

City of Chaska 2026 Budget



2026 Annual Budget

To the Citizens of Chaska, Honorable Mayor, and Chaska City Council:

Submitted for your review is the proposed 2026 Annual Budget for the City of Chaska, along with a review of major issues and opportunities relating to the City's general operations. I believe the budget, as proposed, meets the needs for continuing to provide excellent municipal services, while at the same time meeting the City's objectives that we have established during the budgeting process. As we did during the 2023, 2024 and 2025 budgeting processes, we have continued to spend the better part of the budget process this year talking about our largest current challenge, which will be taking care of our existing City facilities and investing into improvements that will be needed to allow us to meet our service objectives moving into the future. While this has been a difficult discussion because of its impact on taxes, it is one that we need to address if we are going to be able to continue to provide services at the level residents have come to expect. While this has been an ongoing discussion, this is the last year that we will be having these discussions as part of the budget process, as this is the final year of funding this overall program.

As you read this budget, you will find that beyond trying to maintain our current services at levels that our residents expect, this budget seeks to continue our efforts to keep our Capital Asset Maintenance Program (CAMP) fully funded as we move into the future so that we continue to reinvest back into the assets that are aging in our community such as trails, roads, and parks. One thing different we have included with the CAMP Program in this year's budget process is the need to increase our funding level of this program by the rate of inflation each year, so we do not get behind in keeping up with the increasing costs of doing projects into the future. We also have put a high priority on making sure we are working towards keeping our General Fund Reserve balances at a sufficient level to be able to meet the requirements of our Bond Rating Agency to maintain our quality rating, which we have affirmed three times over the past two years. We have budgeted \$300,000 annually to go directly to our reserves. In addition to this, we have seen higher than budgeted building permits being purchased for the past several years, giving us additional dollars to put into our General Fund Reserve Balance. We have gone from a Fund balance in our General Fund of \$1.9 million in 2020 all the way up to \$6.9 million after our 2024 budget. This represents about 33% of our total General Fund Budget, with our target being approximately 40% on an annual basis.

The 2026 General Fund budget is very similar to what we saw in 2025, with the only major new initiative we will be looking to fund being the 4th and final year of our Building Improvement Program. After 2026, we will now have all \$4.5 million needed from tax levy to support this program, with the other \$1.6 million coming from our Utility Funds.

To fund our Building Improvement Program, we decided to break the total funding needed into four years and only levy one fourth of this amount each year to try to ease our way into putting in place the necessary funding for this program. Starting in 2023 and continuing into 2024 and 2025, emphasis was placed in the budget on implementing a plan to address our City Facility needs for buildings supporting our General Fund services in Chaska. This includes our Police and Fire Services, our Municipal Services

Campus, Chaska Library, and our City Hall. All these facilities are over 30 years old, with very little change or improvements occurring in these facilities as our community has grown. Not only do these facilities have deferred maintenance projects that need to occur, but none of them are large enough to handle our current staffing or equipment levels, let alone our future needs as we continue to grow. As will be described throughout this budget document, the 2026 budget will be the final of 4-years of revenue increases that will be needed to support the debt service of rehabilitating and expanding these facilities, which will take the rest of this decade to complete construction. 2024 did mark the first facility in our Building Improvement Program that moved forward to construction, with our Public Safety campus starting construction in the Spring of that year. This facility is scheduled to be completed by early 2026 and will house both our Police and Fire Departments on the property that once housed our former Fire Department. As we move into 2026, we will be going out for bids on the new Municipal Services Building, which we expect will be started in June of 2026 and should be completed by late 2027.

This budget document will talk about when we expect to see all 4 facilities completed, and the impact we expect it will have on taxpayers as this program is implemented.

2026 Revenue Discussion

As we go into 2026, we are seeing continued increases in our Market Values, with more than half of the overall market growth (55%) coming from new growth. Last year we saw 54% coming from new growth, and going back to 2023, we saw only 40% of the market value increases come from new market growth. What this means is that more of the tax burden is shifting away from existing properties.

For taxes payable 2026, we are seeing a 7.51% increase in our community's taxable market value, with 4.10% driven by new construction and the other 3.41% being driven by changes in existing properties values. For the third year in a row, the strongest growth we have seen in the City was in the category of Apartments, which saw a 19.85% overall increase in value, with all the value coming from new apartment units (there was actually a decrease of 0.50% for existing apartment buildings). Last year we saw a 20.33% increase in market values with most of that also coming from the construction of new apartment units in the community. We have seen over 600 units of apartments added in Chaska over the past three years.

Commercial/Industrial properties saw moderate growth over the past year with a 5.23% increase. Unlike last year where we saw most of the valuation increase come with existing buildings, for 2026, we are seeing 2.45% coming from increases in existing C/I properties and the remaining 2.78% coming from new construction. We do expect to see additional industrial added in 2026, both with an addition to a Beckman Coulter property, but also through the construction of the first building in the new Big Woods Industrial Park on the west side of Highway 212 at its intersection with County Road 44.

Residential saw the second largest increase in property values for 2026, with existing residential properties seeing a 3.95% increase in market values and new properties making up 2.83% of that valuation change. This increase for existing properties is about 1% higher than what we saw in 2025.

Our tax capacity for 2026 is slated to grow at a faster rate of 9.14% compared to 6.59% in 2025. The tax capacity measures the amount of value that is taxable within a community. The positive news is that there is much more growth in the tax capacity from new growth in the community over the past few years than we saw before. This translates into tax increases being spread across more properties and shifting some of the burden off existing properties in the community.

As we have seen since 2021, building activity in Chaska was again very strong during 2025. This building activity has included the completion of the several new apartment units we saw built in the community, the addition of many new single-family homes, as well as many maintenance projects happening in school buildings across the community.

There were several housing developments that started in 2024 that continued into 2025 that added the bulk of what we saw for residential growth in the community. This included continued work on 3 different development areas in Southwest Chaska, the continuation of the DR Horton neighborhood on the west side of the Clover Ridge Neighborhood, and the completion of the Adelwood Neighborhood located directly above Clayhole Lake in Firemen's Park.

As we finish out 2025, we expect that permits will be similar to the 2021, 2022 and 2024 levels of \$1.5 million, but less than nearly \$3 million that we saw in 2023. For 2025 we budgeted \$1.3 million, meaning that we do expect that we are going to exceed our budgeted revenue once again in 2025.

For 2026, we are expecting to see a very similar market to what we saw in both 2024 and 2025, with potentially slightly more activity because of a planned Industrial expansion, our Municipal Services building, as well as new housing developments opening in Southwest Chaska. Because of this, we budgeted for \$1.8 million for 2026 which brings us closer to what we have averaged in building permit revenue over the past several years. With the growth that we know will happen, and the potential for our newest industrial park to open later next year, we think this is a realistic number to budget around.

As the 2026 budget was put together, there were several major budget environmental factors we needed to consider as it related to revenues, including:

- Market Values across the community increased by 7.51% compared to the 6.73% increase we saw last year. This will bring our overall property values in the community to \$5.29 billion, \$369 million higher than last year. 4.10% of this change came from new construction, with the rest of the increase coming from existing properties. This 4.10% increase in new construction represents 55% of all growth in the community compared to last year where 53% was from new growth
- Based on Legislative Changes during the 2023 session, the State did create a Metro Sales Tax, with a portion of this sales tax coming back to each Metro Area City for the purpose of supporting the creation of more affordable housing stock. The

allocation in 2024 was a little over \$130,000. In 2025, that number went up to \$339,000. We expect this number to go up to \$345,000 in 2026. So far, we have been partnering with the Carver County CDA to use these dollars to help create more houses in the Community Land Trust Program (like in the Chaska Yards Project), with this allowing us to create permanently affordable housing

- With some additional residential and industrial/public construction expected in 2026, we are budgeting for building permits to generate approximately \$1.8 million, which is very close to what we have seen over the past couple of years.
- We are continuing to see an increase in population, with a steady increase in the number of residential units being built in the community. This past year we saw the Met Council estimates come in at approximately 30,000 residents. We think that it is possible to add approximately 500 new people in our community next year based on the housing inventory we have available in the City
- Our Electric Revenue has continued to increase, as we have seen a significant amount of Economic Development occurring in the last several years, including Data Centers and additions to existing industrial businesses driving up this usage. This has had a positive impact on the 5% Electric Right of Way Usage Fee coming back to our General Fund, as well as the additional 5% dedication the Electric Fund makes to the General Fund to help reduce tax burden for our residents. We expect the amount coming back to the General Fund in 2026 to be approximately \$5.6 million, or \$100,000 more than what we saw in 2025. In addition, we will also have the new Electric Franchise Fee Revenue coming in from Minnesota Valley Electric Cooperative's service territory in Chaska, which we anticipate will be about \$255,000.

MAJOR INITIATIVES OVER PAST DECADE

During the recession (2008-2013), to navigate the financial impacts to our revenue collection that supported our budgeted activities, the City deferred many planned expenditures as a strategy to balance the budget. This was needed because we did not change the tax levy for four years during this recession period.

When the economy improved after 2013, the City was able to put more emphasis into the projects that we had to defer, which included the reinvestment back into our existing infrastructure and assets, as well as making sure that we were staffing at a level that could sustain the level of services residents have come to expect in our community.

CAMP Program

This renewed emphasis on reinvestment back into our existing infrastructure was first demonstrated through the establishment of our Capital Asset Maintenance Program (CAMP). The CAMP focused on how to properly maintain the assets which we have already invested in and have a responsibility to keep in good condition moving into the future. In 2014 we started investment into this program, with a 4-year plan for how to fully fund these needs. This 4-year plan increased revenue in the General Fund to support a \$1 million gap, with the final \$250,000 of this being incorporated into the 2017 budget. With this program fully funded every year since, we have been able to move forward by making the proper reinvestment back into our existing General Fund Assets, such as roads, trails, and parks. The budget for 2026 continues with full investment into the CAMP to continue to keep up with these reinvestment needs. The one thing that we are

changing in 2026 is that we are building in an increase for inflation into the \$1 million annually. This is something we have not done in the past, and we are now seeing after 8 years that our revenue has not kept up with the cost of the work we need to complete. By increasing this by inflation each year, we hope to keep the “buying power” of these resources the same from one year to the next.

Staffing Gap Program

During the 2020 budget, we did turn our attention to addressing the gaps we had identified in our staffing levels across the City in past years, and what we felt was needed to sustainably meet our service level expectations in the future. Following direction from the City Council in the 2017 Council/Department Head Retreat, focus was put on having our Financial Advisors at Baker Tilly complete a Staffing Study looking not only at what staff we need to plan for going into the future to keep up with our service level demands as our community grows, but also on any gaps we currently had in being able to sustainably meet our service level expectations in the current environment.

Based on this study, we were able to determine that we were 16 employees short in being able to meet our current service level needs, but that once we filled this gap, we could expect that we would need an additional 57 employees City-wide to meet our staffing needs when our community is fully developed over the next 20 years.

To work on filling our existing gap, we divided implementation of this plan over a 4-year period to spread the costs over multiple years, so as not to have all the financial impact fall into one budget year. We were able to start this Staffing program in 2020, needing to take a break in 2021 because of COVID challenges. However, in 2022, we did re-establish this program, implementing the 2nd of the 4 years, along with addressing public safety gaps (shortage of 3 Police Officers) that were not identified in the original study. These 3 Police Officers were spread into each of the remaining 3 years of the Staffing program implementation, with 1 new position being added each year. In addition to funding the positions through this program, \$500,000 was also allocated to the program to help fund the on-going maintenance of our City facilities as positions being added in this program included Building Maintenance Staff. Up until this point, Chaska did not have any dedicated Building Maintenance personnel on Staff, nor any dollars specifically dedicated towards maintaining our facilities, which created challenges with our aging buildings.

In 2024 we completed this program with all the anticipated positions now included in the budget. As we move into the future, it will now be our job to make sure we keep up with the positions we need when we need them, so we do not create a gap again.

Building Improvement Program

In 2023, a new program was added to address necessary building improvements in our General Fund facilities. As we have been discussing over the last three years both internally and through educational events with the public, there is a significant need to reinvest into our General Fund facilities that are over 30 years old. They are in poor condition, are not sized or designed properly to serve our growing community, nor have we addressed in our facilities the changes in services we have had to make to properly serve our residents.

When doing our initial needs analysis, it was identified that the following 4 buildings need reinvestment and expansion, without there being available resources to properly address these needs. The four General Fund facilities discussed, in order of their priority, include:

- Public Safety (Police and Fire)
- Municipal Services Building (Public Works, Water/Sewer, Storm Water, Electric)
- Chaska Library
- Chaska City Hall

Later in this document I will discuss the needs that we have found within these facilities, and the revenue we would need to properly address these deficiencies. As I will also discuss later, the program is one that we are laying out to have the financial resources necessary collected over a 4-year period to help spread the additional tax impact into multiple years. The first facility in this program is scheduled to be completed in late 2025 (Public Safety Facility), with the final facility being completed in late 2030 (City Hall Rehabilitation). This Building Improvement Program is where we have spent the bulk of our budget discussions over the past four years, and what we have been educating the public on since early spring of 2022.

2026 will be the fourth and final year of implementing the needed tax levy to support this program, with the City levying the first three years of this program in 2023, 2024 and 2025. 2026 will be the last year that we need to have an additional tax levy of \$1.125 million to provide us with all financial resources we need for this program and marks the first year of occupation in the Public Safety Facility and the start of construction on the MSB building. The Municipal Services Building is scheduled to start in the spring of 2026 and be completed in late 2027. The last two buildings in this program would be The Library and a renovation/remodeling of City Hall.

Tax Levy Establishment Policy

This Budget Document discusses the continued use of our tax levy establishment policy, which the Council adopted during our 2014 budgeting process. Our current policy focusses on what the actual driving factors are in setting our tax levy, including actual new growth in our population and inflationary factors, instead of focusing solely on keeping a constant tax rate, which was the past policy direction the City utilized. In this respect we feel that any new increases in tax resources are directly tied to the increased costs we need to support the level of services we currently provide in the community. This policy also allows us to capture the resources of any new development in the community to make sure that all new homes and businesses are contributing their "fair share" to support our General Fund services. Capturing this new value has no impact on the taxes paid by existing properties but instead helps make sure that we are capturing this new value to contribute to the overall service need increases in the community because of this new growth. This tax levy establishment policy goes on to say that we would only increase our tax levy above and beyond this amount if we were addressing new items in our budget. If this were the case, the levy would increase by the actual amount that is needed to support the direct cost of these new initiatives.

In this 2026 budget, the only item that would be above and beyond our base-level tax levy establishment policy, and which the Council reaffirmed was a priority goal last year in our Strategic Planning process includes the remaining tax levy dollars necessary to fully fund our Building Improvement Program. 2026 would be the last of 4 years of ramping up these tax revenues needed to support the debt service needs for this program. Specifically, the 2026 budget would:

- Commit to the fourth of 4-years of ramping up revenues for our Building Improvement Program, which has added \$1.125 million of tax levy each of the 4 years of the program, along with \$590,500 of Utility Funds each of these 4 years to support the ultimate \$6.8 million of estimated funds needed to pay for the debt service on this program.

As we will discuss later in this budget, utilizing our base tax levy policy, and addressing the Building Improvement Program would have an impact on the Median Value Home in the community (\$410,400) of \$14.33 per month, or \$172 over the course of the entire year. Of this amount, approximately half of the increase goes towards the building program (\$7.25/month). When looking at our initial projections for this program, we are coming in \$3.50 less per month for the entire program than we had originally anticipated. This decrease in impact has come because of stronger growth in the community than what we anticipated when starting this program 4 years ago.

Staff feel that this budget document continues to move forward in taking a more comprehensive look at not just our current operations, but also the future costs of properly maintaining our assets through our CAMP and Building Improvement Programs. We also think that it creates a logical nexus between how we set our tax levy and what actual changes we see in the community that cause us to increase the resources we need to meet our primary service objectives.

Budget Objectives

As with all our budgeting processes, the first place that we start is by establishing the objectives we are trying to accomplish in setting our budget for the upcoming year. Below is the list of those objectives that were used in establishing the proposed 2026 budget you see before you now:

- *Support budgeting programs that help Chaska strengthen its mission of being "The Best Small Town in Minnesota"*
- *Maintain existing high-quality service levels*
- *Utilize our Existing Tax Levy policy, which limits tax levy growth to capture only new real growth in community and inflation-only increasing the levy beyond this point if new service levels/assets are being added*
- *Fully fund maintenance and replacement of our vehicles, equipment, and physical assets on a regular schedule to ensure sustainability of investments already made*
- *Fund new programs only after existing, necessary programs are funded*
- *Budget utilizing a plan that avoids draw-down of City's General Fund Reserves and builds these reserve levels to a targeted level*

- *Fully fund levy needs of Street Reconstruction Program*
- *Develop a budget plan that is sustainable from a resource perspective to support service levels that residents expect*

The newest objective on this list is the last one, in which we discuss the importance of resourcing our organization at a level that can sustain the service levels our residents have come to expect. Over the past several years, the City Council has discussed some of the biggest financial challenges the City will face over the next several years, with one of our biggest challenges being able to keep our service levels constant if we do not put sustainable levels of resources in to support them.

In the past, the City of Chaska was very lean when it came to resources used to support the high level of services we provide in the community. As the community grows, and assets such as our facilities get older, these levels of resources will not be sustainable to keep our service levels constant if we do not keep up with these changes.

This is especially true when it comes to the Staffing levels throughout the organization, and the dollars allocated towards maintaining our aging facilities. We addressed one of these areas by completing the implementation of our Staffing Gap Study and are addressing the latter by finishing the funding of our Building Improvement Program. Putting these resources in place now will also help us 25-30 years down the road when our City facilities will once again need additional reinvestment and debt service from the original improvements will be complete. It will make sure we have an existing funding source available to support these future improvements.

As mentioned previously, continuing to implement our Building Improvement Program in 2026 would impact the Median-Valued home in the community (\$410,400) by \$14.33 per month or \$172 per year. In 2025, implementing our plan put up a #53 lowest out of 84 cities. Even with the changes proposed for 2026, we would expect that we would still be better than the mid-point for tax levy per capita in the entire Twin Cities Metropolitan Area.

Tax Levy Establishment Policy

For nearly 30 years, the City of Chaska had a policy of establishing our annual tax levy based on keeping a constant tax rate. Based on this policy, the tax levy would go up by the amount of increase we saw annually in our tax capacity, which is directly related to the amount of market value growth we see in the City. For instance, if market values (and hence tax capacity) increased in the community by 7.51% (as it will be for taxes payable 2026), the levy could also increase by 7.51% and have no impact on the tax rate in the community. This would mean that if someone's property did not change in taxable market value from one year to the next, that their City taxes would not see any increase.

While the constant tax rate policy worked very well for several years, during our last major recession (2010-2013), we did start to experience some of the practical limitations of this policy. The first practical issue experienced is that not all market value increases are associated with the construction of new buildings. Some of the market value increase also occurs on existing properties as we experience inflationary growth from one year to the next. While the tax rate would not change, a resident's taxes would change unless

their market value stayed the same. This often was the practical reality, as we saw a significant amount of property value growth in existing properties from 2000-2008.

The other issue that we experienced from 2010-2013 was the impact of decreasing market values in the community. As with increasing market values, the same can be said for decreasing market values when trying to keep a constant tax rate. If the market values go down, the tax levy also needs to decrease accordingly to keep the tax rate constant. With one of our primary objectives of keeping our service levels constant, this was a significant issue the City faced when market values declined for four straight years. This led to the City temporarily modifying its tax levy policy to state that the tax levy would be set to keep the tax rate constant, unless that forced the actual levy to decrease, in which case the tax levy would stay the same. This change was made based on the notion that while property values decrease, the cost for providing these services does not decrease unless a community is willing to reduce the amount of services it provides. In fact, if the service levels are kept the same, the actual cost of providing the service in subsequent years increases because of inflationary factors. Based on this change, and the decrease in market values in 2010-2013, the City of Chaska's tax levy saw a 0% increase during each of those 4 years, with the tax levy remaining \$4,880,354 for each of these 4 years.

Finally, the practical reality is that if the tax levy change is only tied to the changes in market values, and a large portion of this market value change is in existing properties, this does not really tie the tax levy increase directly to a need for additional services. Theoretically, it does not cost the City more to provide services for a residence that is already existing, except for our actual inflationary increases in costs from year to year for supplies and labor. Beyond inflationary increases, our costs only increase by the amount of new growth that occurs in the community. By focusing only on new growth and our inflationary increase in costs, we are more truly representing and justifying the needs we have for additional resources to support the services we already provide.

Based on this premise, it was during the 2014 budgetary process that the City Council made a permanent change to our tax levy establishment policy to learn from the issues we experienced during the Great Recession. The tax levy policy established in 2014 focuses specifically on looking at the two items that create increased cost pressures on our General Fund, if one of our primary objectives is to keep a constant level of services in the community:

- New construction in the community (4.10% for taxes payable 2026)
- Inflationary increases in the market. (3.44% for taxes payable 2026)
 - Total Base-line tax levy increase of 7.54% to keep current service levels constant
 - It should be noted above that the actual rate of inflation we have been seeing over the past several years has been over 5%. However, we brought this down for budgeting purposes because we recognize we are addressing the addition of our Building Improvement Plan again in 2026

If the City desires to keep service levels constant, it costs more money to provide the same services when we have new users in the community. Also, market inflation

increases the impact on the cost of providing our services regardless of whether we make any changes in service levels or not. To make sure we take these issues into account, our tax levy policy states that we would set the increase in our operational levy based on the percentage market value increase attributed to new growth in addition to whatever the inflation rate is running in any given year. In that way, we can make sure that all new users are paying their fair share of service costs in the community, and that we consider that costs go up on an annual basis because of inflation, no matter what policy decisions we make.

The new policy goes on to state that we would only increase the levy beyond this point if we were adding new services, and that the actual cost of providing those new services would determine the amount of additional increase we would need in the tax levy. In the case of the 2026 budget, the continued new item we have in the budget is the \$1.125 million towards the fourth and final year of our Building Improvement Program.

Key Factors in Revenue Forecast

Key factors which impact both the cost of providing services and the City's revenue resources are changes in Chaska's population and households. As the number of households in the community increases, there are increased demands for street maintenance, snow plowing, park usage, recreation, police calls, utility bills, etc. Population and household levels also impacts expected revenues from utilities, building permits and property tax levies.

A significant trend that occurred in the early part of the past decade was the increased rate of residential development in the City. In the 1990s, Chaska's residential development remained relatively stable, with an average of 200 new living units per year.

