# CITY OF SOUTH ST. PAUL
## MEETING AGENDA

**WORK SESSION**

Training Room
125 3rd Avenue North
South St. Paul, MN 55075

Monday, May 11, 2026
7:00 PM

**1. CALL TO ORDER**

**2. DISCUSSION ITEMS**

A. Public Works Central Maintenance Facility - Design Development Milestone

B. Preliminary 2027 Budget Discussion

C. Discussion on disposition of 2025 General Fund excess unassigned fund balance

D. Discussion on disposition of 2025 EDA (20280) and HRA (20260) fund balance

**3. COUNCIL COMMENTS & QUESTIONS**

**4. ADJOURNMENT**

# WORK SESSION AGENDA REPORT

| | |
|---|---|
| **DATE:** | May 11, 2026 |
| **DEPARTMENT:** | City Administrator |
| **PREPARED BY:** | Ryan Garcia |
| **AGENDA ITEM NUMBER:** | 2.A. |

**MEETING TYPE**
Regular Meeting

**AGENDA ITEM**
Public Works Central Maintenance Facility - Design Development Milestone

**ACTION TO BE CONSIDERED OR DESIRED OUTCOME**

- Review of Design Development Presentation by Staff, HCM, and Kraus-Anderson team
- Opportunity for Council discussion, feedback, and questions
- Council discussion and direction on next steps

**OVERVIEW**
In late-June 2022, the City Council directed staff to complete a Master Plan for key City Buildings and Facilities as a part of their Action Strategy to implement the 2023 Council Goals. Throughout 2023 and early 2024, the Study Team – including Kraus Anderson Construction Company in a primary planning and estimating role - collaborated with City departments to define immediate and long-term space needs, evaluate the condition, resiliency, and functionality of current City Facilities, and prepare recommendations for future facility and building investments (and in some cases, divestments). The Study concluded that the City should place a high priority on the replacement of the public works operations currently housed at 400 Richmond Street with a new facility.

On November 4, 2024, Council authorized the retention of Kraus Anderson Construction Company (KA) as a Construction Management Advisor (CMa) in order to help manage the preliminary design, design, and construction phases of this important project. As part of KA's scope of work, they facilitated a pre-design process with the Council and Staff to arrive at a general project scope and budget with an eye towards reducing the Master Plan's $32,000,000 price tag for the project. The pre-design effort concluded with a presentation at the City Council's May 27, 2025 Worksession where Council reviewed pre-design alternatives and directed KA and Staff to proceed with solicitation for design of the project with a "better-best" scope target.

On August 4, 2025, following a formal Request for Proposal process, Council authorized the retention of HCM Architects for full design and construction phase architectural services for the project through the adoption of Resolution 2025-87. Since that time, HCM and City staff (administration, public works, engineering with as-appropriate integration of other departments) have collaborated to advance through design development, which will be presented for discussion and further direction at the Worksession. Should Council confirm that the project as we conclude design development is aligned to the Council's objectives, the project would advance with the preparation of construction documents which would ultimately be used to publicly bid the project in accordance with State Public Bidding Law. In summary, design development suggests the following high-level characteristics:

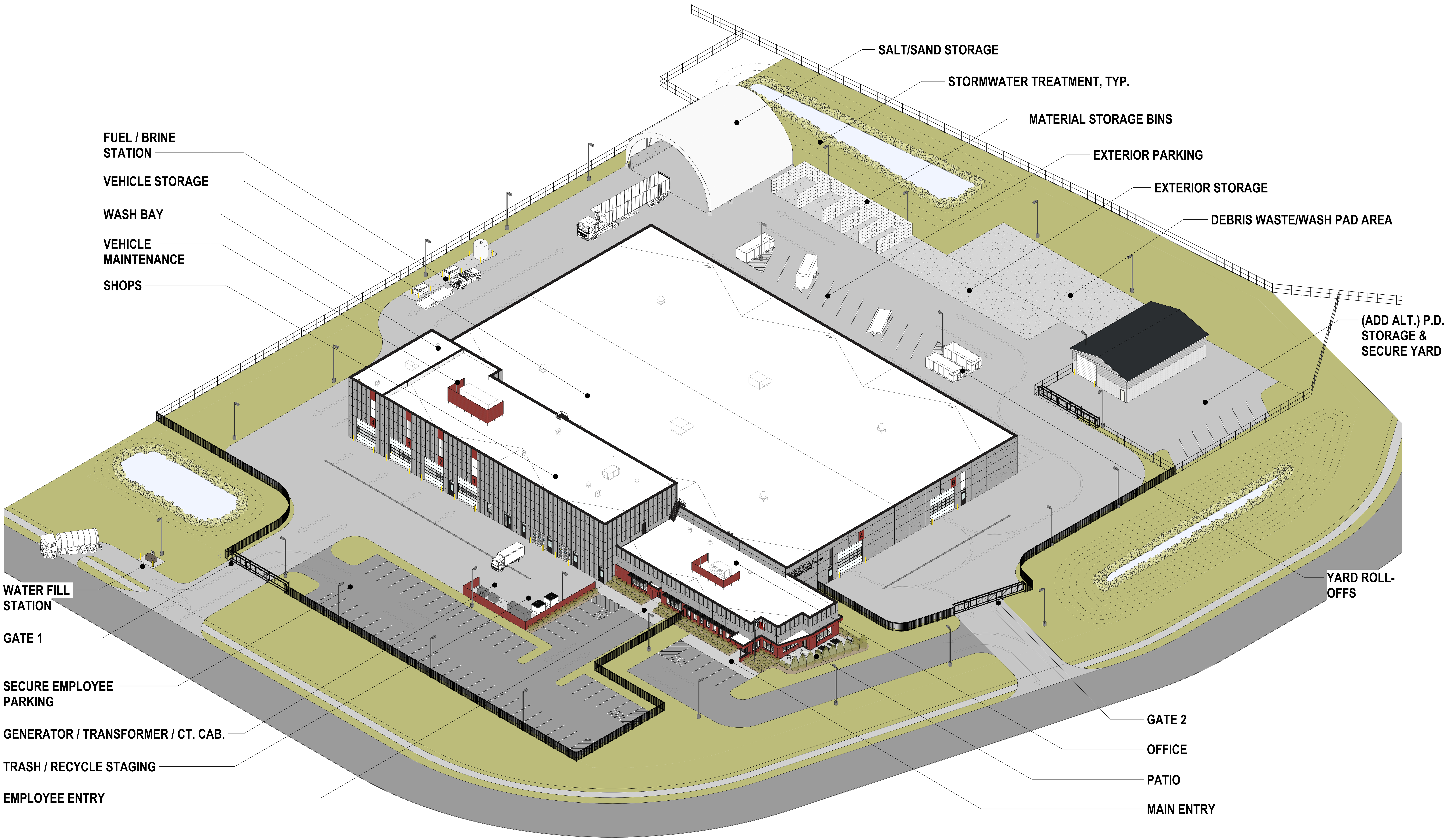
- Total building square footage of 74,005 square feet (current 35,285 square feet)
  - Indoor Vehicle and Equipment Storage: 51,110 square feet (current 20,000 square feet)
  - Vehicle Maintenance/Shops/Mezzanine/Wash Bay: 17,112 square feet (current 14,835 square feet, no dedicated wash bay)
  - Office: 5,783 square feet (current 3,500 square feet on 2 floors - 2nd floor not accessible)
- Total Site Size of 6.5 Acres (current 4.0 Acres)
- Dedicated/secured staff access and parking, and separate dedicated public parking and entry
- Police Department Storage Building as Base Element
- Design Development Estimate (Total Project Cost): $29,391,968
  - Approximately $16.2M Construction Cost; May 2025 Predesign Estimate was $14.3M ("Better") to $17.1M ("Best")
  - Approximately $5.8M Site/Soils Costs ; May 2025 Predesign Estimate was $1.15M - important to note that this is the single biggest driver in cost "deviation" from low end of concept level estimate. If site costs were more "typical", we'd be within 6.5% of the "Better" price scenario.
  - Approximately $4.5M Soft Costs; May 2025 Predesign Estimate was $3.9M ("Better") to $4.5M ("Best"); likely still some room here.
  - Approximately $2.9M in contingencies, escalation, general conditions ($350,000 less than predesign "Better" estimate; $700,000 less than predesign "Best" estimate)

