EDINA MINNESOTA

City Council Work Session Meeting Agenda

August 18, 2026, 5:30 PM

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

Strong Foundation Reliable Service Livable City Better Together

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. MOTION TO CLOSE SESSION: As permitted by M.S. 13D.05 Subd. 3 (2) to discuss valuation appraisal for potential naming rights for Braemar Arena.

3.2. CLOSED SESSION: Valuation Appraisal for Potential of Naming Rights for Braemar Arena

3.3. Motion to Move to Open Session

3.4. 2027 - 2032 CIP and 2027 Budget

4. Adjournment

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Item Report

August 18, 2026
City Council

Item Number: 3.1

Department: Administration

Item Activity: Information

Prepared By: Sharon Allison, City Clerk

Item Title: MOTION TO CLOSE SESSION: As permitted by M.S. 13D.05 Subd. 3 (2) to discuss valuation appraisal for potential naming rights for Braemar Arena.

Action Requested:
Motion to close the meeting.

Information/Background:
None.

Supporting Documentation:
None

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Item Report

August 18, 2026

City Council

Item Number: 3.2

Department: Parks & Recreation

Item Activity: Discussion

Prepared By: Perry Vetter, Parks & Recreation Director

Item Title: CLOSED SESSION: Valuation Appraisal for Potential of Naming Rights for Braemar Arena

Action Requested:

Preliminary feedback requested.

Staff will not be asking for a decision from the City Council at the work session. However, staff is asking for preliminary feedback and direction on continuing the pursuit of this alternate funding mechanism. Upon receiving this direction, the next steps would be to develop options for, and then activate a strategic sales campaign. Staff would also work with the Planning Department to ensure the sign ordinance works in conjunction with this opportunity, as some members have already indicated ensuring this change could occur for the Courtney Fields complex.

Information/Background:

At the March 3, 2026, regular City Council meeting, a professional services contract purchase request was approved for professional valuation appraisal services with the Superlative Group (SG) for Braemar Arena. This was done as a follow-up to the staff presentation conducted at the January 20, 2026, regular meeting where a presentation was conducted for a design development update. This appraisal process was to review opportunities for alternate funding methods to pursue project enhancements with the potential use of naming rights and sponsorships. The first step was having this independent appraisal conducted. Currently alternate funding is listed as an initiative that is on the Park and Recreation Commission work plan, with staff leading the effort and gathering feedback from the commission. To date they are supportive of this pursuit of alternate funding mechanism.

Because this information is considered appraisal data, it is classified as non-public data under MN State Statute 13.44 Property Data, Subd. 4. Personal and intangible property: appraisal data. Therefore, the valuation data included in the board portal will be discussed in a closed session as part of the August 18 work session. The data would remain nonpublic data until either a purchase agreement is entered into; or the parties negotiating the transaction exchange appraisals.

Since approval of the SG services and leading up to the discussion on August 18, staff has worked to provide the level of information for the consultant to create a comprehensive asset and opportunity inventory and to conduct a valuation for naming rights and sponsorships.

Key Activities Conducted:

1. Project Initiation & Site Visits
2. Developed Inventory of Marketable Assets
3. Quantitative Assessments of Impressions

4. Qualitative Assessment and Benchmarking
5. Reporting & Phase II Planning

   Staff has included the appraisal packet in the board portal as non-public data under MN State Statute 13.44 Property Data, Subd. 4. Personal and intangible property: appraisal data as well as a summary presentation from that appraisal.

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. Non Public Data_Braemar Arena - Asset Inventory & Valuation Appraisal
2. Non Public Data Braemar Arena Draft Valuation Appraisal Presentation

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Item Report

August 18, 2026
City Council

Item Number: 3.3
Department: Administration

Item Activity: Information
Prepared By: Sharon Allison, City Clerk

Item Title: Motion to Move to Open Session

Action Requested:
Motion to move back to open session.

Information/Background:
None.

Supporting Documentation:
None

Item Number: 3.4

Department: Finance

Item Activity: Discussion

Prepared By: Scott Neal, City Manager

Item Title: 2027 - 2032 CIP and 2027 Budget

Action Requested:
Discussion only.

Information/Background:
Information Only
No formal action is requested tonight. Feedback from Council since the June 23rd City Manager's proposed 2027 levy and revised CIP/CEP was incorporated into this presentation and will continue to guide and be incorporated into the Preliminary Levy approval scheduled for the September 15 Council meeting and December final budget approvals.