During the 1990s, Chaska's population increased from 11,339 to 17,450. From 2001 to 2005, more than 2400 new living units were approved within new residential subdivisions. In addition, the type of developer shifted from local developers to large national firms. As a result of both increased demand and supply of residential dwellings, a significant increase in new residential dwelling construction activity occurred in the 2003-2005 period. This large amount of growth resulted in a 35% increase in our population from 2000-2010, with our official population being 23,770. This compares to the 8% average increase in population that was experienced across the rest of the Twin Cities Metropolitan Area during the same period, making Chaska and the Southwest Metro Area one of the fastest growing areas in the entire Twin Cities. This growth resulted in an increased demand for services, and hence an increase in revenue necessary to provide the same level of services in the future for our residents.

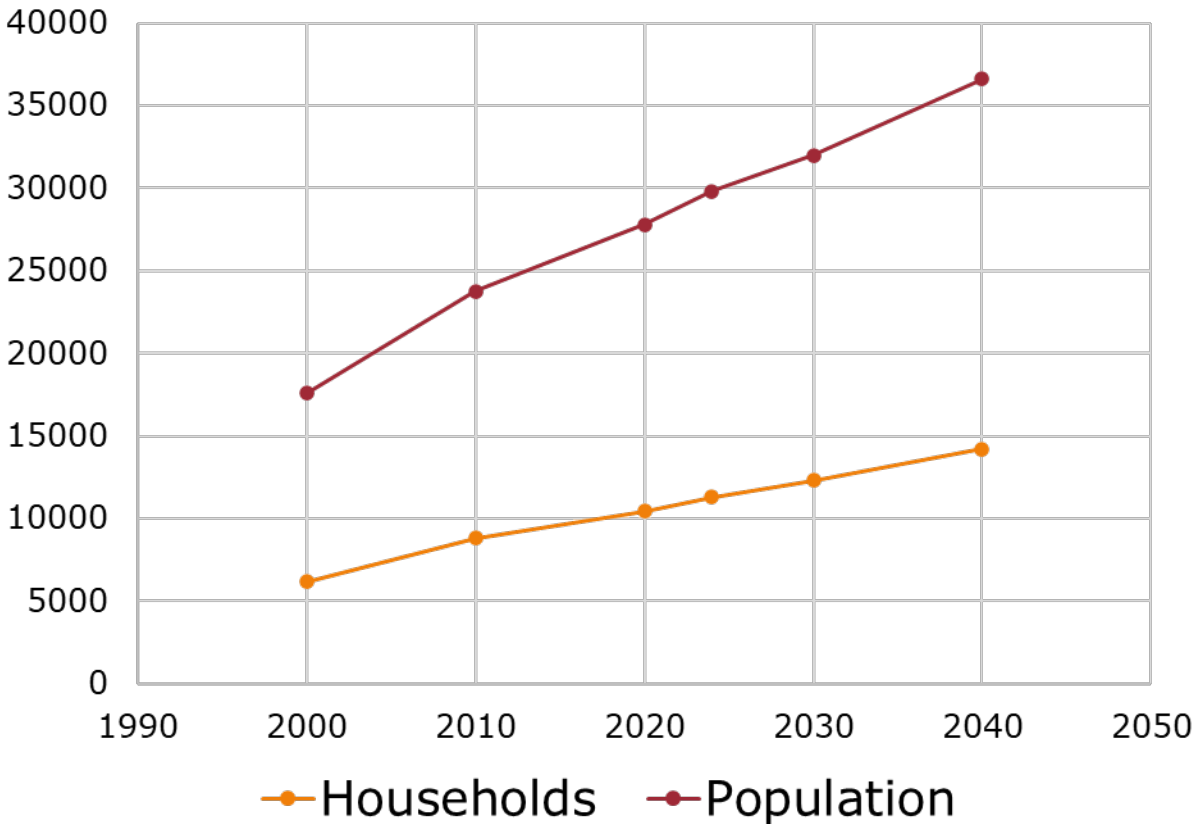
From 2008-2013, however, residential development in the metro area decreased significantly because of both over-building and a significant recession in the economy. At the same time, the supply of new available lots within the Chaska area decreased, resulting in a significant downturn in building activity. This resulted in a period of very stagnant residential growth from 2008-early 2012.

This downward trend reversed itself in late 2012, and stabilized, with several new residential developments approved over the past decade. Starting in 2013, this included the approval for several new residential subdivisions both on the north end of Chaska, and in the Southwest quadrant of the community. We also saw very robust growth in our Commercial/Industrial properties, with the addition of the 212 Medical Center, several Data Centers, commercial additions in Hazeltine Plaza, and the expansion of buildings in our existing Industrial Parks. Over the past several years, we have seen a continued push in residential development, while also seeing a large increase in Commercial/Industrial activity. Over the past two years, we have seen robust Commercial/Industrial development, which included a new Costco, Industrial Buildings in Chaska Creek Industrial Park, the addition of the Chaska Tech Center on the old Chaska Building Center Site, and the addition of a 5th story on the south building at 212 Medical Center. We also saw additions and expansion of businesses in our North Industrial Parks. Along with this, we have seen several rental projects open over the past 2 years, including the addition of 3 apartment buildings and rental townhomes, totaling over 600 new rental units introduced into the community. Finally, we have continued to see steady building occurring with our single-family residential homes, including the expansion of the Clover Ridge Neighborhood to the west, continued building in three subdivisions in SW Chaska, and the completion of the Lennar Development located on the east side of the Autumn Woods neighborhood and the Adelwood Neighborhood just above downtown Chaska.

We have seen five years of very strong growth in 2021-2025, with building permit revenues being over \$1.5 million in 2021, 2022, 2024 and 2025, and permit revenue in 2023 being close to \$2.8 million. In each of these years we outperformed our budget, with us budgeting approximately \$1.1 million in permit revenues each year. With several developments moving forward, and with the construction of our Municipal Services scheduled, we are budgeting approximately \$1.8 million, which is close to what we have averaged in revenues over the past several years. If we do see the start of the new data center in West Creek Corporate Center or an additional Industrial Building in the Chaska Creek Corporate Center, we will likely see our building permit numbers exceed this budgeted number.

Below is a chart showing our population and household growth in the community over the past 25 years and extrapolating out to full build of our community:

Population and Household Growth



An analysis of General Fund revenues by major fund source:

Total revenues anticipated to fund the 2026 General Fund operating budget are \$36,430,050, which is an increase of 13.1% from our 2025 General Fund Revenues of \$32,206,447.

As you will find on the chart below, Licenses and Permits are the largest source of increased income going into the General Fund budget, with these representing a 35.3% increase for the 2026 budget. This is because we are trying to get our budgeted permit numbers closer to where we have actually seen permits come in at over the past several years. We expect 2026 to be similar to actual average of permits we have seen in the past several years, if not more. One other thing that should be noted in the revenue projections is that while the General Fund is seeing an 17.9% increase in property taxes, that does not mean that the overall tax levy went up that percentage. That is because a portion of the property tax levy also goes into our Equipment Acquisition Fund, which is the Fund we use to support the replacement of all equipment utilized in our General Fund. The overall increase in tax levy for 2026 is 14.06%. The 17.9% just represents the increase in taxes specifically going into the General Fund, not the General Fund and Equipment Acquisition Fund, which both take a portion of our overall levy.

As has been explained earlier, most of the increase in tax levy for 2026 is coming from the implementation of the fourth of four years of levy increase needed to support our Building Improvement Program. Of the total \$2,820,582 increase in property taxes, 38% of that increase is associated with our Building Improvement Program, with the other

62% going towards new growth we have seen in the community over the last year, and inflationary increases in our expenditures. 2026 is the last year of our planned additional levy dedicated to our Building Improvement Program. After that, any levy increases will be associated solely with our new growth in the community and expenditure inflation.

One additional thing to point out is with our Building Permit revenues. As mentioned previously, we have seen actual permits in 2021, 2022, 2024 and 2025 be over \$1.5 million and 2023 be close to \$2.8 million. In looking at potential projects for 2026, we are planning to budget for close to what we have seen for average revenue over the past 5-years. Because of this, we are budgeting 1.8 million for building permit activity in 2026.

Finally, the other main source of income in our General Fund is our 5% Electric Payment for Right of Way usage, the operational transfer of an additional 5% from the Electric Fund, and our Gas Franchise Fees. We also will have the 5% Franchise Fee from Minnesota Valley Electric Cooperative, which we anticipate will be \$255,000. Taking our internal Electric right of way fee and transfer, along with the Gas Franchise Fee and the MNVEC Franchise Fee, we are budgeting to be at \$6,106,000 which is a 13% increase from what is budgeted 2026. Based on our annual increases over the past several years, we think that this is a number that is attainable with the growth of our electric load in the City, especially since we will now be seeing a franchise fee coming from the areas of our community served by Minnesota Valley Electric Cooperative as the Council established this fee several months ago.

Finally, we have our Administrative Charges to our multiple internal funds to provide administrative services to these funds, so they do not have to provide these services themselves. These administrative services that our General Fund provides include Finance, HR, Administration as well as minor areas of service from Engineering and Public Works. That fee is scheduled to be \$5,617,325 in 2026.

The chart below shows a summary of revenues for the 2026 budget year:

General Fund Revenues

	2024	2025	2026		
	Actual	Budget	Budget	Increase	%Increase
Property Tax	\$13,285,534	\$15,797,690	\$18,618,272	\$2,820,582	17.9%
Elec/GasFranchise Fees	5,404,167	5,627,000	6,361,000	\$734,000	13.0%
Other Franchise Fees	261,295	280,000	275,000	(\$5,000)	-1.8%
License and Permits	1,977,638	1,330,422	1,800,283	\$469,861	35.3%
Other Revenues	2,827,139	3,732,785	3,758,170	\$25,385	0.7%
Admin Charges to Funds	5,093,000	5,438,550	5,617,325	\$178,775	3.3%
Total Revenue	\$28,848,773	\$32,206,447	\$36,430,050	\$4,223,603	13.1%

An analysis of Major Programs in our General Fund Expenditures:

Besides funding our existing general governmental services, the General Fund includes two major initiatives, including:

- Capital Asset Maintenance Program (CAMP)
- Building Improvement Plan

I will talk in greater detail about each one individually below.

1. Capital Asset Maintenance Program (CAMP)

As we build and bring new assets into the City, a critical function we have as a local government agency is to plan for the proper maintenance and replacement of these assets, so we keep them in good working order. Just as we would individually with our own home, the City has the responsibility to be good stewards of our resources and make sure our assets are as good for future generations as they are for us now. If we do not do this, these costs will be passed on to future generations who will have to invest more to replace the assets that are in pore condition or beyond repair compared to if they would have been properly maintained. This is truly an issue of equity from one generation to the next, making sure we each take on the responsibility of our generation in this asset maintenance.

As was discussed previously, between 2014-2017, the City worked to create the Capital Asset Maintenance Program (CAMP) to fund the replacement of major items in our General Fund. During this time, we raised an additional \$1 million in revenue, which has remained in our budget ever since to fully fund this program on an annual basis. The types of activities that this program funds include replacing playgrounds, repaving trails, resurfacing roads, rehabbing parking lots, as well as other items that keep assets used by everyone in the community in good condition.

With the CAMP fully funded, 2026 will bring several rehabilitation projects to the table, including:

- \$1,400,000-Full overlay of Bavaria Road north of Pioneer Trail and all the way to the Victoria Border. We are using dollars from our 2027 CAMP program to fund

the amount of this year's plan above \$1 million as this project needs to be done in one phase

- \$60,000-Trail Resurfacing of 3 miles of trail

While there are not a lot of projects in the CAMP for 2026, the Bavaria Road resurfacing is a major project that is very needed given the surface conditions of that road. We will get back to park rehabilitations in 2027 and 2028.

2. Building Improvement Program

Since the City Council officially established this as a priority goal in 2021, reinvesting back into our Core Assets has been a focus of activity that the City has been working on over the past four years. This work and discussions have revolved specifically around the significant needs we have for improvements in our General Fund facilities, including:

- Public Safety (Police and Fire)
- Municipal Service Building (Public Works, Water/Sewer, Storm Water, Electric and Mechanics)
- New Library
- Remodeled City Hall

As we have discussed throughout this process, each of these facilities is over 30 years old (Fire Station was 28 years old in 2024), with little reinvestment being put back into these buildings over that time. These buildings have also not increased in size to accommodate new employees added as the community has grown, but they have not kept up from a space perspective to store all our equipment. The buildings have also not kept up with our service needs as the community has grown. Finally, these City facilities have not kept up with security measures that are now critical in public facilities to keep our employees and visitors safe.

To address this issue, the City hired architects from Leo A Daly and the construction management firm RJM Construction to complete the following tasks:

- Identify the square footage needs of every General Fund Department
- Develop a Concept Plan to address each of the department's needs
- Develop conceptual pricing to accomplish implementing these building recommendations

The findings of this study were presented to the Council in May of 2022, along with recommendations for how to fund each of these facility needs. The total estimated costs to address the needs of each of these facilities was estimated at \$121,500,000, which would create an annual debt service need of a little over \$6.86 million per year. In this study we identified that \$4.5 million of these annual costs were attributed to General Fund costs, and \$2.36 million attributed to costs of our Enterprise Funds (i.e., Electric, Water/Sewer, Storm) who happen to be housed in General Fund facilities.

As we have discussed during this process, one of the things that makes this issue difficult to address is both the fact that the original facilities were funded using one-time dollars, and our tax levy has historically been very low, giving us few unused resources to reinvest

back into these facilities as needs have arisen. This has meant that to address this issue, we have needed to create new resources to avoid cutting back on our existing services levels, which for many years have also been leanly funded.

To address the funding of this program, but to not see the impact of this all come at once, Staff presented a recommendation to Council in 2022 to increase the funding over a 4-year period, with the tax levy needing to increase by \$1.125 million each year over a 4-year period. Spreading this cost out over several years would also recognize that we would not have the organizational capacity to work on each of these facilities at once, only having the capacity to address one facility at a time.

With this plan, all four buildings would be completed by late 2030. The priority in the recommendation went to our Public Safety facility, since it has the greatest immediate needs. It then moved to our Municipal Services Building. Both buildings have significant issues with space, especially with the Police and Municipal Services (with many of their vehicles being left outside in the elements). We also had immediate needs in our Fire Department to be able to support living quarters to support our 24/7 Duty Crew model, which Staff feels we need to migrate to if we are going to keep a Paid-on-call base of employees in our Fire Department.

The new Library was identified as the third building to be addressed. This is because we need to move the library out of City Hall to pick up the needed space for City Hall operations without having to add onto the building. The last piece of the program would then be the remodeling of City Hall to pick up the spaces vacated by the Library and Police Department to address our current space needs, as well as address accessibility, safety, and long-time issues with the roof and HVAC in the building.

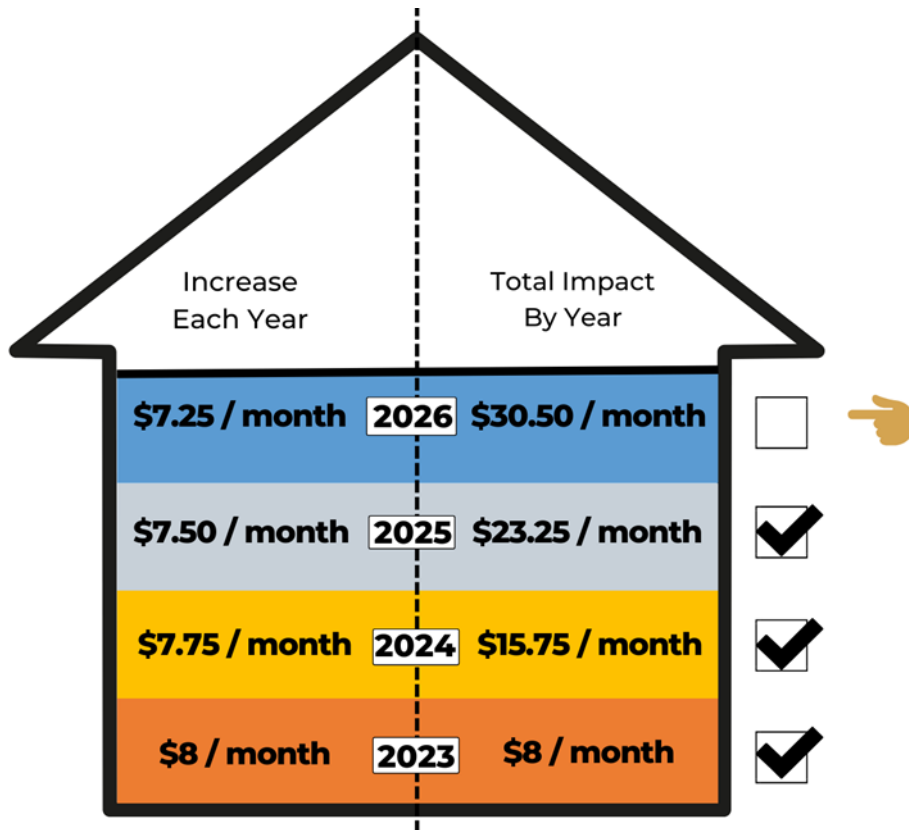
The following is the schedule that would be anticipated for each of the facilities in our current Building Improvement Plan:

- Public Safety Building: Construction started in the Spring of 2024 and will be completed in December of 2025.
- Municipal Services Building: Start construction in spring of 2026-Complete in late Fall of 2027
- Library: Plan to start building in 2028-Complete in Fall of 2029
- City Hall Remodel: Start and Complete in 2030

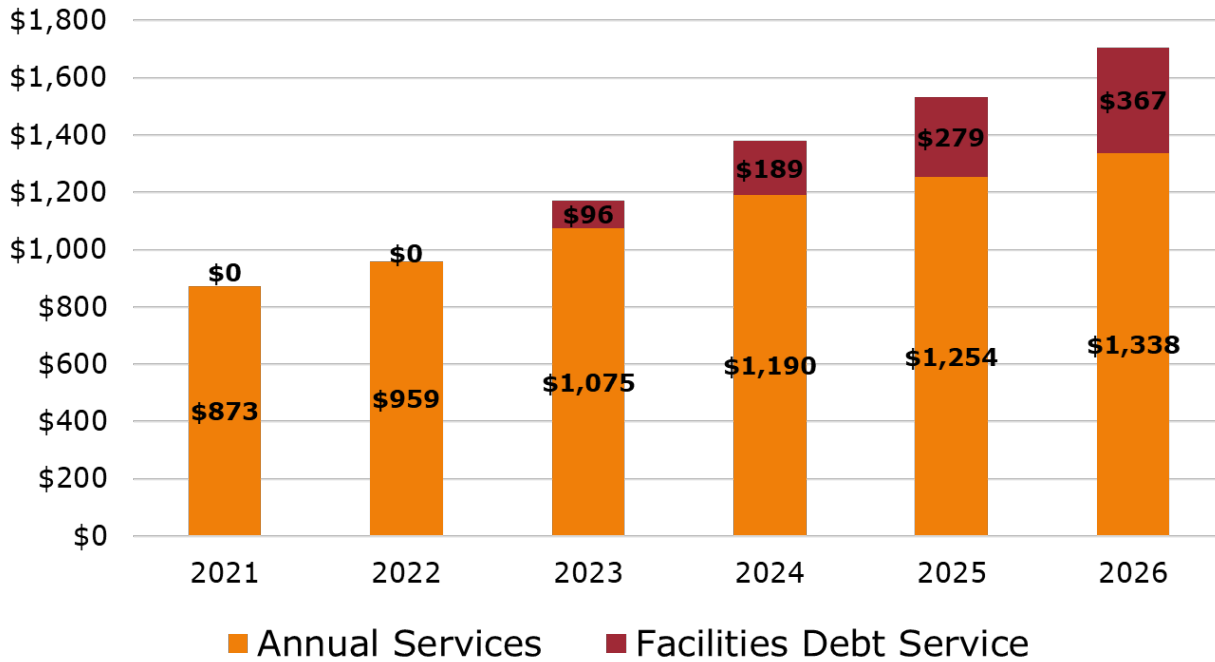
As the Council is aware, a significant amount of public outreach has been done to educate our residents not only on the need, but also the impact they could expect on taxes if we were to move forward with this plan. The plan started in 2023 with an \$8 monthly impact on the median-valued home. In 2024, the impact to the median valued home added an additional \$7.75 per month. For 2025, we added an additional impact of \$7.50 per month for the median valued home. For 2026 the program would add an additional \$7.25 per month to the Median Valued Home. After completing the program in 2026, the cumulative monthly impact to a median-valued home will be \$30.50 per month, or \$366 per year (this is less than the \$408 we anticipated when starting this program 4 years ago).

As we move into the final year of implementation, we can see that the addition of these dollars for this plan (along with other changes due to growth and inflationary increases) ranks us at approximately 53rd lowest out of 84 cities, meaning that we are still in the lowest 63% of cities in the Metro Area for Tax Levy Per Capita.

Below are two charts we have been showing the public illustrating the financial impact of the program:



City Taxes on a Median Value Home



As was mentioned previously, looking at the total impact to the Median Valued Home (\$410,400) in Chaska for our Baseline General Fund Services and the Building Improvement Program would be \$1,705 for the entire year. This is compared to the City tax bill for the same house last year, which was \$1,533, making the increase for 2026 be \$14.33 per month, or \$172 for the entire year. The percentage increase for a median valued home would be 11.22% for everything included in the 2026 budget.

It is important to point out that while our total tax levy is going up by 14.06%, the actual impact on the median valued home is 11.22%. The reason for this is because we saw not only a lot of new growth in the community to spread these costs, but we have also seen Commercial/Industrial Properties go from making up 9% for the taxable market value to 15% since 2024. This came from the many new Commercial/Industrial Properties that were added to the community. We expect that trend to continue now that we have the infrastructure extended to serve the Industrial Park at County Road 44 and Highway 212 and a developer ready to start the planning process on that Industrial Park with an identified end-user for their first building. The development of all this property as industrial will help to spread the costs for our services beyond just residential property owners.

Property Taxes:

For 2026, to accomplish establishing our base-line budget, fully funding the CAMP and continuing with the third year of the Building Improvement Program, the total tax levy needed would be \$23,995,562. This levy represents our entire levy, which includes General Fund, Equipment Acquisition Fund, Cemetery Fund, Tax Abatement Fund, and the EDA. This represents an increase of 14.06% from the 2025 total tax levy, and slightly lower than the increase we saw in 2025.

This levy increase would be made up of 6.07% to support the baseline levy (3.44% for inflation and 4.10% for new growth in the community). In addition, we would also need an additional \$1.125 million of tax levy added for the third (of 4) year of the Building Improvement Program that would make up the remainder of the increase in our tax levy for 2026.