**SOURCE OF FUNDS**

The 2026 - 2030 Capital Improvement Plan, Adopted via Resolution 2026-10, identifies funding the construction of the project through a combination of sale proceeds (400 Richmond Street East), the sale of General Obligation Bonds, and (if a 2026 Bonding Request is successful) State Capital Investment funding.

**ATTACHMENTS**

1. Design Development Exhibits - Public Works Facility




1 3D SITE PERSPECTIVE

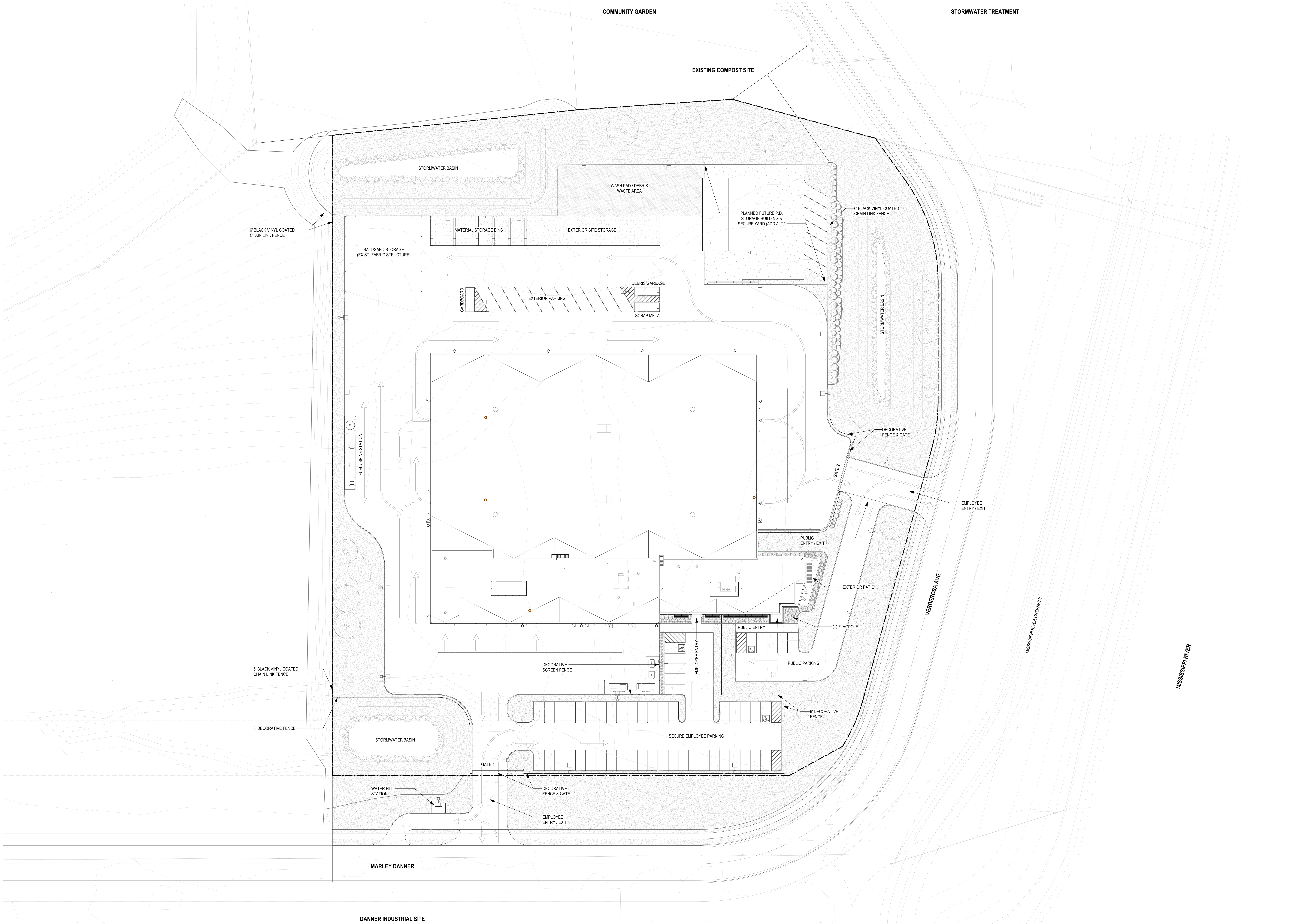
PROJECT:
CITY OF SOUTH ST. PAUL
PUBLIC WORKS FACILITY

SHEET NUMBER:
a0.1

PROJECT NUMBER: 2545

NAME:
3D SITE PERSPECTIVE

HCM ARCHITECTS




1 ARCHITECTURAL SITE PLAN
1" = 30'-0"

NORTH

PROJECT:

**CITY OF SOUTH ST. PAUL**
**PUBLIC WORKS FACILITY**

SHEET NUMBER:

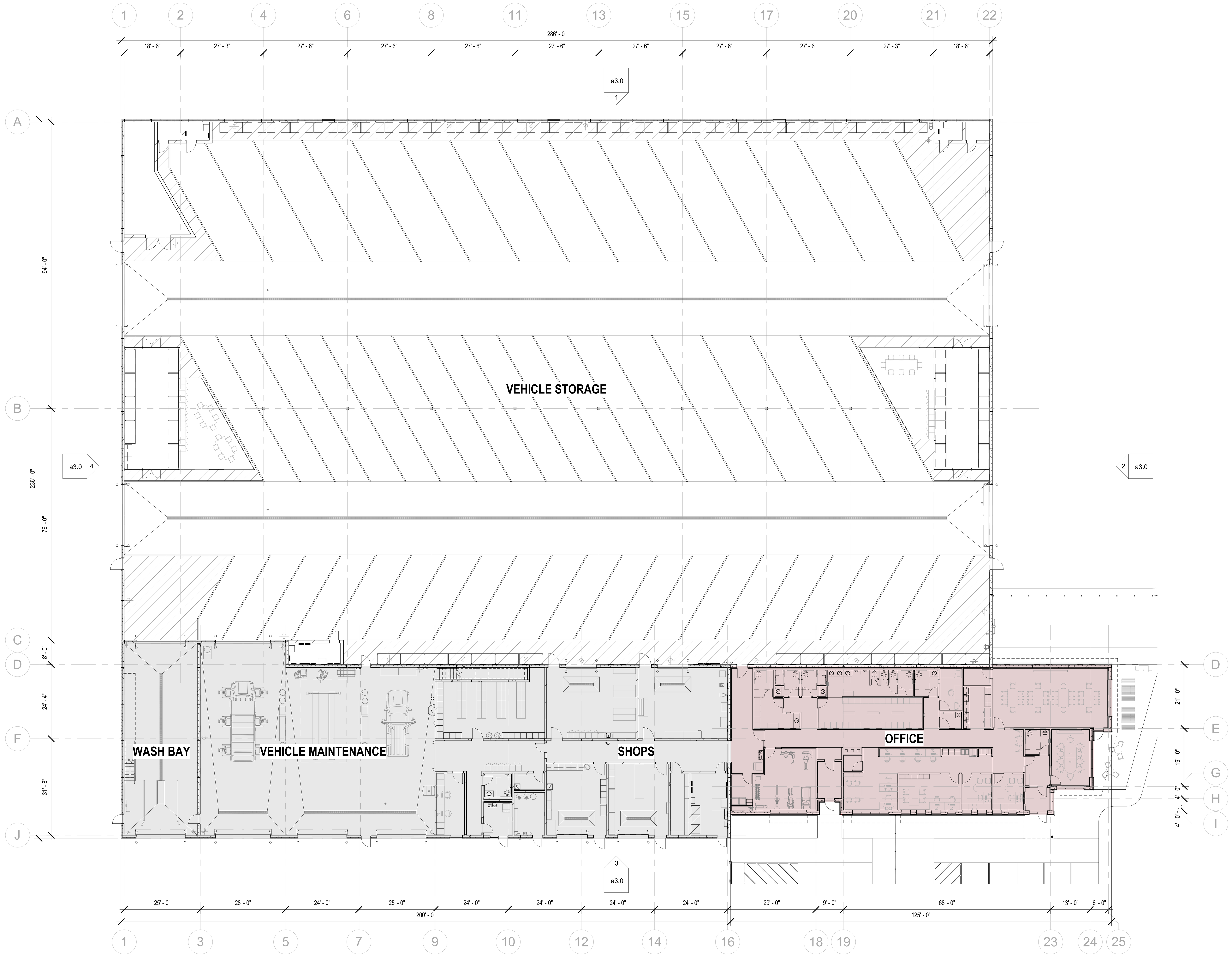
**a1.0**

PROJECT NUMBER: 2545

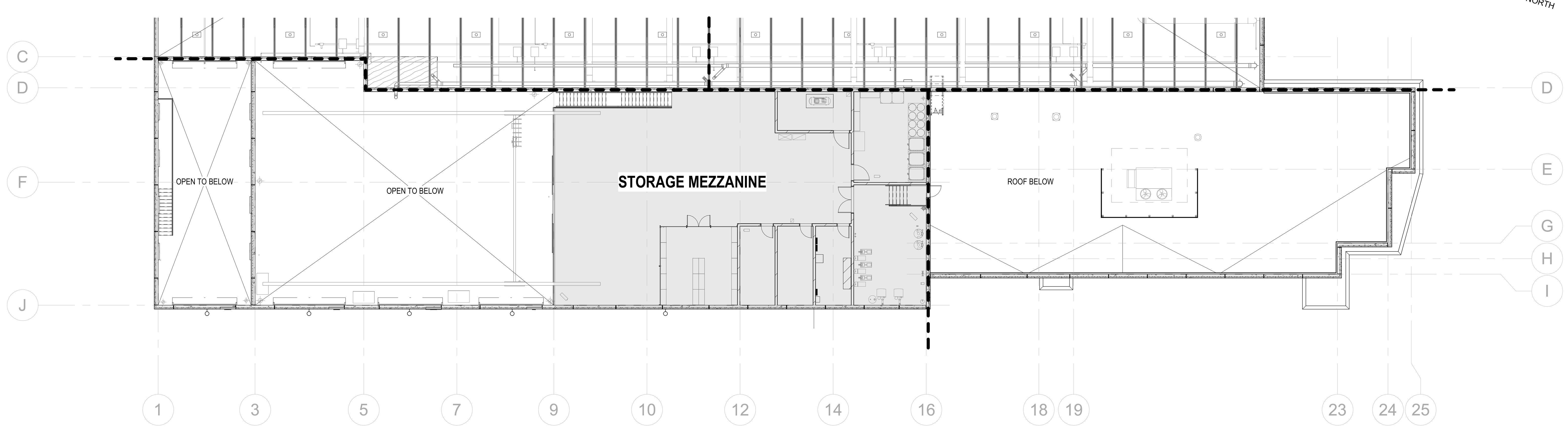
NAME:

**ARCHITECTURAL SITE PLAN**

HCM ARCHITECTS




1 OVERALL FLOOR PLAN - LEVEL 1
1/16" = 1'-0"




2 OVERALL FLOOR PLAN - MEZZANINE
1/16" = 1'-0"

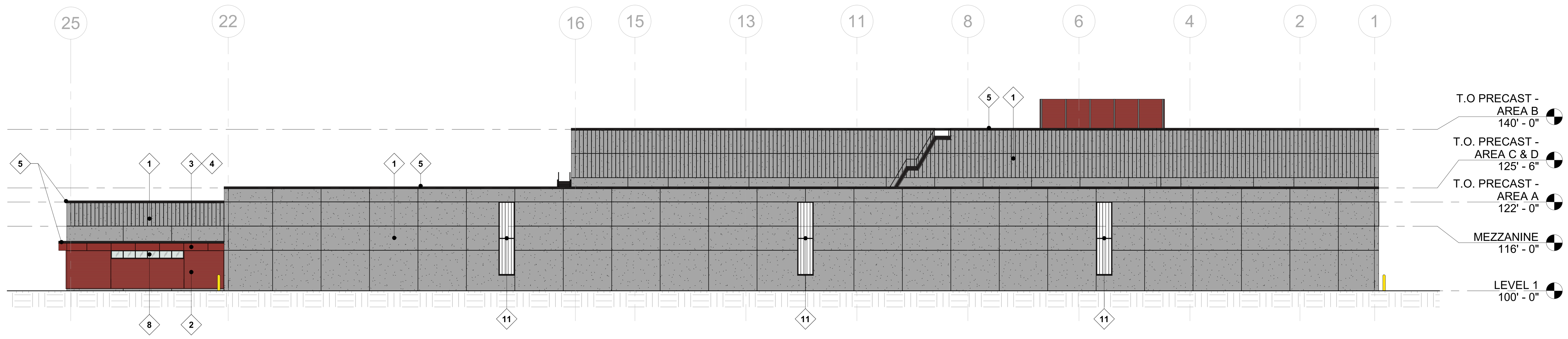
PROJECT:
**CITY OF SOUTH ST. PAUL**
**PUBLIC WORKS FACILITY**

SHEET NUMBER:
**a2.0**
PROJECT NUMBER: 2545

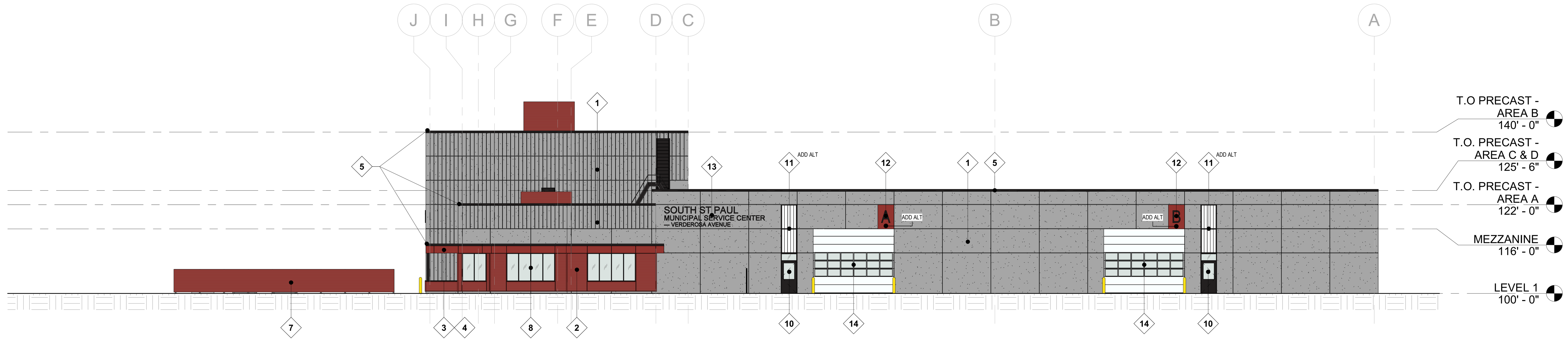
NAME:
**OVERALL FLOOR PLAN - LEVEL 1**

HCM ARCHITECTS

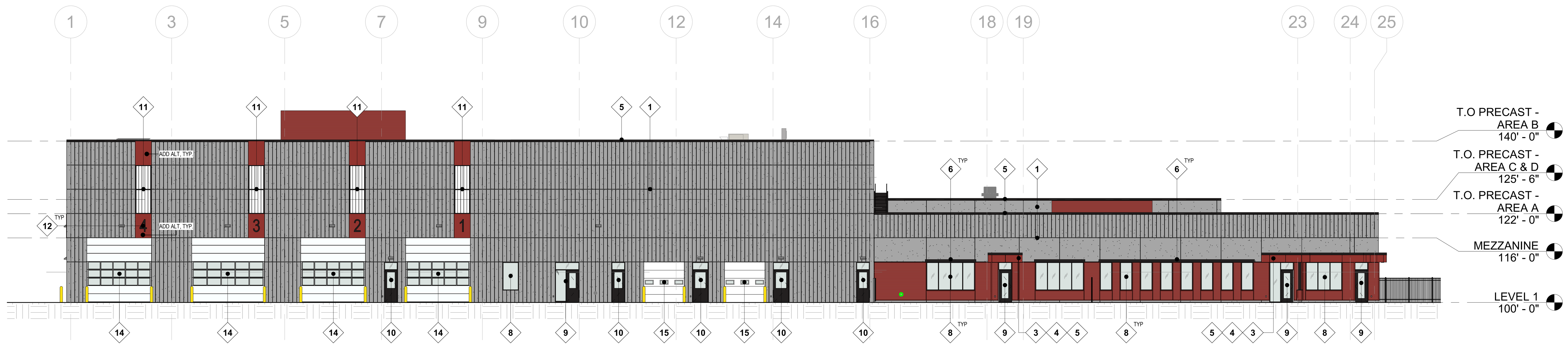
| KEYNOTES - EXTERIOR ELEVATIONS | |
|---|---|
| NUMBER | DESCRIPTION |
| 1 | 12" INSULATED PRECAST PANEL W/ REVEALS<br>COLOR/FINISH: CHARCOAL MIX W/ ACID ETCH FINISH |
| 2 | PAC-CLAD BOX RIB METAL PANEL<br>COLOR: COLONIAL RED |
| 3 | PAC-CLAD PAC-3000 RS COMPOSITE ALUMINUM PANEL OVER METAL STUD @ CANOPIES<br>COLOR: COLONIAL RED |
| 4 | PAC-CLAD FLUSH PANEL SOFFIT ASSEMBLY @ CANOPIES<br>COLOR: COLONIAL RED |
| 5 | PREFINISHED METAL COPING<br>COLOR: BLACK |
| 6 | PRE-MANUFACTURED METAL SUNSHADE ASSEMBLY<br>B.O.D.: MAPES CANTILEVERED SUPERSHADE ALUMINUM CANOPY<br>COLOR: BLACK |
| 7 | DECORATIVE SCREEN FENCE - METAL PANEL ATTACHED TO STEEL POSTS<br>COLOR: COLONIAL RED |
| 8 | ALUMINUM STOREFRONT GLAZING ASSEMBLY<br>FRAME COLOR: BLACK |
| 9 | ALUMINUM ENTRANCE DOOR/WINDOW SYSTEM<br>FRAME COLOR: BLACK |
| 10 | HM DOOR AND FRAME (INSULATED)<br>FRAME/DOOR PAINT: BLACK |
| 11 | 2 3/4" THERMALLY BROKEN TRANSLUCENT WALL PANEL ASSEMBLY<br>B.O.D.: KALWALL<br>FRAME COLOR: BLACK |
| 12 | ALUMINUM OVERHEAD DOOR NUMBER SIGNAGE<br>COLOR: BLACK<br>ADD ALT: METAL PANEL ACCENT |
| 13 | CAST ALUMINUM SIGNAGE ON STAND-OFFS<br>COLOR: BLACK |
| 14 | INSULATED OVERHEAD DOOR ASSEMBLY W/ VISION LITES<br>COLOR: TBD |
| 15 | INSULATED OVERHEAD COILING DOOR W/ VISION LITES<br>COLOR: TBD |



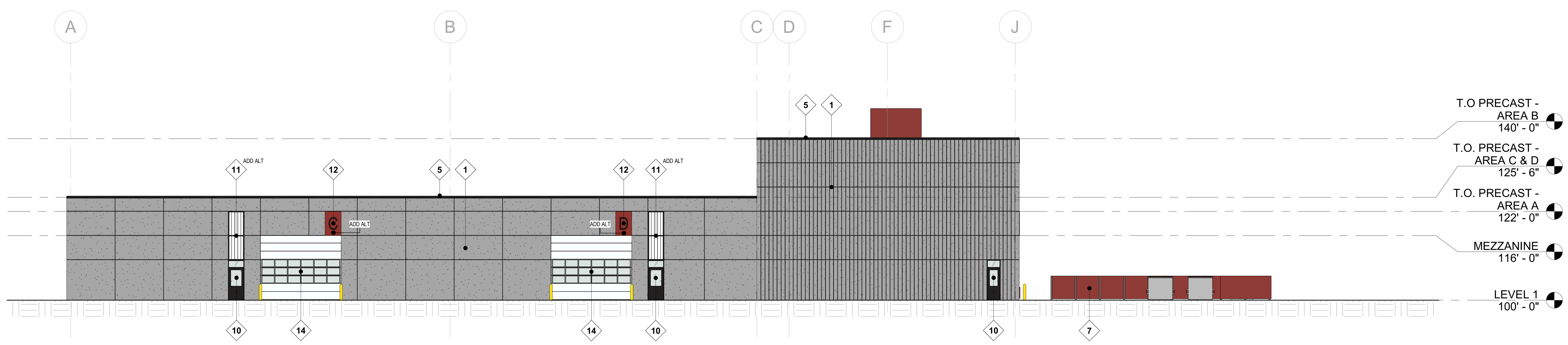

1 NORTH ELEVATION
1/16" = 1'-0"




2 EAST ELEVATION
1/16" = 1'-0"




