

City of Eden Prairie

09/02/2025
CITY COUNCIL WORKSHOP
2026/2027
PROPOSED BUDGET

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BUDGET OVERVIEW

The 2026/2027 proposed budget provides the resources to achieve the City's goals for Eden Prairie citizens. These goals are part of the Eden Prairie Promise to the community to fulfill the mission and vision of Eden Prairie and continue making Eden Prairie a great place to live, work and dream.

The City Council's 2026/2027 budget objectives include the following:

Achieve City Goals

- Community Well-being & Safety
- High Quality Efficient Services
- Preserved & Beautiful Environment
- Sense of Community
- Innovative & Sustainable Practices
- Economic Vitality

Provide Value to Citizens

- Maintain High Quality City Services
- Reasonable Tax Impacts

Maintain Strong Financial Position and Bond Rating

- Approve a Balanced Budget
- Maintain Fund Balance Policies
- Conservative Estimates of Revenues and Expenditures
- Review fees and charges annually, at a minimum adjust for inflation
- Comprehensive and Long-Range Capital Planning

Sustain Current Levels of Employee Morale and Engagement

- Provide pay and benefits that are competitive and consistent with public and private sector trends
- Provide diverse, enriched training, professional development and wellness initiatives to build the skills of future leaders

The City Council is emphasizing the following areas to achieve City Goals for this budget cycle:

- Administration
 - 2026 Elections
- Community Development
 - Update to comprehensive plan based on revised growth projections and Met Council requirements
 - Housing Policies and Programs
- Police
 - Maintain staffing, enhance recruitment and training
- Fire
 - Hiring of full-time fire fighters based on the Standard of Cover Study conducted in 2024
- Public Works
 - Sustainability Initiatives
- Parks
 - Expand contract with Institution/Community Work Crew (ICWC)

These goals and the related costs are interwoven in various sections of the budget. Many times the costs are almost entirely staff time, and do not require significant financial investment. Some of the costs are capital costs and included in the City's Capital Improvement Plan, which is separate from the general fund budget.

The budget process started in February with a review of City Council goals and will end in December with final approval and adoption of the budget. The process to date and future planned activities include the following:

Internal Budget Process

- 2024 – Complete City-Wide work plans
- March/April - Internal service fund budgets prepared by managers
- April 17 - Budget kick-off meeting
- May 23 - Staff budget preparation work due
- May/June - Departmental budget meetings held
- City Manager, Directors, and Finance prepare for City Council Workshop

Council Process

- February 18 – City Council Discussion on Priorities
- April 15 – City Council Workshop on the Community Survey
- May 6 – City Council Workshop
 - Council accepts 2024 financial results
- July 15 - City Council Budget Workshop
- September 2 - Council adopts a preliminary tax levy and budget
- November 18 – City Council Workshop on Enterprise Funds
- December 2 - Public Meeting and Council adopts final tax levy and budget

CITY SURVEY

The 2024 Quality of Life Survey provided residents with the opportunity to rate the quality of life in the City of Eden Prairie, as well as the quality-of-service delivery and overall workings of local government. The survey also permitted residents to provide feedback to the government on what is working well and what is not, and to share their priorities for community planning and resource allocation. The City uses the biannual citizen survey as one input tool for the budget.

Key Findings

Eden Prairie continues to be a highly desirable place to live.

- Eden Prairie residents continue to rate their quality of life highly, with 90% awarding excellent or good marks in 2024, which is higher than national and regional peer benchmarks and similar to the state benchmarks.

Eden Prairie's customer service is viewed positively.

- Nearly two-thirds of respondents indicated they had contacted a City service department in the last 12 months.
- Of the respondents that had contact with the City, about 9 in 10 were pleased with all aspects of the interaction. Impressions of City employees were on par with national, regional, and Minnesota benchmarks.

City services continue to be highly rated.

- In 2024, about 9 out of 10 rated Eden Prairie services as excellent or good, a rating on par with previous years and ranks higher than national, regional and Minnesota comparisons.
- Approximately two-thirds of the respondents felt they received excellent or good value for City services considering the property tax paid. This rating ranks higher than the national benchmark and is similar to Minnesota and regional communities.