2027 City Manager Budget Proposal
The City of Edina continues its biennial budgeting approach, reviewing operating budgets in odd-numbered years and major capital investments in even-numbered years. In 2026, staff completed a full review of operating needs while developing the 2027–2031 Capital Improvement Plan (CIP). The City Manager proposed preliminary property tax levy for 2027 is $67,833,959, a 6.5% increase from 2026. This represents a decrease of $1.48 million from the earlier projection shared during the April retreat.

The proposal balances essential City services with targeted spending reductions, operational efficiencies, and debt service savings, while preserving funding for critical capital investments. It maintains service levels through strategic efficiencies, supports long-term needs such as deferred maintenance and capital reinvestment, and adds capacity for process automation and AI initiatives to improve organizational performance.

The General Fund levy is proposed at $56,196,481, a 6.0% increase over 2026. Key operational investments include completing staffing for six Firefighter/Paramedic positions approved in 2026 and adding partial-year staffing for Fred Richards Park in anticipation of its 2027 opening. Savings continue from transferring assessing services to Hennepin County and from departmental consolidations. Additional operational reductions totaling $810,300 reflect efficiencies, vacancy savings, software consolidation, and elimination of select seasonal programs.

The proposal also outlines how surplus funds may be used to strengthen capital investments, reduce debt obligations, and support future cost-saving initiatives. Debt service savings from retiring specific issuances further contribute to the levy reduction.

Overall, the 2027 budget proposal advances the City's goals of maintaining service levels, managing long-term liabilities, reinvesting in essential infrastructure, and preparing for future operational and technological needs while slowing levy growth compared to initial projections.

General Fund

The City Manager's proposed 2027 General Fund levy is $56,196,481, representing a 6.50% increase over 2026. The budget prioritizes maintaining core City services and ensuring continuity in daily operations while implementing targeted efficiencies to slow levy growth.

Key operational investments include completing funding for the six Firefighter/Paramedic positions approved in 2026 and adding two partial-year positions to begin staffing Fred Richards Park ahead of its 2027 opening. At the same time, the budget reflects ongoing savings from prior council decisions most notably the transition of assessing services to Hennepin County, which generates an additional $500,000 in savings and brings total annual savings to roughly $1 million. Savings also continue as a result of the consolidation of Public Works and Engineering.

Aligned with discussions at the April retreat, the budget incorporates $655,300 in operational efficiencies, clean-up adjustments, and refinements. An additional $155,000 in reductions further moderates cost growth, including vacancy savings in public safety staffing, reductions within Public Works, elimination of duplicative software, and discontinuation of the Employee Assistance Program for seasonal employees. In total, General Fund reductions amount to $810,300, helping preserve service levels while moderating levy impacts.

Overall, the General Fund proposal balances necessary operational investments with strategic savings, ensuring essential services remain strong while responding to inflationary pressures and long-term financial goals.

Surplus Recommendation

The City's Fund Balance Policy sets a target of maintaining an unassigned General Fund balance between 42–47% of the following year's property tax revenue. Any excess is directed to the Construction Fund to support capital improvements and equipment. The 2025 budget year closed with an unassigned General Fund surplus of $6,377,487, with an additional $2 million-plus carried over from prior years, bringing the total available surplus on December 31, 2025 to $8,647,336.

Consistent with best practices, staff recommend using surplus dollars for one-time investments to avoid creating structural deficits. The proposal allocates $7,644,646 of the available surplus toward high-priority capital, deferred maintenance, and strategic modernization needs. 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

After funding these recommended investments, staff recommends retaining approximately $1,002,690, preserving adequate contingency and liquidity within the Construction Fund. Overall, the surplus strategy focuses on reducing long-term liabilities, addressing critical infrastructure needs, and positioning the organization for future cost savings through modernization.

Staff plan to bring forward a 2026 Budget amendment based on the surplus allocation above.

Debt Service

The 2027 debt service levy is proposed at $5,387,700, reflecting a 16.45% decrease from 2026. This reduction is made possible by staff's recommendation to retire the 2016A Fire Station 1 bonds and the 2017C Public Works & Park Maintenance Facility bonds. Prepayment of these issuances would eliminate up to $123,527 in future interest costs, remove levy obligations from 2027–2029, and strengthen the City's long-term financial position by reducing liabilities.