Besides understanding our total tax levy, it should be noted that a portion of our total levy goes towards our General Fund Operational Budget, with the remaining going towards our Equipment Acquisition Fund and debt service for our current Downtown Street Reconstruction Program.

It should also be noted that out of the total tax levy amount for 2026, \$877,952 represents a levy for tax abatement assistance provided in the past. This additional amount represents the 14th year of tax abatement that is being provided to the West Creek Corporate Center Development for development of infrastructure to support this new industrial park, along with some other tax abatement projects including the 212 Medical Center Addition and the Chaska Creek Medical Building. While we are required to officially levy this assistance, the City is a "pass-through" for these funds, with the same amount coming in from this project that goes out to provide the tax abatement assistance. It does not influence other taxpayers in the community.

Within this total levy amount, the Chaska Economic Development Authority also has a \$249,217 levy. Last year this levy was \$231,440. The amount levied for 2026 in the EDA Fund represents the dollars supporting the operations of our Economic Development Activity and was included in the total tax levy amount of \$23,995,562.

In summary, the total levy will include:

- Continuation of dollars to support the Downtown Street Reconstruction Program Debt Service
- \$22,868,393 being levied to support General Fund Operations, a portion of Street Reconstruction Debt Service, Mt. Pleasant Cemetery, and existing Equipment Acquisition Fund needs
- \$1,125,000 to support the second year of the Building Improvement Program (included in total above)
- \$1,000,000 for our CAMP (included in total above)
- \$249,217 being levied in the Economic Development Authority Fund for operations
- \$877,952 in tax abatement that is generated from the new West Creek Corporate Center Development, 212 Medical Center, Chaska Creek Medical Center and Exactec.

The following table summarizes Chaska's actual tax levies (General Levy, EDA, Tax Abatement and Mount Pleasant Cemetery) for 2021, 2022, 2023, 2024, 2025 along with next year's 2026 levy:

	2021	2022	2023	2024	2025	2026	Increase	%
General/EQA/EDA/Tax Abate	\$ 11,406,925	\$ 12,666,429	\$ 15,210,147	\$ 18,148,194	\$ 21,031,556	\$ 23,989,562	\$ 2,958,006	14.06%
Mt Pleasant	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	0.00%
Total Operating/Special Levy	\$ 11,412,925	\$ 12,672,429	\$ 15,216,147	\$ 18,154,194	\$ 21,037,556	\$ 23,995,562	\$ 2,958,006	14.06%

Impact of Tax Levy on Property Owners

To understand the impact of the tax levy on individual taxpayers, three factors must be analyzed:

- Market Value Changes
- Any changes in the Tax Capacity Formulas Established by the State
- The City’s Tax Levy

Overall, Chaska’s market values, excluding tax-exempt property, increased by \$369,667,200 to \$4,920,429,700-an overall increase of 7.51%. The largest percentage increase that we saw in 2025 was in apartment properties, with a 19.85% overall increase. 20.36% of that came from construction of new apartment units in the community, with there actually being a decrease of -.5% coming from decreasing values in existing residential units. That increase in value materialized through the over 600 rental properties coming on-line in the community over the past couple of years. With the decrease in the valuation of existing rental properties, this is likely to mean that we have hit a saturation point in the short term for the addition of new units, which we did see last summer with no new multi-family rental projects starting construction.

The other major area of increase we saw was in Commercial/Industrial properties, with a 5.23% increase in market values. 2.78% of that growth came from new construction, meaning that 2.45% of the increase was experienced in existing Commercial/Industrial buildings. The larger amount of growth in new C/I property valuations came from the new industrial buildings in the Chaska Creek Corporate Center now reaching full valuation for taxing purposes.

Residential properties saw a 6.78% increase in 2025, with 2.83% coming from new construction and the rest from valuation increases in existing properties. Finally, Undeveloped Agricultural land saw a 5.85% increase, which is lower than the over 9% increase we saw in these valuations last year. This could mean that there has been somewhat of a slowdown in demand for undeveloped property.

Below is a summary of the Market Values for taxes payable 2026 (assessed 2025) as established by the County Assessor’s office:

	Residential	Commercial_Industrial	Apartment	Ag	Total
2025 EMV	\$ 3,942,020,900	\$ 809,694,800	\$ 447,887,200	\$ 90,494,000	\$5,290,096,900
2024 EMV	\$ 3,691,789,600	\$ 769,451,000	\$ 373,697,500	\$ 85,491,600	\$4,920,429,700
Total Value Change	\$ 250,231,300	\$ 40,243,800	\$ 74,189,700	\$ 5,002,400	\$ 369,667,200
New Construction	\$ 104,545,400	\$ 21,366,700	\$ 76,067,100	\$ -	\$ 201,979,200
Market Change	\$ 145,685,900	\$ 18,877,100	\$ (1,877,400)	\$ 5,002,400	\$ 167,688,000
% New Construction	2.83%	2.78%	20.36%	0.00%	4.10%
% Market Change	3.95%	2.45%	-0.50%	5.85%	3.41%
2025 Total % Change	6.78%	5.23%	19.85%	5.85%	7.51%

Using the 2025 market values and the classification formulas established by the State, the County Auditor has calculated Chaska’s 2025 (for taxes payable 2026) adjusted tax capacity to be \$52,598,813, for an increase of \$4,402,910 or 9.14%. To calculate this net tax capacity used for determining Chaska’s tax rate, a reduction is made for captured tax increment and fiscal disparity contributions.

Based on these estimates, Carver County has estimated Chaska’s 2026 General Fund tax rate to be 41.545%. This is an increase of 5.67% from 2025, where we had a tax rate of 39.316%. With the median value of homes going up from \$390,000 to \$410,400 in the community, this would bring the median-valued home’s City taxes from \$1,533 in 2025 to \$1,705 in 2026, or an increase of approximately \$14.33 per month or \$172 for the year. As always, the actual amount of impact is completely dependent on the actual market value change experienced on that property over the past year.

As we have discussed in previous years, Chaska has been in the lowest tax levies per capita of all Metropolitan cities for several years. As we have moved forward to implement the Building Improvement Program, this has impacted Chaska’s place in these rankings. However, as shown below, we still provide very good value in the Twin Cities, being in the lowest 63% of all 84 cities for Tax levy per capita.

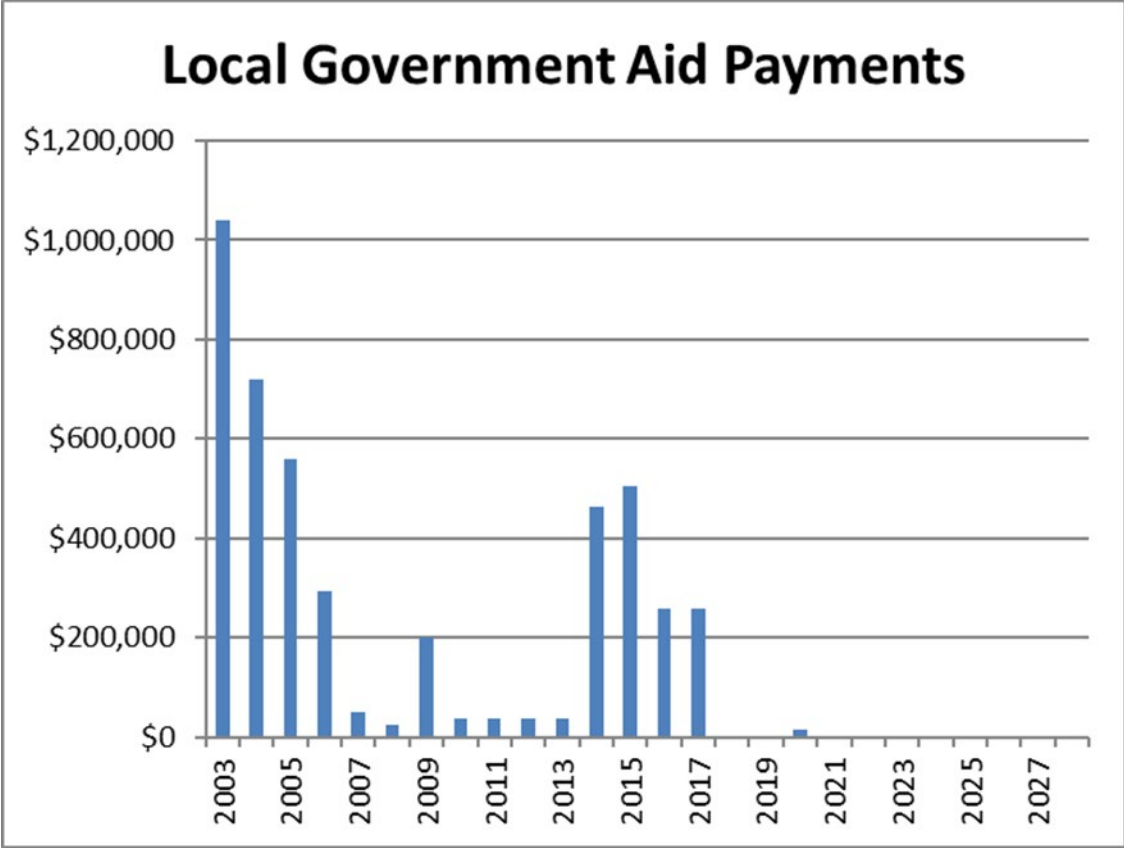
Rank	City	Total 2025	Population	Total Tax Levy Per Capita
1	Golden Valley	\$ 35,065,011	22,214	\$ 1,579
2	Wayzata	\$ 6,903,453	4,589	\$ 1,504
3	Oak Park Heights	\$ 7,192,930	4,782	\$ 1,504
4	Minnetrista	\$ 7,130,867	5,162	\$ 1,381
5	Tonka Bay	\$ 1,847,730	1,556	\$ 1,187
50	Mahtomedi	\$ 6,024,626	8,382	\$ 719
51	Farmington	\$ 17,248,901	24,361	\$ 708
52	Shoreview	\$ 17,397,628	24,616	\$ 707
53	Chaska	\$ 21,037,556	29,830	\$ 705
54	Apple Valley	\$ 39,524,000	56,361	\$ 701
55	Prior Lake	\$ 20,260,410	29,057	\$ 697
56	Carver	\$ 4,900,625	7,029	\$ 697
80	St. Paul Park	\$ 3,021,332	5,360	\$ 564
81	East Bethel	\$ 6,469,500	11,715	\$ 552
82	Lauderdale	\$ 1,225,700	2,427	\$ 505
83	Falcon Heights	\$ 2,774,759	5,581	\$ 497
84	North Oaks	\$ 2,794,583	5,733	\$ 487

Intergovernmental Revenues:

One significant change we experienced starting in 2018, and will continue into 2026, is the reduction of our Local Government Aid by approximately \$250,000, bringing us down to \$0 for the past 5 years. We expect this will continue at this level in the future. This change is due to the State's LGA formula, the increase in market values we have seen in the community over the last few years, and the decertification of our large TIF District #4 in 2014, which reincorporated a large taxable market value back into the community in that following year.

In 2003, the City of Chaska received approximately \$1 million in LGA from the State on an annual basis. We now receive \$0 in LGA from the State. This was a very significant hit on the City's budget, representing approximately 10% of our overall revenues. The loss of nearly \$1 million in revenue every year since 2007 (totaling almost \$15.5 million in lost revenue over this time) was a significant reason why we started to get behind in properly staffing our services and have had a difficult time catching back up ever since.

In 2014, the City received did see an allocation of LGA in the amount of \$462,000, with it going to just over \$500,000 in 2015 and \$550,000 in 2016. In 2017, we once again saw this amount reduced to just under \$250,000. With it now officially certified at \$0, we do not expect we will see this revenue source return. Below is a chart of our experience for local government aid, and what we expect to see in LGA over the next 5-year period.



While we will not see any LGA from the State to support our General Fund Services, there is one new source of income that the State created that directly impacts cities on an annual basis.

This form of State Aid that we receive, and will continue to come on an annual basis, is from the Metro Sales Tax that was just implemented. While a portion of the Metro Sales Tax will go towards transit activities, the portion that will come to cities will go to support the building of more affordable housing within the entire Twin Cities Metropolitan Area. For the City of Chaska, we received approximately \$130,000 in 2024, with that amount going up in 2025 to \$339,000. We expect in 2026 to see this amount go up to \$345,000. To date we have used these dollars in conjunction with the Carver County CDA to purchase Land Trust properties, to try to keep the units we do invest in to be permanently affordable. There will be opportunities in the future to look at other ways to invest these dollars to meet our affordable housing goals.

Licenses and Permits

From 2008-2011, Chaska and the rest of the metropolitan area experienced a dramatic slowdown in not only residential development, but development in all sectors of the market. As a result of the downturn, building permit revenues dropped significantly. Up through 2005, this revenue source was over \$1 million per year, and in 2010 brought in approximately \$500,000. In mid-2011, we did start to see this change as some larger Commercial/Industrial development activity did start to occur, and we ended 2011 with over \$1 million in permit revenue. While we continued to see good activity during 2012 and saw positive movement since 2013, the consistency and predictability of this revenue

stream have continued to be volatile and can be somewhat difficult to project from year to year.

With the downturn in the economy in early 2020 due to the pandemic, we did see the permit revenue we expected to see be reduced significantly. While we continued to see relatively steady single-family residential development, we did see a big downturn in Commercial/Industrial activity, with only a few projects moving forward. In early July of 2020, we did amend our General Fund budget when we started to understand the impact it would have on our budgeted revenues, especially on building permits. As part of that action, we did adjust our budget numbers down to \$600,000, a reduction of approximately \$400,000 from what we had budgeted at the beginning of the year.

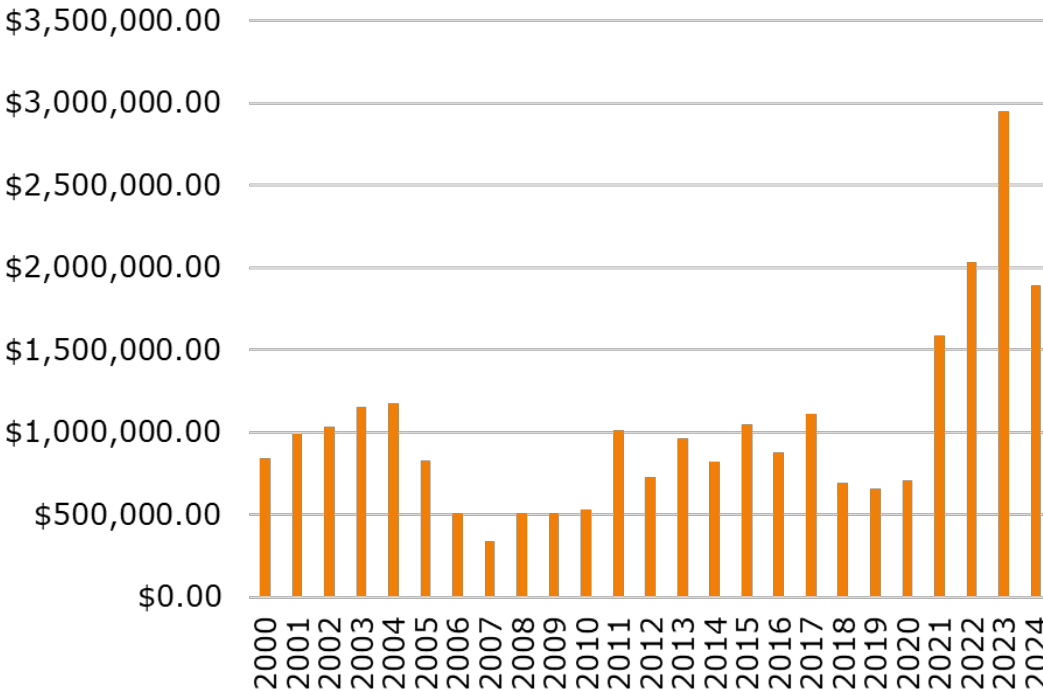
While we continued being conservative in our budgeting for 2021 and 2022, budgeting for approximately \$1 million over the course of each year, we did see a much larger than anticipated growth in residential activity, as well as growth in the Commercial/Industrial Market in both years. Although we budgeted just under \$900,000 in 2021, we ended the year with close to \$1.5 million in activity. In 2022, while we budgeted \$1.1 million in permit revenue, we ended up with approximately \$1.5 million of activity in that year as well.

In 2023, we saw several projects move forward with construction including Costco, the residential development next to Costco, the apartment building at Hazeltine Plaza, the industrial Building on the old Chaska Building Center Site and continued work on two Apartment buildings in the Clover Ridge Neighborhood. We also saw a significant amount of single-family home development occurring throughout the year. While we had budgeted for \$1.1 million in permit revenue because we had anticipated some slowdown during the year, we had permit revenue closer to \$2.8 million for the entire year-almost 3 times more than what we budgeted.

While we did not see development numbers as high in 2024 as we did in 2023, it was still a very robust year, with us ending the year with approximately \$1.8 million in building permits activity. We expect 2025 will end very close to this \$1.8 million as well. In 2026 we expect building activity to be similar, if not more, as we continue to see steady building permit activity with our residential units, and we also expect to see additional Commercial/Industrial activity during the year, and our own Municipal Services Building as well. For budgeting purposes, we looked at what we saw on average over the past 5 years and are budgeting \$1.8 million in permit revenue for 2026.

Under our current building projections, our staffing levels will be enough to cover the anticipated workload and be able to turn around building permits in a timely fashion.

Historical Permit Revenue



Electric Fund Transfers

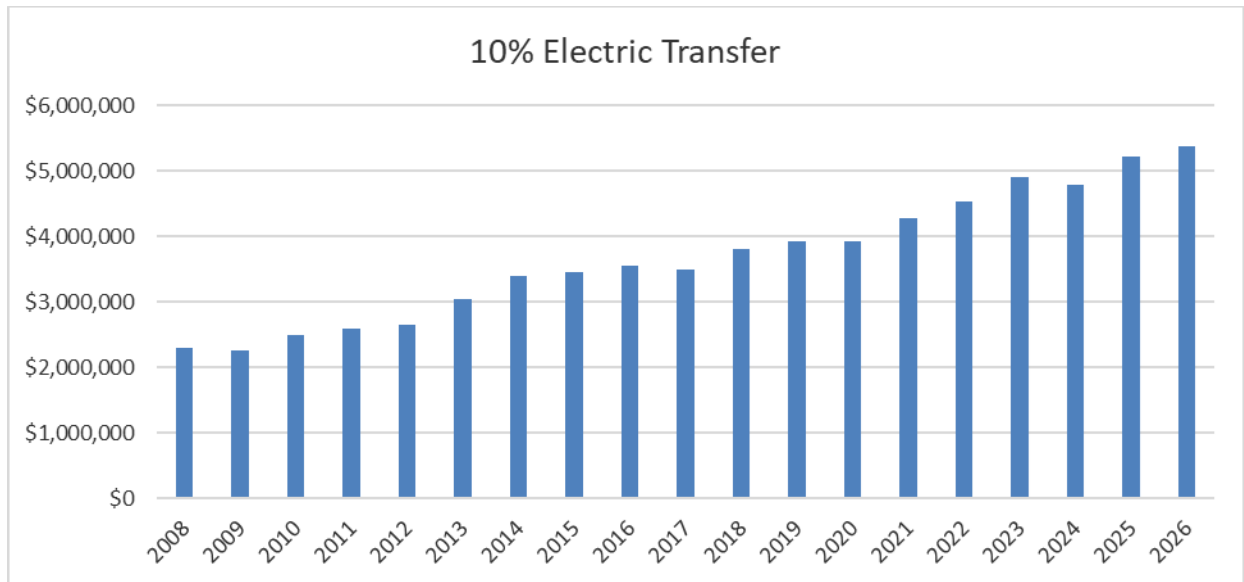
The City has a formal policy of charging ourselves a per kilowatt-hour Right of Way usage fee, which is roughly equivalent to 5% of the total electricity rate of our electric utility. In addition, we do an operational transfer from our Electric Fund to the General Fund to help support General Fund services, which is an objective of the Electric Fund. For 2026, the total amount of Right of Way fee transfer and operational transfer, as well as franchise fee that we generate from the Natural Gas provider in the community and Minnesota Valley Electric Cooperative, is budgeted to be just over \$6.3 million. It should be noted that this past year the City Council did take action to make sure a Right-of-Way fee is also charged to the properties in Chaska that are in Minnesota Valley Electric Cooperative's service territory. This is another reason we are expecting continued robust growth in this area of our revenue budget.

We have seen an a dramatic increase in this portion of our revenue over the past several years, which has represented both an increase in usage by our existing customers, but also reflects the positive impacts we are seeing through the addition of large economic development projects such as Data Centers, additional commercial uses in town, and the recent expansions we have seen with existing businesses in our original Industrial Parks on the north end of the community. We continue to expect that to increase in 2026 as we start to see the loads come from large projects we have added in the community over the past year, including the addition to Beckman Coultier, which is currently under construction.

Over time we will see a significant amount of industrial growth occur in the territory that now belongs to Minnesota Valley Electric Cooperative. While that currently is in their territory, the right for them to maintain these future users in their service territory ends in 2040. At that time the City of Chaska would then move to acquire this territory,

something that State Statute allows us to do. So, while these users will not initially be in our territory, they eventually will be, which will allow us to increase the amount of support from our Electric Utility into our General Fund significantly.

The chart below represents just the transfers that we make from our own Chaska Electric into the General Fund through both our 5% right-of-way fee, and our 5% general transfer to illustrate the changes we have seen in this transfer over the past 2 decades.



Charges for Services

Charges for services are those revenues that support the City derived from charges to individual users for services, other governmental agencies, or inter-fund charges for administrative services. These would include payroll, finance, administration, and Human Resources costs to our Enterprise Funds (i.e. Electric, Sewer, Water, Storm Water, etc...). For 2026, charges for services are programmed to be \$5,617,325 as compared to \$5,438,550 in 2025, or an increase of \$178,775. This increase in charges for services is occurring to help us keep up with the actual cost of service the General Fund is providing to our other Enterprise Funds.

As part of our Staffing Study, we did have the addition of a Building Maintenance Division, as well as funding \$500,000 annually to be proactive in taking care of our facilities. This is something that did not previously exist and we felt it was critical to have in place as we are now going through reinvestment in our General Fund facilities. It should be noted that dollars supporting this Building Maintenance function are also part of the Charges for Services from the General Fund to our other Enterprise Funds, as the Building Maintenance Department supports all the Funds in the City.

Finally, it should also be noted that there is an additional \$590,000 that will be brought into the General Fund from the Utility Funds to support the 3rd year of the Building Improvement Program, bringing the total to \$2,360,000 over the total 4-year period we have been building up this program. These funds are needed to support the Utility Fund's

fair share of the overall program and the buildings they will be utilizing after this program is complete. After 4 years of the program, the Utility Funds are planned to contribute \$2.36 million of the total \$6.86 annual debt service needed to support our overall Building Improvement Program.