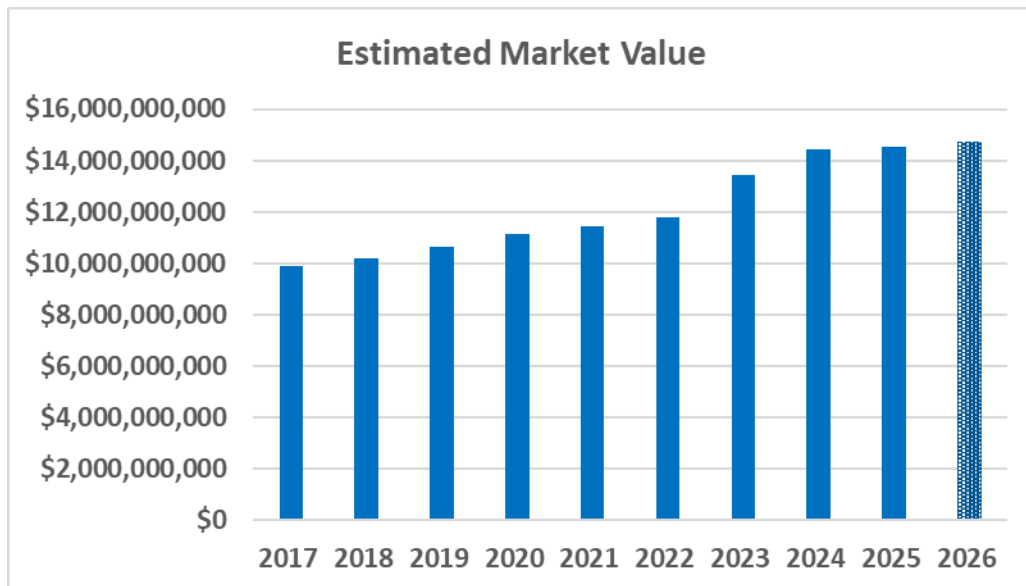
Awareness of sustainability strategies has increased since 2023.

- At least three-fourths of residents are somewhat familiar with composting food scraps, switching from gasoline-powered vehicles to electric vehicles, and replacing/improving mechanical equipment to reduce energy consumption.
- 7 in 10 respondents were familiar with completing a home energy audit.

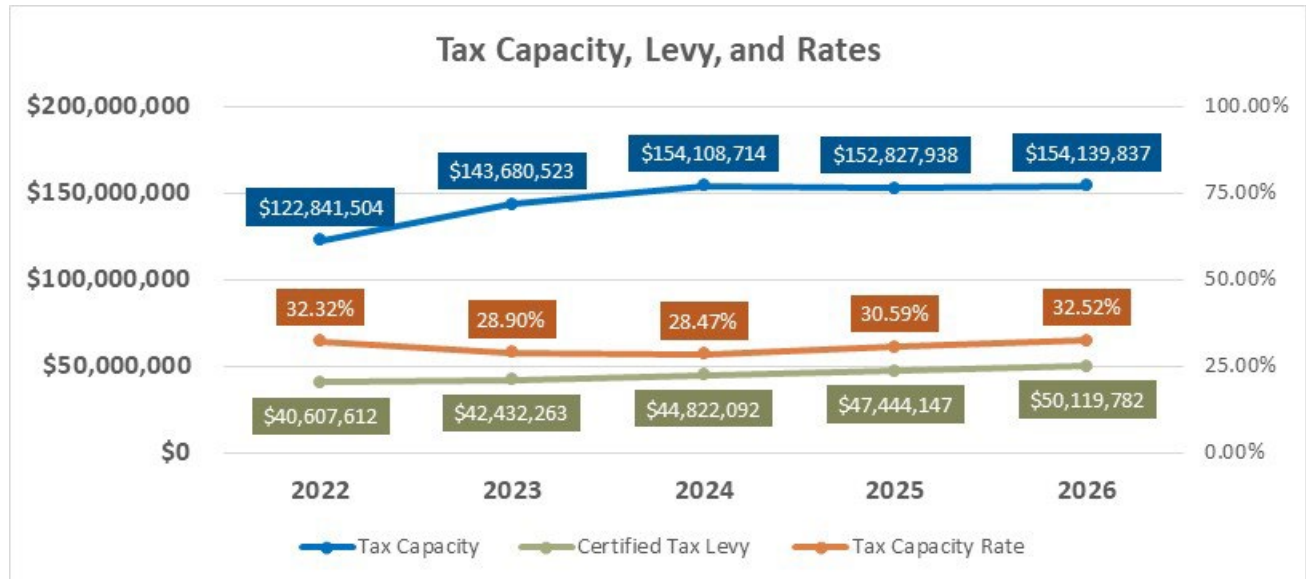
The survey provides valuable input and demonstrates evidence of overall satisfaction with City services.

TAX BASE

The ability to levy and collect taxes is based on property market values, tax capacities, and the City tax rates. Below is a history of the City's market value of all residential and commercial properties.



The current estimated market value for taxes payable in 2026 is a market value increase to \$14.7 billion, which is a 1.39% increase over 2025. The table below shows the history of adjusted net tax capacity, certified tax levy and the City tax rate since 2022.



Below summarizes the **City's tax impact** for residential, apartment, and commercial properties based on current information from the County.

Property Type	2024/2025	2025/2026	Difference	Percent Change
Residential (\$558,800)	\$ 1,723	\$ 1,865	\$ 142	8.24%
Apartment (\$18M)	\$ 72,795	\$ 73,203	\$ 408	0.56%
Commercial (\$3.8M)	\$ 15,205	\$ 14,662	\$ (543)	(3.57%)

TAX LEVY AND BUDGET

Below summarizes the proposed total tax levy and budget.