3 SOUTH ELEVATION
1/16" = 1'-0"




4 WEST ELEVATION
1/16" = 1'-0"

ssp

PROJECT:
CITY OF SOUTH ST. PAUL
PUBLIC WORKS FACILITY

SHEET NUMBER:
a3.0
PROJECT NUMBER: 2545

NAME:
EXTERIOR ELEVATIONS

HCM ARCHITECTS

# WORK SESSION AGENDA REPORT

**DATE:** May 11, 2026
**DEPARTMENT:** City Administrator
**PREPARED BY:** Ryan Garcia, Clara Hilger
**AGENDA ITEM NUMBER:** 2.B.

**MEETING TYPE**
Regular Meeting

**<u>AGENDA ITEM</u>**
Preliminary 2027 Budget Discussion

**ACTION TO BE CONSIDERED OR DESIRED OUTCOME**
Discuss 2027 Budget Process and Factors that will Impact the 2027 Levy. Identify general/high level Council expectations/targets for 2027 Budget and Property Tax Levy.

**OVERVIEW**
Staff will begin preparing 2027 budgets within the next several weeks, and we anticipate review of a draft 2027 Budget and Property Tax Levy by the Council at the August 10 Work Session, at which time Staff will present the draft budget highlighting the principal drivers/changes from 2026 to 2027. Department heads will be present at the August meeting to answer any questions you may have regarding their proposed budgets specifically. Based on your direction in August, staff will then revise the budget as needed. The goal would be to have a preliminary levy and budget(s) ready for approval at the September 8 Council Meeting (we are required to approve a preliminary levy by the end of September, so this could be pushed to September 21 if necessary).

To provide a foundation for all departments and the administration as we begin the 2027 Budget process, we felt it would be helpful to provide an overview of some of the factors we're keeping in mind as we think about 2027, and provide an opportunity for Council to present us with any initial Council questions and/or expectations for the 2027 budget and property tax levy.