General Fund Expenditures:

General fund operating expenditures are budgeted to be \$36,430,050 in 2026, which is an increase of 11.64% over the 2025 Operating Budget of \$32,206,447.

In preparing the 2026 budget the following general assumptions were used for the operating budget:

- *Utilize budgeting objectives developed*
- *Increase in the tax levy by 4.10% due to new growth and 3.44% for inflation for a total baseline increase in the operational levy of 7.54%*
- *Implement the fourth year (of 4 years) of the Building Improvement Program, adding \$1.125 million to the tax levy, and \$590,000 from the Utility Funds to support the fourth and final phase of funding for this program.*
- *Continuing with the implementation of our CAMP, with \$1 million allocated to improvements to our existing General Fund Assets in the City. For 2026 and moving forward, we will be increasing this amount each year by the rate of inflation to keep up with rising costs*
- *Personnel salaries up 3%, with employer benefit contribution seeing a 6% increase in 2026 (These have been numbers used in current contract negotiations.*
- *Assume continuation of our Street Reconstruction Program and debt service payments associated with it*
- *Continuing to contract with City of Carver for shared recreational services, bringing in close to \$90,000 to support our recreational services*
- *Continue with \$12,000 expense in 2025 for "Scholarships" to support large community activities utilizing our banquet facility (\$1,000 per month)*
- *Fully fund the Equipment Replacement Schedule for 2026*
- *Assume we are building up our General Fund reserves by dedicating \$300,000 in the budget specifically for this purpose*
- *All other items in the budget remain unchanged*

Based on this, and the other changes that were listed above, the level of expenditure we are recommending to the budget would allow us to meet our budget and service objectives set forth in the 2026 budget process, while also providing good value for our residents who receive our services in the community.

Department	2024	2025	2026	Increase	%Increase	Notes
	Actual	Budget	Budget			
Council	\$137,518	\$200,221	\$167,486	-\$32,735	-16.35%	<i>We are trying to set budget closer to actual average</i>
Communication	\$328,542	\$356,475	\$448,291	\$91,816	25.76%	<i>We have the addition of the Chaska Today for 2026</i>
Administration	\$1,037,314	\$1,040,195	\$1,212,974	\$172,779	16.61%	<i>We have the addition of Management Analyst July 1</i>
Human Resources	\$484,137	\$620,995	\$619,155	-\$1,840	-0.30%	
Elections	\$52,142	\$0	\$48,335	\$48,335		
Admin Serv-Finance	\$2,000,206	\$2,207,636	\$2,222,621	\$14,985	0.68%	
Admin Serv-IS	\$1,160,383	\$1,481,759	\$1,503,664	\$21,905	1.48%	
Legal	\$146,934	\$145,000	\$145,725	\$725	0.50%	
Community Dev.	\$565,164	\$588,387	\$725,219	\$136,832	23.26%	<i>Update Downtown Masterplan included</i>
Engineering	\$651,673	\$739,858	\$739,456	-\$402	-0.05%	
City Hall Bldg	\$340,969	\$227,666	\$242,234	\$14,568	6.40%	
Building Maint Div	\$756,518	\$838,262	\$864,179	\$25,917	3.09%	
Unallocated	\$300,000	\$300,000	\$550,000	\$250,000	83.33%	<i>Build Fund Balance and mitigate against unknowns</i>
Police	\$7,505,550	\$7,425,948	\$8,063,599	\$637,651	8.59%	<i>New Social Work/Co-Responder and Officer #32</i>
Fire	\$3,009,284	\$3,253,537	\$3,759,168	\$505,631	15.54%	<i>We have the Addition of overnight Duty Crews</i>
Building Inspection	\$908,100	\$962,198	\$933,702	-\$28,496	-2.96%	
Public Works Admin	\$438,054	\$479,228	\$497,676	\$18,448	3.85%	
Streets	\$2,073,397	\$2,222,304	\$3,159,680	\$937,376	42.18%	<i>The overlay of Bavaria Road is built into this line item</i>
Snow Removal	\$120,254	\$382,119	\$383,420	\$1,301	0.34%	
MSB Building	\$223,365	\$410,129	\$409,886	-\$243	-0.06%	
Park Maintenance	\$1,760,383	\$1,661,780	\$1,856,313	\$194,533	11.71%	<i>There are a number of pieces of equipment to replace</i>
ISD 112 Maint	\$26,332	\$36,667	\$27,501	-\$9,166	-25.00%	<i>Actual costs have been lower than budget</i>
Tree Control	\$103,692	\$86,239	\$102,289	\$16,050	18.61%	<i>Needing to increase to deal with Emerald Ash Boer</i>
Parks Admin	\$740,535	\$804,648	\$843,078	\$38,430	4.78%	
Parks Special Events	\$186,530	\$208,789	\$222,126	\$13,337	6.39%	
Parks Youth	\$431,387	\$416,592	\$464,250	\$47,658	11.44%	<i>Shift true Park and Recreation Costs out of the CCC</i>
Park Senior	\$234,611	\$274,490	\$289,844	\$15,354	5.59%	
Parks Adult	\$87,639	\$88,911	\$92,947	\$4,036	4.54%	
Firemen's Park	\$105,285	\$110,374	\$113,096	\$2,722	2.47%	
Parks Skating Rink	\$2,944	\$5,542	\$7,391	\$1,849	33.36%	<i>Have budget match up closer to actual costs</i>
Misc Areas	\$2,929,931	\$4,630,498	\$5,714,745	\$1,084,247	23.42%	<i>Building Improvement Plan Dollars</i>
Total	\$ 28,848,773	\$ 32,206,447	\$ 36,430,050	\$3,357,674	11.64%	

Specific Department 2026 Activities

Administration

For 2026, the Administration Department plans to add a Management Analyst position on July 1st. This position would be in place to support the higher-level activities in Administration, Community Development and Engineering. A large portion of this position would be supported by other funds, including the Utility Funds, through Administration Fees, as this position would support the organization in areas outside of just Administration. Other than this, in 2026 we have budgeted \$74,000 to go towards the production and mailing of 6 editions of Chaska Today, and we have also budgeted \$10,000 for an update that we need to make to our Website in 2026.

Administrative Services

In 2026 we have not planned for the addition of any new Staff members but instead filling any positions that remain vacant. Within Human Resources, we have budgeted \$385,000 to implement the expected recommendations we will have from our latest Compensation Study that we are completing. We have also built in \$10,000 in upgrades that we will need on our Neogov and Docusign programs next year to continue our movement away from paper transactions. We also have additional Safety Training we will need to provide next year. We contract that through Safe Assure, with an additional cost of \$15,000 budgeted.

Community Development

For 2026, the only change that we have scheduled is to move our current Building Technician position from part-time to a full-time position. This move will cost about \$15,000 for the year and fill a current need we have. Next year will be a good time to make this move as our current Tech is planning to retire.

Police

Within the Police Department, we have two new positions that we are planning for. The first is the next Police Officer position (#32) that we need just because of the increase in growth in our community. The second position being added is one to address the level of service we provide in our Department and recognizing some of the challenges our officers have with mental health calls in the community. The position being added would be a Co-Responder/Social worker that would specialize in being able to respond to these calls. This is a direction most metro Police Departments are moving to. We would add these positions on July 1st, with a cost in 2026 of \$75,000 for each position. Besides this, we are budgeting \$25,000 for Sigma Wellness Screenings for all Officers, \$12,000 to train/onboard two additional SWAT operators and \$5,000 for increased operations in our new Detention Center at the Public Safety Campus.

Fire Department

One of the most significant changes that we will see in the General Fund in 2026 is in our Fire Department. With the addition of our new Public Safety Center, and living quarters that are included in the facility, this will now allow us to move to a 24/7/365 Duty Crew Model. Currently we are only able to Staff from 6 am-10pm, with the overnights uncovered. This will be a significant increase in the level of service that our residents will be able to expect from our Fire Department and will consistently allow us to get to calls faster. We would expect that we would be able to start these Duty Crews 24/7 by the end of the 1st quarter when we are completely moved into our new facility. This will add a cost of about \$200,000 for this additional coverage. In addition to this, we also have \$35,000 budgeted for an Administrative Assistant Position that would staff the front desk of our new Fire Department. We will not staff that until July 1, but it will be something we anticipate will be needed with more people likely visiting our station compared to before. Finally, we have an additional \$25,000 in supply costs for our new firefighters just to the increasing costs of this equipment, and we have \$7,000 that is being planned for a more robust Wellness Program.

Public Works

There are no new positions for Public Works in 2026. There are several vehicles that need to be replaced under our normal vehicle replacement schedule. The biggest new project for next year is included in our CAMP. The project is the repaving of Bavaria Road north of Pioneer Trail up to the Victoria border. This has a cost of \$1.4 million, with the additional \$400,000 coming from a reduced CAMP program in 2027.

Recreation

Although functionally the Recreation Department, Community Center, and Curling/Event Center are in essence combined, Recreation Administration and Programming are budgeted as separate General Fund activities. Having them functionally work together does create efficiencies, which has kept our Park and Recreation expenditures significantly below the State average for communities our size. In 2026, we plan to continue to have our Park and Recreation Director, our Recreation Manager, our Recreation Coordinator, the Recreation/Special Events Coordinator and Athletics Supervisor all funded fully out of the General Fund, with a portion of other support positions allocated to the General Fund. We are also continuing to budget dollars in the General Fund to pay for use of the Community Center when General Fund Recreational Programs are held in that facility. This is something we started last year to make sure we are charging program costs to the correct place.

As we discussed during the Community Center Budget process, moving the General Fund Park and Recreation activities out of the Community Center Fund and into the General Fund where they belong is critical if we are going to have the Community Center be able to be financially self-supporting. It cannot continue to subsidize General Fund Parks and Recreation activities and expect to be financially solvent.

For 2026, the only position that is being added to the budget is a Recreation Intern position for \$6,000. This position is able to act as a higher-level support position with the many programs we have in the summer and would be cheaper than bringing this on as a part-time employee, as our highest demand needs end at the end of the summer. It also gives us the ability to work with students to see their skills and fit for the organization should a position open in the future. We have had multiple interns turn into full-time staff over the years.

Community

For the Chaska Community Center's 35th year of operation. As the Center has evolved, we are confident it has fulfilled its mission of being Chaska's community gathering place, while providing an opportunity to run into people you know. The objectives of the Community Center are:

Budget

1. To promote community gathering and interaction.
2. To provide family and individual recreation with an emphasis on fun and providing a variety of program opportunities.
3. To enhance Chaska's pride and identity.
4. To be operationally self-supporting with no property tax support.
5. To reinvest back into the facility to keep it quality for future generations
6. To build a cash balance in the CCC Fund to be able to accommodate all the maintenance and improvement needs of this aging facility

Historically, the Community Center has done a good job of accomplishing the first four objectives listed above. Not only has it served as a central gathering place in the community, providing opportunities for family and individual recreation in Chaska, but has also been able to manage the center's day-to-day operations in a financially self-supporting way. In this respect, it is one of the few community centers in the State of this size that can offer the services it does that has not utilized tax levy to support its operations.

As we have found through our Master Planning process that we completed in 2023, most city-owned community centers/recreation facilities have some level of tax levy support, with a common split being 60% coming from revenue generated from the facility and 40% being supported by a property tax levy. While not having tax levy support the Chaska Community Center has helped to keep our property taxes down, it has led to us not having the proper resources to put back into the facility, leaving our facility with many deferred maintenance items that have not been addressed.

This especially became apparent during COVID. While the facility in the past was able to meet our first four objectives successfully from an operational standpoint, this changed with COVID, as our membership is still at levels lower than pre-pandemic. This level of membership has become our "new normal" as many people found alternatives during the pandemic and is something we feel we must plan around from this point going forward. And while the facility was able to meet the first four objectives through most of its years from a day-to-day standpoint, it has never been able to effectively build sufficient cash balances to reinvest back into the facility, with it having never been able to sufficiently fund its depreciation on an annual basis. Depreciation on the facility is a little under \$ 1 million per year. Later in this report I will discuss a plan we put in place in 2024 for how we are planning to address this and make sure that the CCC is not only operationally self-supporting, but that it can also cover its depreciation/deferred maintenance costs on an annual basis so we can properly reinvest back into this facility and preserve for future users.

Community Center's Support of General Fund

Because the Chaska Community Center has not relied on tax levy for support, it has had the effect of being a factor in what has kept our General Fund tax levy low in the past. This has occurred primarily because the CCC has taken on many of the City's general recreational services that would normally be covered in other communities by tax levy support. For example, in most cities Special Events (i.e. Fire and Ice Festival, Latin Food and Music Festival, Touch a Truck) are organized and staffed by employees that are paid out of the General Fund, which is tax-levy supported Fund. In Chaska, we have always had these events and programs staffed by our Community Center Staff, which are paid for through our Community Center fund and the revenues it generates.

This is especially true for the expense of Recreation Staff members who are providing programming in many different venues outside of our Community Center. While this has provided many efficiencies that have kept our overall City tax contribution to recreation low, over the past few years this has become a major limiting factor in the Community Center as the facility has aged, and we have not had the cash flow to be able to accommodate all the needed upkeep work on the facility. Since 2018, when we had some major infrastructure equipment in the Community Center fail, the replacement of these necessary items has caused the CCC Enterprise Fund to run deficits. We anticipate this issue will only build if we do not identify a plan to properly fund the Community Center as well as the General Fund Park and Recreation Services independently.

This has become a major issue within the Community Center, as this facility has in essence subsidized General Fund Park and Recreation services, while at the same time trying to account for all the current and future costs for owning and operating this facility itself. A key indicator of this has been the fact that the Community Center depreciates by approximately \$865,000 annually without us being able to fund this depreciation. This means that as our asset have been consumed, we have not been able to properly reinvest back into the facility to deal with replacing and maintaining key elements of the facility. Instead, we have been much more reactive to failing equipment and systems in the building, which can be much more expensive to address instead of planning for this maintenance.

Also, as mentioned previously, most City-owned recreational facilities are supported through some other source of funds, with 40% being a common number that most communities will use. While that does not need to be tax dollars that support a facility like a Community Center, most communities will fund at least a portion of their recreational facilities through tax dollars.

In Chaska, this has been an issue that has existed from the initial construction of this facility with only \$100,000 annually dedicated from the Electric Fund coming into the CCC Fund to support capital replacements. This represents only 2% of the overall Community Center budget. This was not an issue when the facility was new and equipment still in good condition but has especially become an issue as the Community Center has aged. We have been forced to use sources like the Electric Fund to take on some of these necessary improvements above and beyond the \$100,000 we have dedicated to this

facility annually. It has also not allowed us to replace things within the facility when they are needed but instead replace items when it becomes an emergency and we have no other alternative but to replace the equipment because it has failed.

This is a key factor that was taken into consideration when putting together this budget, and the ten-year financial plan for this facility.

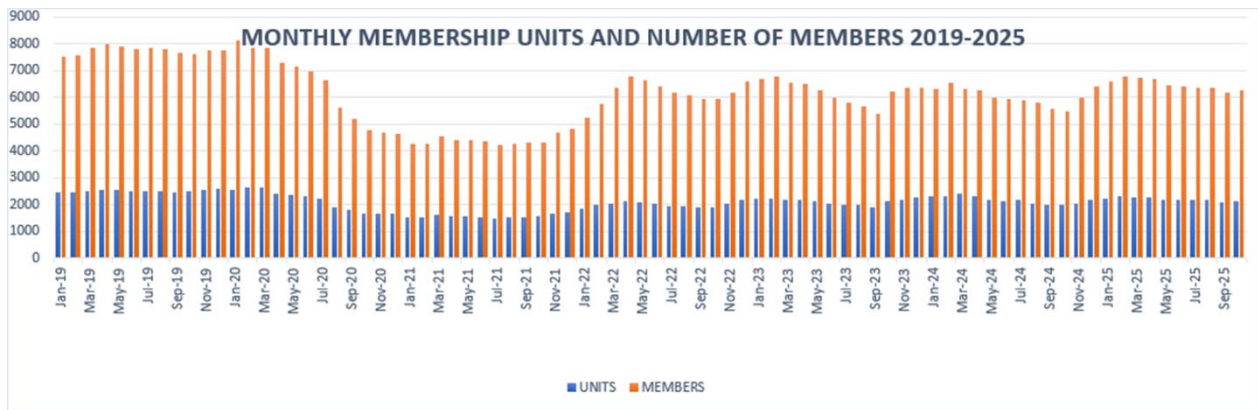
Continued Impact of COVID 19 on Community Center

Of all our facilities within the City of Chaska, the Community Center was hit the hardest financially from the impacts of the pandemic. This was both because we were forced to close our facility twice through Executive Orders coming from the State (totaled 4.5 months of closure through 2020 and 2021), but also because we were limited to 25% capacity in the facility in the months going through 2021. In fact, operations did not get back to normal until the Spring of 2022 when we removed our fitness equipment from the large lower gym and moved this equipment back into the Fitness Center.

This especially had an impact on being able to program the facility, as a lot of our programs rely on big spaces, such as the gym, to be able to function properly. These spaces being closed, along with patrons not feeling comfortable working out in a group setting, led to many patrons dropping memberships, with it being difficult to get them to come back. One trend that we saw increase in popularity during the pandemic was people utilizing low-cost Fitness Centers (i.e. Snap Fitness, Anytime Fitness, etc...) if they were only interested in utilizing fitness and weight equipment but were not interested in the other amenities a full community center offers such as a pool, ice rinks and gymnasium space. While we have made some progress towards gaining back some of our lost membership, we are still about 1,000 memberships short of the 8,100-member peak we saw just 2 months before the pandemic.

As we moved through 2025, we did see a higher number of members than we saw in 2024 and did not see as large of a dip in our memberships during the summer months as we would normally see. However, while memberships have rebounded from their lowest point in February of 2021, we have still not seen memberships rebound back to where they were right before the pandemic started in January of 2020.

As you will see from the chart below, in January of 2020, we have approximately 8,100 members. At our lowest point during the pandemic, our memberships dropped to approximately 4,100, or nearly a 50% decrease. Since that time, we have seen memberships get up to close to 7,000 members in both the winter months of 2022, 2023, 2024, and 2025, but have never reached that 8,100 mark that existed prior to the pandemic. As mentioned previously, one positive that we did see this year that we have not seen since the pandemic was retaining more of our members during the summer months and not seeing as much of a dramatic drop off from winter membership numbers. As expected, this drop in membership has created financial challenges for the Community Center as a facility over the past 5 years, especially as the facility has aged and more dollars have had to be put into capital replacements.



While the pandemic certainly started the decline in memberships that we have seen at the CCC, there are other circumstances that Staff believes have also contributed to us not fully recovering in our membership numbers. As mentioned above, one thing that has changed has been in the ways people exercised during the pandemic that has continued until now. We have seen many more people who complete workouts in their homes or outside. There has also been a rise in lower cost options such as Snap Fitness and Anytime Fitness that have filled a niche of people who only go to a recreational facility for the fitness equipment. Since Fitness is a major reason that patrons get memberships at our facility, this has had a negative impact.

A second issue that we have seen at the CCC has been in the age and condition of the building and equipment we provide. With an aging facility it becomes important to be able to continuously reinvest back into the facility to keep people interested in becoming a member. We made big strides in our 2024 budget as we replaced our Selecterized Weight Equipment and our Free Weights, and in 2025 by replacing things like our indoor playground space. All these items were dated and had not kept up with equipment that patrons could get at other fitness facilities. Anecdotally we have had very good reviews from patrons on the new cardio and weight equipment and the new indoor playground. Consequently, we have seen memberships increase slightly more in 2025 than we have in the past few years.

We will be keeping a close eye on memberships to see what type of impact improvements we make will have on our membership numbers. It will also give us data to understand what will attract people to come to the Community Center in lieu of going to low-cost options who only offer fitness equipment.

Membership Comparisons to Other Municipal Facilities

As mentioned previously, the Chaska Community Center is one of the few City-owned community centers/recreational facilities that does not have any tax levy support and relies solely on memberships and other user fees to support its annual operations. This is true even though a good portion of our Community Center (entire first floor and upper track) does not require a membership or daily admission for entrance.

With its reliance on memberships and daily admissions for support of our operations and reinvestment, it is critical that we price our memberships to be able to meet our current and future needs. At the same time, we need to be cognizant of how our competition

(other municipal facilities) are priced so that we do not have our membership pricing get too far out of the market.

In 2022, we did make some larger adjustments to our membership rates because we had become very low compared to other City facilities in the Twin Cities. As we move into 2026, we want to make sure that we keep up with the average of facilities we compare to in the market, so as not to lose ground on the changes we made two years ago. However, we also want to make sure that we are providing our patrons with competitive rates. We also have worked over the past couple of years to introduce a Dual Rate, instead of just a family rate, to give people options if they only have two individuals in their household. To price that right, we did need to increase our Family Rate to make sure we keep the price separation between them significant enough to encourage people to utilize this new rate structure.

