



To: Mayor and City Council
From: Rhonda Dunn, Finance Director
Date: September 11, 2025
Subject: Consider adoption of 2026 Operating Budget

BACKGROUND

In preparation for the City's 2026 budget, an organization-wide review of revenue, service operations, capital projects, and outside agency requests was conducted. This extensive review process included input from the City Council and all City departments.

The operating budget consists of three major funds or levied funds that receive property tax revenues to support service and operational expenditures: General Fund, Debt Service Fund, and Cemetery Fund. Revenues are derived from property tax, sales tax, franchise fees, sales and services, development fees, special assessments, and transfers from enterprise and capital project funds.

PUBLIC PARTICIPATION

Efforts were made to ensure that the public was given ample opportunity to participate in the budget process. Over the course of the budget development process from April through September, the budget was discussed in open session including three work sessions and a combined Revenue Neutral Rate/Budget hearing in which the public had an opportunity to ask questions or provide comments on the proposed budgets. All budget materials were posted on the city website.

2025 ASSESSED VALUATION (FOR 2026 TAX COLLECTIONS)

Miami County total assessed valuation is \$57,296,626, an increase of \$6,143,244 or 12% over the 2024 valuation.

Johnson County total assessed valuation is \$147,165,673 an increase of \$11,886,551 or 8.78% over the 2024 valuation.

An adjustment was made to the assessed value to compensate for adjustments Johnson County will make to account for the assessed value of IRB properties. Johnson County provided an amount of \$2,560,502 for this adjustment. This change was made to minimize the adjustment of the mill levy after the budget is set by the City and certified by the County.

Total valuation for calculating the 2026 ad valorem tax for the 2026 budget is \$204,462,299, or a 9.67% increase over 2023. One mill calculated at this rate would be \$204,462.

ESTIMATED MILL LEVY IMPACT

At the request of Council, the 2026 operating budget is proposed at an ad valorem tax level lower than the 2025 budget by one mill or \$204,462.

Since the proposed budget has been published, and a public hearing has been held, the City Council can approve the 2026 budget at the published amount of ad valorem tax or a lower amount but cannot increase the amount of ad valorem tax without republishing public notice and holding another public hearing.

At the August 28th meeting, Council voted to exceed the Revenue Neutral Rate as provided by Johnson County. The proposed budget proposes a mill levy of 21.97 compared to the RNR rate of 20.747. The mill levy will be set by Johnson County before the tax billing is sent out in November.

The following is a snapshot of the proposed published budget.

	Prior Year Actual for 2024		Current Year Estimate for 2025		Proposed Budget for 2026		
FUND	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2025 Ad Valorem Tax	Proposed Estimated Tax Rate*
General	9,880,044	21.598	10,145,626	21.432	13,457,641	4,183,302	20.460
Debt Service	3,568,244	1.315	3,306,341	1.315	3,958,651	263,862	1.291
Library							
Fire	1,114,384	13.106					
Cemetery Fund	65,777	0.223	35,000	0.223	81,591	44,780	0.219
Special Highway	67,179		270,000		285,000		
Special Parks	22,432		140,000		140,000		
Sales Tax - City	763,050		876,550		848,550		
Sales Tax - County	100,000		200,000		200,000		
Excise Tax	103,700		1,100,850		1,103,000		
Special Alcohol Tax	8,798		42,500		42,500		
Water	1,980,527		2,190,826		3,603,199		
Wastewater	3,651,800		3,423,155		12,162,000		
Fighting Addiction	10,000		20,000		20,000		
Transient Guest Tax	0		2,500		2,500		
Stormwater	0		437,396		1,251,508		
Totals	21,335,935	36.242	22,190,744	22.970	37,156,140	4,491,944	21.970
<i>Revenue Neutral Rate**</i>							<i>20.747</i>

It is important to note that the setup of this state form records the actual expenditures from 2024, projected expenditures for 2025, and the proposed expenditures for 2026. The budget authority for 2026 appears to increase by \$15 million from 2025 projections; however, the budget authority includes cash reserve amounts for each fund that are not intended to be spent but this budget will give the Governing Body authority to spend cash reserves if needed.

