Review of Levy Funded Services
5/2 Deadline	Divisions Submit 2026 Budget Requests
6/9 Deadline	Divisions Submit 2026 Detailed Line Items
6/24 Work Session	2024 4Q & Y.E.S. Update, 2025 1Q Update, 2026 Budget Strategy
7/10 – 8/13 Hearings	Budget Meetings on 2026 Division Requests
8/26 Work Session	2025 2Q Update, Administrator's Recommended **Preliminary** 2026 Levy & Budget
9/2 Board Meeting	**Board Action**: Adopt **Preliminary** 2026 Levy & Budget
11/18 2026 Fee Schedule	2025 3Q Update, **Board Action**: Public Hearing and Board Approval
11/25 Work Session	Administrator's **Recommended** 2027 Long-Term Financial Plan
11/25 Board Meeting	2026 Budget Public Hearing: 6:00 p.m. on Tuesday, Nov. 25
12/2 Board Meeting	**Board Action**: Adopt **Final** 2026 Levy & Budget Adopt **Final** 2027 Long-Term Financial Plan

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Action Requested

Motion to approve the Administrator's Recommended 2026 Preliminary Levy of $80,873,855 (+8.0% from 2025), a Total Preliminary Budget of $169,144,493 and to set the 2026 Budget Hearing for Tuesday, November 25th, 2025, at 6:00pm