Based on that objective, we are recommending that the rates for standard single membership go up by 3% for 2026. From that base point we then increase the rest of our categories based on the split from a standard single that is already in place. To set our resident rate, we then apply a 15% discount on our standard rate. This is a method we have utilized at our Chaska Town Course for pricing between residents and non-residents, which has created a standard formula while also creating a significant benefit for those who are Chaska Residents. Also as mentioned before, we have been offering our Dual Rate since 2024, which now provides opportunities for those who may be "empty nesters" and only have two people within their household. This gives them the option of having both become a member without having to purchase a full Family Membership. Below are charts showing what rate changes we are recommending for 2026, along with a comparison of where we will fall in our market compared to other municipal facilities:

Proposed 2026 Rates:

	2025 CURRENT						2026 PROPOSED					
	STANDARD			RESIDENT			STANDARD			RESIDENT		
	RATE	+ TAX	TOTAL	RATE	+ TAX	TOTAL	RATE	+ TAX	TOTAL	RATE	+ TAX	TOTAL
MONTHLY												
Auto Withdrawal												
Single-Adult	\$48.50	\$4.06	\$52.56	\$40.25	\$3.37	\$43.62	\$50.00	\$4.19	\$54.19	\$42.50	\$3.56	\$46.06
Single: Y/S/M	\$36.00	\$3.02	\$39.02	\$30.00	\$2.51	\$32.51	\$40.00	\$3.35	\$43.35	\$34.00	\$2.85	\$36.85
Dual	\$82.00	\$6.87	\$88.87	\$68.00	\$5.69	\$73.70	\$87.50	\$7.33	\$94.83	\$74.38	\$6.23	\$80.61
Dual: S/M	\$61.00	\$5.11	\$66.11	\$51.00	\$4.27	\$55.27	\$70.00	\$5.86	\$75.86	\$59.50	\$4.98	\$64.48
Household	\$90.00	\$7.54	\$97.54	\$74.25	\$6.22	\$80.47	\$112.50	\$9.42	\$121.92	\$95.63	\$8.01	\$103.64
Household: M	\$67.50	\$5.65	\$73.15	\$55.75	\$4.67	\$60.42	\$90.00	\$7.54	\$97.54	\$76.50	\$6.41	\$82.91
PRE-PAID												
Annual												
Single-Adult	\$533.50	\$44.68	\$578.18	\$442.25	\$37.04	\$479.29	\$550.00	\$46.06	\$596.06	\$467.50	\$39.15	\$506.65
Single: Y/S/M	\$396.00	\$33.17	\$429.17	\$330.00	\$27.64	\$357.64	\$440.00	\$36.85	\$476.85	\$374.00	\$31.32	\$405.32
Dual	\$902.00	\$75.54	\$977.54	\$748.00	\$62.65	\$810.65	\$962.50	\$80.61	\$1,043.11	\$818.13	\$68.52	\$886.65
Dual: S/M	\$671.00	\$56.20	\$727.20	\$561.00	\$46.98	\$607.98	\$770.00	\$64.49	\$834.49	\$654.50	\$54.81	\$709.31
Household	\$990.00	\$82.91	\$1,072.91	\$816.25	\$68.36	\$884.61	\$1,237.50	\$103.64	\$1,341.14	\$1,051.88	\$88.09	\$1,139.97
Household: M	\$742.50	\$62.18	\$804.68	\$613.25	\$51.36	\$664.61	\$990.00	\$82.91	\$1,072.91	\$841.50	\$70.48	\$911.98
Single Day			\$12.00			\$10.00			\$7.00			\$5.00
30-Day	\$54.00	\$4.52	\$58.52	\$45.00	\$3.77	\$48.77	\$62.50	\$5.23	\$67.73	\$53.13	\$4.45	\$57.58
60-Day	\$100.00	\$8.38	\$108.38	\$84.00	\$7.04	\$91.04	\$109.25	\$9.15	\$118.40	\$92.86	\$7.78	\$100.64
90-Day	\$151.00	\$12.65	\$163.65	\$127.00	\$10.64	\$137.64	\$156.25	\$13.09	\$169.34	\$132.81	\$11.12	\$143.93
11 Visit Punch Pass									\$70.00			\$50.00
21 Visit Punch Pass									\$133.00			\$95.00

Comparison of Rates to Other Municipal Facilities:

MONTHLY Automatic Withdrawal	Enrl.Fee	SINGLE-ADULT		SINGLE-Y/S/M		DUAL		DUAL-S/M		FAMILY		FAMILY-M	
		Resident	Standard	Resident	Standard	Resident	Standard	Resident	Standard	Resident	Standard	Resident	Standard
Eden Praire	\$30.00	\$53.57	\$62.49	\$44.00	\$62.00	\$91.50	\$107.11	\$72.54	\$107.11	\$122.74	\$146.18		
Shakopee	\$30.00	\$44.00	\$56.00	\$34.00	\$45.00	\$53.00	\$70.00			\$63.00	\$81.00		
Williston	\$0.00	\$52.00	\$68.00	\$41.00	\$54.00	\$72.00	\$93.00	\$52.00	\$68.00	\$83.00	\$108.00		
Waconia	\$35.00	\$43.00	\$50.00	\$33.00	\$40.00	\$53.00	\$60.00	\$43.00	\$50.00	\$65.00	\$72.00	\$49.00	\$54.00
Maplewood	\$50.00		\$77.00		\$43.00		\$130.00				\$141.00		
Shoreview	\$0.00	\$44.00	\$57.00	\$41.50	\$52.00	\$65.75	\$81.00	\$61.75	\$74.00	\$74.50	\$95.50	\$69.75	\$87.00
Eagan	\$25.00	\$40.00	\$45.00	\$33.00	\$37.00	\$71.00	\$81.00	\$56.00	\$63.00	\$89.00	\$101.00		
Chaska CURRENT	\$39.00	\$40.25	\$48.50	\$30.00	\$36.00	\$68.00	\$82.00	\$51.00	\$61.00	\$74.25	\$90.00	\$55.75	\$67.50
Chaska 2026 PROPOSED	\$39.00	\$42.50	\$50.00	\$34.00	\$40.00	\$74.38	\$87.50	\$59.50	\$70.00	\$95.63	\$112.50	\$76.50	\$90.00
Average		\$46.10	\$59.36	\$37.75	\$47.57	\$67.71	\$88.87	\$57.06	\$72.42	\$82.87	\$106.38	\$59.38	\$70.50
Current Rate % Below Avg		13%	18%	21%	24%	0%	8%	11%	16%	10%	15%	6%	4%
Proposed % Below Avg		8%	16%	10%	16%	-10%	2%	-4%	3%	-15%	-6%	-29%	-28%

As you will see from the charts above, our current rates are generally about 1-24% lower depending on the type of rate. We have been trying to get our rates much closer to where the market is, especially since we provide a higher level of service than many of the comparison facilities. Our proposed rates would be 16% below market for Single Standard rates, with many categories moving between 2%-8% lower than the market. The one area that we did keep higher than market is our Family Rates, as we are still trying to create enough differentiation between the Family Rates and the new Dual Rates to make the Dual Rate attractive to people who have never been members at the Community Center before because we did not offer that rate. This is mainly the empty nester households, which we have seen a significant increase in the number of units in the community over the past 5 years.

For any of our membership options, one thing that should be noted is that many of the facilities we compare to have tax levy support (usually around 40% of the total budget). While we do not have that current financial support from outside of the facility, our memberships have remained very competitive.

One thing to note about our memberships, as we look at our current operational needs for the facility, and the Capital Improvements that we are going to need to make over the next several years, we will have to keep in mind that only relying on membership revenue and other fees will not be significant enough to keep up with our capital replacement needs. If we make our fees higher than what the market will sustain, we will be uncompetitive with other municipal facilities. The solution to addressing our long-term capital needs will need to come from outside of the facility if it is to be successful, as simply raising rates to cover our costs may have the opposite effect by decreasing our memberships and users if membership rates and user fees are too high.

CCC Master Plan: Addressing Aging Facility Creates Additional Needs

While the effects of the COVID pandemic continue to be a concern, there are more systemic issues that we need to consider helping properly plan for the future of this facility.

Starting in 2023, and culminating in a final report in 2024, we have been looking at these issues through our Community Center Masterplan Process. The focus of these discussions has been both around what we envision the Community Center to be as we move into the future, but also how we structurally fix the financial issues that have kept the CCC from being financially sound in the past. While it is easy to focus on the vision for what we would like the facility to become, it is important that we address the current financial needs first to make sure we have a solid foundation on which to build our community center of the future when we reach that point.

To address this first issue of creating a sound financial foundation for the facility, we need to be able to understand what we have not been able to address just through revenue derived from the Community Center itself. As we have mentioned previously, one number that we know we need to be able to fund annually is the depreciation of the facility. At this point in time, depreciation is approximately \$850,000 per year. The other number we need to understand is the average amount of the deficits we have had in the Fund to be able to balance the budget on an annual basis. This number has run around \$500,000, with a good portion of that funding equipment repair and replacement we cannot avoid and needs to be completed.

It should be noted that the Chaska Community Center originally cost us \$22.5 million to construct in 1991. With all the additions we have put onto the facility, our Master Plan process determined it would be over \$145,000,000 to replace if we were to start from scratch. Again, we currently depreciate \$865,000 of this facility annually but have never had a mechanism to properly reinvest back into this asset with dollars generated from the facility itself. This has become a major issue, as a facility this age has significant issues arise every year if they are not able to be addressed in a proactive manner.

To illustrate this issue, below is a list of the improvements in the facility that are overdue for replacement. As you will see, this list totals close to \$2.1 million.

Capital Assets Currently Passed Estimated Useful Life	
RTU St Francis 3	\$31,250.00
RTU St Francis 4	\$31,250.00
Dasher Boards Arena 2	\$300,000.00
Dry Sauna Heater	\$13,000.00
Steam Room Boiler	\$19,500.00
Plate Loaded Weight Equipment	\$36,280.00
Plates and free weights	\$17,250.00
Selecterize weight equipment	\$308,000.00
Leisure Pool Heat Exchanger	\$15,600.00
Tire Curtain - Theater	\$24,000.00
Theater Lighting	\$66,000.00
Brick City Banquet Room Audio/Visual	\$26,400.00
Brick City Banquet room divider	\$30,000.00
Multipurpose Chairs	\$15,000.00
Multipurpose Tables	\$20,000.00
Forklift	\$45,000.00
Red Maple Cupboards	\$18,000.00
White Oak cupboards	\$18,000.00
Lower gym divider	\$60,000.00
Lower gym basketball hoops	\$57,500.00
Upper gym basketball hoops	\$55,200.00
Play tunnel/climbing wall	\$84,500.00
Upper corridor carpet	\$31,030.00
Fitness Center Flooring	\$32,100.00
Lower gym flooring	\$312,500.00
Dance Studio Flooring	\$50,000.00
Arena 1 painting	\$63,600.00
Arena 2 painting	\$63,600.00
Theater Painting	\$10,600.00
Lower Gym Painting	\$47,700.00
Arena 1 sounds system	\$166,000.00
Spin Bikes	\$16,640.00
Water Softeners Arena	\$20,000.00
Current Asset Liability	\$2,105,500.00

While some of the items on this list we have been able to address over the past few years, none have been able to be repaired/replaced on a proactive basis, but instead of been dealt with when critical issues arise. Ideally, we would not be approaching the items on this list for replacement on an emergency basis but instead it would be wise to replace them now before they become an emergency. While there are many more improvements that we would like to be able to attend to in this upcoming year, below is a list of the priorities we need to address in 2026 and are a priority to keeping our operations running smoothly next year:

- Roof Top HVAC Unit Above the Lodge: \$150,000
- Replacement of Upper Corridor Carpeting: \$45,000
- Main Entrance Automatic Door Enhancements: \$40,000
- Replace Indoor Pool Deck Furniture: \$25,000
- Gymnasium and Pool Painting: \$10,000

As you will see, there are \$270,000 of improvements that we need to be able to make this year to make sure that they do not fail. If we allow any of these to completely fail, it could make operations in certain components of the facility very difficult and could take a long time to replace with long lead times that we are seeing.

Strategy for Addressing Financial Issues Moving Forward

Knowing that this will continue to be an issue unless we develop a long-term strategy to address these needs, Staff has been exploring strategies for not only how to fill this financial gap, but how to spread it out over time so as not to have a dramatic impact on our residents and patrons in any given year. Specifically, the plan that we identified during the 2024 budget process was to address this deficit over a 10-year period, with the goal of trying to create at least \$1.5 million in annual income that can accumulate in the fund to support both operations and capital reinvestment.

In the short term we defined the years 2024, 2025 and 2026 as utilizing Self Insurance Funds to fill the budget gap, as many of the issues we are currently facing are largely due to the COVID Pandemic. While we are utilizing these funds in the short term, we would not see this as a long-term solution. Instead, it would serve to cover gaps until we replace this with permanent funding solutions.

As we move into 2026, we are also starting to add Utility dollars from the Electric, Water and Sewer Funds. Specifically, we recommend adding \$100,000 per year through each of these four years until we reach an amount of \$400,000, at which point the Utility dollars would be capped. We would continue increasing these contributions up through 2029.

In addition to this, we have debt service coming off in the Community Center after 2027 when The Lodge Addition is fully paid. This debt service totals \$220,000 per year. Instead of these dollars that currently come into the Community Center from our Electric Fund going away, we would keep this \$220,000 coming into the Community Center Fund into the future. However, now instead of supporting debt, it would go to help annually fund our depreciation. The second debt service in the Community Center is \$240,000 for the Pool and Ice Arena Improvements we completed approximately 10 years ago, which comes off after 2032. Again, we would keep these dollars coming into the Community Center from the Electric Fund into the future but use it to fund depreciation instead of debt service like it was funding before.

The last part of the strategy would be implemented over the period from 2027-2034. During this period, we would be moving forward each of those years to remove the portions of the Community Center budget that should be funded through our General Fund Parks and Recreation Services. We would do this by increasing our Tax Levy in the General Fund by \$100,000 per year in each of these years to allow us to move over

\$100,000 of expenses that should be associated with the General Fund Park and Recreation services instead of Community Center functions. This would have an impact of approximately 0.5% or less each year to the tax levy, while making sure that we get our General Fund recreation services moved to the correct fund, so our Community Center does not continue subsidizing this cost. This would have the effect of removing \$800,000 of expenses from the CCC over this time period, while making sure it funded in the proper Fund.

At the end of this 10-year plan, we would have approximately \$1.7 million of annual impact (either expenses getting reclassified in the proper location or new revenues) to the Community Center Fund, providing it with the proper amount of dollars to be able to keep the facility we have in as good of shape as possible. It will also create a good financial foundation on which to reinvest back into the CCC when we tackle the other part of the Community Center Master Plan, which is implementing our vision for where we want this facility to go into the future.

2026 Community Center Revenues

For 2026, we hope to continue to build on the membership gains we saw during 2025. We will continue to market our new offering of Dual Memberships in the community, as we do think with the addition of more housing for AOAs in the community that this could be an attractive option for them to join compared to when we just had a Family Plan option.

The other option that we are offering for the first time in 2026 will be pre-paid punch passes. We will have these available with 11 or 21 visit options. These will be unique from our Pre-Paid Passes that we currently offer, in that those options were 30, 60, or 90 days, and were tied to one individual. This new punch pass option will give people the opportunity to purchase these and use them among many people. This will be a good option for people having children coming home for holiday breaks, or to allow visitors to be able to utilize our facility without having to commit to longer periods of time or having to commit to utilize them with just one individual. We will continue to follow these trends in other fitness and community centers to provide as many options as possible for people to utilize our facility.

Our revenue projections for the 2026 Budget include:

- Increasing our base single membership rates by 3% with all other rates going up based on the percentage increases already established in previous budget cycles
- Continue to increase Family Memberships at a higher percentage to create more separation between Family and Dual Memberships
- Base all resident rates on a 15% discount on the Standard (non resident) rates
- Increasing our Ice rental rates by \$5/hour
- No increase in Standard Rental rates in the building except for increases in the Brick City Room and Gym where we have a high demand for this space
- Decrease in our daily rates by \$5 for both Standard and Resident Rates
- Continue expansion of our After School Extended Stay offering similar to Club Care at the School District. This has been a very popular offering for our residents, with spaces selling out on the first day this year

Besides the specific areas mentioned above, we do plan to continue other operations like what we saw in 2025. As you will see from the chart below, we would recommend adopting a budgeted revenue number of \$4,921,513 for 2026. This number includes the addition of \$363,254 from the Self Insurance Fund to help fill the gap we are projecting for 2026, especially with the \$270,000 in Capital Improvements we are planning for 2026 that was listed above in this report. Below is a chart listing the expected revenues by area expected in 2026. The overall change in revenue for the Community Center is a 4.56% decrease in revenue. This decrease is mainly coming from us readjusting our revenue projections to what we think is reasonable to attain in the upcoming budget year.

	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>		<i>%</i>
REVENUES	2024	2025	2026	Change	Change
<i>Member/Admis/Rental</i>	\$1,452,366	\$1,687,767	\$1,721,522	\$33,755	2.00%
<i>Community Room</i>	\$60,153	\$80,000	\$81,600	\$1,600	2.00%
<i>Craft Rooms</i>	\$27,400	\$24,000	\$24,500	\$500	2.08%
<i>Fitness Programs</i>	\$31,769	\$50,000	\$51,000	\$1,000	2.00%
<i>Gym</i>	\$25,760	\$25,500	\$26,120	\$620	2.43%
<i>Ice Arena</i>	\$692,051	\$956,854	\$975,871	\$19,017	1.99%
<i>Maintenance</i>	\$21,298	\$25,000	\$25,500	\$500	2.00%
<i>Wellness-PT</i>	\$35,121	\$40,000	\$40,800	\$800	2.00%
<i>Play & Daycare Room</i>	\$46,932	\$116,280	\$118,606	\$2,326	2.00%
<i>Swimming Pool</i>	\$29,587	\$36,000	\$36,720	\$720	2.00%
<i>Swim Lessons</i>	\$132,794	\$200,000	\$240,720	\$40,720	20.36%
<i>Theater</i>	\$43,854	\$57,800	\$57,222	(\$578)	-1.00%
<i>The Lodge</i>	\$12,819	\$15,000	\$15,300	\$300	2.00%
<i>Vending</i>	\$13,786	\$11,000	\$11,220	\$220	2.00%
<i>Misc.</i>	\$17,560	\$296,355	\$266,558	(\$29,797)	-10.05%
Total Oper Rev	\$2,643,250	\$3,621,556	\$3,693,259	\$71,703	1.98%
Non-operating		\$320,446			
Self Insurance (CIP)	\$389,000	\$353,665	\$363,254	\$9,589	2.71%
Utility Funds	\$814,524	\$861,000	\$865,000	\$4,000	0.46%
Total Non oper	\$1,203,524	\$1,535,111	\$1,228,254	(\$306,857)	-19.99%
TOTAL REV	\$3,846,774	\$5,156,667	\$4,921,513	(\$235,154)	-4.56%

While memberships and admissions make up a large percentage of the overall revenue that we see coming into the Community Center Fund, I think it is important to recognize some other significant sources of revenue that help support the Community Center Fund, which fortunately have seen little impact from COVID due to them being dollars generated through leases/agreements for space in the facility, or are annual contributions made through the Utility Funds. Below is a listing of the other key revenues that support the Community Center Facility:

- St. Francis/Capable Kids-Receive approximately \$211,404 annually to lease space on the north end of the building-continues through August 2028
- Breakaway Academy: \$79,125 annually to lease space in the lower level of the building-continues through 2029

- ISD #112: Makes payments to the City of Chaska in the amount of \$45,000 annually to support the debt service for adding onto the building to make Girls Locker Rooms for the Chaska/Chanhasen Girls Hockey Program. This continues for 15 years or until the loan is repaid
- Utility Fund Transfers to the Community Center to support the following:
 - \$100,000 annually from Electric Fund since the facility opened in 1991 to help offset the costs of improvements in the building
 - \$220,000 annually from Electric Fund supporting the Debt Service for The Lodge-debt is retired in 2027.
 - \$240,000 annually from Electric Fund to support the Debt Service for the Pool/Ice Renovations-debt is retired in 2033
 - \$363,254 from Self Insurance Fund to support the Capital Improvements being made in facility in 2026, along with some operational support

Other than these major sources of income, our memberships and admissions, the remainder of our revenue for the facility comes from user fees paid to participate in programs, classes, and purchases from our vending machines.

Expenditures

From an expenditure perspective, we are approaching the budget in 2026 from the perspective of being strategic on where we spend dollars to keep our costs as low as possible, but to also make sure that we are investing into those areas that have the greatest return. As we have also discussed previously, while there are several capital reinvestment items that are due for replacement, we are focusing our efforts on addressing both the items in our facility that absolutely need replacement and repair in areas that the public will see the improvements (i.e. replacement of carpet on main floor).

If we look at the expenditure chart below, you can see that we are budgeting to have our expenditures in 2026 be \$4,921,513. This would represent a 4.56% decrease in our expenditures from our 2025 budget, or a decrease of \$235,154. As was mentioned in the revenue discussion above, we are trying to be more realistic in what we believe we can generate in revenue for 2026, which did result in a 4.56% reduction in budgeted revenue. We worked with the expenditure budget to make sure that we reduced this accordingly to fall within these budgeted revenues.

To assist the Community Center as we try to build back up our membership to pre-pandemic levels, we are also looking to reduce expenditures to the Fund that other funds can help support. Specifically, we are planning to support the payment of the Administrative Fee to the General Fund to relieve this cost for the Community Center. We have done this the past three years.

Below is a list of the Expenditures budgeted for 2026:

	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>		
EXPENSES	2024	2025	2026	Increase	%
<i>Admin</i>	\$ 772,221	\$ 937,082	\$ 958,290	\$ 21,208	2.26%
<i>Front Desk</i>	\$ 202,356	\$ 231,828	\$ 241,243	\$ 9,415	4.06%
<i>Well- Prog</i>	\$ 16,545	\$ 16,632	\$ 16,875	\$ 243	1.46%
<i>Ice Arena</i>	\$ 179,880	\$ 257,425	\$ 238,969	\$ (18,456)	-7.17%
<i>Maintenance</i>	\$1,365,633	\$1,859,034	\$1,821,376	\$ (37,658)	-2.03%
<i>Personal Train</i>	\$ 34,806	\$ 41,366	\$ 43,018	\$ 1,652	3.99%
<i>Wellness Add</i>	\$ 252,656	\$ 315,030	\$ 327,989	\$ 12,959	4.11%
<i>Play/Daycare</i>	\$ 86,614	\$ 98,987	\$ 102,875	\$ 3,888	3.93%
<i>Swim Pool</i>	\$ 511,247	\$ 631,436	\$ 655,564	\$ 24,128	3.82%
<i>Lodge</i>	\$ 411	\$ 3,232	\$ 3,248	\$ 16	0.50%
<i>Gen Facility</i>	\$ 249,051	\$ 191,385	\$ 46,616	\$ (144,769)	-75.64%
<i>Debt Service</i>	\$ 55,675	\$ 573,230	\$ 465,450	\$ (107,780)	-18.80%
<i>Other</i>	\$ 2,690	\$ -	\$ -	\$ -	
Expenses	\$3,729,785	\$5,156,667	\$4,921,513	\$ (235,154)	-4.56%

Based on our forecasted Revenues and Expenditures, we are estimating that the facility will break even in 2026.

As was discussed in detail earlier in this section of the budget, the bigger issue that we need to focus on is not just balancing the budget for 2026 but looking at how we have a plan in place to address the larger systemic issues of funding the Community Center in the long term. As we move through the next 10 years, we will continue to use the plan that was described above as a roadmap for how to not only allow the Community Center to be able to address its annual operating needs but also address its deferred maintenance in a pro-active manner. If we follow that plan, we do think we can move the Community Center in that positive direction and get us by with condition of the facility until a point we can implement the overall Community Center Master Plan. It will also set us up well to take care of these Master Plan improvements once they are made so we do not fall behind in properly reinvesting into this facility going into the future.

Town Course

The mission of the Chaska Town Course is to develop and operate a quality municipal golf course serving as a community resource and as a community gathering place, that is viewed as a top facility in the Twin Cities, helping also attract visitors to our community.

