



EDINA MINNESOTA

City Council Work Session Meeting Agenda

June 23, 2026, 5:00 PM

Edina City Hall, Community Room, 4801 W. 50th St.



Accessibility Support:

The City of Edina wants all residents to be comfortable being part of the public process. If you need assistance in the way of hearing amplification, an interpreter, large-print documents or something else, please call 952-927-8861 at least 72 hours in advance of the meeting.

1. Call to Order

2. Roll Call

3. Meeting Topics

3.1. Capital Tours and City Manager Budget Presentation

4. Adjournment



Item Number: 3.1

Department: Administration

Item Activity: Information

Prepared By: Sharon Allison, City Clerk

Item Title: Capital Tours and City Manager Budget Presentation

Action Requested:

None, informational only.

Information/Background:

The City Council and Executive Leadership Team will board a bus at Fire Station 2 and then tour capital projects. Below is a timeline of the evening.

Leave Fire Station at 5 p.m.

5:15 – 5:45 p.m. Tour of the Aquatic Center (4300 W. 66th St, Edina)

6:00 – 6:30 p.m. Tour of Edinborough Park (7700 York Ave S, Edina)

6:30 – 7:15 p.m. Break & Dinner, Fire Station 2 (4401 W. 76th St, Edina)

7:15 p.m. Presentation of the City Manager's Budget Proposal

Resources/Financial Impacts:

None.

Relationship to City Policies/Plans/Budget Pillars:

Values Impact:

Supporting Documentation:

Documents marked with "Board Portal" do not meet [ADA Web Content Accessibility Guidelines \(URL\)](#) and are not included in the public packet. To request a board portal document, please [submit a data request \(URL\)](#).

None



Item Number: 3.2

Department: Finance

Item Activity: Discussion

Prepared By: Scott Neal, City Manager

Item Title: City Manager's Proposed 2027 Budget & Levy Overview

Action Requested:

Information Only. No formal action is requested tonight. Staff will present the City Manager's proposed 2027 levy and seek confirmation of direction ahead of the Preliminary Levy in September. Staff are requesting feedback from Council by August 3 to allow adequate time to prepare for the August 18 work session. At the budget work session on the August 18, Council will review feedback to gain consensus ahead of Preliminary Levy approval scheduled for the September 15 Council meeting.

Information/Background:

2027 City Manager Budget Proposal

The City of Edina has used a biennial budgeting process for more than a decade. Under this approach, the City Council and staff conduct a comprehensive review of operating budgets in odd-numbered years and of capital investments and long-term infrastructure planning in even-numbered years.

Following that established practice, staff in 2026 reviewed the City's operating budget while also developing the 2027-2031 Capital Improvement Plan (CIP). Staff will present a proposed preliminary property tax levy for City Council consideration September 15, 2026. The proposed 2027-2031 CIP will be presented later in the fall, with final Council consideration scheduled for December.

The City Manager's proposed 2027 total property tax levy is \$67,833,959, representing a 6.5% increase over 2026. Compared to the preliminary 2027 projection presented at the April City Council retreat, the proposed levy is \$1.48 million lower, decreasing from \$69,321,289 to \$67,833,959.

The proposed budget balances essential City services with targeted spending reductions and debt service savings while maintaining key capital investments. It supports the City's 2027 taxing and spending goals by slowing the growth of the property tax levy, reducing debt service costs through the retirement of two bond issuances, and limiting General Fund growth through operational efficiencies that preserve service levels.

The proposal also advances long-term priorities by increasing funding for deferred maintenance of City facilities, strengthening annual capital and equipment replacement funding, and setting aside resources for process automation and artificial intelligence initiatives designed to improve organizational efficiency and service delivery.

General Fund

The City Manager's proposed General Fund levy is \$56,196,481, a 6.0% increase over the 2026 levy. The proposed 2027 budget focuses on funding the City's core operations and maintaining the services residents rely on every day.

The budget includes funding for the six Firefighter/Paramedic positions approved in 2026, completing the phased implementation of those positions. It also adds two partial-year positions to support operations and maintenance at Fred Richards Park, which is expected to open in 2027. The full annual cost of those positions will be reflected beginning in 2028.

The proposed budget also captures savings from previous City Council decision. These include the second year of savings associated with transferring assessing services to Hennepin County, resulting in an additional \$500,000 reduction and bringing the total annual savings to approximately \$1 million. The budget also continues to realize savings from the City Manager's consolidation of the Public Works and Engineering departments.

As discussed during the April City Council retreat, the proposal incorporates \$655,300 in operational efficiencies, clean-up items and budget refinements. It also includes an additional \$155,000 in reductions, including \$100,000 from public safety staffing vacancies, a \$25,000 reduction within Public Works, elimination of \$20,000 in administrative software costs after staff identified an existing solution that meets operational needs, and the discontinuation of the Employee Assistance Program for seasonal employees. The total for all General Fund operational reductions amounts up to \$810,300.

Surplus Recommendation

The City Council has formally adopted a Fund Balance Policy regarding the desired range for unassigned General Fund balance, or surplus. The policy establishes a goal for unassigned General Fund balance of 42-47% of the subsequent year's budgeted property tax revenue. It is the policy of the City that, to the extent possible, any excess funds should be transferred to the Construction Fund to support capital improvements and equipment.

The 2025 budget ended with a surplus balance of \$6,377,487. (Note: 12% of the surplus is due to an accounting practice between the General Fund and Construction Fund and the original 2025 budget included a \$1 million use of budget stabilization funds). In addition, there is an existing balance in prior years of more than \$2 million in surpluses, so the total available surplus as of December 31, 2025 is \$8,647,336.

Best practice is to use surplus funds for one-time items, such as capital, to not create a budget deficit in future years. This is a unique opportunity to reduce deferred maintenance and make investments in future cost controls (Council priorities).

