



Proposed Final Budget and Truth in Taxation

City of Springfield Resolution 25-091709 Approving Proposed 2025 Tax Levy, Collectible in 2026 was approved at the September 17th, 2025, meeting setting a total maximum levy of \$1,554,575 (7.03% over 2025 levy). This resolution also recertified that the ratio between the benefits resulting from tax supported municipal services to parcels of land of like market value, situated in the Rural Service District and in the Urban Service District, respectively, is 0.3 to 1. Meaning that agricultural land which does not require city services is taxed at a lower rate than other property within the city.

Since this meeting in September, the budget has been reassessed and *the proposed final budget included for the 12/17/2025 council meeting reflects a 3.97% increase* over last year. Below is a comparison of last year's levy, the maximum levy set in September, and the proposed final levy.

Budget Comparison	Payable 2025 Final Levy	Payable 2026 Max Levy 9/17/25 (7.03%)	Payable 2026 Final Levy 12/17/25 (3.97%)
<u>General Fund Operating</u>	\$1,273,901	\$1,300,870	\$1,256,411
<u>Debt Service</u>			
\$1,295,000 GO Bonds 2010A (Fund 327)	\$48,604	\$49,541	\$49,541
\$1,745,000 GO Bonds 2018A (323)	\$56,608	\$54,771	\$54,771
\$111,426 Tax GO Abatement 2021A (320)	\$0	\$0	\$0
\$200,000 GO Bonds 2021B-Fire (322)	\$24,812	\$24,182	\$24,182
\$3,935,000 GO Bonds 2021B-Central (324)	\$48,570	\$125,211	\$125,211
Total Debt Service Levy	<u>\$178,594</u>	<u>\$253,705</u>	<u>\$253,705</u>
TOTAL LEVY	\$1,452,495	\$1,554,575	\$1,510,116

Our tax capacity, or the total value of property in Springfield, has increased. Typically, this is due in part to the county's assessed values increasing, something that the city does not have local control over. According to the Brown County Assessor, in general, residential property values saw a 1.74% increase in Springfield. This year, the increase in tax capacity was significantly influenced by the sale of the EDA owned Parkview Apartments which became taxable property and added over \$1.8 million in taxable value. Another factor is the expansion of local businesses in the industrial park.

The city should continue working to increase the tax capacity. This can be done through new development of property both commercial and residential, the sale of property from a non-

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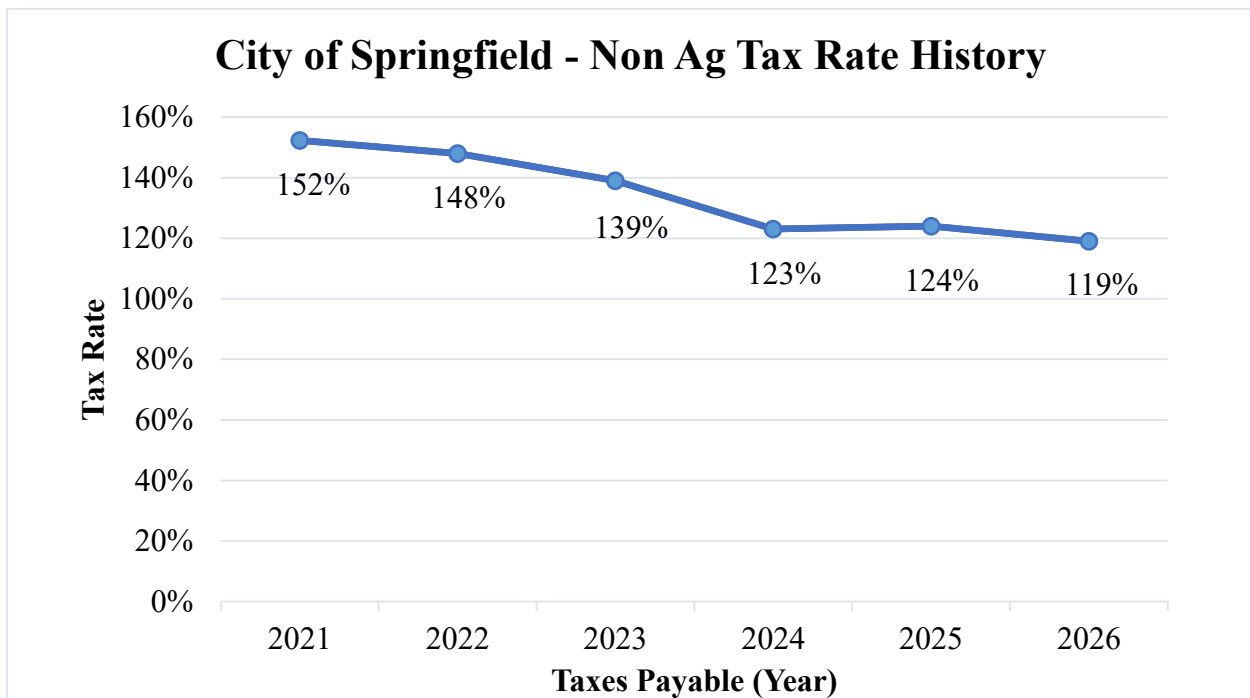
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taxable entity to a taxable entity, tax abatements or TIF agreements expiring, encouraging maintenance of current building stock, etc. Because the tax capacity is increasing at a higher percentage than the tax levy, *the city's non-ag tax rate is expected to decrease* as shown in the tables below.