Budget

In developing the course's annual budget our objective is to provide adequate resources to meet this mission by maintaining a high-quality golfing experience from both a maintenance and customer service perspective. An objective during our budgeting process has also been to position the Town Course in such a way that we attempt to generate enough profit to build up reserves sufficient to keep up with our capital replacement needs so we can keep it running as a high-end facility into the future, while still providing good value to our patrons.

As we look into the future, keeping up with capital reinvestment will be the largest single challenge of the course, as it has historically been able to be self-sufficient from an operational standpoint, but has had more difficulty being able to generate a sufficient amount of reserves to cover all future depreciation costs. This has been changing over the past few years as we have put more focus into making this a financially sustainable facility and have started to generate cash balances that have allowed us to reinvest back into the course. This will be explored in greater detail as we discuss both the impact COVID has had on the golfing market, but also the work we have been doing to better target what the resident discounts should be on the course as we move into future years.

COVID's Impact on the Golf Market

In 2018 and 2019, the Chaska Town Course had just over 29,000 rounds per year. While these were not great weather years, which did impact the number of rounds played, it also signified a greater trend we were seeing where the number of golfers was declining in general. This was true not only at the Town course, but was true industry wide, as the number of U.S. golfers peaked in 2003 at 30.6 million and dropped to 24.3 million in 2019, according to the National Golf Foundation. This number dropped approximately 1.9 million golfers between 2012 and 2017 but increased slightly by 500,000 between 2017-2019.

While the COVID pandemic negatively impacted our other recreational facilities in the City, one positive trend that we and other golf courses saw during the pandemic was the increase in golfers coming back to the game, as well as some picking it up for the first time. In just 2020, the number of golfers nationwide increased by 500,000 players in just one year, getting the total up to 24.8 million. Since 2020, this number has continued to increase, with an additional 3.2 million golfers coming to the game, bringing the total number of golfers in the U.S. up to 28 million at the end of 2024.

While the Chaska Town Course has always been a popular facility for golfers across the Twin Cities, the Town Course also benefited from this increase of golfers, seeing our rounds go from an average of about 32,000 rounds per year to our 5-year average being

40,615, up from the 39,805 round average just last year. Since 2020 our rounds have been over 38,000 rounds per year with the rounds being close or above 40,000 rounds for four of those years, including our last season in 2025 where we saw approximately 40,600. The number of rounds we saw in 2025 was the largest number of rounds we have seen at the Town Course since it opened in 1997. Industry-wide, it appears that this is a permanent change to the number of golfers in the market, as rounds have not decreased since the pandemic ended, but have stayed relatively stable to slightly increasing each of the past 5 years. This is a positive change that has helped us in meeting our objective of generating fund balances to be able to reinvest back into our course.

Resident vs Non-Resident Rounds

The larger economic challenge the Chaska Town Course has experienced, especially over the past decade, is the shift in the demographic of patrons who golf at this facility. When the Chaska Town Course first opened in 1997, over 70% of the rounds that were played on the course were by non-resident golfers, with around 30% being made up of Chaska residents. As the community has continued to grow, and as people moving to the area have recognized the benefit of moving to Chaska as opposed to surrounding communities because of our resident Town Course discount, this patron makeup has moved to be approximately 50% resident play, with only 50% coming from outside of the community. Finishing up the 2023 golf season, we saw for the first time ever that we had more resident golfers than non-resident golfers. In 2025, we saw about 51% of our rounds being resident rounds.

While this has been great for our mission of making the Chaska Town Course a premier community gathering place for our residents, this has been a very difficult financial transition for the course as our resident discount peaked in 2019 at around a 40% discount from the regular rate that non-residents pay. This means that with every resident round being played in that year, we saw a 40% discount being provided which was beginning to make it very difficult to not only get our budget to balance but also have sufficient dollars available to make important improvements to the course to keep people wanting to come back.

While we think it is important to keep a resident discount in place as we go into the future, it will be much more important for us to look at exactly what this discount is, as having over 50% of our golfers continue to have this level of discount will not be financially sustainable. This is something that we started discussing during the 2020 budget process, and which we discussed with some of our most loyal resident patrons prior to the 2021 budget process to identify a pathway to address this issue while still providing a benefit to our resident golfers. This will be described in greater detail later in this report, as we have been going through a transition over the past 5 seasons with Resident rates and have seen success in transition into a more sustainable financial model while still providing our residents with great value.

2025 Chaska Town Course Season

2025 was the best year for the Chaska Town Course ever, as we saw 42,600 rounds throughout the season. It should be noted that we likely would have had a similar number of rounds in 2024. However, we did have to close the course for two weeks that year as

we co-hosted the U.S. Amateur Tournament. In 2023 we did have 38,500 rounds, which is slightly lower than our trend. However, that year we did have to close the golf course early to be able to resurface all remaining cart paths at the facility that had not yet been resurfaced.

As mentioned previously, this has generally been the level of use we have seen at the CTC since the Pandemic started, as our 5-year average number of annual rounds went from around 32,000 to 40,615 rounds per year after the 2025 season. Again, this has not just been the experience with the Town Course but has been experienced by golf courses in general across the industry.

Besides seeing new golfers come to the Town Course, we have also been helped by great weather and turf conditions throughout the summer. While 2025 was not as hot and dry as we had seen in 2022 and 2023, we did have good weather at the right times, making our usage in 2025 higher than any other year. Based on this high usage, we do anticipate that we will continue to be able to add to the overall cash balance in the fund.

Depreciation Funding-Continued Reinvestment into Facility

With the refinancing of our TIF District #4 in 2008, we did put the Town Course in a better position to accumulate cash reserves, as it did not have to directly support the remaining years of debt service for the course anymore. In 1997, resources from TIF District #4 were the main financial resource that allowed us to construct the course and contributed towards our debt service on the course until all debt was repaid with the Closing of TIF District #4 in 2014. It was planned that the refinancing of this TIF District in 2008, and once again in 2011, would provide us with sufficient resources to pay off the initial capital construction cost debt at the Town Course from these TIF funds. What this did was to allow the Town Course to keep any annual profits and accumulate reserves in this Enterprise Fund.

While this move in 2014 took away the need for the Town Course to contribute directly towards its annual debt service from its initial construction, and while the Town Course continued to meet its annual operational needs of the course, it continued to struggle to generate significant reserves to go towards its future capital replacement needs. Specifically, the Town Course did not meet the depreciation expenses of the facility, which are just under \$500,000 per year.

Not being able to meet its Depreciation obligations, and therefore not having the funds to properly reinvest back into the facility, was a significant reason why we started looking at the issue of resident vs regular rates. With over 50% of our patrons receiving a discount of close to 40%, we knew it would be difficult to keep the Town Course financially sustainable in the future while also reinvesting back into those things that are important to keep the high-quality reputation the course has had since its opening.

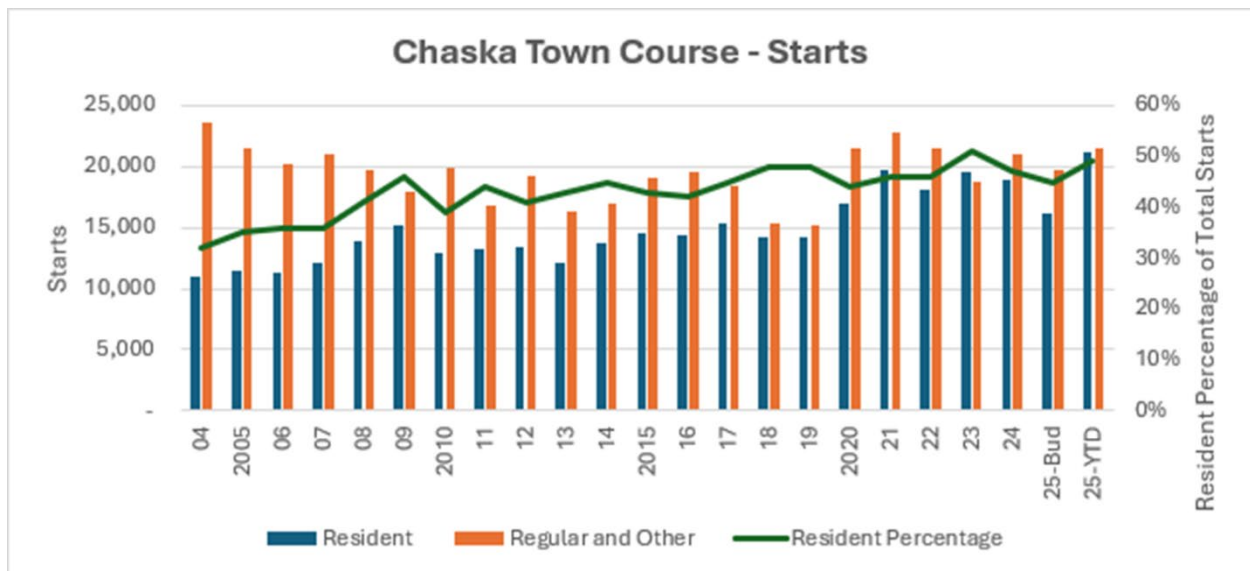
Resident vs Regular Rates

As discussed above, one of the largest items that Staff has focused on while putting together the budget for the Chaska Town Course over the past six years has been looking at the split between resident and regular play at the Course. As mentioned previously, when the Town Course first opened, approximately 70% of our rounds came from non-

resident play. As our community has grown, we now see that resident play is approximately 50% of the rounds during the season.

While this has been great for meeting our mission of having this be a premier community gathering location, it has made it very difficult from a financial perspective to keep the Chaska Town Course financially sustainable with our residents seeing a very large discount on our regular rates. When we started this discussion in 2019, residents were seeing close to a 40% discount on rates. Having 50% of our patrons see this large of a discount was not something we could continue to do if we wanted to have this course be both operationally self-sustaining and be able to reinvest back into the course as it ages.

Below is a chart illustrating the changes we have seen in resident vs. non-resident play since 2004 to illustrate the changes we have seen:



In examining this issue, Staff committed to meet with resident patrons of the Chaska Town Course to both educate them on this issue, but to also get their feedback on how to structure our rates going into the future so that residents still feel they are receiving significant benefit for having this asset in their community, while also being cognizant of how changes can positively affect the financial sustainability of the Chaska Town Course going into the future.

This discussion with these resident patrons occurred in January 2020 and resulted in a significant amount of good feedback that led to the recommendations Staff ultimately made to the City Council for where to go with rates over the next few years. Some of the feedback received included:

- They understood the importance of making this a financially stable facility and understood the changes in demographics we have seen at the Town Course over the past several years
- They felt it was important that we reinvest back into this facility and understood that to do this the course needed to be financially strong
- They understood that a 37% discount was likely too much, but asked that we not let it get lower than a 20% discount

- They understood that not all Chaska residents are golfers and that it would be difficult to expect others in the community to support the course if they saw/perceived no benefit
- While they understood changes needed to be made, they asked that we give special consideration to the residents who are frequent customers of the course
- They appreciated being asked their opinion on this before we just moved forward with making any changes

Based on these discussions this did help us in developing conclusions on what we should ultimately be targeting for resident discounts when we have fully made the transition to our new rate structure. Through these conversations we were also able to recognize that there was a way to provide a better benefit to our most loyal resident patrons, while keeping our highest revenue generating times (weekends) open to maximize the revenue we generate during these times.

Specifically, what we recognized is that our most loyal resident golfers were playing during the weekdays both because they play in a league, but also because most of them play multiple times per week. At the same time, we recognized that the weekend tee times represented a time when we had no problem selling, and that we do not typically see as many residents during the weekend times because of how busy it can be.

Based on the feedback from these resident patrons, and from looking at the sales data from the Town Course's history, we were able to generate the following rate recommendations for how we structurally approach changing our rates over the next few years as we work towards economic sustainability of this facility. The following bullet points represent the main components of the recommendation that was made:

- Continue to view this change as a multi-year implementation to allow patrons to ease into this change (we started in 2020, and we are anticipating that we will complete this transition by 2028)
- With most of our regular resident patrons playing during weekday times, (i.e. Leagues and evenings), provide a greater discount to residents during these times to recognize them for their loyalty, and to financially incent them to play during these times so we can keep our higher rates on the weekends when we have no issues selling tee times
- Target that by the end of our implementation period we have resident rates set based on the following guidelines:
 - Resident discounts set at 25% of the Regular Rate for Weekdays and 20% of the Regular Rate for Weekends
 - Do not allow resident rates to go below the average for local courses (i.e. Dahlgreen, Bluff Creek, Deer Run, etc...) as these are not as quality of a course as the Town Course
 - Keep our cart rental competitive with the market for both residents and non-residents

Based on these guidelines, the Council did move forward with starting to implement this plan in 2020. 2026 will be the seventh year of implementation, with our rounds increasing significantly during the first six years of implementation. These increases have also been

with Resident golfers, although their discount has decreased. For 2026, the changes to the rates to reflect this plan would be as follows:

- Resident Weekdays: Up \$3 to \$61 (\$84 with Cart)-Represents 29.07% discount
- Resident Weekends: Up \$2.50 to \$68 (\$91 with Cart)-Represents 20.93% discount
- Non-Resident Weekdays: Up \$2 to \$80 (\$103 with Cart)
- Non-Resident Weekends: Up \$2 to \$86 (\$109 with Cart)
- Cart Rates: No change for Cart fees as we are at about average for similar courses

Moving based on these recommendations would allow us to continue to move towards our goal of resident weekday discount being 25% and resident weekend discounts being 20%, with us still having three more years to implement this overall plan. In fact, with the changes this year, we are only about 1% away from meeting the Resident Weekend Discounts.

Based on this recommendation, below are two charts both showing our rates compared to High-End Courses as well as a second chart comparing our proposed rates to area golf courses:

Comparisons of High-End Courses

Top Public 18 Hole	WD 18 Hole GF	WE 18 Hole GF	18 Hole Cart	Twilight GF	Twilight Cart
Edinburgh	\$55.00	\$60.00	\$20.00	\$44.00	\$15.00
Stoneridge	\$105.00	\$135.00	\$20.00	\$91.00	\$10.00
The Wilds	\$120.00	\$120.00	Included	\$85.00	Included
Meadows at Mystic	\$125.00	\$140.00	Included	\$95.00	Included
Rush Creek	\$135.00	\$135.00	\$25.00	\$89.00	\$25.00
Troy Burne	\$115.00	\$115.00	\$25.00	\$90.00	\$20.00
Legends	\$135.00	\$135.00	Included	\$100.00	Included
Average	\$112.86	\$120.00	\$22.50	\$84.86	\$17.50
Current 2024 CTC Regular	\$78.00	\$84.00	\$23.00	\$61.00	\$17.00
Proposed 2025 CTC Regular	\$80.00	\$86.00	\$23.00	\$63.00	\$17.00
Current 2024 CTC Resident	\$58.00	\$65.50	\$23.00	\$51.00	\$17.00
Proposed 2025 CTC Resident	\$61.00	\$68.00	\$23.00	\$55.00	\$17.00
% Discount for Resident vs Non-Resident	29.07%	20.93%			

Comparisons of Area Golf Courses

Chaska Area 18 Hole Courses	WD 18 Hole GF	WE 18 Hole GF	18 Hole Cart	Twilight GF	Twilight Cart
Ridges at Sand Creek	\$46.00	\$51.00	\$18.00	\$39.00	\$8.00
Stonebrooke	\$84.00	\$99.00	Included	\$69.00	Included
Deer Run	\$70.00	\$70.00	\$20.00	\$60.00	\$20.00
Dahlgreen	\$45.00	\$50.00	\$20.00	\$52.00	\$20.00
Bluff Creek	\$53.00	\$65.00	\$20.00	\$52.00	\$20.00
Average	\$59.60	\$67.00	\$19.50	\$54.40	\$17.00
2025 CTC Regular	\$78.00	\$84.00	\$23.00	\$61.00	\$17.00
2026 CTC Regular	\$80.00	\$86.00	\$23.00	\$63.00	\$17.00
2025 Resident	\$58.00	\$65.50	\$23.00	\$51.00	\$17.00
2026 CTC Resident	\$61.00	\$68.00	\$23.00	\$55.00	\$17.00

As is illustrated above, these changes would make us very competitive with both the High-End and Local 18-hole golf courses, still making our course a very good deal for both residents and non-resident play, while at the same time meeting our financial needs. In fact, we have become a better deal compared to other courses since COVID, as other courses have been much more aggressive in increasing rates since there is such a high demand with new golfers.

Revenue Projections for 2026

Based on the changes that we are recommending for rates 2026, we are forecasting total revenues of \$3,306,080. This compares to the budgeted revenues for 2025 of \$3,420,000, or a decrease of 3.33%, or \$113,920 less than last year. The main reason for this change is to adjust our numbers to be more realistic in specific areas to what we have actually seen over the past several years for revenue at the Town Course. We do not want to be too aggressive about what we budget for anticipated revenues.

As we discussed previously, the past 6 seasons have been very good for golf, with the 5-year average going from 32,000 to 40,615 rounds. Even though the average is at close to 40,000 rounds, we used 38,950 rounds as the number we budgeted to be conservative on our assumptions.

Based on these assumptions, the total 2026 revenues would be budgeted to come from the following sources:

	Actual	Budget	Budget	Change	Change
<i>Revenues</i>	2024	2025	2026		
Green fees	\$ 1,988,380	\$ 2,002,000	\$ 2,079,000	\$ 77,000	3.85%
Driving range	\$ 177,994	\$ 185,000	\$ 188,700	\$ 3,700	2.00%
Member fees	\$ 102,093	\$ 105,000	\$ 107,100	\$ 2,100	2.00%
Sale of supplies	\$ 360,542	\$ 400,000	\$ 408,000	\$ 8,000	2.00%
Concessions	\$ 57,557	\$ 60,000	\$ 61,200	\$ 1,200	2.00%
Cart rental	\$ 374,378	\$ 401,000	\$ 401,000	\$ -	0.00%
Misc	\$ 18,138	\$ 267,000	\$ 61,080	\$ (205,920)	-77.12%
Total revenues	\$ 3,079,082	\$ 3,420,000	\$ 3,306,080	\$ (113,920)	-3.33%

Components of the Chaska Town Course Revenue

A key revenue assumption for the CTC is the green fees schedule, as the greens fees do generate approximately 63% of our revenue. Our strategy has been to have green fees for non-residents consistent with the market for other high-end public courses, while at the same time offering a course for our residents of higher quality and challenge compared to any other area course, at a price that is very competitive. As mentioned previously, based on our efforts to reduce the resident discounts to a reasonable amount over a multi-year period (plan to have rate changes fully implemented by 2028), but to do this in a way that benefits our most loyal Town Course patrons by providing a greater

resident discount on weekdays, we are recommending the following rates for the 2025 budget:

- Resident Weekdays: Up \$3 to \$61 (\$84 with Cart)-Represents 29.07% discount
- Resident Weekends: Up \$2.50 to \$68 (\$91 with Cart)-Represents 20.93% discount
- Non-Resident Weekdays: Up \$2 to \$80 (\$103 with Cart)
- Non-Resident Weekends: Up \$2 to \$86 (\$109 with Cart)
- Cart Rates: No change for Cart fees as we are at about average for similar courses

Based on this, the projected Green Fees revenue for 2026 would be \$2,079,000, which would be an increase of 3.85% from the budgeted 2025 Greens Fee Revenue.

For the first several years the Town Course was open, we averaged cart rental revenues in the range of \$150,000 to \$175,000, with 22% to 24% of golfers renting carts. In 2006 we modified our cart policy to permit carts off the cart path. At that time, we purchased a new set of carts equipped with a GPS system. This system allows us to remotely control the carts so they do not go in areas that would be detrimental to the condition of the course. The system was implemented in 2006 and increased cart revenues to \$212,000.

For 2026 we are once again anticipating that 40% of patrons will continue to utilize a cart, as we have seen over the past several years. We are also recommending no change in cart rental fees, which would keep our rates equal to the average of high-end courses in the Twin Cities. Based on this, the total revenue in 2026 for cart rentals would be \$401,000.

Through our twenty years of operation, the driving range has been a popular element of the facility. One attribute contributing to the success of our driving range is the size of the practice facility, being one of the larger driving ranges on golf courses in the area. For projection purposes, we have assumed that 20% of golfers will use the range before playing, with an additional 40 people per day will come to the facility solely to use the practice complex. For 2025 we are proposing that we budget this number at \$188,700, as that would keep it very close to what we saw in 2025. It should be noted that one of the improvements we made to the Driving Range in 2023 was the addition of mats on a concrete slab at the back of the driving range. We have used these in the early and wet parts of the season to keep our Driving Range in good condition. We believe over time that this will increase the use of our Driving Range during the season as we can keep our tee box area in better shape throughout the entire season.

Pro Shop sales continued to be strong in 2025. In 2026 we are proposing a budget of \$408,000 for Pro Shop sales. This is very similar to what we budgeted in 2025.

A key service element of the facility is the provision of a quality food and beverage operation, while at the same time assuring that this element does not become a financial drain on the operation. In 2016, we changed vendors, as Charlie's Grill had its final year of operation in 2015. Charlie's set a new bar for expectation of our food service at the Chaska Town Course, which was important for us to keep or improve with the new vendor coming into the facility.

After completing an RFP Process, the City Council did choose to go with the new vendor, Oak 19 Grill. While the Town Course did have to undergo approximately \$150,000 in upgrades to the kitchen prior to the 2016 season to be able to handle a new vendor coming into the facility, and to increase offerings to our Patrons, Oak 19 has been a very positive addition to the Chaska Town Course, as we illustrated each year through their high sales and fantastic feedback from patrons.

Oak 19 did have their lease renewal in 2021, which not only increased the number of years they will be at the facility, but also changed the percentage that we charge for rent to be more responsive to market changes. The current lease has them paying 6% of total revenue based on both their alcohol and food sales. 2021 was the first year of this change, with the restaurant earning close to \$80,000, which was above the \$40,000 we budgeted. And even though our percentage for alcohol went down in the new lease structure, we saw the revenue be significantly greater than the \$41,873 that was generated in 2020. For 2026 we are budgeting \$61,200 to keep our projections conservative. It should be noted that 2026 is the last year of their current lease. They have indicated a desire to stay in this space, and we think they have been a consistent and positive service element at our Course since starting in 2016. It would be our intent to try to renew the lease to allow them to keep on operating out of our facility past 2026.

Operating Expenses

For the Chaska Town Course to be considered a high-end public facility, the turf maintenance needs to be a very high priority. During the past few Golf Seasons, we have had some of the best turf conditions since our course opened. We received very good comments from the USGA on our turf condition when the US Amateur was hosted at the CTC in 2024. This has also been confirmed in feedback we have received from golfers in our surveys and has helped us continue to drive patrons to our course during the summer of 2025.