Staff is proposing the following designations for the excess surplus:

- Pay off Fire Station 1 Debt 2016A \$218,172
- Pay off Public Works & Park Maintenance Facility Debt Service 2017C \$1,236,474

- Deferred Maintenance: Public Works Cold Storage \$1,500,000
- Deferred Maintenance: Public Works & Park Maintenance Facility \$1,900,000
- Deferred Maintenance: Lewis Park Shelter (part of funding) \$140,000
- Design Funds for Edina Art Center \$600,000
- Process Automation and AI Investment \$2,000,000

Total Proposed Investments funded by surplus \$7,644,646. Note: The surplus is part of the contingency for the City's capital and equipment. Staff recommends maintaining a \$1,000,000 balance for both contingency and liquidity in this fund. The expected remaining balance is \$1,002,690.

Debt Service

As mentioned during the April 28 Council retreat and earlier in the surplus recommendations, staff recommend to paying off Fire Station debt (2016A) and Public Works & Park Maintenance Facility debt (2017C). The current proposed debt service levy of \$5,387,700 supports debt issuance obligation payments. Prepayment would eliminate up to \$123,527 in future interest expenses, remove levy obligations for 2027-2029, decrease administrative costs and enhance the City's credit profile by reducing long-term liabilities. The staff proposal aligns with planned issuance retirement and restructuring for future debt issuance opportunities. Should the City choose to proceed, the Council must pass a resolution authorizing early redemption and issue notice to bondholders at least 30 days prior to the designated prepayment date.

The Public Works Cold Storage project is estimated at \$1,500,000, and staff recommend financing it with surplus funds in 2027 rather than issuing new debt.

Finally, within the City Manager's proposal, staff recommend adding an estimated \$8 million in 2028 for Braemar Arena roof. Construction costs have risen dramatically since the original local sales tax project was scoped in 2020 and there have been major budget constraints on the Braemar Arena sales tax funded project. An effort to increase the amount of Local Sales Tax dollars available for these projects through a new tax bill at the Legislature this year (2026) was heard in committee but not enacted into law. While much of the arena, ice operations and interiors will be remodeled during the upcoming project, the building envelope was not able to be improved. The roofs of many of the existing buildings are nearing their useful lives and should be replaced as part of this renovation to prevent potential failures. The City recognizes the disruptions that a roofing project can cause to occupants and users of buildings and believe it's best to attempt complete these replacements concurrently with the larger construction project. Additional information will be provided on this as more information becomes available.

With these adjustments, the City Manager's proposed 2027 debt service levy is \$5,387,700 — a 16.45% decrease from 2026.

Construction Funding

In the Appendix, you will find a summary of capital improvements and capital equipment plan improvements associated with the levy, some use of Construction Fund reserves and the recommended surplus projects listed above. Staff recommend spending some of the built up reserve balances, while maintaining an appropriate contingency for equipment failures.

The City Manager's proposed levy for Construction Funds is \$5,974,678, representing a 50.63% increase over 2026. While significant, the increase largely reflects a return to funding levels (which peaked in 2024) following temporary reductions in 2025 and 2026 implemented to offset rising debt service costs.

Construction-related levies – which include the Capital Improvement Program (CIP), Capital Equipment Program (CEP), Street Special Levy and Special Park Improvement Levy peaked at approximately \$6.95 million in 2024. Funding was subsequently reduced to \$5.83 million in 2025 and \$3.97 million in 2026 as part of the City's broader levy management strategy. The proposed 2027 levy restores some of that funding to support ongoing infrastructure, facility and equipment investment needs.

Projects included in the Construction Fund and surplus allocation recommendations address major deferred maintenance priorities, including funding for Public Works Cold Storage; building automation and lighting systems for the Public Works & Parks Maintenance Facility; design and fixtures, furniture and equipment (FFE) for the new Edina Art Center; and Lewis Park shelter replacement.

Next Steps

We request that the Council review the proposal and provide comments to staff by August 3 in preparation for the Council work session on August 18. Formal approval of the 2027 preliminary total tax levy is planned for the September 15 Council meeting.

Preliminary levy approval will set a ceiling for the City's total property tax levy for 2027. This figure will be used to calculate the preliminary property tax statements that taxpayers will receive from Hennepin County in mid-November. After this action, the City's final spending and taxing decisions cannot exceed the level set by the preliminary approval and can only be reduced when the total tax levy is adopted in December. State Statutes require that Minnesota city governments approve their preliminary 2027 total property tax levies on or before September 30, 2026.

Horizon Outlook

Although the 2027 budget proposal accomplishes a lot while maintaining minimal levy increases, there are some challenges in the years ahead that the Council should keep in mind and begin planning for.

Art Center Operationalizing

The Edina Art Center is expected to reopen in its new home in the first quarter of 2028. Lease payments to Hennepin County for the City's new Art Center will start in 2028. This budget includes paying for the design and FFE for the County, but there will also be additional staffing costs associated with programming changes at the new facility.

Fred Richards Operationalizing

Fred Richards is expected to open in 2027. This budget includes two partial year park maintenance positions to help begin supporting maintenance of the park. The full year of salary and benefits will have an impact on the 2028 budget.

Municipal Campus

Future Fire Station 3, Police Department and City Hall planning work has been highlighted as a priority. The next step is site acquisition. The City received a formal offer from MnDOT on Monday, offering the City the property for \$3.5 million based on an appraisal they had commissioned. The City is reviewing and evaluating the offer. MnDOT has stated since the City was the previous owner of the land the right-of-way was purchased from originally, there will be no deed restrictions on the site.

Backlog of Deferred Maintenance at Enterprises

Deferred maintenance at recreational enterprise facilities continues to be an issue that will likely require support outside of enterprise funding. Many of these enterprises function more like special revenue funds. Due to financial models, the capital maintenance needs at enterprise sites competes with other operational costs and revenues. This has caused a backlog of items exceeding the entire annual budget of many of the sites, requiring alternative funding models to be explored.

In many cases, the CIP fund for Asset Preservation, which acts as an emergency repair fund, is used to address items that fail and would otherwise impact operations or, in some cases eliminate programming at these sites. This includes not only facility infrastructure but also covers vehicles and other large equipment.