Tax Levy

Fund	2025 Adopted	2026 Proposed	Difference	Percent Change	2027 Proposed	Difference	Percent Change
General Fund	\$ 47,177,624	\$ 49,949,571	\$ 2,771,947	5.9%	\$ 52,609,467	\$ 2,659,896	5.3%
Capital Improvement/Maintenance	400,000	-	(400,000)	(100.0%)	400,000	400,000	0.0%
Total Levy Subject to Levy Limits	47,577,624	49,949,571	2,371,947	5.0%	53,009,467	3,059,896	6.1%
Debt Service Tax Capacity	1,701,316	2,895,243	1,193,927	70.2%	2,997,605	102,362	3.5%
Debt Service Market Value	700,000	-	(700,000)	(100.0%)	-	-	0.0%
Total Debt Levy	2,401,316	2,895,243	493,927	20.6%	2,997,605	102,362	3.5%
Total Tax Levy - Per the County	49,978,940	52,844,814	2,865,874	5.7%	56,007,072	3,162,258	6.0%
Fiscal Disparity Distribution	(2,534,793)	(2,725,032)	(190,239)	7.5%	(2,725,032)	-	0.0%
Adjusted Levy	\$ 47,444,147	\$ 50,119,782	\$ 2,675,635	5.6%	\$ 53,282,040	\$ 3,162,258	6.3%

Budget

Fund	2025 Adopted	2026 Proposed	Difference	Percent Change	2027 Proposed	Difference	Percent Change
General Fund	\$ 59,977,548	\$ 63,951,818	\$ 3,974,270	6.6%	\$ 66,757,736	\$ 2,805,918	4.4%
Debt	2,401,316	2,895,243	493,927	20.6%	2,997,605	102,362	3.5%
Capital Levy	400,000	-	(400,000)	(100.0%)	400,000	400,000	0.0%
Total City Budget	\$ 62,778,864	\$ 66,847,061	\$ 4,068,197	6.5%	\$ 70,155,341	\$ 3,308,280	4.9%

DEBT LEVY

For 2026 and 2027 debt payments supported by the tax levy are projected to remain 4% to 5% of the general fund budget. The City has a policy of maintaining a percentage of 5% to 15% of the general fund budget as we consider this to be a moderate debt burden.

Moody's Investors Service has assigned a rating of Aaa to the City of Eden Prairie's (MN) bond for every debt issue since 2003, the highest rating from Moody's. Standard & Poor's has also assigned a rating of AAA to the City of Eden Prairie's bonds outstanding, their highest rating as well. This ensures the City receives the most competitive interest rates. The City's bond ratings reflect Eden Prairie's wealthy residential tax base, strong management, a robust financial profile and modest leverage due to limiting future borrowing plans.

For 2026 and 2027, the total debt levy is \$2,895,243 and \$2,997,605 respectively. On February 18, 2025, the City issued \$24,760,000 of G.O. Capital Improvement Bonds, Series 2025A. The bonds bear interest at a rate of 4.0%-5%, with maturity in 2046. The proceeds will be used for the Police Remodel. The City currently has two bonds that are supported by the debt levy. These include the Aquatics expansion at the Community Center and the newly issued debt for the Police remodel.

Below summarizes the detail of the 2026/2027 debt levy.

Debt Levy	2025 Adopted	2026 Proposed	Difference	Percent Change	2027 Proposed	Difference	Percent Change
Debt Levy on Tax Capacity							
2021 Refunded Tax Abatement	\$ 1,338,105	\$ 900,000	\$ (438,105)	(32.7%)	\$ 1,000,000	\$ 100,000	11.1%
2020A Refunding Bonds (SouthWest Fire Station)	363,211	-	(363,211)	(100.0%)	-	-	-
2025A Capital Improv. Bonds (Police Remodel)	-	1,995,243	1,995,243	-	1,997,605	2,362	0.1%
Sub-total	1,701,316	2,895,243	1,193,927	70.2%	2,997,605	102,362	3.5%
Debt Levy on Market Value							
2020A Refunding Bonds (Parks Referendum)	700,000	-	(700,000)	(100.0%)	-	-	-
Sub-total	700,000	-	(700,000)	(100.0%)	-	-	-
Total	\$ 2,401,316	\$ 2,895,243	\$ 493,927	20.6%	\$ 2,997,605	\$ 102,362	3.5%

CAPITAL LEVY

The City prepares a ten-year capital improvement plan and updates the plan every other year. The Capital Improvement and Maintenance fund (CIMF) pays for capital projects that do not have another funding source, for example, playground replacement, repair and expansion of trails, parks – parking lot maintenance, public safety radio replacement, etc. The CIMF is funded through liquor operations profit, rental income, antenna revenue, tax levy, miscellaneous revenue, and one-time funds the City receives. For example, when the general fund has positive operating results, amounts not needed to meet the fund balance policy have been transferred to the CIMF. Based on positive operating results over the past few years, the City does not anticipate levying an amount in 2026. In previous years, the levy amount has been \$400,000 annually.

