



City of Grand Forks

Staff Report

City Council – July 21, 2025 (Presentation)

City Council – August 4th, 2025

City Council - September 15th, 2025

Agenda Item: Preliminary Approval of Mayor’s 2026 Budget & Introduction of Ordinance

Submitted by: Maureen Storstad, Finance and Administrative Services Director

Staff Recommended Action: Preliminary approval of the 2026 Budget and introduce the ordinance for first reading and set public hearing (Monday, September 15th at 5:30pm) for final adoption. Also approval of incorporating 911 Dispatchers into NDPERS Public Safety Pension Plan.

Council Action:

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BACKGROUND:

The budget process is a key decision-making process. It is a basis for deciding the types and amounts of revenue to be raised and uses to which resources will be put to accomplish various general government objectives.

Policy making and legislative authority is vested with the City Council and the Mayor. The budget results from a legislative process and, once adopted, the budget is a formal expression of public policy on the city’s objectives and priorities and on how resources will be provided to meet those objectives.

The Mayor has worked administratively with staff to compile the 2026 Mayor’s Budget. Discussion of Growth Indicators & Fund Balance Policy was held at the City Council meeting on May 19th. The Salary Plan and budget preview were presented on June 16th, and the Mayor’s Budget was presented to City Council on July 21st.

ANALYSIS AND FINDINGS OF FACT:

The Mayor’s 2026 Budget has been presented to City Council for review and adoption. The Mayor looks for preliminary approval on August 4th and final adoption on September 15th.

Budgetary Focus on Investment: People; Public Safety; Infrastructure; Quality of Life

The Mayor’s 2026 Budget along with staff recommendation was presented with a 0.25 mill

reduction.

The 2026 Mayor's Budget as revised provides for the following:

- 0.25 mill reduction overall
 - Past Legislation (based on HB1245) requires mill levy to be expressed in terms of dollars:
 - 0.25 mill reduction when adjusting for average valuation increase, equates to \$0.97 per month, or \$11.69 annual increase for each \$100,000 current residential value. This comes to 2.97%.
 - In compliance with HB1176; within 3% property tax cap
- Median value home \$249,000 = \$81.61 per month (net of 5% discount) in property tax for city services
- In 2026 one mill estimated to be valued at \$307,036 compared to \$294,460 in 2025.
- Budget state aid revenue for 2026 equivalent to a 3% increase from 2024 actual
- Budget sales tax equivalent to a 3% increase over 2024 actual.
- Change in allocation of General Sales Tax recommended to meet ongoing needs of the General Fund and Street Capital Project Fund. This is summarized in the Mayor's Presentation slides, but also included here:

- **1% General Sales Tax: Allocation change**

| | <u>Allocation Change:</u> |
|---------------------------------------|---------------------------|
| General Fund (prop tax relief) | 51.5% to 53% |
| Economic Development | 18.5% to 15.5% |
| Infrastructure | 30% to 31.5% |

- General Fund Budget expense
 - 2026 Budget \$54M
 - 2025 Budget \$52M
 - General Fund makes up 22% of total City Budget
 - 79% of General Fund Budget Public Safety; Public Health; & Street/Engineering
 - 55% of GF Budget is Public Safety (\$30M)
 - Salaries & Benefits
 - Step (2.5%) + 50% of ECI component (1.9%)
 - Promotions listed in presentation material
 - Health Insurance
 - Health Partners – 2nd year of 2-year commitment
 - 12% Increase in premium 2026 (0% increase in 2025)
 - Maintain: 75% Employer; 25% Employee
 - Fund Public Safety
 - Continue to phase in funding of the 6 police officers COPS grant approved in 2023 Budget – 2026 Budget includes 100% funding of these positions
 - 3 additional police officers in 2026, contingent on grant approval
 - Phase in funding over 4 years consistent with previous grant
 - Addition for 1 Property & Evidence Technician
 - Police Department Remodel in 2025-2026 (Estimate \$1.1M)
 - Loan & Stabilization Cash \$513,000; Gen Fund Cash \$585,000
 - Reimburse from Public Building Fund – 3-year period