Liquor Store Revenue

The City's municipal liquor stores have seen a significant decline in revenue in recent years. Staff has adjusted expenditure models to react, but this continues to be an area to watch. The City's recreational enterprises rely on transfers from the Liquor Fund to balance their budgets. In previous years, \$1,000,000 was transferred annually out of the Fund to support other park enterprises. The transfer has been reduced in the current budget and in the 2027 budget. Fund balance has been reduced in recent years as a result of budget revenue shortfalls (2025 unrestricted net position ended at \$236,114).

Like other departments, Edina Liquor also pays for some internal services. If Edina Liquor were not to pay for internal services, it would result in a potential increase in General Fund costs. Estimated Liquor Fund impact would be approximately \$1-1.5 million that would need to be offset by the General Fund to pay for the recreational transfers and the internal services that could not be eliminated.

Cable Franchise Fees

Revenue from cable franchise fees continue to fall as more consumers move to streaming services. The City budgeted \$1.1 million in cable franchise revenues in 2025, but collected just \$687,067 – 38% less than projected.

Edinborough Park

Edinborough Park is home to Aventure Peak, an indoor playground, performance amphitheater, Summit gym play area, indoor lap pool and elevated walking track with select fitness equipment. The facility hosts an extensive entertainment series for youth, family and adults; hosts birthday parties and is consistently rated as one of the top-rated indoor play experiences in the Twin Cities.

This facility has not had a level of analysis done since prior to 2012 and use patterns are drastically different now due to the expansion of similar offerings in the market and evolving recreation trends. The facility has a vast list of infrastructure deficiencies overdue, due in the short-term and needed in the future.

The Council approved an analysis of Edinborough Park earlier this month. This study will ensure that the four public facing areas of aquatics, playpark & gym play, performance area and walking/fitness are well analyzed. This will include not just infrastructure assessments, but also an analysis of the complicated and unique facility architecture. The facility also has multiple shared property lines and parking structures, sharing three walls with the corporate center, assisted living facility, and the apartment (former hotel) complex. Like Centennial Lakes Park, there are park maintenance agreements in place, and a review of those agreements is included as well. Currently those fees do not have an expiration and are in perpetuity. The analysis will also include a review of staffing levels as there is current joint operational management of the Aquatic Center, market comparables and future visioning and potential of the facility.

The action item will be to determine options that include a scope of need and potential pathways to reach a vision. A planned update on the study will be provided to Council during the last quarter of the year.

Centennial Lakes Park

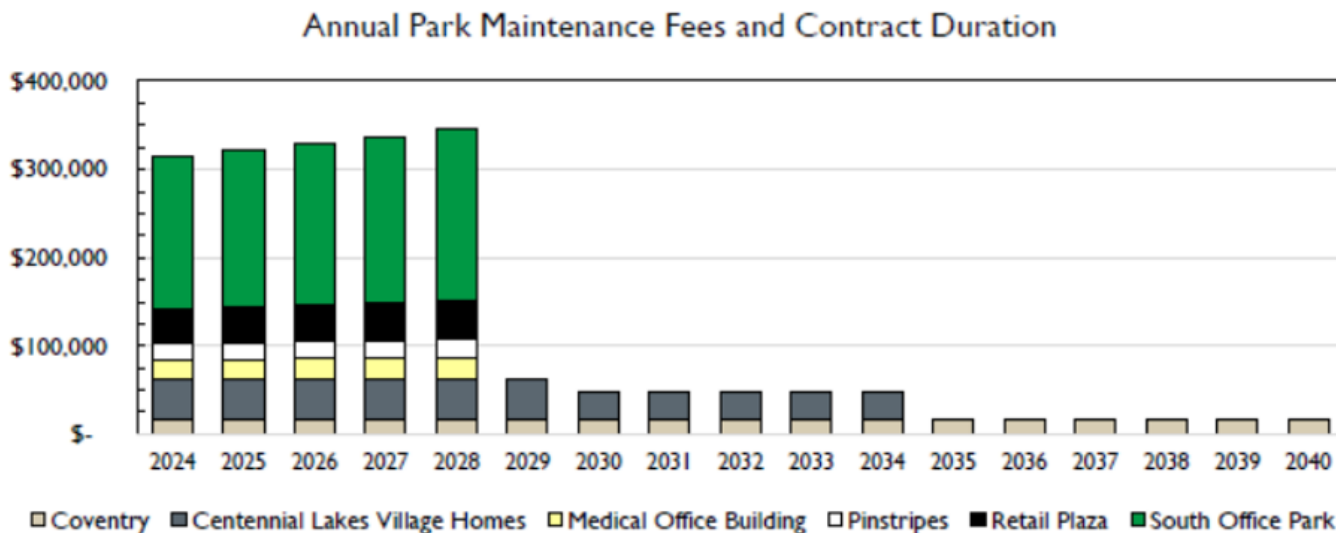
At the request of the City Manager, a detailed operational assessment of Centennial Lakes Park was conducted and presented to the City Council in April 2023. This 24-acre park enjoys year-round amenities surrounded by evolving mixed use development. The analysis explored the background and zoning of the adjacent land use, park amenities and programs, park uses and corresponding influences, park budget, staffing structure and amenity condition. The three central issues of the assessment were (1) identify a reliable source of operational revenue given the changes in maintenance fees, (2) determine the future scale and quality of amenities along with services that drive staffing and related expenses; and (3) determine an approach to funding capital improvements and renewal around the park. This discussion will continue to focus on the changes anticipated in the park maintenance fees.

The public and private partnership that worked together to develop the park and surrounding properties agreed to a park maintenance fee to support park maintenance. As part of the original development, six properties adjoining the park have contractual obligation with the City of Edina through the HRA to help offset the cost to maintain Centennial Lakes Park. The unique nature of the entire development underscores the importance of a greater working relationship between the property owners and the City.

Contract terms for properties were for an initial 30 years with an auto additional 10 years, unless 75% of homeowners and park owners agree to end at 30 years.

Status of HRA agreements:

- Centennial Lakes Village Homes amended to continue until December 21, 2034.
- Coventry Homes continues until 2040.
- South Office Park, Medical Office Building, Retail Plaza and Pinstripes expire at the end of 2028.