Tax Capacity Comparison (Total Levy/Net Tax Capacity*100=Tax Rate)	Payable 2025:	Estimated Payable 2026 with 7.03% increase:	Estimated Payable 2026 with 3.97% increase:
Total Levy	\$1,452,495	\$1,554,575	\$1,510,116
Estimated Net Tax Capacity:	1,167,718	1,265,848	1,265,848
Estimated Tax Rate:	124.39%	122.81%	119.30%



Residents whose assessed value has not changed will see a decrease in the city portion of their taxes. Residents whose property values match the average value increase will also see a decrease in property taxes. Residents whose assessed value has increased more than the city average may see an increase in city taxes depending on the newly assessed value of their home (which is determined by the county assessor). Examples of different home values are detailed in the following tables.



Estimated Taxes Payable - When County Assessed Home Value has NOT changed

Home Value	Home Tax Cap	Estimated Payable 2026 City Tax	Estimated Payable 2026 Per Month	Per Month Increase (Decrease)	Annual Increase (Decrease)
\$100,000.00	718	\$856.57	\$71.38	(\$3.05)	(\$36.55)
\$150,000.00	1263	\$1,506.76	\$125.56	(\$5.36)	(\$64.29)
\$200,000.00	1808	\$2,156.94	\$179.75	(\$7.67)	(\$92.03)
\$250,000.00	2353	\$2,807.13	\$233.93	(\$9.98)	(\$119.77)

Estimated Taxes Payable - With 1.74% Increase to County Assessed Home Value

Home Value	Home Tax Cap	Estimated Payable 2026 City Tax	Estimated Payable 2026 Per Month	Per Month Increase (Decrease)	Annual Increase (Decrease)
\$101,740.00	737	\$879.24	\$73.27	(\$1.16)	(\$13.88)
\$152,610.00	1291	\$1,540.16	\$128.35	(\$2.57)	(\$30.88)
\$203,480.00	1846	\$2,202.28	\$183.52	(\$3.89)	(\$46.69)
\$254,350.00	2400	\$2,863.20	\$238.60	(\$5.31)	(\$63.70)

2026 Budget Changes:

Personnel Costs

Staff wages and benefits are the most significant piece of the city budget as all of the services in city departments rely on quality, capable staff to function. Retaining staff provides a great benefit to the city and should remain a high priority. The following changes and items have already been established or approved by the council:

- Effects of the 2024 wage study will continue to be seen for several years with staff previously at the top step of the pay scale now able to receive additional steps. The 2024 study found that wages were on average 11% below market.
- Budgeted 3% COLA increase.
- Health insurance costs increasing 12%
- New MN Paid Leave Tax split between employer and employee
- Increases to pool staff wages to meet minimum wage.
- Changing staff at different payrates and insurance elections.

General Fund (100)