- 1.23% increased Employer contribution NDPERS Public Safety Pension Plan
 - \$183,000 Estimated Budgetary Impact
 - City Share of Public Safety Answering Point (PSAP) operations
 - 56.4% based on call volume (5-year average)
 - Working on new terms amongst partner entities
 - Inclusion of 911 Dispatchers into the NDPERS Public Safety Pension Plan
 - Estimated Budgetary Impact \$65,000
 - Fund Capital Replacement
 - Use of \$228,275 Cash in 2026 for General Fund Capital
 - Use of \$140,928 General Fund Fire Reserve Cash to fund Capital Reserve
 - GF estimated cash balance accounts for use in current year toward needed Street Department Equipment replacement (Approved with 2024 budget and continue that plan)
 - Fund additional Street & Public Safety equipment needs in projection
 - Continue to build capital replacement reserve schedule for Streets Equipment going forward for consistency in budgeting
 - Fund Capital Replacement Reserve
 - \$200,000 Fire Capital reserve
 - \$350,000 Police Capital Reserve
 - \$25,000 Street Capital Reserve (build up in 6-yr)
- Total Budget to include all funds
 - 2026 Budget \$229.7M (net of \$19.4M internal transfers)
 - \$284,550 less than was presented due to removal of River Edge Project
 - 2025 Budget \$271M (net of \$27.9 internal transfers)
- Continued Funding for internship program (partner with UND 50/50)
- Continued Funding of School Resource Officer (SRO) program
 - Cost share with School District (approximately 50/50)
 - 5 total (1 in each high school & middle school)
- Continued funding of Animal Control – Circle of Friends
 - 0.50 Mill equivalent allocated
 - \$63,650 General Fund Allocation
- CVIC – continued funding
 - \$230,000 from General Fund included for services provided
- Economic Development Fund (2163)/Parking (5997) includes:
 - Use of 2163 funds for capital maintenance reserve of parking ramps – transfer to Municipal Parking Fund 5997
 - Build to \$100,000 annual reserve by 2030 for capital maintenance/capital reserve for parking ramps for consistency in budgeting
 - Includes annual special assessment share of applicable common space of Altru Sports Complex off-site Infrastructure
 - Continues funding plan previously set in 2024 budget for large Quality of Life project – Children’s Museum

- \$3M & \$2.5M from previously set aside funds in 2024 – 2163 (set in reserve to draw funds as needed through projects on reimbursement basis)
 - \$400,000 annual contribution over 10 year-period - 2163
 - \$500,000 from projected balance of beautification funds in year 2030 - 2163
 - Mayor’s Budget includes change in funding per presentation slide #26:
 - Reduces Air Base Enhancement funding (\$140,596 to \$100,000); Reduce Beautification (\$159,135 to \$100,000) & EDC (\$342,994 to \$250,000)
 - Discontinue funding of Arts (\$159,135), Events (\$159,135), Human Needs (\$159,135)
 - **Additional information regarding scenarios of 2163 funding are attached as City Council considers preliminary approval of the Mayor’s budget – presentation slides attached**
- Alerus Center
 - Budgeting small net profit of roughly \$50,000
 - Capital \$5M (Videoboard \$4.5M)
 - Long-term capital planning along with Altru Sports Complex
- Street Infrastructure fund projects and cash flow projection on pages 491-506 of your binder
 - Cash flow projection reflects latest legislative changes (Prairie Dog, Flex Funds, Legacy Distribution, Motor Vehicle Excise Tax)
 - To help makeup less revenue forecasted for this fund, this budget incorporates:
 - Increased allocation of the 1% general sales tax
 - Change in current SA cost share from 80/20 to 70/30 split (70% City; 30% property owner)
 - Prior to the ½ cent water/street sales tax, this was 50/50 split
- Public Building Fund CIP as listed on page 507 of your binder
 - 3.75 mills allocated – hold mills level for 2026
- Flood Protection CIP as listed on page 508 of your binder
 - Includes local share of Greenway Downtown Project funded over 2-years
 - Other projects included as listed including flood station rehab, floodwall maintenance, English Coulee Diversion maintenance, stormwater pond maintenance, Southend drainage improvements
- Public Transit/Dial A Ride:
 - Fare increases went into effect 4-1-25 & is incorporated in 2026 at full year impact
 - Projected to receive additional \$232,000 annually from State for Para-Transit services

The recommended Utility rate increases for 2026 are:

- Wastewater: 3% increase residential; 4% commercial/industrial; 4% heavy industrial; 5% BOD/TSS/TKN
- Waterworks: 3.5% increase residential; 3.5% increase commercial; 3.5% industrial
- Sanitation: 5% increase single home; 5% multi-unit; landfill 5%
- Stormwater: 11% increase to stormwater fee; 5% increase for flood protection/greenway maintenance fee
 - Portion of the flood protection/greenway maintenance fee increase to begin

- reserve for future Riverside Pool renovation
 - Apply for grant and use reserve toward local share
- Mosquito: 0% increase
- Drought Mitigation Fund: 0% increase
- Overall residential utility bill increase estimated to be \$3.58 per month, or 3.9% (based on average 4,000 gal usage)

Other fees: (Listed in the back of your budget binder)

The Mayor’s Budget looks to preliminary approval by the City Council. The Preliminary Budget can be decreased by Final Approval & Adoption, but not increased. Budgets can come forward for amendments throughout the year for City Council approval.

Upcoming Timeline:

- Provide Information to County Auditor by August 10th:
 - County sends out consolidated notice to all households
 - Will contain public hearing dates/times/locations for all local taxing entities
 - **No longer required to send estimated tax statement**
- Public Hearing on September 15, 2025 - Final Adoption of Budget and second reading of ordinance.
 - 5:30 pm meeting time in City Council Chambers

SUPPORT MATERIALS:

- **Additional Presentation slides – Economic Development scenarios**
- Presentation material from July 21st
- 2026 Mayors Preliminary Budget - previously distributed budget binder, including:
 - General Fund Summary
 - Estimated Utility Bill
 - 2026 fees
- Ordinance entitled “The Annual Appropriations Bill for 2026”
- Budget in Brief