The near-term concern acknowledged previously and again for discussion is the identification of a reliable source of operational revenue given the changes in maintenance fees at the end of 2028. These HRA agreements for park maintenance fees support roughly 37% of the total Centennial Lakes Park operating budget.

The action item for Centennial Lakes Park will be to define a strategy to close the gap by the expiration of the maintenance fees.

Braemar Golf Course Clubhouse

The history of Braemar Park and Braemar Golf goes back to the homestead of the Marth family. Of their original 1,300-acre estate, over 400 acres became Braemar Park. Initial discussions around the creation of a public golf course began in 1956. Over time, considerable evolution of the golf course occurred.

In 2024, staff conducted an analysis of long-term investments for the two public use facilities supporting golf in Edina. This review included the existing conditions, potential future use, revenue opportunities and overlapping uses for integration.

Built in the early 1960s, the facility provides a counter service restaurant for food and beverage

offerings, a banquet room, outdoor deck, pro shop, administrative offices, two meeting rooms and golf cart storage. Due to the location and site placement of the facility on the crest of a steep hill, there are concerns related to ADA accessibility requirements and to a lesser degree the physical exertion required for some patrons to access the building.

The clubhouse has been renovated multiple times in its history and while regular maintenance has occurred, there are deferred investments which are a part of this discussion. As part of the study, the facility was reviewed for accessibility, aesthetics, deterioration, energy usage, hazardous materials, health and safety, estimated useful life and remaining useful life. Those evaluations were categorized as a priority level of immediate need, short-term need, and long-term need.

In comparison with market competition, the clubhouse is lacking in amenities, such as a modern banquet space, restaurant facilities, community use areas and additional year-round programming areas. These amenities are not only sought within the community but also have significant revenue potential for the golf operations. When evaluating the useful and remaining life of a facility, there is a tradeoff between renovation and new construction. Additionally, in the context of the prior investments in the golf experience, the existing clubhouse has a substantial disconnect to the function and flow of the overall experience. For example, the investments in the courtyard and course bring users past the cart storage and maintenance area of the building. Patrons crossing over from one side of the course to the other need to go up the hill to access the restaurant for food and beverage options. No matter the level of investment in remodeling the existing clubhouse the vertical site challenges for access would remain.

Reviewing an option for a new structure would provide an opportunity to support both golf and community opportunities in the same facility. Ideally a facility of modern use would attract both golf enthusiasts and non-golfer alike.

Recently, the Minnesota Golf Association (MGA) has approached staff requesting to formally study the partnership potential of a new clubhouse facility that would allow MGA operations to move to Braemar. Currently, Braemar Golf operations partners with the MGA on programs such as the Minnesota Adaptive Open and many other valuable programs. Because the values of MGA align well with Edina's golf operations, the partnership has tremendous potential.

Because of this formal request, staff requests feedback on pursuing concept planning work for a new clubhouse and identification of potential partnerships, including the MGA. While this would be exploratory in nature and not detailed design development, there is value in understanding the facility needs, operational issues and revenue potential that would come with this model. The action item would be to explore the long term vision for Braemar Golf Course.

In the most recent Quality of Life Survey, 36% of households reported they used Braemar Golf Course and 94% rated it as excellent or good.

Local Sales Tax

Top level state DFL Leaders have communicated at MLC that they plan to push hard for local sales tax and believe that a new Senate Tax Chair next year will be an opportunity in 2027. They have advised cities requesting to put in their requests next year. This would likely require a 2028 General Election referendum for voter approval.

Class & Compensation Study

The City has relied on its current position classification method since 2013, when the last full study was completed. While smaller re-classifications and market studies have taken place in the interim, a thorough review is now necessary to address the evolving needs of the organization.

Over the past thirteen years, significant changes have occurred in the job market. The primary objective of the upcoming study is to update job classifications and pay structures to ensure both fairness and competitiveness. Achieving these goals is essential for the City to retain talented employees and remain aligned with broader market trends. Additionally, the study will confirm that all positions are classified in accordance with Minnesota Pay Equity requirements.

Cost of Modernization, Staffing Challenges and External Market Conditions

Modernization and external market conditions continue to drive cost increases across nearly every area of City operations, and many of these pressures are not always visible to the public. Technology has shifted from one time purchases to ongoing subscription and licensing models, which now require continuous payments rather than ownership. Services like Edition Edina mailings have also experienced significant price increases—an impact shared by nonprofits and public agencies. At the same time, expanding cyber threats, rising data requests, and other “hidden costs of doing business” add new layers of expense and complexity. These internal pressures are compounded by external market conditions: tariffs, fluctuating interest rates, resource shortages, demographic changes, and broader supply chain volatility all push operational costs higher and strain municipal budgets. Together, these modern demands make it more challenging to maintain service levels without scaling back nonessential activities. Adding further pressure, the City continues to face workforce shortages in hard to recruit positions like police officers and firefighters, where competition and labor market constraints continue to elevate personnel costs.

**In the April packet there was an error that originally identified this as \$630K, although \$655K was actually shown.*

Resources/Financial Impacts:

This is essential for the funding of the City's operation and capital projects.

Relationship to City Policies/Plans/Budget Pillars:

The budget details the key priorities of the City Council and the resources dedicated to achieve results for Edina residents utilizing strategic guidance from Vision Edina, the Comprehensive Plan, and the Capital Improvement Plan.



Strong Foundation



Reliable Service



Livable City



Better Together

Values Impact:



Engagement

We build meaningful connections and create spaces where everyone feels welcome, valued and has a sense of belonging.



Equity

We provide equitable opportunities for people to participate in the city government and access City institutions, facilities, and services.



Health

We use Health-in-All Policies to promote and protect the physical, mental, and social wellbeing of all people who live, work, or visit Edina.



Stewardship

We make wise investments that focus on the best long-term value for residents.



Sustainability

We ensure that our policies, decisions, and plans have a positive impact on people and the planet now and for future generations.

Supporting Documentation:

Documents marked with "Board Portal" do not meet [ADA Web Content Accessibility Guidelines \(URL\)](#) and are not included in the public packet. To request a board portal document, please [submit a data request \(URL\)](#).