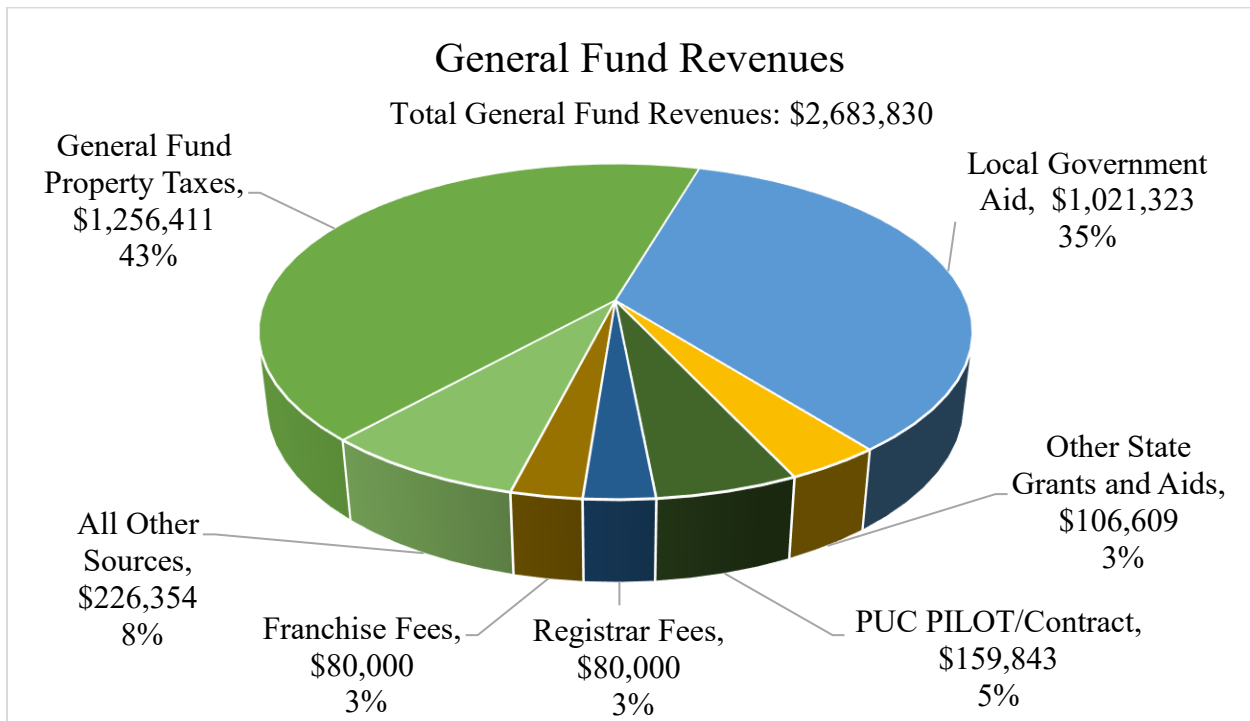
General Fund budgets (Fund 100) and Debt Service Funds (327,323,320,322, and 324) are those that primarily affect the tax levy. The general fund does make transfers to several other funds (Community Center, Capital Equipment Projects fund 411, Capital Street Projects fund



412, Ambulance, Rec Complex). Significant changes to general fund revenue and expenditure are detailed below.

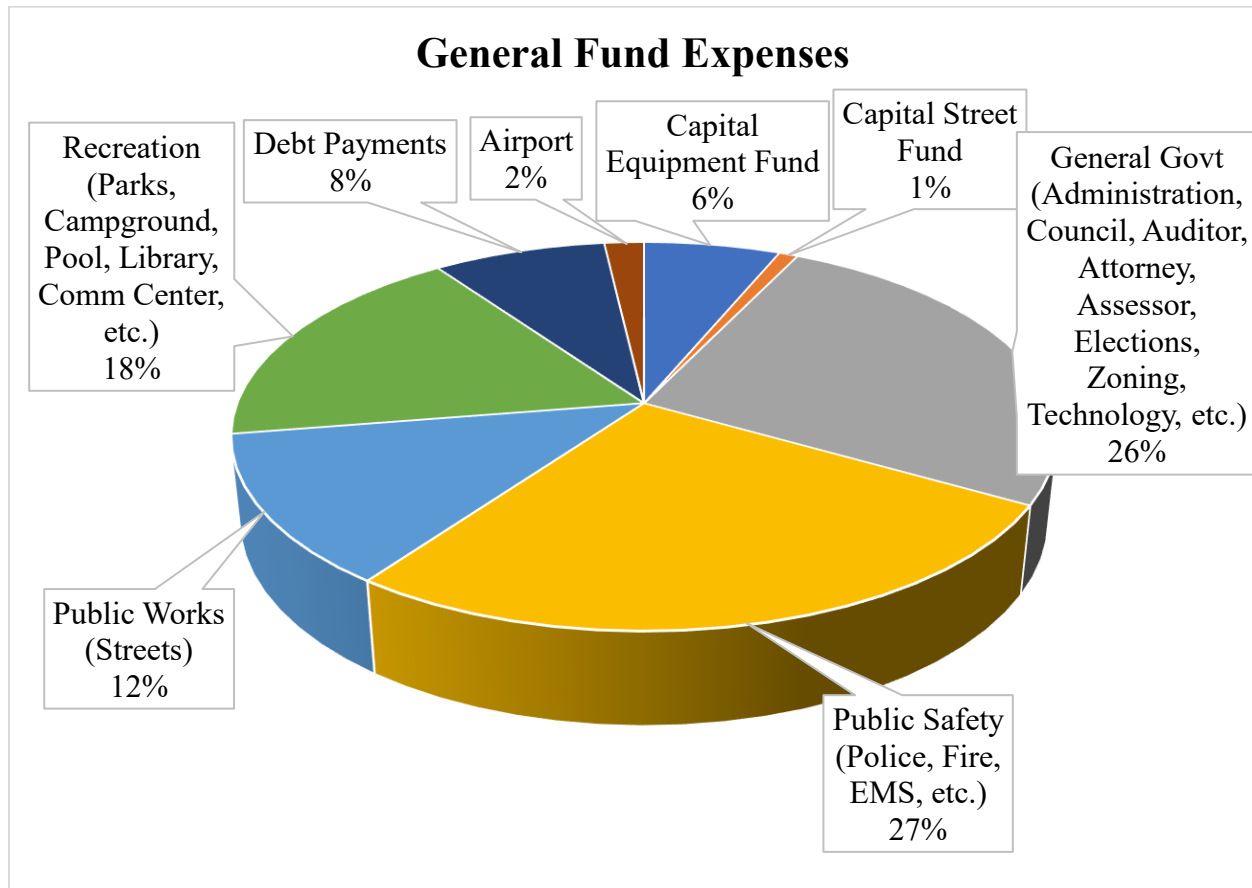
Revenue:

- LGA allotment increased slightly due to a small increase in estimated population.
- State legislature established a funding source for the Small Cities Assistance Account for local streets in 2024 which takes full effect for 2025 – this account will continue to fund streets in future years. This allotment was less than expected this year and has been adjusted down
- CenterPoint Energy Franchise Fees came in higher-than-expected last year and have been increased to match expectations.
- PUC Contract payment for billing/financial services increased 3%



Expenditures:

- EDA Transfer was eliminated
- Change in IT Provider increased Managed IT Services budget.
- Library staff will take over cleaning library
- 2026 election expenses included
- Gravel purchases for Garden Street and Second Industrial
- Removal of Ash trees from city parks/rec complex/campgrounds
- Safety Contract increased 5%
- Police Department replacement of duty weapons



Capital Equipment Projects Fund (411)

The Capital Equipment Projects Fund is where the city sets aside money to maintain its assets including buildings, vehicles, technology and equipment. The purpose of this practice is so that the tax levy may remain steady from year to year without large swings for the purchase of these items which are replaced or maintained in a long-term schedule ranging from years to decades. It is important to adequately fund capital improvements, as it can be difficult to come up with funds to repair or replace these necessary and expensive assets in the short term when there are unexpected failures or issues.

Revenue:

- The transfer from the general fund continues with a 3% inflation adder to the regular transfer amount. 2025 transfer was higher due to a one time bond payoff and the transfer of reserves.
- The total 2026 transfer will be \$200,335.



Expenditures:

- Airport:
 - Continue Airfield Electrical Project (90-95% covered by Federal AIP, Federal BIL, and State funds)
- Fire
 - Replace 1984 City Pumper with used truck
 - Bunker Gear Replacement
- Police
 - Squad Replacement
 - Roof Replacement
- Civil Defense
 - New Siren and Installation

Capital Street Projects Fund (412)

The City Council has directed staff to budget for a Capital Streets Project Fund in 2026. The Capital Street Projects Fund is where the city sets aside money for future use in major street improvement projects. The purpose of this practice is so that the tax levy may remain steady from year to year without large swings to accommodate the bonding process, and to hold a reserve to buy down future projects. This will be funded by transfers from the general fund as well as transfers from bond pay offs. The maintenance and replacement of streets is one of the core services that the city provides, so it is essential to maintain adequate funding and plan responsibly for the future.

Revenue:

- The transfer from the general fund will begin at \$27,880
- The City expects to transfer an additional \$17,000 from the closing of Debt Service Fund 327 (Bond 2010A) at the end of 2026
- The total seed money for the fund will be \$ 2026 transfer will be \$44,880

Expenditures:

- No expenditures planned in 2026 – building reserves for future projects.

Public Comment and Additional Information

The Truth in Taxation hearing is set for December 17th, 2025, at 6:00 PM at the Springfield Area Community Center. The public will be given an opportunity to comment on the budget and information listed above. Additional information and a detailed budget for all funds is available for review at city hall by request. For further questions regarding the above information or the proposed budget, please contact City Manager Amber Dale at amber.dale@springfieldmn.org or 507-723-3500.