GENERAL FUND REVENUE BUDGET

Below summarizes the 2026/2027 proposed General Fund Revenue Budget.

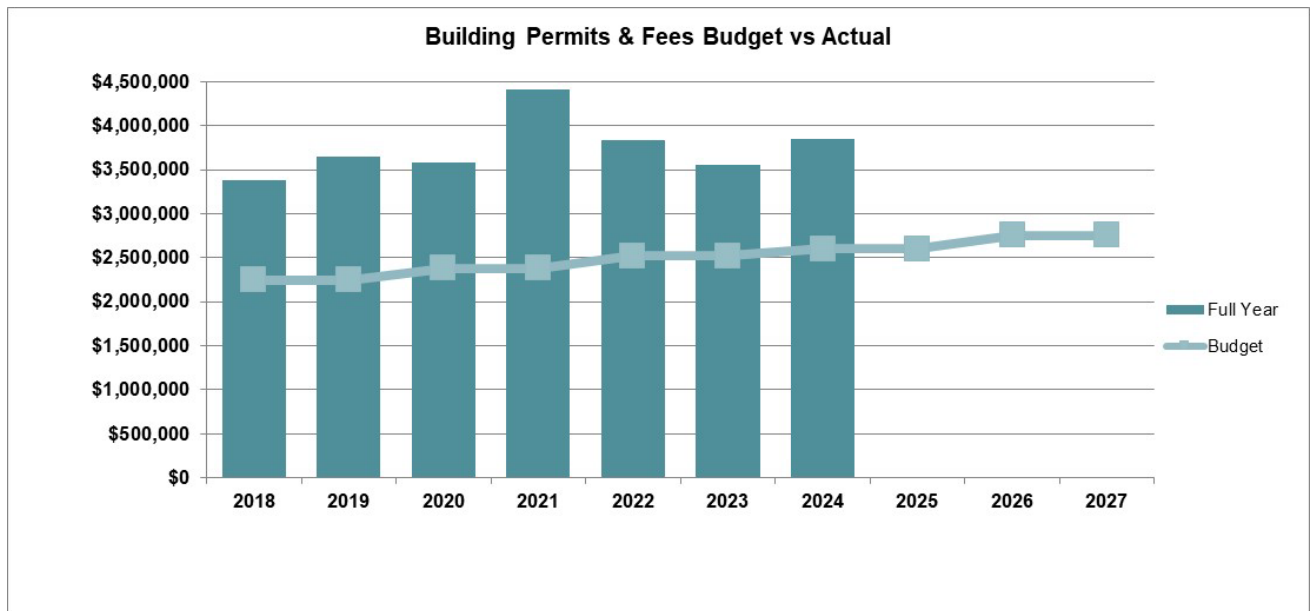
	2025 Adopted	2026 Proposed	Difference	Percent Change	2027 Proposed	Difference	Percent Change
Taxes	\$ 46,264,072	\$ 48,990,580	\$ 2,726,508	5.9%	\$ 51,597,278	\$ 2,606,698	5.3%
Licenses and Permits	4,159,200	4,332,913	173,713	4.2%	4,330,750	(2,163)	(0.0%)
Intergovernmental Revenue	1,885,585	2,583,221	697,636	37.0%	2,488,405	(94,816)	(3.7%)
Charges for Services	6,089,637	6,535,807	446,170	7.3%	6,673,497	137,690	2.1%
Fines and Forfeits	350,000	425,000	75,000	21.4%	425,000	-	0.0%
Investment Income	50,000	372,600	322,600	645.2%	500,000	127,400	34.2%
Other Revenue	158,325	203,625	45,300	28.6%	207,375	3,750	1.8%
Transfers	470,729	508,072	37,343	7.9%	535,431	27,359	5.4%
Total	\$ 59,427,548	\$ 63,951,818	\$ 4,524,270	7.6%	\$ 66,757,736	\$ 2,805,918	4.4%

Property tax revenue is the single largest source of revenue, and the City strives to balance increases in property taxes with the demand for City services. Property taxes account for 76.6% of the General Fund budget. The tax levy in the proposed budget is increasing 5.9% and 5.3% respectively for 2026 and 2027.