1. Appendix
2. Staff Presentation

2027 Construction Fund Spending Summary

		2027
P&R23120 - Park Maintenance Equip Replacement - Vehicles	\$	20,000
PWK23200 - Public Works Equipment Replacement	\$	23,000
P&R21001 - General Park Asset Equipment Replacement	\$	50,000
ADM27102 - Administration Equipment Replacement	\$	110,000
FAC25110 - Facility Asset Maintenance Software	\$	142,000
ITS25200 - IT Equipment Replacement	\$	195,000
P&R17028 - BA: Zamboni Replacement	\$	200,000
ADM23200 - City Hall Equipment	\$	225,000
FIR25200 - Fire Equipment Replacement	\$	645,200
P&R25124 - EAC: Design, F&E for New Art Center	\$	800,000
POL25200 - Police Equipment Replacement	\$	962,500
Construction Fund: Equipment Total	\$	3,372,700
PW22002 - Annual Deferred Retaining Wall Replacements	\$	100,000
ADM27103 - City Hall Facility Improvements	\$	100,000
P&R25107 - Parks Accessibility Improvements	\$	150,000
P&R25106 - Park Pathways and Parking Project Improvements	\$	150,000
FAC25115 - Public Works Access Gates	\$	330,000
P&R15049 - Lewis Park Shelter Building Replacement	\$	430,000
FAC25200 - Asset Preservation Funding	\$	700,000
Construction Fund: CIP Total	\$	1,960,000
P&R21003 - Outdoor Athletic Field Lighting	\$	180,000
P&R21047 - Heights Park Playground Equipment	\$	185,000
P&R23212 - York Park Playground Replacement	\$	185,000
P&R25114 - Alden Park Playground Replacement	\$	195,000
Construction Fund: Special Park Improvement Total	\$	745,000
DM: Lewis Park (part of funding)	\$	140,000
Fire Station 1 Debt Service 2016A	\$	218,172
Edina Art Center Design	\$	600,000
Public Works Facility Debt Service 2017C	\$	1,236,474
DM: PW Cold Storage	\$	1,500,000
DM: PW Building Automation System & Lighting	\$	1,950,000
Automation & AI Investment	\$	2,000,000
Total Surplus	\$	7,644,646

Process Automation & AI Future Fund Investment Proposal

The rapid growth of artificial intelligence, generative technologies, and process automation offers the City of Edina a major opportunity to improve services, boost efficiency, and enhance the resident experience. Like many organizations modernizing systems and preparing their workforce for AI-enabled operations, the City should continue its strong tradition of innovation by using technology, automation, and AI to drive long-term improvements.

To support this work, staff is requesting \$2 million in surplus funds for a three to five year AI & Process Automation Investment. This funding will support dedicated staff capacity, enterprise AI tools, employee training, and the technology upgrades needed to implement safe, responsible AI across City departments.

Goals and Outcomes of the Plan

1. Deliver a better resident and staff experience by improving City services, enhancing public-facing tools, and streamlining workflows through automation and modernization.
2. Increase organizational efficiency and capacity by automating routine tasks, enabling staff to focus on higher value, community-facing work, and building internal expertise to adopt AI safely and strategically.
3. Strengthen the City's technology foundation and governance by modernizing legacy systems, preparing for future integrations and data-driven decision making, and establishing responsible AI policies aligned with public sector best practices.

AI Work to Date

Since 2024, the City has built a responsible foundation for AI adoption. In March 2024, it introduced its first organization-wide AI Policy. After Microsoft Copilot for Government was released in December 2024, staff launched recurring AI Lunch and Learn sessions in January 2025. In 2025, the City began deploying Microsoft Copilot licenses and created an AI Use Case Library to showcase practical applications across departments. Staff also continue meeting with AI professionals and peer cities to stay current on best practices. The City is a GovAI member, and the IT Director attended the GovAI Annual Conference to strengthen knowledge and partnerships around responsible public sector AI use.

Financial Strategy & Sustainability

Key Investments (estimates)

1. Process Automation & AI Staff Support (\$700,000 over 3-4 years)
Manages strategy, assists with prioritizing opportunities, oversees and coordinates on cross-department projects, updates governance, reviews vendors, assists with technical guidance, programming and helps ensure cost effective and responsible implementation.
2. Microsoft Copilot Licenses (\$150,000 over 4 years)
Provide 100 staff members access to secure AI tools for drafting, summarizing, analyzing data and automating administrative work.
3. Citywide Consulting & Training Program (\$150,000 over 3-4 years)
Offers strategic plan assistance, organizational assessments, hands-on training, AI literacy, workflow optimization and change management support.

4. Technology Upgrades & Pilot Projects (\$1,000,000 over 3-4 years)

Supports system improvements, automation pilots, cloud migrations, vendor support and data governance enhancements.

To ensure long-term sustainability and accountability, future AI and automation investments will be tied to clear, measurable goals and outcomes. Because the future market for AI costs is uncertain and changing rapidly, ongoing conversations will be necessary about how we evaluate value. Investments will likely require multiyear commitments beyond the initial three-year pilot. This fund is intended to invest, but is not the only source of funding needed. As potential savings are realized, a portion could be reinvested into the AI & Process Automation Fund, creating a continuous improvement cycle that supports innovation without relying solely on new budget allocations.

The City will track and report annually on:

- Customer service and quality improvements
- Savings from automation and process improvements and any efficiency gains
- Annual reinvestment into the fund (if applicable)
- Additional investment opportunities and expected returns

As early phases show results, the City may consider expanded investments—such as broader automation, wider deployment, or further modernization of enterprise systems—grounded in demonstrated outcomes and community benefit.

Expected Timeline

The full timeline will be developed with the new staff person to prioritize with the oversight of ELT and IT Director. Some key timeline accomplishments are: 2026 includes Council approval, team formation, hiring, onboarding and initial prioritization. The proposal would start on January 1, 2027, but hiring would begin as soon as Council approves the use of the surplus funds. Each year includes approval of the workplan, midyear updates, and an annual report to Council.