While it is admittedly early and subject to change as more information is obtained, here are a few of the factors that are expected to impact the 2027 Budget and Levy:

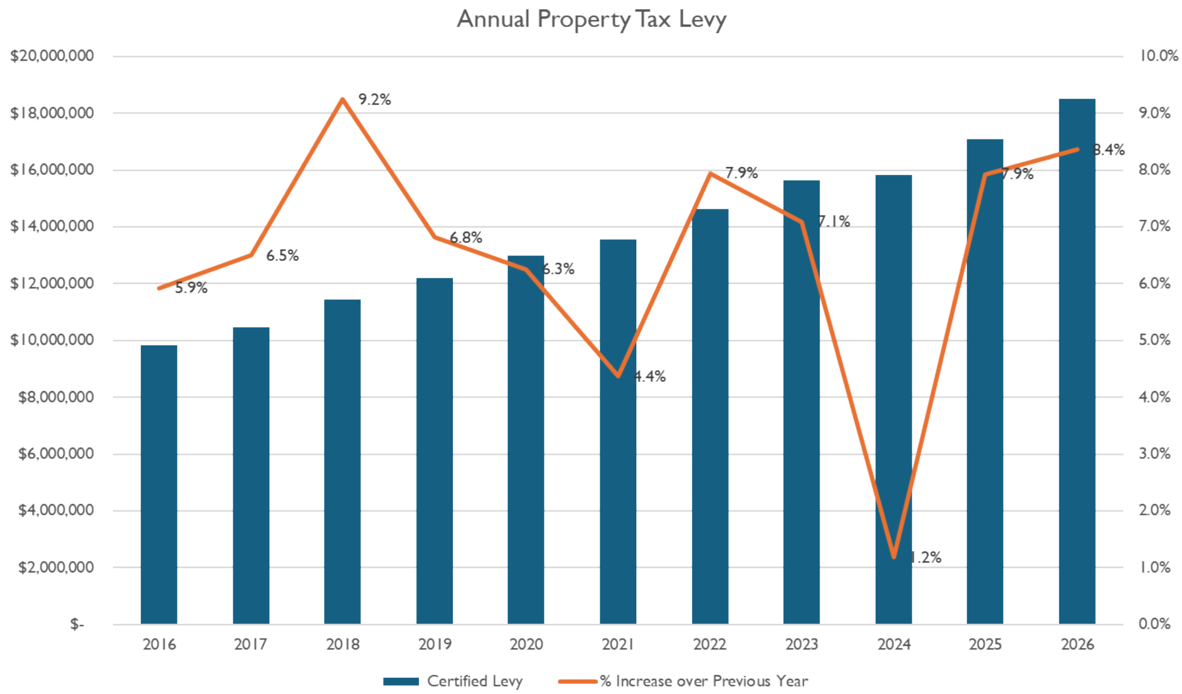
- **Wages**. We are just beginning a compensation and classification study, which is targeting preliminary completion in August. As such, there is some uncertainty as to the impact of salary adjustments as of right now.
- **Health Insurance Costs**. Renewal increased by 6% in 2026 and was flat for 2025 (no change in premium). It's not possible at this early stage to accurately predict what the 2027 Renewal will look like, but trends in the industry have been significantly higher than our last two renewals. The City last RFP'd in 2021 (for 2022 plan year), so we will be issuing an RFP this year (for 2027 plan year) as required by state law.

- **Debt Levy.** The total 2027 General Fund Debt repayment obligation for 2027, for existing City debt, will decrease by approximately $465,000. As Council is aware, two projects are in the latter stages of planning and design that collectively are anticipated to introduce a substantial amount of new debt: the Northview Aquatic Center (pool replacement) and the Public Works Central Maintenance Facility replacement. While there are still some variables at play as of today, the impacts of these projects based upon information available to Ehlers as of the March 23 worksession indicate an estimated approximate annual property tax impact to the median value homestead in the community of $170 to $265 (between $14.17 to $22.09 per month).
- **Infrastructure Levy**. Based upon a generally agreed-upon cadence established in the 2020 budget year, Council would continue support of the Infrastructure Levy for 2027 with a significant boost, from $1,850,000 to $2,435,000 (a $585,000 or 32% increase). The theory behind this larger than "typical" increase (generally, the increase has been $125,000 - $150,000 year over year) is that with the reduction in Debt Levy we have the ability to absorb a shift towards the Infrastructure Fund without impacting the overall levy. The Council has taken this approach previously, most notably when the Concord TIF decertified and before that, when the Library Levy was eliminated.
- **EDA and HRA Levies**. The Council has consistently authorized both the EDA and HRA levies at the statutory maximum for each.
- **LGA** - Under current law, local government aid is anticipated to grow modestly for 2027 certification, to a total of $3,822,736. This represents and increase of $38,152 over 2026 amounts.
- **Capital Improvement Plan (CIP)** - Staff will be prepared to take a holistic view of CIP with Council as we work through the 2027 budget preparation process. The currently adopted CIP can be viewed here: [https://www.southstpaulmn.gov/DocumentCenter/View/15358/2026-2030-Capital-Improvement-Plan](https://www.southstpaulmn.gov/DocumentCenter/View/15358/2026-2030-Capital-Improvement-Plan). Council is encouraged to review the CIP and, as needed, provide staff with input on the CIP for consideration as we work through the budgeting and CIP process.