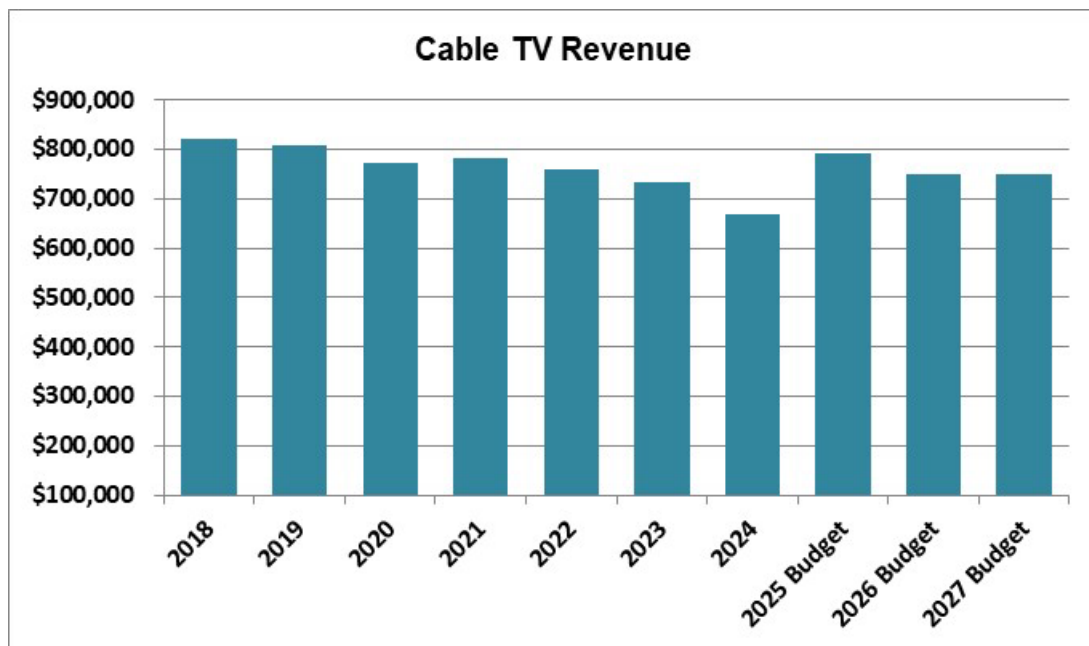
Charges for services is the second largest revenue source and accounts for 10.2% of the General Fund Budget. Charges for services are increasing \$446,170 or 7.3% in 2026 and \$137,690 or 2.1% in 2027. The increase is due to expected improved performance at the Community Center as it continues to rebound from the impacts of COVID. The increase also includes a membership fee increase of 10% in 2026 and 3% in 2027.

Licenses and permits revenue is the third largest revenue source to the General Fund and accounts for 6.8% of the General Fund revenues. Licenses and permits is increasing \$173,713 or 4.2% for 2026 and remains relatively flat for 2027. Significant items to note include the following:

- Building permit and fees revenue for 2026 is budgeted to increase to \$2,756,700 which is \$156,025 or 6% more than 2025. This budget was held flat for 2027 as we budget a higher increase every other year. Building permit fees were not increased for 2026 and 2027 but we were able to increase the budget due to conservative budgeting in the past. The below history shows actual amounts to 2024 and then budgeted amounts to 2027.



- Cable TV is decreasing by \$41,000 in 2026 and remaining flat for 2027. As you can see from the graph, cable revenue continues to drop year over year.