In addition to these savings, staff note that the callable portions of the 2016A and 2017C issuances carry relatively low interest rates—2.5% and 2.05–2.25%, respectively—and prepaying them results in avoidable interest savings of $14,600 (2016A) and $80,205 (2017C). Retiring these debts now prevents substantial levy increases: including the 2016A levy in 2027 would raise the total tax levy (TTL) from 6.50% to 7.13%, while including 2017C would raise the TTL from 6.50% to 8.04%, with even further impacts in 2028 due to its maturity schedule. Including both issuances would raise the TTL to 8.67%.

To execute the early redemption, the City Council must adopt a formal resolution on September 15, authorizing prepayment and directing staff to issue official notice to bondholders. State statute requires that bondholders receive a minimum of 30 days' notice prior to the designated prepayment date, making the September 15 council action essential to stay within required timelines.
In addition to the recommended prepayment, the proposal outlines continuing debt service support for planned future projects, including preparation for an estimated $8 million roof replacement at Braemar Arena in 2028 due to rising construction costs and aging building envelope conditions.

Overall, the debt service strategy reduces near-term levy pressure, lowers long-term interest costs, and positions the City to manage upcoming capital obligations more effectively — with the key next step being Council's formal approval on September 15 to authorize early redemption and allow statutory notice to bondholders.

Construction Funding

The proposed 2027 Construction Fund levy is $5,974,678, a 50.63% increase from 2026. While significant, this increase largely restores funding to levels previously seen in 2024 after temporary reductions in 2025–2026 that helped offset rising debt service costs. Construction-related levies which include CIP, CEP, the Street Special Levy, and the Special Park Improvement Levy—peaked at $6.95 million in 2024 before being reduced to $5.83 million in 2025 and $3.97 million in 2026. The 2027 proposal begins rebuilding this capacity to support essential infrastructure, facility, and equipment needs.

Projects identified for 2027 addresses major deferred maintenance priorities, including Public Works Cold Storage, building automation and lighting upgrades at the Public Works & Parks Maintenance

Facility, new design and FFE investments for the Edina Art Center, and the Lewis Park Shelter replacement. The surplus allocation also supports nonrecurring capital needs that cannot be absorbed by operating or enterprise funds.

Staff also included an expanded draft CIP covering 2027–2032, rather than only the 2027 program included in the June retreat report. This multi-year view will give the Council clearer insight into long-range infrastructure needs, deferred maintenance trends, project sequencing, and anticipated levy impacts over the next six budget cycles. Reviewing the full 2027–2032 CIP will also help contextualize upcoming major obligations—such as municipal campus planning, Braemar Arena building envelope needs, enterprise facility reinvestments, and parks system modernization and ensure future resource planning aligns with Council priorities.

Overall, the Construction Funding proposal and the 2027–2032 CIP draft provide a more robust foundation for long-term decision-making, illustrating both immediate needs and emerging pressures that will require thoughtful sequencing and sustained investment.

Next Steps for 2027 Budget

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.

As part of the budget development process, the City invited residents to share feedback with the Council from July 15 through July 31. During this period, community members were encouraged to express the priorities and values most important to them as the Council reviews the 2027 budget. While feedback does not determine specific budget decisions, it helps inform Council's discussions by providing insight into what matters most to the community. The feedback tool will reopen from November 2 through December 6 to gather additional input leading up to final budget adoption.

Questions from Council since retreat

What are the City's current interest rates on existing debt and what is the interest savings on 2016A and 2017C?

When the City issues new debt, the pricing of the interest rate is influenced by what is being financed and the length of the repayment term. Looking ahead to 2027 and 2028, we anticipate issuing debt for utility and street reconstruction projects each year, an additional round of funding for sales tax initiatives, and potentially some equipment certificates as well.

For the 2016A issuance related to the Fire Station 1 refunding, the proposed payoff portion carries a principal balance of $740,000, scheduled for repayment in installments due in 2027 and 2028 at a 2.5% interest rate. Prepaying this debt would result in a savings of $14,600 in interest expense. The 2017C issuance for the Public Works refunding has a remaining principal of $2.81 million, with three installments due from 2027 to 2029. The interest rates for these payments range from 2.05% to 2.25%, and prepayment would save $80,205 in interest costs.