To achieve the objective of having high-quality turf we have attempted to establish a maintenance budget that will permit adequate resources for above-average maintenance. The key to achieving this objective is attracting and retaining high quality dedicated personnel. It is imperative that our full-time personnel not only have the technical capabilities to maintain a high-level facility, but also (and possibly more importantly) have true ownership in the course and a commitment to the facility's quality.

The budget anticipates staffing levels the same as in 2026, with five full-time Greenskeepers, plus a Superintendent who is responsible for the maintenance of the Chaska Town Course facility as well as the Loop that just opened during the summer of 2024.

As in the past these full-time positions will be supplemented by eight, 6-month and six 4-month seasonal employees. The total budgeted expenses for 2026 are \$1,355,022. This is a 13.86% decrease from 2025. This does not mean that we are putting less resources towards the day-to-day maintenance of the course but simply means we have less Capital improvement and replacement projects scheduled for 2026.

The second cost component of the golf course operation is the Clubhouse and its related activities. Our objective is to differentiate the Town Course and Clubhouse operation from other courses through a noticeable difference in its commitment to customer service. Achieving this objective will be significantly affected by the quality, skill and personality of personnel hired to staff the complex. The overall responsibility of the Clubhouse operation is the responsibility of the Club Pro. For 2024 expenses were budgeted at \$1,208,856, with them being budgeted at \$1,286,818 in 2025. For 2026, this will go up to \$1,320,625, which is a 2.63% increase from 2025.

The final cost component that is critical to maintaining a high-quality course is continuing to invest in timely replacement of our maintenance equipment and capital improvements to the facility. For 2026, the following are the improvements we would be making to the facility in the upcoming year:

Capital Improvements:

- Irrigation Satellites: \$40,000
- Repaving the other half of the parking lot: \$125,000
- Replacement of Garbage enclosure, Oak 19 Bar Tile and Doors in the Clubhouse Facility

The following is the proposed Expenditure Budget for 2026:

Expenses	Actual 2024	Budget 2025	Budget 2026	Change	Change
Course Maintenance	\$1,276,122	\$1,573,016	\$1,355,022	-\$217,994	-13.86%
Course Admin/Clubhouse	\$1,237,152	\$1,286,818	\$1,320,625	\$33,807	2.63%
Merchandise	\$345,738	\$250,000	\$251,250	\$1,250	0.50%
Debt Service (Equip)	\$45,884	\$310,100	\$312,800	\$2,700	0.87%
Transfers Out/Debt Service	\$0	\$0	\$0	\$0	
Misc	\$0	\$0	\$0	\$0	
Depreciation	\$0	\$0	\$0	\$0	
Total Expenses	\$2,904,896	\$3,419,934	\$3,239,697	-\$180,237	-5.27%

Based on the proposed expenditures, we would expect the Town Course to gain \$66,383 in revenue to increase its cash balance. If the rounds of golf end up being like what we have seen over the past 5 years, we would expect to see a gain in our Fund Balance even greater than this, as we based our budgeted revenues on 38,500 rounds, when our actual 5-year average is close to 40,000 rounds.

With the Town Course making the changes in discount percentages for residents, and with the great reputation our course has for being a high-quality facility, we think that we are setting ourselves up well to continue to be successful in the future and continue to be a premier facility that can both attract people to live in our community and to encourage people from out of town to visit.

Utility Fund Overview

The Utility Fund Budgets are categorized for the City's four utilities: water, sewer, electric and storm sewer. The total proposed budgets for these four utilities have been developed based on the following objectives:

- *Providing the necessary resources for each utility to assure continuation of quality and reliable services to our customers.*
- *Maintaining water/sewer/storm sewer rates competitive with comparable cities.*
- *Maintaining residential electric rates less than comparable rates charged by Xcel.*

- *Maintaining competitive industrial and commercial electric rates compared with Xcel, while also making sure we maintain a system that provides reliability for our customers and does not expose us to undo risk.*
- *Minimizing drastic changes in utility rates while at the same time maintaining adequate cash reserves for each enterprise.*

As I will discuss in greater detail through this section of the Budget Report, the continued focus for our utilities in 2026, as it has been in the past, is to implement of recommendations of our most recent Cost-of-Service study analysis we completed for all of our utilities, while also balancing those recommendations with the pricing objectives listed above. The purpose of completing a detailed cost of service study analysis is to identify all current and future operational needs of each fund, as well as the timely maintenance of our existing systems. We also use this study to identify new additions to our system that will be needed for future growth, so we can make sure that we have enough financial resources available to support the sustainability of our entire utility system into the future.

The results of this Cost-of-Service study provide us with data that can help accomplish the following objectives in each of our utilities:

- Accurately set our rates (variable costs)
- Accurately set our service charges (fixed costs)
- Equitably set our rate structure to assure that our users are being charged properly based on their usage
- Set rates to encourage desired consumer behaviors to help conserve our finite resources
- Set rates to be able to accommodate all necessary maintenance and improvement activities in the future, ensuring that we have a proper level of reserves available in each fund to make our systems sustainable and to meet all requirements put in place for financing the costs of these improvements

Over the past 12 months, we have completed our latest Cost-of-Service study for each of our utilities. The results of these Cost-of-service studies provide the City with a concrete and data-driven analysis to set our rates precisely to accomplish the objectives we have in each fund. If the quantitative results of a Cost-of-Service study are used to set both our current and future rates, as well as set the work plan for when improvements or additions to our system need to occur, the results can provide confidence to our residents and businesses that we are planning for a sustainable system in the future while also keeping our rate structure as competitive as possible. It can also allow us to plan for changes over a longer period to try to avoid large changes in rates at any given time.

As you will see through the discussion of each of our Utilities in this section of the Budget Report, we did rely on our most recent Cost-of-Service study findings to drive our recommendations this year, and to know how we should look at the next 5-year period. We strive to complete a Cost-of-Service study every five years to stay current with the assumptions that we are making, and to factor in any changes that were not anticipated during previous studies. In this way, we can have more confidence with the data we are

using when making decisions about what work we will need to complete in each utility, and the revenue that will be needed to support this work. As mentioned previously, we completed our most recent study within the past 12 months meaning that the assumptions we are using are very current.

I will be talking about the Cost-of-Service study as it relates to each individual Utility Fund throughout this section of the Budget Report as there are different issues and factors that affect each utility. In the end, you will see how we meshed these findings together to try to provide the average user with a reasonable overall rate increase for all utilities for 2026, although some utilities may see larger individual changes than others. Below is a chart that illustrates our total increase for all utilities in 2026 for an average residential user in each utility. As you will see, our average residential user will experience a 4.87% overall increase, which would result in an actual increase of \$9.82 per month for the total utility bill.

Utility	Units/Month	2025 Bill	2026 Bill	\$ Increase	% Increase	COS Revenue Target
Electric	750 (kWh)	\$131.32	\$135.08	\$3.76	2.86%	3.50%
Water	4 (Gal x 1000)	\$21.78	\$23.92	\$2.14	9.83%	8.00%
Sewer	4 (Gal X 1000)	\$35.65	\$39.05	\$3.40	9.54%	9.50%
Storm Water	1	\$12.77	\$13.29	\$0.52	4.07%	4.07%
TOTAL		\$201.52	\$211.34	\$9.82	4.87%	

Water Fund

As will be discussed in more detail in the breakdown of the Water Fund budget, the City of Chaska did move forward with making some significant changes to the Water Utility rates starting in 2010, as it was found through a comprehensive Water Rate Analysis at that time that the City's water rates were set significantly lower than what was needed both to fund the future maintenance activities of our existing system, and to fund a portion of the debt service on the new Water Treatment Plant. The study found that over the 10-year planning period, our Water Fund would have been \$7 million in debt if changes were not made to our rate structure in the short term. Over the course of 2010 and 2011 our rates were significantly changed to get the base closer to where it should be. However, because our rates were so low to begin with, these changes were able to be made while maintaining our rates at a very competitive level compared to our neighboring communities.

Because of the large changes that were made in 2010 with our first Water Rate Cost-of-Service Study, this allowed our Water Fund to stabilize over the last fifteen years and now allows us to really focus on the fine-tune details of our fund and rate structure to make sure that we are structuring our rates correctly to meet both our future needs while also making sure that the cost of our services are equitably spread to users that have the greatest impact on our system.

As we will discuss in the Water Fund section below, the main findings we had in our Cost-of-Service study are that water usage in general has decreased and that too much of our costs in the past had been allocated to our rates instead of our service fees, which cover our fixed costs. These fixed costs are the expenses we have regardless of how much

water is utilized, and reflect the costs associated with simply making sure water service is available to customers, whether they use it or not.

Consequently, although we do need to increase our overall revenue to meet our long-term financial needs, as much of this change needs to come from our fixed service charge as it does changes in our rate structure. The key to the Cost-of-Service Study findings is to make sure we have the right expenses classified as fixed or variable costs, so we know both where and how much we need to change our rates.

As you will see in the 2026 budget for the Water Fund, the revenue target established in the Cost-of-Service Study for this year is an overall increase of 8% in total revenue to the fund. Based on that target, this would have an impact on the average user by increasing their bill by 9.83% over what they were paying for the same service level in 2025. Based on the cost-of-service study findings, for an average user of water, the increase in their water rates would go up by 8%, while also increasing the service charge by 8%. Making these changes would have an actual dollar impact on the average user of \$2.14 per month.

The other major change that we have continued to see over the last decade is the decrease in overall water usage that we are seeing in our community. Where the average user in the past used around 7,000 gallons per month, this has gone down to about 4,000 gallons per month as we have seen more appliances, shower fixtures and smart irrigation systems contributing to less water usage overall. Because the average monthly water usage has decreased, this has required us to change our tiered rate structure to assure both that we have it structured in a way that encourages water conservation (i.e. using 7,000 gallons now is no longer seen as conserving water), and to also put more of the burden of our water system costs on those who choose to use more than the average user in the community.

When we initially established our tiered water rate structure in 2010, the average residential user in the community utilized 7,000 gallons per month. That number has gone down to 4,000 gallons per month. As a result, in 2021 we changed the rate tiers in the Water Fund to make sure that we were not rewarding users that utilize more than what the average user should use. I will also discuss in the Water Fund's section of the budget how the percentage increase in our variable water rates went up by a higher percentage the more water that one uses, with the lowest users seeing an 8% increase and our highest users seeing an 14% increase. In this way we are helping to meet our goal of setting our rates in such a way that it rewards and encourages the types of conservation we desire to help preserve our limited water resources.

Electric Fund

From an electric fund perspective, our total rates in 2025, including the Energy Adjustment Clause, averaged 8.2% lower than Xcel for residential customers. In 2024 we were 11.46% lower than Xcel. However, the rate that Xcel was using for 2024 was an Interim rate as they went through a rate increase case with the Minnesota Public Utilities Commission. It was determined through that process that their rates would not be allowed to be that high. Because of this, they were required to lower their rates, and to refund to their customers the difference between what they paid and what eventually

was allowed for a rate. So, although we were going up against Xcel not only lowering their rates, but also refunding dollars which reduced their customer's overall cost, we still ended up 8.2% lower. Xcel is currently back in front of the MN PUC for another rate increase request which will likely take the entire year to determine what will be allowed. In the meantime, they are charging an increased interim rate on what they believe they will be allowed to charge for their rates after the PUC completes their process.

While these results have been very good for our customers, who not only experience lower rates than Xcel, but also a higher reliability of service, this will be something that we will need to continue to watch, as both Chaska Electric and Xcel are going to have to make major investments in the future to meet new electricity standards created by the State. These mandates will require us to have 80% of our energy from carbon free sources by 2030, and 100% from carbon free sources in 2040. This will clearly have a cost associated with it, as this standard is significantly higher than the standard we had before (and had already met) of having 25% of our electricity from renewable sources by 2025. Currently we average about 48% of our energy coming from renewable sources over the course of a year. This will make it critical to have our wholesale power provider (MMPA) not only focus on how we can meet the standards that have been set but do it in a way that keeps us competitive with Xcel over the long term.

As we will discuss in the Electric Fund Section of the Budget Report, our Cost-of-Service study looked at many different factors in our current rate structure. Besides making sure that we can meet all our future maintenance and development needs, and maintain an adequate cash balance in the Fund, the major finding in the Electric analysis was very similar to the Water Fund, in that it found that we are currently allocating too much of our cost to our rates, which cover variable costs, and not enough to our service charges that cover our fixed costs.

Consequently, the recommendation in the Cost-of-Service study for 2026 is to continue to increase our fixed customer service charge by a slightly higher percentage than our actual rates to properly allocate our costs. For 2026, it recommends that we increase our Service Charge by 3.6%, with our rates going up by 3.5%. As we do this, we will have to keep an eye on our market comparisons with Xcel to make sure that our service charges do not get too high. Over the past few years, even though we would have preferred to allocate more dollars to our service fee, we ultimately did not because it would have put our service fees at a higher rate than Xcel. We did have some room to be able to increase it in 2025, although not at the levels the Cost-of-Service Study would have recommended. The same holds true now, as we would like to see our Service Charge go up more than 3.6%, but we are keeping it to that to make sure we stay competitive with Xcel.

Sewer Fund

From a sewer perspective, a major factor that drives our cost of service is our charge from the Met Council for the treatment of our sewage. This is a fee that is charged to all municipalities in the Twin Cities that are on Metro Sewer, which means that we see similarities between Metro municipalities in Sewer Rates due to the treatment being centralized within the Met Council. Our Met Council rate for 2026 is scheduled to go up by 9.86% to approximately \$4,365,000 million. This compares to our charge in 2025

which was just under \$4.0 million. This fee is determined by the Met Council by what other cities used in 2024 for sewer services compared to what our community used. Our community saw a 10.62% increase in our actual sewer usage in 2024, which leads to the overall cost increase we will see on our 2026 bill. This is a fixed charge that we know before the budget year has begun, and one that we have no control over.

As for our Cost-of-Service study findings in the Sewer Fund, we once again found that our focus needs to be on setting our fixed service charge correctly as we have not necessarily allocated our costs equitably in the past. We started making changes to our Sewer Service Charges eight years ago. After six years we were able to implement the ultimate service charge being recommended. As we did achieve the proper service charge level, we think our service fee continues to be properly set for 2026 and are recommending no increase for next year. As for our rates, with the Met Council rate going up for 2026, we do need to adjust our rates accordingly to make sure that we are not subsidizing our fees to the Met Council with prior year Sewer Fund balances. Based both on our Met Council costs increasing, and our internal needs to address capital improvements and maintenance we need to do to our system, we would see our rates needing to go up by 9.54% in 2026. For the average user, this would have their bill going up by \$3.40 per month.

Storm Sewer

Finally, with the Storm Sewer Utility, we did not include this in our overall Cost-of-Service study, mainly because this is a relatively new utility, and we have been making many changes to this over the past several years to get this set correctly based on the additional information we collect each year we have had this utility in existence. As we have discussed in detail, the activities have continued to increase in this fund, as there are both changing mandates from the State of Minnesota to follow, and heavy rain seasons that have put pressure on our Storm Water System. In 2018, to recognize the increased activities we were having in this fund, and to recognize that the work done in a River community, such as Chaska, is significantly more than a typical community, the methodology that Staff used to compare Chaska rates changed, with us comparing ourselves to other similar waterfront communities in the State that have similar expenses in their Storm Water Fund. We feel that this has created a more accurate base to compare ourselves. Based on our activity load and needs in the fund, as well as our comparisons to other similar communities, an increase in rates of 4% is recommended for 2026, which would equate to a \$0.52 increase per month. This will keep us competitive with Cities our size and at least cover the needs that we have in the fund for the next year. As we talked about during budget discussions, this Fund has seen the greatest percentage of increase in costs over the past decade due to increased mandates and changing weather patterns. We currently do not have our rates at a level that allows us to build up cash reserves for unexpected items that might come along, or even for doing projects that take resources greater than our annual operating budget can handle. We will have to be cognizant of this in the future and try to come up with strategies for building a cash reserve while also staying competitive with other comparable cities.

Again, based on the changes that are being recommended, which will be discussed in more detail in following sections, below is a breakdown of what a typical resident can

expect for total bill in 2026 compared to 2025 for all City utilities. As you will see, based on the recommendations above, the average user would see a 4.87% increase in all their Utility Rates for 2026, which translates into an increase of \$9.82 in increased costs each month for the average household in the community.

Utility	Units/Month	2025 Bill	2026 Bill	\$ Increase	% Increase	COS Revenue Target
Electric	750 (kWh)	\$131.32	\$135.08	\$3.76	2.86%	3.50%
Water	4 (Gal x 1000)	\$21.78	\$23.92	\$2.14	9.83%	8.00%
Sewer	4 (Gal X 1000)	\$35.65	\$39.05	\$3.40	9.54%	9.50%
Storm Water	1	\$12.77	\$13.29	\$0.52	4.07%	4.07%
TOTAL		\$201.52	\$211.34	\$9.82	4.87%	

Water Fund

As was mentioned previously, the City of Chaska recently completed a Cost-of-Service study for our utilities. This was a follow-up study we had completed over a decade ago and updated again 5 years ago. The initial study we completed over a decade ago introduced an inclining block rate structure to help incent our residents to conserve more of this finite resource, and the subsequent studies have worked to get our rates to a point where we could start to build adequate cash reserves in the Fund to be able to plan for future maintenance and improvement work that will be needed within our Water System. The intent of our most recent update was to evaluate how things have worked since our initial analysis of the system, and to identify any changes we need to plan to meet all our physical and financial objectives

within this fund. We are utilizing the recommendations from the study we most recently completed to develop the recommendations for where we go with rates in 2026 and what capital improvement and maintenance projects we need to plan to do over the next year.

The overall objective of the analysis we have completed is:

Identify all current and future operational needs, as well as timely maintenance of our existing system and new additions to our system needed to support future growth, making sure we have enough financial resources available to support the sustainability of our Water System, and to be able to have quantifiable data to support the accurate setting of our variable rates and service charges that support the fixed costs within our system

Findings of Water Cost of Service Study

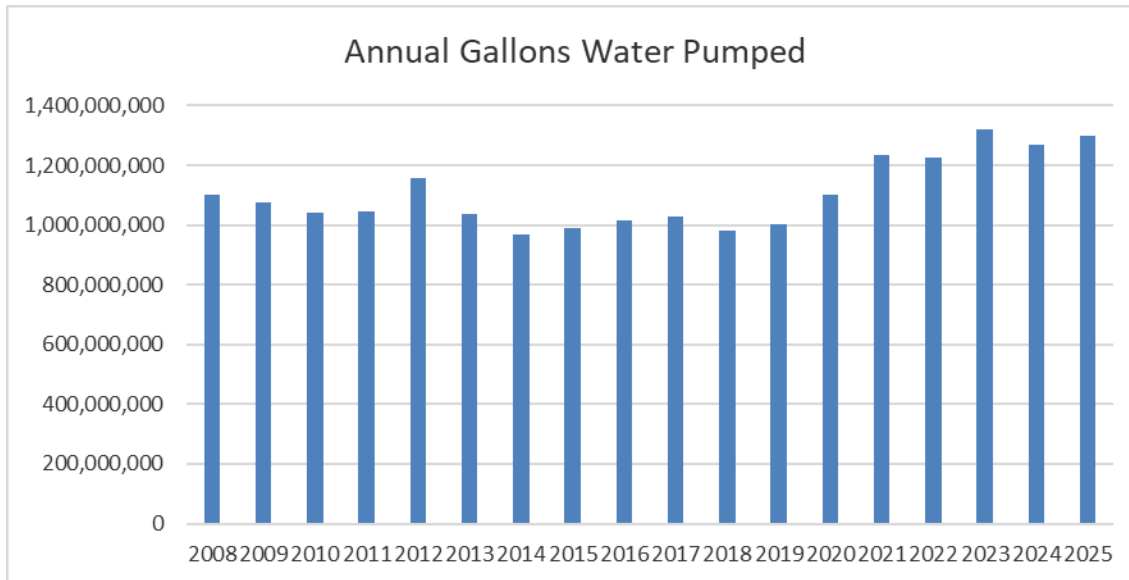
While a major reason we complete a financial analysis of our Water System on a regular basis is to give us confidence that we are generating enough financial resources to be able to ensure a sustainable system as we go into the future, another major objective that we try to achieve is making sure that not only are we collecting enough revenue to support the system, but that we are generating these revenues in an equitable way. We want to make sure that not only are we setting rates to benefit those residents and businesses that actively work to conserve our water resources, but that we also are setting our fixed charges in a way that makes sure everyone is paying their fair share of system costs whether they use the system or not. There are fixed costs that exist to ensure water is made available to a home or a business whether they use any water or not. In other words, there is a cost in just making this resource available to everyone that we need to make sure we cover through our fixed service charges.

To that end, looking at the rate structure of our Water Utility was a major focus of our latest Cost-of-Service Study. The major findings of the Water Analysis were:

1. Water consumption by typical users has decreased over the past several years and our Tiered-Rate structure has had to change to reflect decreasing water usage (i.e. we should not continue to give the lowest rates to those that are now using more water than average, although it may have been the average usage in the past).
2. Continued focus needs to be put on increasing our service charge in the Water Fund to continue to make sure that we are covering the fixed costs within our system (i.e. there are costs we incur for each home that exist whether or not someone uses any water-there is value to each home in just having water available to use)
3. Our City facilities are not currently contributing fairly to our Water System costs. We need to continue the work we have been undertaking for the past several years of slowly moving each of our facilities to paying the normal utility rate so our utilities are not subsidizing functions within other parts of our organization.

Water Usage Continues to Drop

As mentioned previously, one trend that we have seen in water usage over the past decade is the overall decrease in water usage per customer that we have in the system. As the Chart below illustrates, our water usage in 2008 was 1,100,000,000 gallons, compared to the usage in 2025, which we were approximately 1,300,000 for the year. While the number in 2025 is higher, it is not significantly higher than it was in 2008. At the same time, we have significantly more residential units and businesses in the community than we had in 2008, meaning that the usage per customer has gone down over this 17-year period.



This decrease in our customers’ water usage has come mainly because of technological changes that have made water conservation much easier. This includes technology like low flow plumbing fixtures, as well as “smart” technology in lawn irrigation that only waters the lawn when it is needed.

As we completed our Cost-of-Service Study five years ago, one thing that we found is that the average usage of water per household dropped from around 7,000 gallons per month, down to 4,000 gallons per month. This was confirmed in the latest study we completed. While the latest study did indicate that we needed to increase our three lowest tiered rates by 8% to be able to keep up with the current and future costs in the fund, it did recommend that we adjust the higher tiers of water usage in our rate structure at higher rates to make sure that we are still providing a benefit to those who conserve water as opposed to those who utilize a higher-than-average amount of water. Our intent with our rate structure is that we do not penalize our average users, but that people only pay a higher rate if they are using more than what our data would show the average user would consume. In this respect, we are putting more of the burden for the cost of our system on those who consume it at a rate higher than most of our residents and businesses. For 2026, the Cost-of-Service Study indicated that beyond the 8% increase in our lowest three tiers of water usage, that we should increase the highest tiers by 10%, 12% and 14% respectively.