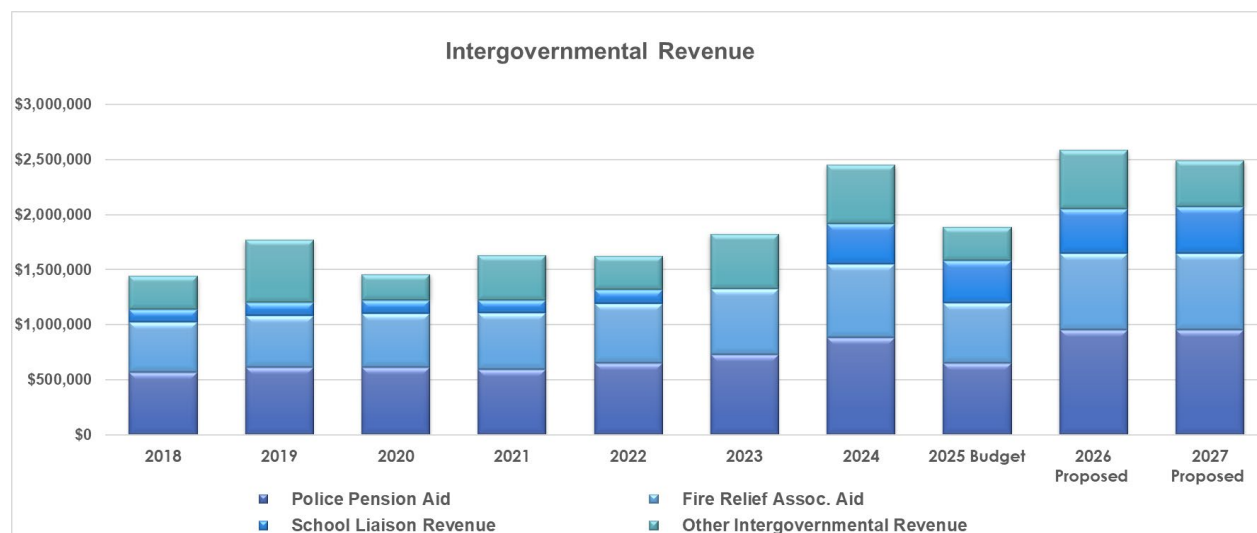


Intergovernmental revenue (IGR) sources includes Federal and State grants, State aid, School Liaison, and other local grants. For 2026, IGR is increasing to \$2,583,221 which is an increase of \$697,636 or 37%. The increase is primarily due to bringing budgeted

amounts in line with prior year actual amounts. The largest increases are for Police and Fire Pension aid, which is received in the last quarter of the year, and grants. The Police Pension aid was increased from \$650,000 to \$950,000 and Fire Relief Association aid was increased from \$550,000 to \$700,000. Since this aid is not received until the last quarter of the year, the average increase of the last four years was used to anticipate the 2025 amount and then to budget for the 2026 amount. For 2027 the aid was kept flat. The grant line item was increased from \$200,000 to \$350,000, also to bring this line item in line with actual amounts.

IGR revenue also includes the School District's share of the cost of the School Resource Officer's (SRO) wages and benefits. These costs are split 50/50 with the city, which is consistent with our surrounding peers. Currently, there are 4.5 SROs for the 2025-2026 school year.

Below is a history of the IGR revenue (without COVID money in 2020-2022). The below history shows actual amounts to 2024 and then budgeted amounts to 2027.

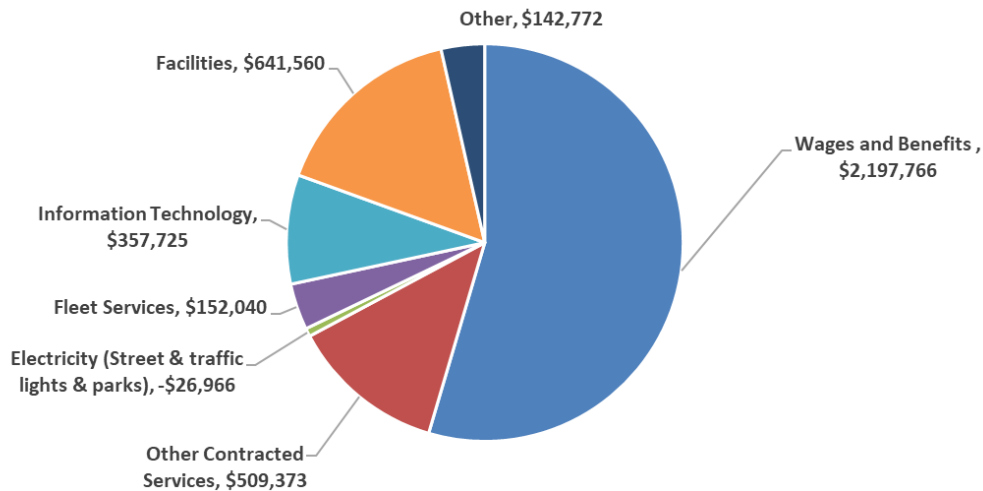


Other revenues that the General Fund receives consists of fines and penalties, contributions, interest income, reimbursements and transfers-in. These revenues make-up 2.4% of General Fund Revenues.

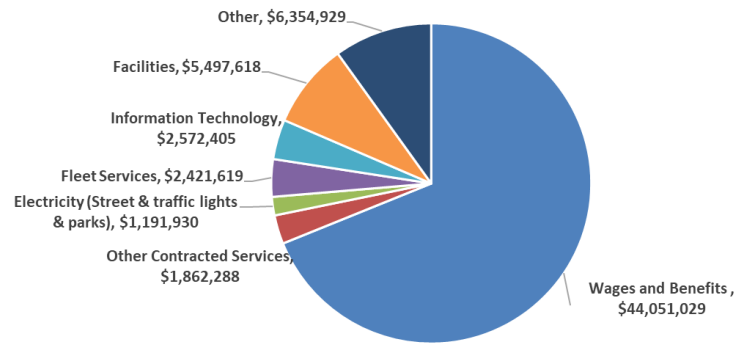
GENERAL FUND EXPENDITURE BUDGET

	2025 Adopted	2026 Proposed	Difference	Percent Change	2027 Proposed	Difference	Percent Change
Administration	\$ 5,356,825	\$ 5,696,169	\$ 339,344	6.3%	\$ 5,834,924	\$ 138,755	2.4%
Community Development	2,828,732	2,839,407	10,675	0.4%	2,996,794	157,387	5.5%
Police	20,500,197	22,882,295	2,382,098	11.6%	23,656,754	774,459	3.4%
Fire	8,148,999	9,052,459	903,460	11.1%	9,891,070	838,611	9.3%
Public Works	7,051,708	6,769,729	(281,979)	(4.0%)	7,044,510	274,781	4.1%
Parks and Recreation	16,091,087	16,711,759	620,672	3.9%	17,333,684	621,925	3.7%
	59,977,548	63,951,818	3,974,270	6.6%	66,757,736	2,805,918	4.4%