As for future debt issuances, particularly those expected in 2026, the interest rates could fluctuate depending on several variables. However, given the City's strong AAA credit rating, it's reasonable to conservatively expect that future bond interest costs might be higher than the current 2.5% rate, though it remains uncertain and could potentially be lower. It's important to note that prepaying existing debt carries an opportunity cost—specifically, we would be paying $94,805 in avoidable interest, in addition to requiring the budget to maintain the levies.

More specifically, in terms of levy impacts, if the City did not pay these debts we would need to include the debt service in the upcoming budget. Incorporating these debt levies into the 2027 tax year would increase the total tax levy (TTL). If we include the 2016A debt levy in 2027, the TTL would increase from the proposed 6.50% to 7.13%, reflecting an additional $404,000. Including the 2017C debt levy in 2027 would increase the TTL from 6.50% to 8.04% for an added $980,166, and would also require an additional levy increase in 2028 due to its maturity schedule. If both the 2016A and 2017C debt levies are included in 2027, the TTL would increase from 6.50% to 8.67%.

Can you give a cost estimate for Fire Station 3 (FS3)?
As the City begins evaluating the development of Fire Station 3 (FS3), several key planning elements will be important for Council to understand. Prior studies, including the Five Bugles Design "Final FS3 Edina Report," identified a long-term program need of 13,304 square feet. However, based on lessons learned from the construction of Fire Station 2 and evolving fire service standards—such as the shift away from gender-specific locker rooms and the increased need for flexible shared spaces—staff recommend planning for an 18,000-square-foot facility. Using this higher estimate now will allow the City to refine square footage during formal programming without limiting design options later.

The recommended location for FS3 is near City Hall, aligning with the service needs in the northeast quadrant of the city. While the fire study suggested a 2029 timeline, existing project sequencing and operational considerations indicate that 2030 is the earliest feasible year for opening the station. Operationally, Council should be aware that staff recommend a cross-staffing model at launch. Under this approach, three personnel would operate both an engine and an ambulance, responding in the appropriate vehicle depending on the call type. Although more complex than dedicated staffing, cross-staffing enables improved response capability without doubling personnel needs at the outset. As call volumes grow, dedicated staffing can be added in future years.

Staffing projections rely on a 2026 Staff Relief Factor (SRF) of 3.8, resulting in an estimated need for 12 full-time employees to operate FS3. This figure includes salary, benefits, equipment, training, and other first-year costs, with a projected annual staffing cost of approximately $2.17 million in 2030.

In terms of capital investment, Fire Station 2 provides a strong basis for estimating construction costs. Staff recommend using $1,200 per square foot for 2030, reflecting anticipated market escalation. For an 18,000-square-foot facility, the estimated construction cost is $21.6 million. In addition, the project will require land acquisition. MnDOT's preliminary estimate for the identified property near the Vernon Avenue Bridge Replacement project is $3.5 million. While staff expect negotiations may reduce this cost, it remains the appropriate figure for planning purposes.

To forecast annual operating costs, staff analyzed non-personnel expenses from Fire Stations 1 and 2 and estimated FS3's operating budget at $792,000 annually. FS2's budget is still stabilizing in its first full year, meaning long-term historical trends are not yet available, but the blended per-square-foot cost provides a reasonable planning benchmark.

When combining annual debt service, operations, and staffing, the total annual fiscal impact of FS3 is estimated between $3.66 million and $5.01 million. Assuming roughly $800,000 per 1% levy increase, FS3 could require a levy increase between 4.6% and 6.3%, depending on final project scope and financing decisions. Council may also wish to consider the possibility of pursuing local sales tax authority, which some Minnesota cities have used to support public safety capital projects.

Overall, these early estimates demonstrate that Fire Station 3 will require a significant investment in construction, staffing, and ongoing operations. They also provide a foundational understanding of the costs, assumptions, and planning considerations that will guide future decision-making. As planning advances, more detailed design, operational modeling, and financial analysis will be needed before the City proceeds to formal budgeting or project initiation. This preliminary information is intended to support Council's strategic assessment of future fire service needs and long-range capital priorities.

Can you break out the future Debt Service?
Looking ahead, staff called out notable future capital improvement projects to be considered for bond issuance. The Arena Roof replacement is projected to require approximately $8 million in 2027, with the first corresponding debt levy beginning in 2028. The Civic Campus project—which includes improvements to the Police Department, City Hall, and Fire Station 3—is estimated at $44 million in 2030, with the first debt levy planned for 2031. Additional projects include the Public Works renovation at an estimated $2.25 million in 2029, along with a citywide roof replacement project totaling $15.5 million in the same year; both would require first debt levy support starting in 2030.