Alternative reductions not included in the City Manager's Proposed Budget (or recommended)

- 494 Corridor Commission - \$33,279
- Reduction in Human Services Task Force Funding - \$175,000
2025 amounts (there was an inflationary escalator added to the funds for 2026)
 - \$50,000 Edina Resource Center
 - \$19,000 VEAP
 - \$18,000 going to Cornerstone
 - \$17,000 going to Senior Community Services
 - \$20,000 going to Edina Historical Society
 - \$12,000 Help at your Door
 - \$12,000 Beacon Interfaith
 - \$9,500 Edina Give and Go
 - \$7,500 Normandale Center for Healing and Wholeness
 - \$5,000 for Oasis for Youth
- Move Quality of Life survey to every three years instead of two - \$45,000
- Eliminate an additional issue of *Edition: Edina* - \$10,000 (previously reduced already in the previous round of reductions).
- Reduction in Senior Center professional services - \$7,500
- Elimination of Sunday ice maintenance at ice rinks - \$20,000



The CITY of
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2027 – 2032 CIP & Budget Council Retreat

June 23, 2026

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Tentative Timeline

- Completed to date:
 - The 2026 Levy & Budget were approved on December 16, 2025.
 - Departments began reviewing the 2027 Budget and 2027–2031 CIP on February 24.
 - Council reviewed kickoff materials and State of the Utilities in March work session.
 - Departments submitted their budget and CIP materials on March 31
 - (Currently in Finance Review)
 - Council and Staff held April 28 and **June 23 Retreat – Tonight!**
- Upcoming milestones:
 - Council work sessions scheduled for August 18th, Sept. 15th, Oct. 20th, Nov. 17th, Dec. 1st, Dec. 15th to refine budget and CIP priorities.
 - Adoption of the 2027 Preliminary Levy on September 15.
 - Final adoption of the 2027 Levy, Budget, and 2027–2031 CIP on December 15th





City Manager's Proposed Budget



The CITY of
EDINA

2027 City Manager Proposed Budget Priorities

- Balances essential services with targeted reductions and debt-service adjustments while maintaining capital commitments.
- Supports the City's 2027 taxing and spending goals by:
 - Slowing the growth of the Total Tax Levy
 - Reducing the Debt Service Levy through retirement of two prior debt issuances
 - Limiting General Fund growth through operational efficiencies that preserve service levels
- Invests in long-term priorities by restoring annual funding for deferred maintenance and using one-time resources to further reduce maintenance backlogs for facilities, capital, and equipment.
- Allocates funding for process automation and artificial intelligence initiatives to advance a future-ready organization.



Overall taxing and spending goals for 2027

- Taxing
 - Reduce the rate of growth of the City's Total Tax Levy (TTL)
 - Reduce Debt Service Levy by retiring two past debt issuances
- Spending
 - Reduce the rate of growth of the City's General Fund services through operational reductions that do not reduce service level reductions
 - Establish a special revenue fund for capital investment in Artificial Intelligence and Automation
 - Increase annual spending on deferred maintenance of City facilities