Expenditures are proposed to increase 6.6% in 2026 and 4.4% in 2027. The following graph shows budget changes by category:



Since the City provides significant services to the community, wages and benefits make up 68.9% percent of the general fund budget. The most significant categories include wages, pension and taxes, health insurance, part-time wages, and workers compensation insurance. Other significant costs include amounts to maintain facilities, fleet services, information technology, and electricity. These items make up another 18.3% of the budget. All other items make up 12.8% of the budget. The chart below illustrates the budget by category.



Below provides information on the significant items in the budget.

Full-Time Wages

With a staff of 241 full-time employees in the general and internal service funds, the City provides its residents and businesses with a full range of municipal services consisting of police and fire protection, street maintenance, recreation programs, park maintenance, community and economic development, and building inspections.

Wages are proposed to increase 6.1% in 2026 and 6.4% in 2027. This includes a 3% base increase and step increases. Through staff turnover, the City usually sees budget reduction as new staff are often hired at a lower rate. However, new employees earn step increases and performance pay until they reach the target rate for their position, which then adds additional increases to the budget. The city also anticipates hiring additional career firefighters based on the Fire Study mentioned below.

The City prepares the budget for wages by looking at trends within the private sector labor market and our local government peer group. Based on the compensation trends we are seeing, we are proposing a 3% wage increase in 2026. This proposal is in line with our peer cities and the private sector. We must continue to provide similar increases as the private sector and our public sector peer cities to remain competitive.

Wages – Part time

Wages part-time are increasing \$93,845 or 3.1% in 2026 and decreasing \$50,915 or 1.6% in 2027. For 2027, the election budget decreased as it is a non-election year. The 2027 budget also includes an increase of \$15,000 in part time wages for a summer intern in the Planning department.

Duty Crew

Duty Crew wages for 2026 are \$1,226,720 which is \$35,730 or 3% more than 2025 and for 2027 are \$1,263,522 which is \$36,802 or 3% more than 2026.

Duty Crew firefighters continue to provide excellent service to our City. However, there continues to be a gap in hours that our Duty Crew firefighters are able to cover in order to maintain high quality services. All Duty Crew firefighters have other full-time or part-time jobs, and their time availability has changed in recent years. In 2024 a Standard of Cover Study was conducted. The study provided an evaluation of the fire department service delivery and also provided recommendations on what is needed to maintain high quality service delivery today and in future years. The study also evaluated current service delivery, fire station locations, changing city demographics, all-hazard response needs, and changing city operations/services.

Fire Relief Pension Plan

Firefighters of the City of Eden Prairie are members of the Eden Prairie Firefighter Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2024, membership includes 94 active participants, 104 retirees and beneficiaries currently receiving benefits, and 19 terminated employees entitled to benefit but not yet receiving them.

Minnesota Statutes specifies minimum support rates required on an annual basis by the City. The Association completes an actuarial study every two years which documents the required contribution from the City. An updated actuarial was completed for 2024 and 2025 which resulted in a required contribution (City and State) of \$444,776. An updated actuarial will be performed in March 2026 to determine the 2026 and 2027 contribution requirements. It is estimated that the City will receive \$700,000 of Fire Relief Pension Aid from the State, which offsets the required contribution.

PERA

The City pays public employees' retirement (PERA) benefits for all eligible employees. Generally all full-time employees and part-time employees, who earn more than \$425 in a single month, are PERA eligible. The City currently contributes 7.50% of salary for PERA except for the police and fire employees where the percent is 17.7% for 2026. The City also pays 7.65% of the salary for FICA except for police and fire where the percentage is 1.45%. The City budgeted \$4,628,384 for PERA/FICA in 2026 and \$4,808,132 in 2027.

Health Insurance

The City periodically conducts a Request for Proposal (RFP) process to procure health insurance. State law requires that the City issue an RFP every five years. The City is currently working with HealthPartners to approve a two-year health insurance contract for 2026 and 2027.