A detailed breakdown of these projected levy obligations is provided on slide 13 of the June 23rd Council retreat staff presentation, illustrating how each project contributes to the City's long-term financial planning.

What data or information can staff provide to help validate the assumption that the organization's natural cost driver need is approximately 6-7%?
Staff reviewed the last five years and three years of tax levies for the following communities: Bloomington, Eden Prairie, Edina, Minnetonka, Maple Grove, Minneapolis, Minnetonka, Plymouth and St. Louis Park. The combined five year average was 6.81% levy increase and the combined three year average was 7.23%, which may show more accurately the direction of costs post Covid.

In comparison to state-wide, 6.50% city levy is below the statewide city average of 7.8%.
Beyond wages/benefits and operating inflation typical in municipal budgets, current market data from Mortenson Cost Index highlights construction and capital-related pressures that are directly relevant to the City's asset maintenance and capital plan.

- Minneapolis cost index: +6.24% YoY (Q1 2026); +1.10% quarter-over-quarter.
- National cost index: +6.77% YoY; +1.69% quarter-over-quarter.

Capital projects (streets, facilities, fleet, parks) are facing ~6–7% annual escalation. A 6.50% levy helps hold service and capital replacement schedules steady without creating bigger deferrals later. Note: this also assumes just maintaining current levels of services and assuming the condition of infrastructure is in a status quo state. Deferred maintenance backlog may require higher levels of resources to get to a stable maintenance state.

Edina Examples:
A specific example of this is shown for two quotes for the same condensing unit

Condensing unit example – same system two quotes a few years apart.

Year	2023	2025	2 Years
Edina Cost	$ 362,000	$ 497,500	37%
CPI (Jan. - Jan)	$ 362,000	$ 384,386	6.1%
			-31%

2015 Trackless Sidewalk Machine: $90,580 (purchased 6/17/2015)
2021 Trackless Sidewalk Machine: $131,700 (purchased 11/5/2021)
2024 Trackless Sidewalk Machine: $135,500 (received quote)
2026 Trackless Sidewalk Machine: $190,745 (purchased 4/2026)

Year	2015	2024	2026	11 years
Edina Cost	$ 90,580	$ 135,500	$190,745	110.60%
CPI (Jan. - Jan)	$ 90,580	$ 119,536	$126,061	39.20%
				-64.6%

Explain more about what we are seeing as the Impact of MN Paid Leave for Edina?

- **What is it?**
    - Up to 12 weeks of paid leave per year for family leave to bond with a new child, care for a loved one with a serious health condition, handle military family needs, or address safety issues related to domestic abuse or assault.
    - Up to 12 weeks of paid medical leave for your own serious health condition, pregnancy, recovery, or surgery.
    - Up to a combined total of 20 weeks in a year if both family and medical events occur (most commonly a mother giving birth to a child).
    - The premium is collected on covered wages for all employees, including part-time and seasonal employees.
    - Benefits payable to eligible employees range from 55% - 90% of their usual income and will vary as they are calculated by a formula based upon the employees' wages.
    - Employees were first eligible for benefit payments on 1/1/26.

    - 2026 is an unusual year because the law allows employees that had a child in 2025 to receive paid leave in 2026.
    - The employee's job is protected while they are on designated MN Paid Leave (MPL).

- **Payroll Premiums and Costs**
    - The cost for MPL in 2026 and 2027 is .88% of covered payroll.
    - This is reviewed and adjusted on an annual basis as determined by the State.
    - It is not based upon the hours of leave taken by employees.
- The City splits this cost 50/50 between employer and employee.
- The budgeted employer premium cost
    - 2026 $225,000
    - 2027 $238,000

- Previously, the only paid leave program provided by the City was 6 weeks of paid parental leave. The costs were:
    - 2023 $82,000
    - 2024 $142,000
    - 2025 $151,000

- **Leave Utilization**
    - Leave for a serious health condition of either the employee or their loved one can vary dramatically year by year
    - We are on track to outpace leaves for serious health conditions in 2026, which is to be expected now that employees will receive MPL

Type of Leave	2023	2024	2025	YTD 2026
Health Condition - Own/Family	32	15	25	24
Parental Leave	17	15	17	25