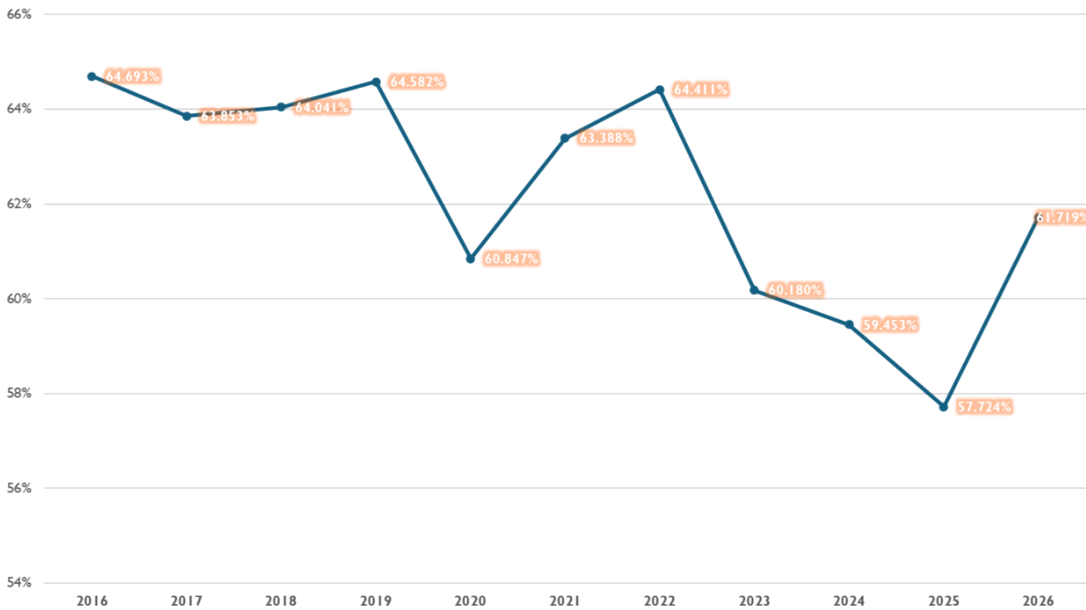
<u>Infrastructure Levy</u>

The City Council introduced a dedicated Infrastructure Levy with the 2020 Budget and Property Tax Levy. Based upon the Council's Annual Goal Setting process, investment in critical City Infrastructure has been identified as a key priority. Recognizing this priority while at the same time seeking to minimize borrowing for street reconstruction projects in particular, the Administration and Council in 2019 agreed to establish the Infrastructure Levy at an initial amount of $125,000 and with an objective to increase that amount by $125,000 in each budget year thereafter until the Concord TIF was decertified (12/31/2024), then increase the levy by another $1,000,000 in 2025. In the 2025 Budget, the Infrastructure Levy clocked in at $1,725,000. For 2026, we maintained that approach as agreed upon by Council and Staff in 2019 and the Infrastructure Levy for 2026 increased to $1,850,000. As noted above, discussions in 2019 "flagged" the 2027 Budget Year for another meaningful bump (to a total levy amount of $2,435,000) in response to the Debt Levy decreasing by $466,000. As of now the Infrastructure Levy has built up a relatively healthy balance which allows the City to cash fund projects through at least the 2033 CIP (and almost certainly beyond), assuming we maintain the trajectory we've been on. The Council should discuss whether any modification in approach is desirable given the current overall context.

Levy History
For the 2026 Tax Year, South St. Paul's Property Tax Levy was $18,530,136, representing an 8.36% Levy increase over 2025's $17,099,948 certified levy. This percentage increase ranked third lowest among Dakota County's 11 largest Cities while our total dollar levy increase of $1,430,188 was the lowest increase by total dollars among this group. A chart of the City's Levy history since 2015 is included below:




South St. Paul's Total 2026 Tax Rate
For the 2026 Tax Year, South St. Paul's Municipal Tax Rate was **.61874**, an increase from **.57724** in 2025. This rate ranked third-highest among Dakota County's 11 largest Cities, and furthermore the City's Total Tax Capacity Rate (which encompasses not only the Local rate but also the County, School District, EDA, HRA, and EMS District rates) of **1.19174** (in the SSD#6 area) measured as the third-highest Total in all of Dakota County for 2026 (only WSP and Northfield were higher). This is important context to consider as the Council prepares to set our 2027 Property Tax Levy and Levy supported budgets later this year. A chart of the City's Municipal Tax Rate history since 2016 is included below:




<u>EDA and HRA maximum levies for 2027</u>
Based on the 2026 estimated market values, the maximum levies as allowed by State Statute for the EDA and HRA for 2027 are estimated to be:

| | 2026 | 2027 | Increase |
|---|---|---|---|
| EDA | $442,568 | $460,662 | $18,094 |
| HRA | $451,600 | $470,064 | $18,464 |

In past years, the City has always levied the maximum allowed for both of these levies. If the Council would like to see any modifications to this approach for 2027, Staff would request that direction at this time. In the 2026 Budget Year, a significant portion of the EDA Levy was transferred into the Business Loan Fund (27% of EDA Levy), while about 35% of the HRA Levy and another 21% of the EDA Levy was transferred into the EDA's Development Fund. Another 33% of the HRA Levy was transferred into the Housing Reinvestment fund. If maximum levies are authorized again for 2027, Staff anticipates that we will have substantial capacity/discretion to make further investments in these strategic redevelopment/reinvestment funds as the "operational" demands on these levies are significantly less than the statutory maximum.

Staff sees these topics as discussion-starters for the worksession, but we encourage Council to come with other questions, suggestions, priorities, or direction so that we can be sure that we launch our budget preparations as much as possible to be in tune with Council's priorities and expectations.

**SOURCE OF FUNDS**
N/A for this discussion.

**ATTACHMENTS**

None

# WORK SESSION AGENDA REPORT

| | |
|---|---|
| **DATE:** | May 11, 2026 |
| **DEPARTMENT:** | Finance |
| **PREPARED BY:** | Clara Hilger |
| **AGENDA ITEM NUMBER:** | 2.C. |

**MEETING TYPE**
Regular Meeting

**AGENDA ITEM**
Discussion on disposition of 2025 General Fund excess unassigned fund balance

**ACTION TO BE CONSIDERED OR DESIRED OUTCOME**

- Staff is requesting direction on how the Council would like to apportion the $535,883 of excess unassigned fund balance.

**OVERVIEW**
In December 2014, the City Council updated the Liquidity-Fund Balance Policy to state that, "The General Fund shall enter a new budget year with an unassigned fund balance that is in the range of 35-50% of the new year's budgeted expenditures…"

At the end of 2025, the General Fund had an Unassigned Fund Balance of $12,138,849 which exceeded 50% of the 2026 General Fund budgeted expenditures by $535,883.

Historically, the City has allocated these excess funds to programs or funds that have a need for additional one-time funding. The Capital Programs fund has been a primary recipient to pay for projects that are scheduled in the Capital Improvement Plan.

Some of the options for the use of these funds include:

- Move the funds to the Capital Programs Fund to pay for one-time or short-term expenditures, like the purchase of a piece of equipment or vehicle.
- Move the funds to the Capital Programs Fund and designate them to be used for a specific purpose, i.e., buildings, parks, etc.
- Move the funds into the Infrastructure Fund to be used for infrastructure replacement.
- Leave the funds in the General Fund to cover potential future shortages.
- Leave the funds in the General Fund and reduce the property tax levy for 2027.
    - Staff recommends caution with this option. These are one-time funds; there is no guarantee that we will have a surplus in future years.