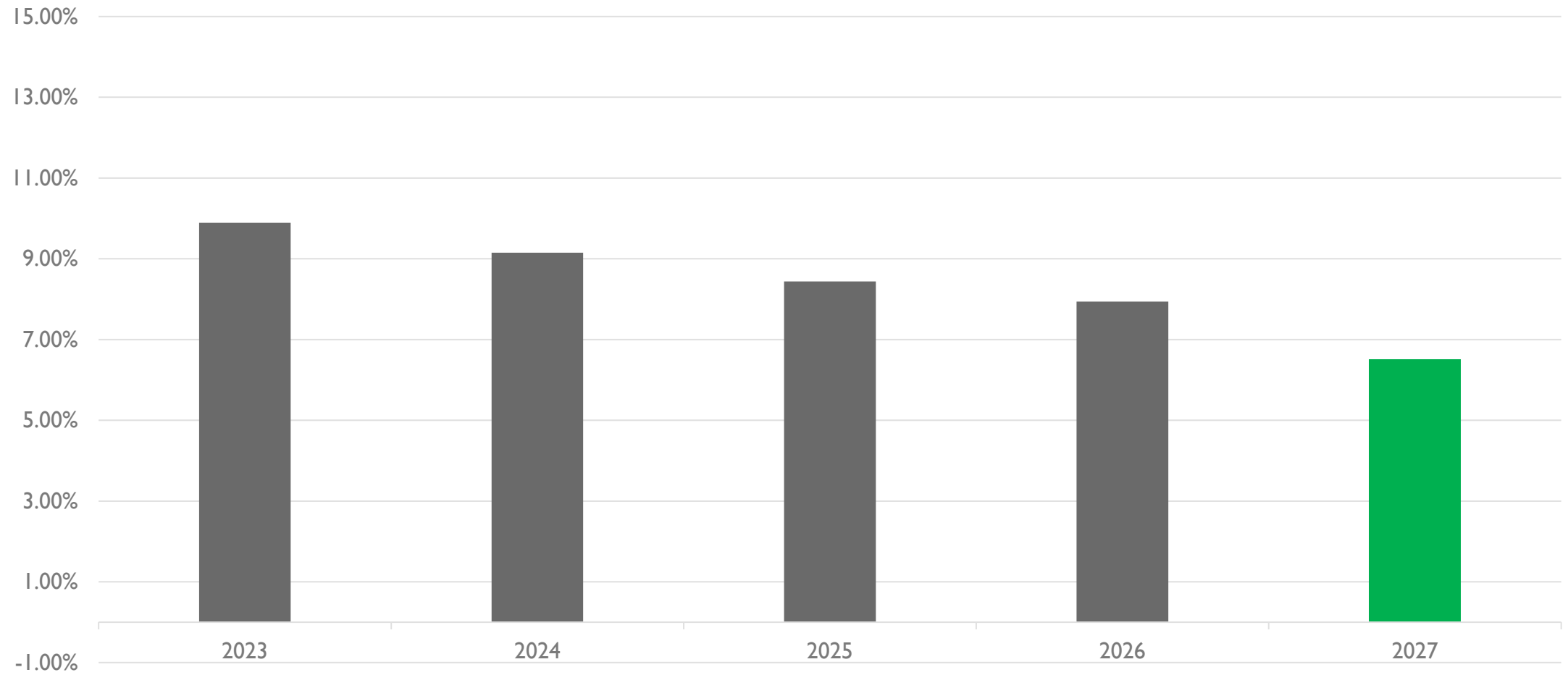


2027 Projected Tax Levy

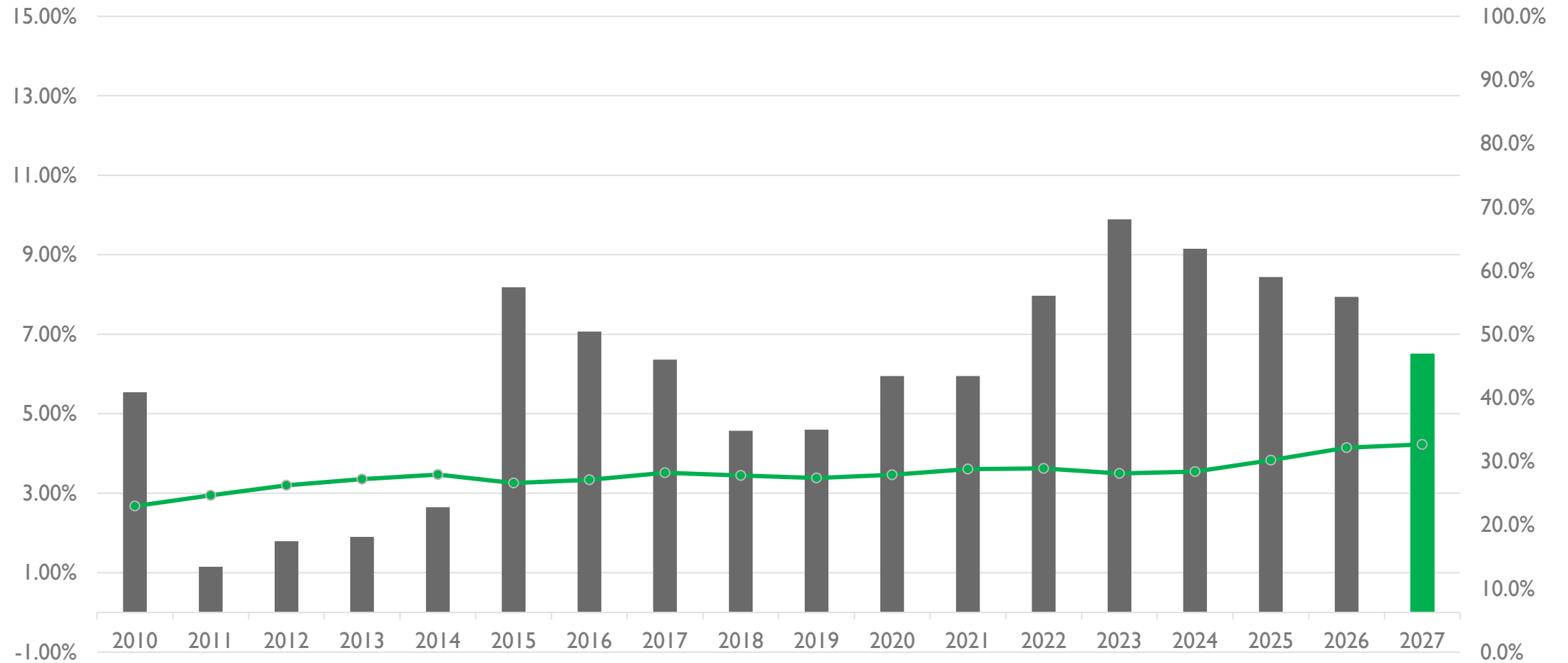
	2024 Adopted	2025 Adopted	2026 Adopted	2027 Previously Projected	2027 Projection on 4/28/2026	2027 CM Proposed Levy
General Fund	\$43,744,165	\$47,543,215	\$53,012,940	\$56,929,645	\$56,259,645	\$56,196,481
Debt Service	\$3,471,700	\$5,377,639	\$6,448,283	\$6,771,866	\$6,771,866	\$5,387,700
Construction	\$6,951,000	\$5,830,000	\$3,966,450	\$5,974,678	\$5,974,678	\$5,974,678
HRA	\$251,700	\$259,300	\$267,100	\$275,100	\$275,100	\$275,100
Total Tax Levy	\$54,418,565	\$59,010,154	\$63,694,773	\$69,951,289	\$69,321,289	\$67,833,959
% Increase	9.15%	8.44%	7.94%	9.82%	8.83%	6.50%



Tax Annual Rate of Growth— 5 year look back



Tax Annual Rate of Growth and Tax Rate



General Fund Operational Reductions

- Levying \$56,196,481 a 6% increase from 2026
- Previous reductions from departments \$655,300
- Additional reductions included in CM proposal \$155,000
 - Police Vacancy Budgeting \$50,000
 - Fire Vacancy Budgeting \$50,000
 - PW Misc. reductions \$25,000
 - Admin Software Elimination \$20,000
 - HR - No seasonal EAP \$10,000

Total Changes \$810,300



2025 General Fund Surplus – Key Highlights

- The City closed 2025 with a **\$6,337,487 surplus**, reflecting strong financial management.
- **Revenues outperformed expectations by nearly \$3M**, driven by higher permit activity, intergovernmental transfers, fines, and investment earnings.
- **Expenses came in \$3.18M under budget** due to conservative budgeting and public safety vacancies.
 - About \$736,000 of the General Fund surplus resulted from an accounting adjustment related to capital projects. The expenses were paid from the Construction Fund rather than being reimbursed by the General Fund, which increased the reported General Fund surplus while reducing the balance available in the Construction Fund.
- Mid-year Council direction to **add advertising revenue and implement convenience fees** helped reduce costs and generate new income.
- Convenience fees cut credit card processing costs below budget, and new advertising in Edition: Edina and the Activities Directory added additional revenue.