For 2026, health insurance is budgeted at \$3,726,700 which is an increase of \$671,710 due to a 22% increase in premiums. For 2027, the budget is \$3,847,863 which is an increase of \$121,156 due to the rate cap of 16.5%

Workers Compensation

The workers compensation user charge is decreasing from \$1,667,791 in 2025 to \$987,150 in 2026. This is a reduction of \$680,641 or 40.8%. For the years 2020-2024 premiums have increased on average 17%. For 2025-2026, rates are finally starting to come back down and on average have decreased by 17%. Our current experience modification is .86 and has ranged from .55 to 1.06 since 2014. When the EMR is lower, our workers compensation costs are less due to positive **claims** experience. The average EMR, or the point at which the City is said to be no more or no less risky than another, is 1.0. If our EMR dips below 1.0, we are considered safer than most, which translates to lower premiums. For 2027 the charge is budgeted to increase to \$1,039,767.

MN Paid Family and Medical Leave (PFML)

Beginning January 1, 2026 the PFML program will provide job-protected, partial wage replacement to eligible employees who need time off for certain qualifying events. The program is funded by a .88% contribution split 50/50 between the employer and employee. The City's portion is \$127,918 for 2026 and \$132,503 for 2027.

Facilities User Charges

The Facilities Division is responsible for building related operations, preventative maintenance, remodeling, and long-term maintenance programs of the facilities owned by the City. The buildings include the City Center, Community Center, Outdoor Center, Art Center, Maintenance Facility, four Fire Stations, park shelters, and historical buildings. Facilities charge back to the internal users for these services.

Facility user charges are increasing from \$6,388,783 in 2025 to \$7,170,954 in 2026, which is an increase of \$782,171, or 12.2%. The increase is due mainly to wages and benefits and common area maintenance (CAM) charges. The CAM increase reflects the City's full responsibility of this charge following the departure of tenants at City Center. For 2027, charges are increasing to \$7,448,431 or 3.9%.

IT User Charges

The Information Technology Division is responsible for providing strategic technology direction and managing and implementing IT governance processes in support of City leadership. IT develops and implements IT operational policies and standards, manages contracts for IT services with various service providers, and coordinates major citywide activities including:

- General PC/Phone Systems Support;
- Network Wellness (Network Hardware/Servers/Enterprise Applications);
- Application Analysis, Implementation and Support and;
- Technology Analysis, Recommendation and Implementation.

The Information Technology Division manages approximately 100 different software applications and 625 devices (desktops, laptops, iPads). IT charges back to the internal users for these services.

For the General Fund, IT user charges are increasing from \$3,127,454 in 2025 to \$3,548,658 in 2026 an 13.5% increase. The increase is attributed to planned implementation of new software and upgrades including the property information management system, police and fire software, and body cameras. For 2027, \$3,756,271 is budgeted which is a 5.9% increase.

Fleet Services User Charges

Fleet services provide and maintain a safe, high quality, reliable and efficient fleet of vehicles and equipment. They manage approximately 270 vehicles and large pieces of equipment. The fleet includes police and fire vehicles, snowplows, dump trucks, pickup trucks and autos. Fleet Services is also continuing sustainability efforts this budget cycle to implement additional plug-in electric vehicles and improve building electrical infrastructure to support more electric vehicle charging stations. Fleet Services charges back to the internal users for these services.

Fleet services user charges for the general fund are increasing from \$2,965,292 in 2025 to \$3,137,887 in 2026 a 5.8% increase. The Fleet Services budget increase is due mainly to ageing and increased costs for operating supplies. Repair and maintenance costs are also increasing as vehicles are being held longer than in the past. For 2027, \$3,298,454 is budgeted which is a 5.1% increase.

HOUSING AND REDEVELOPMENT AUTHORITY (HRA)

In 1980, the City of Eden Prairie established a Housing and Redevelopment Authority for the City. The HRA may spend resources on the following:

- to provide a sufficient supply of adequate, safe, and sanitary dwellings to protect the health, safety, morals, and welfare of the citizens of this state;
- to clear and redevelop blighted areas;
- to perform those duties according to comprehensive plans;
- to remedy the shortage of housing for low- and moderate-income residents, and to redevelop blighted areas, in situations in which private enterprise would not act without government participation or subsidies.

The Housing and Redevelopment Authorities (HRA) can levy a tax of up to .0185 percent of taxable market value. The levy limit for the City of Eden Prairie HRA is approximately \$2.7M. In 2006, the Council approved the HRA levy for the first time. For 2026 and 2027 the HRA levy is \$230,000 and \$240,000 respectively.

The HRA levy pays for wages and benefits related to the support of housing in the City. It includes staff time from Housing and Community Services, Community Development, Planning, and Administration of Rental Housing Licensing. Wages and benefits total \$231,000 for 2026 and \$243,000 for 2027.

Other City resources for housing that the City anticipates collecting in 2025 are:

- Tax Increment Financing, \$3,600,000
- Community Development Block Grant, \$250,000 to \$300,000
- Local Affordable Housing Aid, \$730,000

CONCLUSION

This document is intended to provide information on the proposed 2026/2027 City of Eden Prairie budget. If you have any questions about the budget contact a member of the finance team or the individual operating areas.