- When the City provided 6 weeks of paid parental leave, fathers most commonly took the 6 weeks of time off, but did not take additional leave using their own sick/vacation leave. Mothers took the full 12 weeks, using sick/vacation or going unpaid for the remaining 6 weeks.
- There was 87% increase in the number of weeks of leave taken by a father for parental leave from 2023 to 2026

Father Parental Leave	2023	2024	2025	YTD 2026
% taking full 12 weeks protected leave	0%	8%	8%	50%
Avg # weeks of leave taken by the father	4.75	6	6.5	8.9

- Since employees receiving MPL only receive a portion of their wages, they can choose to use their sick/vacation/PTO up to 100% pay
  - Based on YTD leaves, the average amount needed is14 hours/week of sick/vacation/PTO (PML + avg 14 hours sick/vacation = 100% full pay)

- **Staffing Impact**
  - While some positions can be backfilled by external temp agencies or consultants, many positions require special licenses and training which cannot be easily backfilled (police and fire).
  - In those areas that cannot be backfilled, the most common impact is increased overtime, decrease in service level, or delayed work.
  - In those areas that can be backfilled, the ability to backfill within budget may be limited. For example, an outside consultant fee can be more expensive than the hourly rate of the City employee wages, because we are paying the temporary service a premium.

- **Workforce Demographics**
  - 46% are 20-39 years old, the most common age group for having children
  - 30% are Female and 70% are Male (due to male-dominated police, fire and public works positions)
  - The tenure of our workforce has decreased

Years of Service	2024	2025
0-5	42%	49%
6-10	21%	22%
11-15	17%	12%
16+	20%	17%

This data represents Full-Time, Extended Part-Time and Regular Part-Time employees

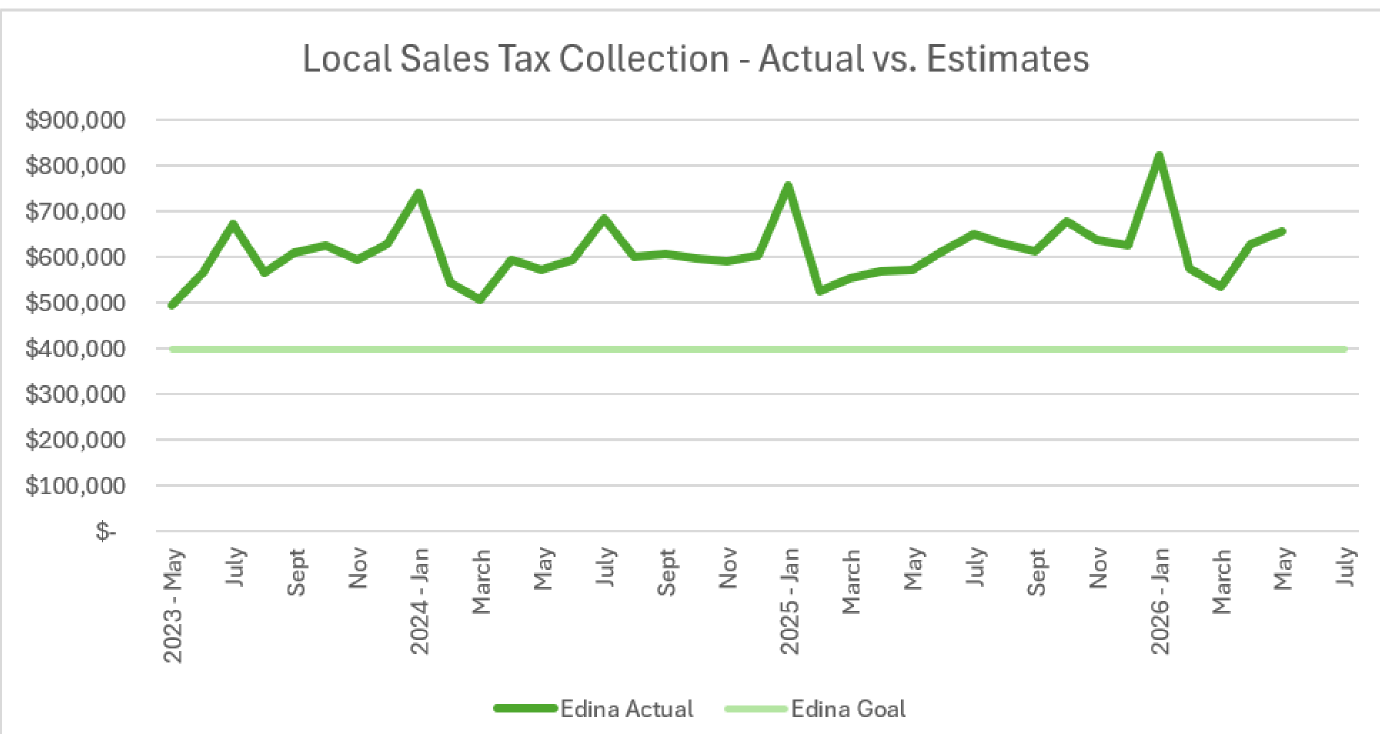
- **Administrative Costs**
  - Payroll system setup and integration
  - Staff training
  - Quarterly wage reporting and premium payment
  - Employee education and notification
  - Update personnel policies
  - Additional coordination of benefits and leaves, in conjunction with other State and Federal leaves
  - Review data privacy laws and procedures