Surplus Recommendation

Surplus Totals	
\$2,309,849	Previous years General Fund Surpluses
\$6,337,487	2025 General Fund Surplus
\$8,647,336	Total Unallocated Surplus

\$1,002,690 Remaining Surplus for future contingency

Proposed Surplus Designation:	
\$218,172	Pay off Fire Station I Debt Service 2016A
\$1,236,474	Pay off Public Works Facility Debt Service 2017C
\$1,500,000	Deferred Maintenance: PW Cold Storage
\$1,950,000	Deferred Maintenance: PW Building Automation System & Lighting
\$140,000	Deferred Maintenance: Lewis Park (part of funding)
\$600,000	EAC Design
\$2,000,000	Automation & AI Investment
\$7,644,646	Total Proposed Investments paid for by Surplus



Debt Service

- Pay off Fire Station Debt 2016A
- Pay off Public Works Facility Debt Service 2017C
- Debt Levy \$5,387,700 16.45% decrease from 2026
- Added \$8M for Deferred Maintenance: Arena Roof
- Reduced projected PW building amount due to surplus recommendation (2030)
- Combined future Citywide Roof project to 2030
- Public Works Cold Storage \$1,500,000
 - Using surplus to finance instead of debt issuance



Debt Service Projection

Debt Service Levy Projection	2024	2025	2026	2027	2028	2029	2030	2031
	Budget	Budget	Budget	Projection	Projection	Projection	Projection	Projection
EXISTING DEBT SERVICE LEVIES								
Gymnasium Debt Service 2015 HRA	392,000	398,000	-	-	-	-	-	-
Fire Station Debt Service 2016A	403,000	406,000	403,000			-	-	-
Public Works Facility Debt Service 2017C	1,029,200	1,030,000	910,783			-	-	-
Public Works Facility Debt Service 2021B (2013A)	478,800	482,000	478,800	480,000	480,000	480,000	-	-
Sports Dome 2014 HRA	1,168,700	1,165,100	1,166,100	1,166,400	1,164,800	1,166,400	1,167,000	1,165,400
Community Health & Safety Center Debt Service 2024A	-	1,133,449	1,070,600	1,070,600	1,069,800	1,073,500	1,070,900	1,072,700
Community Health & Safety Center Debt Service 2024B	-	763,090	1,071,100	1,071,100	1,070,300	1,073,900	1,071,300	1,071,700
Community Health & Safety Center Debt Service 2025A	-	-	700,900	701,800	701,800	701,300	700,300	698,700
Aquatic Center 2025B	-	-	439,800	688,000	688,000	688,000	688,000	688,000
Highway 100 Interchange 2025B	-	-	207,200	209,800	209,800	209,800	209,800	209,800
GO Bond for Arena in 2028 \$8M 15 years	-	-	-	-	404,600	809,200	809,200	809,200
GO Bond for PD/CH in 2031 \$14M - 30 years	-	-	-	-	-	-	-	405,000
GO Bond for FS3 in 2031 \$30M - 30 years	-	-	-	-	-	-	-	868,500
GO Bond for PW in 2030 \$2.25M - 10 years	-	-	-	-	-	-	153,000	306,000
GO Bond for Citywide Roof \$15.5M 15 years	-	-	-	-	-	-	1,570,000	1,570,000
Debt Service Levies Total	3,471,700	5,377,639	6,448,283	5,387,700	5,789,100	6,202,100	7,439,515	8,865,000
Increase from prior year (%)	7.48%	54.90%	19.91%	-16.45%	7.45%	7.13%	19.95%	19.16%



Debt Service Levy Projection (Approved vs. Future) continues



Construction Levy Goals

- The City Manager's proposed levy for Construction Funds is \$5,974,678, representing a 50.63% increase over 2026. While significant, the increase largely reflects a return to funding levels (peak in 2024) following temporary reductions in 2025 and 2026 that were implemented to help offset the impact of rising debt service costs.
- Projects included in the construction funding accomplish major priorities including funding for the PW Cold Storage Facility, PW Building Automation & Lighting Systems, Design & Furniture, Fixtures, Equipment (FFE) for the Art Center Build Out, Lewis Park Shelter Replacement and others (full listing in packet).



Construction Levy History

Construction Fund Levy	2024	2025	2026	2027
Capital Improvement Levy	\$2,000,000	\$1,000,000	\$1,300,000	\$1,860,000
Equipment Levy	\$2,470,000	\$2,668,000	\$1,613,450	\$2,359,278
Street Special Levy	\$1,481,000	\$1,762,000	\$1,053,000	\$1,355,400
Special Park Improvement Levy	\$1,000,000	\$400,000	\$ -	\$400,000
	\$6,951,000	\$5,830,000	\$3,966,450	\$5,974,678



Construction Funding

Construction Levy	2027 Levy Amt	2027 Spending Amt (amounts over levy would use reserves)
Capital Improvement Plan	\$1,960,000	\$1,960,000
Equipment Replacement Plan	\$2,259,278	\$ 3,372,700
Street Special	\$1,355,400	\$3,367,927
Special Park Improvement	\$400,000	\$745,000
Total Construction Levy	\$5,974,678	\$9,445,627



Horizon Outlook

- Art Center Operationalizing
- Fred Richards Operationalizing
- Municipal Campus (FS3/PD/CH)
- Deferred Maintenance (Recreational Enterprises)
- Liquor Store Revenue
- Cable Franchise Fee Revenue
- Centennial Lakes Park Maintenance Fees
- Edinborough Park Study (Q4)
- Golf Course Clubhouse
- Local Sales Tax
- Legislative (regulatory changes)
- PFAs & Sewer Capacity
- Classification & Compensation Study Results
- Modernization, Staffing Challenges & External Market Conditions



Next steps

- Council comments on City Manager proposal due to staff by August 3rd
- Work Sessions (August 18)
- 2027 Preliminary Levy Adoption (September 15)
- Truth in Taxation Hearing (December 1)
- 2027 Final Levy Adoption December 1 (December 15 back-up)