For the 2024 excess unassigned fund balance, the Council chose to transfer the $156,686 to the Capital Programs Fund for future capital project costs.

Staff recommendations for the 2025 excess unassigned fund balance include the following:

- Transfer to the Public Works Facility fund to pay for preliminary costs for the new facility.
- Transfer to the Northview Aquatic Center project to pay for preliminary costs.
- Transfer to the Capital Programs Fund for future capital project costs.
- Transfer to the Infrastructure Fund for infrastructure replacement.
- Leave the funds in the General Fund to cover potential future shortages.

**SOURCE OF FUNDS**
2025 General Fund Unassigned Fund Balance

**ATTACHMENTS**
1. Calculation of Excess Unassigned Fund Balance

**CITY OF SOUTH ST. PAUL, MINNESOTA**
CALCULATION OF EXCESS UNASSIGNED FUND BALANCE
GENERAL FUND

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Revenues | | | |
| Total revenues | $ 22,234,964 | $ 21,381,335 | $ 19,810,252 |
| Expenditures | | | |
| Current | 21,123,429 | 20,807,093 | 16,357,565 |
| Capital outlay | 132,453 | 66,845 | 47,693 |
| Total expenditures | 21,255,882 | 20,873,938 | 16,405,258 |
| Revenues over (under) expenditures | 979,082 | 507,397 | 3,404,994 |
| Other financing sources (uses) | | | |
| Transfers in | 190,000 | 190,000 | 203,570 |
| Transfers out | (156,686) | (434,879) | (3,484,973) |
| Total other financing sources (uses) | 33,314 | (244,879) | (3,281,403) |
| Net change in fund balances | 1,012,396 | 262,518 | 123,591 |
| Fund balance, beginning of the year | 11,309,990 | 11,047,472 | 10,923,881 |
| Fund balance, end of the year | 12,322,386 | 11,309,990 | 11,047,472 |
| Less: Nonspendable | (183,537) | (221,693) | - |
| Unassigned Fund Balance | 12,138,849 | 11,088,297 | 11,047,472 |
| Subsequent year's budgeted expenditures x 50% | 11,602,966 | 10,931,611 | 10,612,593 |
| Excess Unassigned Fund Balance | $ 535,883 | $ 156,686 | $ 434,879 |
| Disposition: | | | |
| Capital Programs Fund | - | 156,686 | 434,879 |
| Total Excess Unassigned Fund Balance | $ - | $ 156,686 | $ 434,879 |

# WORK SESSION AGENDA REPORT

| | |
|---|---|
| **DATE:** | May 11, 2026 |
| **DEPARTMENT:** | City Administrator |
| **PREPARED BY:** | Ryan Garcia, Clara Hilger |
| **AGENDA ITEM NUMBER:** | 2.D. |

**MEETING TYPE**
Regular Meeting

**AGENDA ITEM**
Discussion on disposition of 2025 EDA (20280) and HRA (20260) fund balance

**ACTION TO BE CONSIDERED OR DESIRED OUTCOME**

- Review 12/31/2025 unassigned balance in Funds 20260 (HRA) and 20280 (EDA)
- Provide staff with direction as to the disposition of unassigned balances, potentially for future formal action.

**OVERVIEW**
In accordance with State Statutes 469.033 Subd. 6 and 469.107 Subd. 1, the City of South St. Paul levies taxes for Housing and Redevelopment and Economic Development purposes, with the statutory powers and authorities related to redevelopment and economic development carried out by the South St. Paul Economic Development Authority. All revenues generated through the "HRA" and "EDA" property tax levies are segregated into designated City Funds, in this case 20260 ("Housing Fund") and 20280 ("Economic Development Fund"). These revenues are used to fund budgeted expenditures (such as staffing for housing and development programs, contractural services, supporting adopted policies/programs that are administered by the EDA, etc.) as approved by the EDA Board of Commissioners and certified by the City Council as part of the annual budget process for the City. While the EDA does not have a prescribed fund balance policy for Funds 20260 and 20280, over time the funds may accumulate unassigned balance should budgeted revenues exceed actual expenditures for a given year, similar to the City's General Fund.

As of 12/31/2025, Fund 20260 has an unassigned fund balance of $767,150, while Fund 20280 has an unassigned fund balance of $698,498. Considering that the demand on these funds is quite well-defined and limited in scope, it would seem prudent to designate a significant proportion of this fund balance towards one or more specific housing, redevelopment, or economic development programs. Based on Council's feedback at the worksession, Staff will finalize a recommendation, including dollar amounts, to be transferred from fund balances sometime after the receipt of the first half Pay 2026 property tax settlement from the County.

As Council is aware, the EDA administers both a home improvement loan program as well as a business and development loan program. Each year's annual budget for the past three years has allocated some amount of funding towards these programs, and both programs currently have moderate capacity to fund additional loans.

In early 2024 the EDA passed Resolutions 2024 - 1 through 2024 - 04 which authorized and approved the transfer of monies from several "legacy" EDA/HRA programs which were no longer being implemented to Fund 20284 ("Development" Fund). As articulated in early 2024, Fund 20284's general purpose was to dedicate funds towards strategic priorities for redevelopment purposes, most especially but not limited to the Hardman Triangle, which may include acquisitions, demolition, site preparation/remediation, etc.

Since 2024 the EDA has continued to undertake due diligence and property acquisitions in order to best position the City for the realization of the Hardman Triangle Master Plan. Nonetheless, additional assembly of the redevelopment site is necessary for redevelopment to be feasible. With this in mind, Staff recommends that 20260 and 20280 Fund Balance be transferred to the Development Fund (Fund 20284). With the recent acquisitions of 314 - 318 2nd Street North, 106 3rd Avenue North, and 316 Malden Street, Fund 20284 has seen its available cash reduced to about $650,000. While 106 3rd and 316 Malden are both under contract for purchase by private developers which will "replenish" almost $1,075,000 to Fund 20284, it is expected that Hardman Triangle redevelopment costs borne by the EDA will exceed the amount currently available in Fund 20284.

**SOURCE OF FUNDS**

This discussion relates to undesignated balances in the HRA and EDA funds, which have their own dedicated levies in accordance with state statute as their primary funding source.

**ATTACHMENTS**

None