The final result of the 2026 proposed budget including General Fund, Debt Fund, and Cemetery Fund is a total mill levy of 21.97 compared to a Revenue Neutral Rate of 20.747. The total Mill Levy for 2025 was 22.970.

2025 OPERATING BUDGET HIGHLIGHTS

REVENUE

The budget snapshot for 2026 Revenue is as follows:

2026 Budget - Revenue Sources		
Ad Valorem	\$ 4,869,651	23.6%
Sales & Use	\$ 4,961,065	24.0%
Utility Fees	\$ 5,325,000	25.8%
Fees/Services/Rent	\$ 1,040,473	5.0%
Development Fees	\$ 1,638,025	7.9%
Special Assessments	\$ 1,157,949	5.6%
Franchise Fees	\$ 827,308	4.0%
Other Taxes/Collections	\$ 487,660	2.4%
Interest	\$ 329,630	1.6%
Total Revenue	\$ 20,636,761	
Beginning Fund Balance	\$ 18,702,654	
Transfers	\$ 2,144,491	
Funds available	\$ 41,483,906	
Ending Cash balance 12/31/26	\$ 8,815,730	
Total Revenue 2025 Budget	\$ 32,668,176	

The General Fund represents most of the revenue for the City and will see an estimated increase of 9.25% from \$11.1 million in 2026 to \$10.2 million in 2025. This is driven by the following:

- Increasing ad valorem tax due to increased assessed valuation
- Increase in estimated sales tax revenue of 6% to follow the 2025 trend
- Increasing building permit revenue to 2025 levels.

The sale of the Water Utility is expected to be completed by year end 2026 so the proposed budget includes a full year of revenue for this utility. Revenue for Wastewater services will increase by 11.3% from increased households as well as a planned 5% increase in rates to cover increasing costs.

A Stormwater utility was established by Council in 2024 which will also add \$843,202 in revenue in 2026 through special assessments.

EXPENDITURES

The 2025 operating budget illustrates the City's ability to do more within the same mill levy. In summary, the budget for all expenses is as follows:

2026 Expense Budget By Fund	
General	\$ 13,457,641
Debt Service	\$ 3,958,651
Cemetery	\$ 81,591
Water	\$ 3,603,199
Wastewater	\$ 12,162,000
Other Budgeted	\$ 3,893,058
	\$ 37,156,140

2026 Expense Budget By Department		
Police	\$3,341,190	30.2%
General Obligation	\$1,590,933	14.4%
Streets/Parks	\$1,500,165	13.5%
Administration/HR/Engineering	\$1,160,500	10.5%
Community Development	\$1,107,615	10.0%
SHAC	\$626,442	5.7%
Finance	\$448,326	4.0%
Community Services	\$317,407	2.9%
Civic Center	\$258,536	2.3%
Public Works Admin	\$229,238	2.1%
Municipal Court	\$167,346	1.5%
IT	\$134,150	1.2%
Community Center	\$88,374	0.8%
Economic Development	\$59,000	0.5%
Governing Body	\$49,127	0.4%
Total	\$11,078,349	
Cash Reserve Budget Authority	\$2,379,292	
Total General Fund Budget	\$13,457,641	

The budget includes a 4% increase in expenses overall.

The 2026 budget includes salary adjustments not yet approved by Council.

The largest expenditures in the budget are personnel related costs. Because of the continued growth in the City which results in more citizens to serve, more streets to maintain, etc., Staff is proposing the additional of two additional police officer positions. The continued increase in new housing also the addition of a Building Official position starting in 2026.

The City pays the cost of health insurance for all employees, and the cost of premiums will increase \$243,000 in 2025 and 2026 combined. Based on metro market information, the staff is recommending a pay increase budget for employees. The proposed amount of the raise was 4.4% and Council has challenged staff to find a balance between the pay increase and insurance increases.

Other significant expense changes in the 2026 budget include additional transfer to the debt service fund for a new bond issue, increased professional services and engineering due to project needs as well as reductions in legal expenses and consulting fees.

RECOMMENDATION

Staff recommends that the City Council adopt the 2026 budget at an amount of ad valorem tax of \$4,491,944.

Exhibits

1. Public Hearing Notice
2. State budget form
3. Certificate

MOTION

Move to approve the 2026 Operating budget as proposed with a budget authority for expenditures of \$37,156,140.