This is a high-level summary of the impacts of MN Paid Leave program and not intended to be all-inclusive. There are many nuances to the law which cannot be completed captured in a summary. This summary includes information regarding items that materially impact the City and its' employees.

What was included and what was not included in the Braemar Arena Local Sales Tax project?
Braemar Arena Local Sales Tax (LOST) funding was authorized by the November 2022 and November 2023 referendums. Edina had to set those values in the spring of 2020 for consideration by the state legislature. Initially $13.1M was set as a value for capital repairs using projects included in the 2019 Capital Improvement Program. The second phase was for $32.1M for a fourth indoor rink, expanded lobby, safer pedestrian movements and ADA upgrades. Total authorized LOST funding is $45.2M. Cost escalation factors are arising due to the requirement of setting a financial value during the 2020 legislative process as construction costs have risen 68% since 2019. The LOST allocation value was requested for inflationary increase but was not taken up during prior legislative sessions.

The renovation and expansion project will accomplish replacing and renovating $13.1M in capital improvements, such as flooring, locker rooms, refrigeration improvements for South and West Rinks and East and new North Rinks, along with the balance of $32.1M to add a fourth rink, expand the lobby, improve ADA accessibility aspects and provide a safer drop off for visitors. What is not included as it was not in the original scope are the west rink floor and dashers, existing restrooms in the lobby, note - all new ADA compliant restrooms will be added to the new arena lobby, full roof replacement over spot repairs and sections of replacement and full building envelope. More information is now known about the roofing conditions of the arena since 2019 and what was initially identified for repair and select replacement is now recommended as a full roof replacement.

Cost pressures continue and using the Construction Manager at Risk (CMaR) process staff is working with the design and construction team to ensure value engineering decisions are appropriate. Setting of a guaranteed maximum price for the expansion phase is projected to be done at the September 1 meeting. Several attempts to pursue an inflationary adjustment to the LOST have occurred with the state legislature and it has been signaled that this upcoming session will have a focus on these requests. Currently, sales tax collections outpace base model expectations provided by the University of MN Extension. An additional $4M was requested as an inflationary adjustment to the original LOST authorization during the 2026 session and despite having a hearing did not advance from either the house or senate tax committees. Early indicators are that the 2027 session will address statewide LOST requests.



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 that 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
Edina Liquor continues to provide financial support for City services and recreational amenities, reducing the amount that would otherwise need to come from the City's General Fund. Like many liquor retailers, Edina Liquor has experienced changes in customer shopping habits, market trends, and increased competition. In response, we have adjusted staffing, product selection, inventory, store layouts, and other operating expenses to better align with sales trends and customer needs. These adjustments have allowed operations to remain profitable.

Historically, $1 million of profits was transferred annually from the Liquor Fund to support the City's budget. That transfer has been reduced in the current budget and the proposed 2027 budget to help strengthen the Liquor Fund's financial position.

As part of its operations, Edina Liquor pays for shared City services. Without the revenue generated by the municipal liquor operation, an estimated $1 million to $1.5 million in recreational support and shared service costs could shift to the General Fund. Staff will continue to monitor performance and adjust as needed to support Edina Liquor's long-term financial health.

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 Adventure 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.

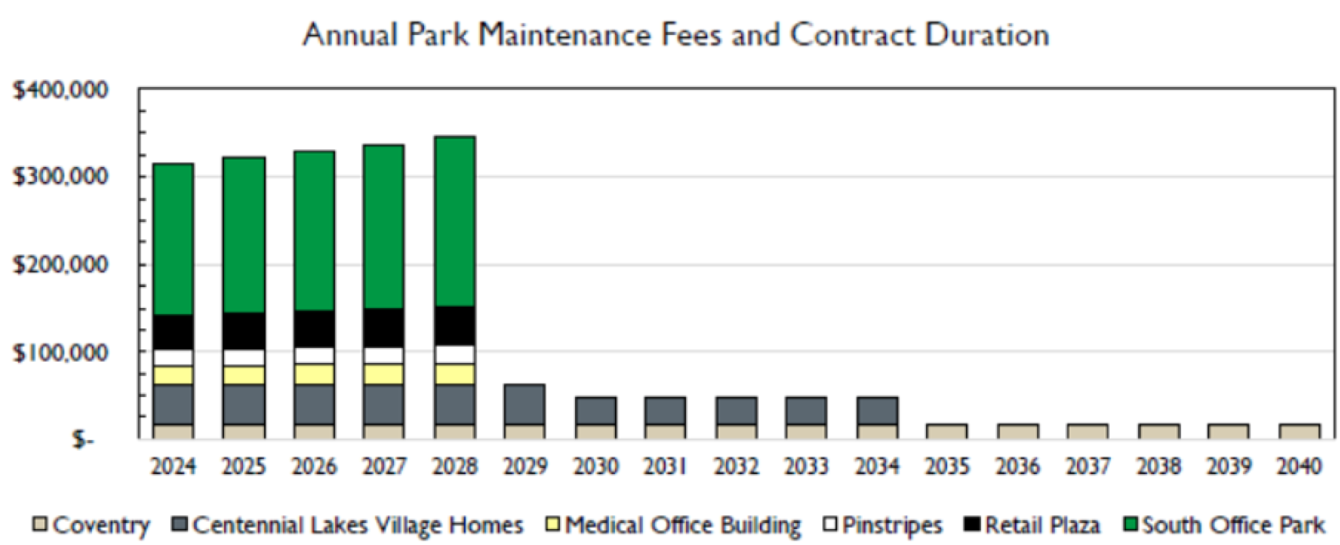
Centennial Lakes Park

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.

Climate Change & Operational Impacts

Communities are likely to face unpredictable climate-driven costs, operational demands, and associated risks due to extreme weather such as wind, precipitation, drought, and shifting heating and cooling demands. These could include increased water storage and conveyance capacity or expanded inflow and infiltration reduction efforts, greater staff and material needs to address heat- and freeze-related infrastructure deterioration, heightened flood risks and higher expenses to manage erosion, debris, and fire risks. Field staff will experience increasing challenges such as extreme heat, humidity, and air pollution, create unsafe summer working conditions, warmer winters reduce snow events and shorten ice seasons, disrupting plowing and recreation operations. Impacts may be mitigated through strategic investments in mitigation infrastructure, energy efficiency, building automation, and on-site renewable energy generation.

Grandview Bridge
The Grandview Pedestrian Bridge will need an additional ramp constructed to the public right-of-way behind Walgreens. Negotiations are ongoing with the Department of Justice on the timing of a project. Another optional project to connect the pedestrian route to Gus Young Lane would also be considered.

Rail Safety Study & Quite Zone Consideration
CPKC Railroad have recently started operating trains at night. All trains are required to sound their horn at every crossing. Residents near the crossings are frustrated with the night horns. A railroad crossing safety study identified safety improvements for each crossing. Implementation of the safety measures would allow the City to consider railroad quiet zones to reduce the train night horns. Four specific areas could be considered separately if funding is identified.

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

Appendix:
2027 Draft Capital Improvement Plan
Process Automation & AI Future Fund Investment Proposal
Alternative reductions not included in the City Manager's proposed budget

Resources/Financial Impacts:
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

Relationship to City Policies/Plans/Budget Pillars:

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. Staff Presentation
2. Appendix

The CITY of EDINA

2027 – 2032 CIP & 2027 Budget Council Work Session

August 18, 2026

EdinaMN.gov

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
  - Council work sessions scheduled for **August 18th – Tonight!!**
- Upcoming milestones:
  - Council work sessions scheduled for 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

The CITY of EDINA

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%

Next steps

- 2027 Preliminary Levy Adoption (September 15)
- Truth in Taxation Hearing (December 1)
- 2027 Final Levy Adoption December 1 (December 15 back-up)

The CITY of EDINA

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