Below is the chart that came out of our Cost-of-Service study 5 years ago where it illustrated both what we had as our rate structures in the past, and how if we would have kept that structure, 72% of the residents in our community would be in the lowest tier of water usage. That means that our tiers were not structured properly to have the lowest tiers represent the true average of water usage in the community. The structure on the right is what we moved to, which illustrates how 50% of the water usage is now in the bottom two tiers, which means that they will get the best rate for their water for not using more than average. Again, this structure was not put in place to punish those who use more water, but to make sure that people who do not use above-average water usage are subsidizing those who use more than what our data would say is average.

Current Structure (gallons)	Percent of bills ending in block	2021 Structure (gallons)	Group	Percent of bills ending in block
0 to 7,000	72%	0 to 2,000	Small home	8%
7,001 to 20,000	23%	2,001 to 5,000	Average home	42%
20,001 to 30,000	3%	5,001 to 8,000	Large home	28%
30,001 to 40,000	1%	8,001 to 12,000	Some sprinkling	10%
40,000 +	1%	12,001 to 40,000	More sprinkling	11%
		40,000 +	High use	1%

As you can see from the chart above, if we had kept the tier structure where we had it when our first Cost-of-Service study was completed (the first tier would go up to 7,000 gallons per month) 78% of our users would fall into the first tier. This means that some would receive the benefit of a rate meant to reward consumers who use less than average water in their home. With 4,000 gallons per month being the average, we would have users using almost twice as much as the average receiving the lowest tiered rate, which would do little to incent residents to conserve their water usage.

Based on this, in 2021 we changed the tiered structure of our rates to what was recommended in our Cost-of-Service Study. It should also be noted that many Cities ended up changing their tiered structure around the same time because of stricter requirements being put on cities by the DNR who regulates the drilling of new wells. Because of their push for Cities to adopt a different tiered rate structure, we now see that most cities have a tiered system very similar to ours.

With the rate structure now set, and the Cost-of-Service Study recommending a revenue target of 8% on our base rates for 2026, below are the rates being recommended for the upcoming year:

Rate Tiers (Gallons)	2025 Rates	2026 Rates	Percent Increase
0-2,000	\$3.09	\$3.34	8%
2,001-5,000	\$3.32	\$3.59	8%
5,001-8,000	\$3.62	\$3.91	8%
8,001-12,000	\$4.04	\$4.45	10%
12,001-40,000	\$4.58	\$5.13	12%
40,001 & Above	\$5.87	\$6.70	14%

Service Charges To Support Fixed Costs

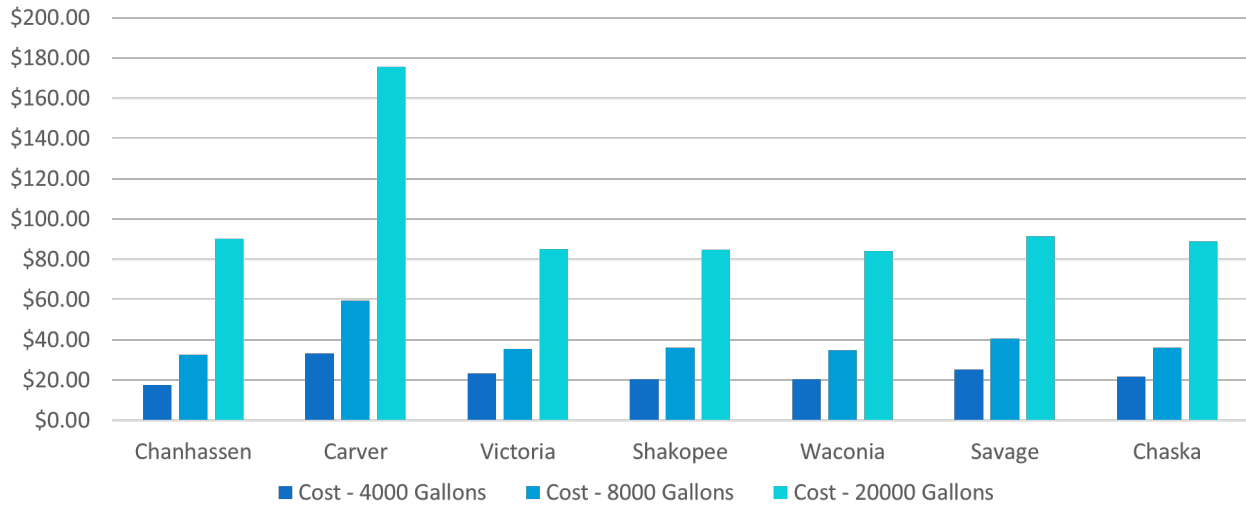
The purpose of a service charge on a utility account is to make sure that we can capture all those fixed costs that we have, regardless if someone uses any water or not. Some of these costs include Utility Billing, our Staffing and equipment costs and the cost of our facilities (i.e. debt service costs on our Water Treatment Plant). These are costs that we have regardless of the amount of water utilized, and to make sure that when people do want to utilize our water system it is available.

What our most current Cost-of-Service Study found was that while we have made progress on getting our fixed Service Fee up to a level that better captures our fixed costs, we still have some work to do to equitably fund our fixed costs and not have them subsidized through our water usage rates. Specifically, for 2026, the Study recommends that we increase our service fee by 8%, which would bring it from \$8.15 per month up to \$8.80 per month. We will continue to utilize the results of this study when we set fixed service fees in future years.

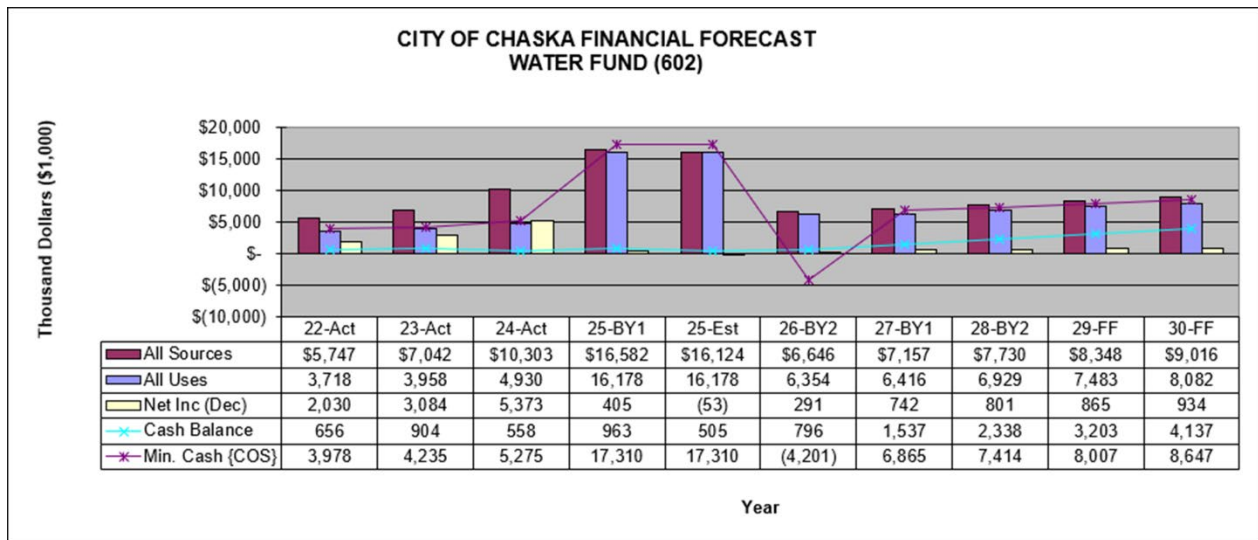
Based on looking at both our tiered rate structure and our fixed service fee, while the water bill for the average user is going to go up by 9.83%, this will occur by them seeing approximately an 8% increase in their water rates (variable cost) with another 8% being the increase to their service charge. The total increased cost for the average user would be \$2.14 per month increase. The chart below helps illustrate this.

Utility	Units/Month	2025 Bill	2026 Bill	\$ Increase	% Increase
Water	4 (Gal X1000)	\$21.78	\$23.92	\$2.14	9.83%

While the Cost-of-Service study does adjust our rates to accommodate our future needs, it does so in a way that keeps our rates competitive with surrounding communities. Below is a chart which illustrates how we compare other cities in the area:



It should be noted that based on our last Cost-of-Service study, the recommended minimum cash reserve in our Fund at the end of 5 years should be about \$5.3 million. As you will see on the following chart, while we anticipate that we will still be short of that goal within the 5 years from when the study was completed that we are heading in the right direction to meet this goal. This will continue to be a target as we look at future year's budget and rate setting.



2026 Budget

Based on the changes in rates described above, the Water Fund Revenues for 2026 are budgeted to be \$6,710,540 compared to the 2025 budget of \$16,582,340. While this represents a significant decrease in revenues from 2025 (-59.53%), it is important to note that \$11,000,000 of the total revenues in 2011 was Bond Proceeds we sold to pay for the construction of 3 wells we drilled to meet our expanded demand in our community, as well as a major water trunk replacement project that went along with the reconstruction of Engler Boulevard. The numbers in 2025 would be much closer if we had not completed those capital projects budgeted in the 2025 year. We adjusted down our estimates for water usage when we factored in weather factors. Other factors in the revenue are based on natural increases we will see in the community next year with growth.

As for expenditures in the fund, we are not planning for any major operational shifts from what we saw in 2025. We will see the start of construction on our second water treatment plant, but at least half of those revenues will come from our Water Trunk Fund, which is supported through development fees as opposed to water usage like we see in our Water Operational Fund.

The major categories of revenues and expenses in the Water Fund as compared to past years are presented below:

Water	Actual	Budget	Budget	
	2024	2025	2026	% Change
Revenues				
Metered	\$24,330,400	\$16,123,840	\$5,722,040	-64.51%
Other	\$229,630	\$50,500	\$50,500	0.00%
Transfers In	\$468,000	\$408,000	\$938,000	129.90%
Total	\$25,028,030	\$16,582,340	\$6,710,540	-59.53%
Expenses				
Pumping	\$381,388	\$684,709	\$672,611	-1.77%
Treatment	\$496,271	\$569,598	\$584,643	2.64%
Distribution	\$700,803	\$12,236,271	\$1,294,590	-89.42%
Administration	\$884,858	\$968,270	\$1,026,493	6.01%
Utility Billing	\$154,919	\$167,375	\$164,766	-1.56%
Depreciation	\$1,759,100	\$0	\$0	0.00%
Debt Service	\$152,515	\$1,170,000	\$2,216,000	89.40%
Tranfers Out	\$339,112	\$398,400	\$391,900	-1.63%
Other	\$795,651	\$870,416	\$168,093	-80.69%
Total	\$5,509,698	\$16,897,664	\$6,354,330	-62.40%

Total water expenses for 2026 are programmed to be \$6,354,330. This compares with \$16,897,664 budgeted in 2025. As with revenues, the percentage decrease in expenditures for 2026 is much higher than usual because we do not have the major capital projects included in the 2026 Operational Budget. If not for this, the change between 2025 and 2026 would be more typical.

The following are the major activities we are planning for in the year 2026:

- Continue to contribute \$70,000 annually towards our Street Reconstruction Program
- Complete normal Well Maintenance with Well #4 and #6 scheduled for 2026 for \$125,000 a piece
- Replacement of Pipe in front of Crown Extrusion (pipe bursting method): \$1,000,000
- Replacement of 3 Existing Trucks in our Fleet: \$210,000 (shared expense with Sewer)

- Addition of an in-house GIS Specialist that would be shared in cost with the Electric, Water Sewer and Storm Water Funds
- Continued implementation of our new Meter system (AMI) with a debt service for \$185,000 a year for a 10-year period starting in 2024 (Total Water cost towards this project is \$1,250,000)
- Construction of the 2nd Water Treatment Plant facility (split cost with Water Trunk Fund)
- Contribution towards the Building Improvement Program, getting it up to \$370,000 per year by 2028 (just like sewer) to support debt service on buildings attributable to our Utility Funds

Based on this budget that is being proposed, we would see a \$356,210 increase in our Fund Balance, with us continuing to strive to meet our goal of getting our cash reserves up to the amount recommended in our Cost-of-Service Study.

Sewer

Cost-of-Service Study Findings

Just like in the Water Fund, the Sewer Fund is a part of the overall Cost-of-Service Study for our utilities. As the original study found, 91% of our Sewer System is depreciated, with several old sewer pipes in our community needing to be replaced (many of which we have replaced as we have completed the reconstruction of our downtown streets). Also, just like our Water Fund, the main finding of the Sewer Fund's portion of the Study found that we have not kept up with our monthly service charges to be able to properly capture the fixed costs we have in our system and make sure that they are equitably spread across our residents whether they utilize our system or not (i.e. when snowbirds go away for the winter).

Just like in the Water Fund, there are several fixed costs associated with our system that we need to pay for regardless of whether someone is using our Sewer system or not. They are costs that need to be covered just to provide access to our system when it is needed. These costs include Utility Billing, Staffing and Equipment Costs, as well as things such as our facilities and their upkeep. They do not include things like our Met Council Sewer Treatment Charge, which is a variable cost based on the amount of sewage our City has used in the past year.

Just like in the Water Fund, it is important that people contribute to these fixed costs, whether they use the system or not to make sure that there is equity in how our system is paid for, and that the users of our system are not subsidizing those who might need access to the system but may not use it.

Unlike the Water Fund, where we just started implementing our fixed service charges in 2021, we started making this change in the Sewer Fund in 2019, as we had no service charge in place in our Sewer Fund prior to that time. In fact, as you will see from the chart below, we finished the ramp up of our service charge in 2023. With our latest Cost-of-Service study, it provided recommendations for how we increase this each year to make sure that we are keeping up with growth and changes in our system over time.

COS Customer Charge	38 Meters		54 Meters	
	Residential : Class 1	Commercial : Class 2	Industrial : Class 3.1 (5/8", 3/4" & 1")	Industrial : Class 3.2 (1.5" and above)
Total Customer COS	\$ 8.23	\$ 15.65	\$ 26.93	
3 Year Correction (\$/year change)	\$ 1.08	\$ 3.55	\$ (7.69)	\$ -
Current Customer Charge	\$ 5.00	\$ 5.00	\$ 50.00	\$ 50.00
Year 4 of 6 (2021)	\$ 6.08	\$ 8.55	\$ 26.93	\$ 50.00
Year 5 of 6 (2022)	7.15	12.10	26.93	50.00
Year 6 of 6 (2023)	8.23	15.65	26.93	50.00

In 2024, due to a very high increase in our Met Council Sewer Service Fee, we opted not to move forward with making an increase to our Sewer Service Charge, even though our charge was not yet set to capture all our fixed costs. We were trying to create a balance between needing to keep up with our fixed cost increases while at the same time being cognizant of the overall increase in a resident’s utility bill. Last year, to make sure that we got back on track with getting our Service Fee properly set, we increased the service charge to \$8.45 per month for a residential customer, compared to the \$8.23 per month we had in 2023 and 2024. This represented a 2.7% increase. In 2026, our Cost-of-Service Study would recommend that we increase our service fee by 9.5%, which would bring the total monthly cost for this fixed fee to \$9.25.

Just like in our Water Fund, greater emphasis was placed in the Cost-of-Service Study on getting the service charges set correctly than on our usage rates, which the Study found were not far from where they should be. However, one significant difference between the Water Fund and the Sewer Fund is that the Sewer Fund has most of its variable costs controlled by factors external to our organization. This is because the Met Council provides all treatment of our sewer through their regional plant infrastructure. So, while our Water Fund’s variable rates can be relatively stable and predictable because we control the entire system, the Sewer Fund’s variable rates are often much more unpredictable and volatile. It is also impacted by the way other cities utilize the sewer system-not just ours, as it is a regional service.

For 2025, we actually saw our Met Council fees go down by 4.71%, which decreased our annual cost from \$4,170,070 (2024) to \$3,973,648 (2025). The Met Council determines this fee by looking at the sewer usage in the community two years prior to the year that they will bill for. As we have seen significant growth in the community over the past few years, it should not be surprising that the Met Council charge for 2026 is going up. The 2026 fee will go up by 9.86%, which represents an actual dollar amount of \$4,365,617. This increase comes from a 10.62% increase in the number of gallons of sewage treated by the Met Council from our community. The Met Council Fee represents 52% of our total costs in our Sewer Fund in 2026.

One of the objectives that we have of our Sewer Fund is that we do not subsidize any of our rate increases from reserves that we have in the Sewer Fund, as this would negatively impact our ability to utilize these reserves to continue to reinvest back into our system which in many areas of the City is very old. Based upon that objective, below is what the bill for an average user will look like in 2026:

Utility	Units/Month	2025 Bill	2026 Bill	\$ Increase	% Increase
Sewer	4 (Gal X1000)	\$35.65	\$39.05	\$3.40	9.54%

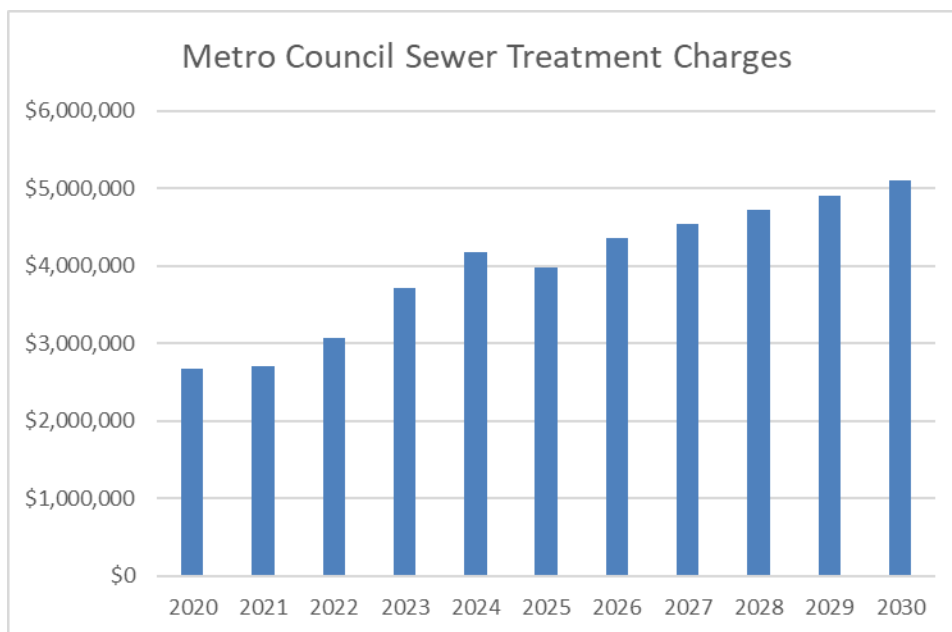
As you can see above, the increase to the average user’s bill would be \$3.40 per month, representing a 9.54% increase in their overall bill. Much of this cost increase is needed to be able to address the 9.86% increase in our Met Council fees.

2026 Budget

Sewer Fund revenues for 2026 are anticipated to be \$9,166,650, a 14.18% increase over the budget in 2026. As mentioned previously, the main cause of this increase comes from the increase in our fee to Met Council for treatment, which is increasing by 9.86%. The additional revenue increases are coming mainly from the growth we are experiencing in the community and the work we need to complete to accommodate this growth.

Metro Waste treats all the sewage for not only Chaska, but for each of the Cities in the Twin Cities Metropolitan Service Area. It is the largest single factor of costs for our sewage service, as what we do locally is only to collect the waste that then gets transported to the Treatment Facility in Shakopee (Blue Lake Regional Treatment Plant). As mentioned previously, the Met Council's fee in 2026 will make up 52% of our overall expenditures.

The following is a chart illustrating the cost increases we have seen since 2020, and what we expect as we look out over our planning horizon:



You can see in the chart above that our rates have been trending upwards since 2020, with there being significant increases in 2023 and 2024 and somewhat leveling off to more gradual growth since then. As in the past, the treatment fee will be mainly driven by the increase in the actual gallons of sewage treated as our community grows.

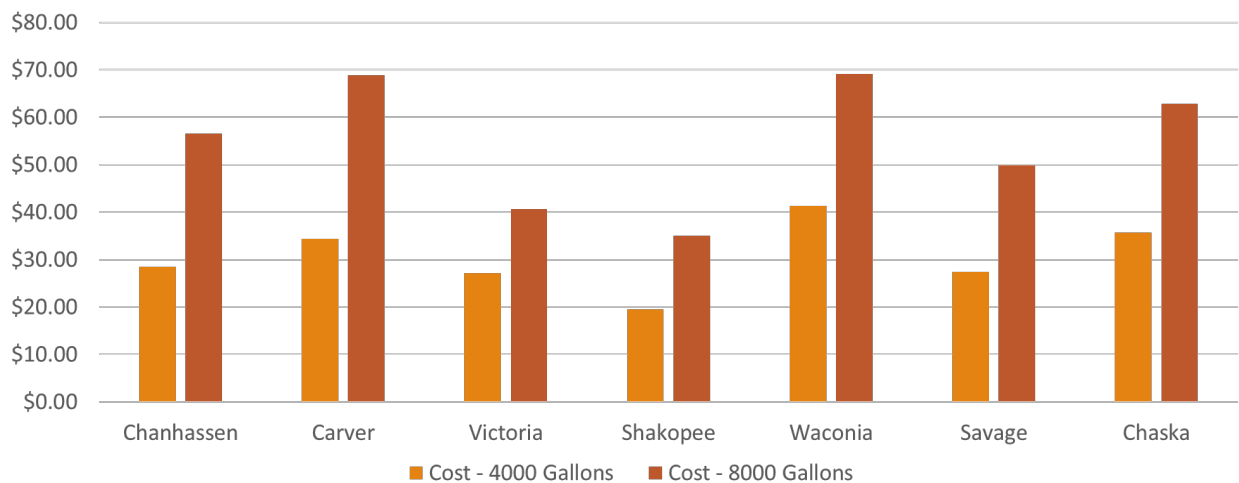
Expenses:

Sewer expenses are anticipated to be \$8,413,613 for 2026, which is an increase of 0.48% compared to 2025. Most of the increase in expenditures is coming through our own Capital Improvement Projects that we need to complete in 2026, including the relining of sewer up our Ravine system on the west side of Highway 41. Besides this, the major increase again is in our treatment charges to the Met Council.

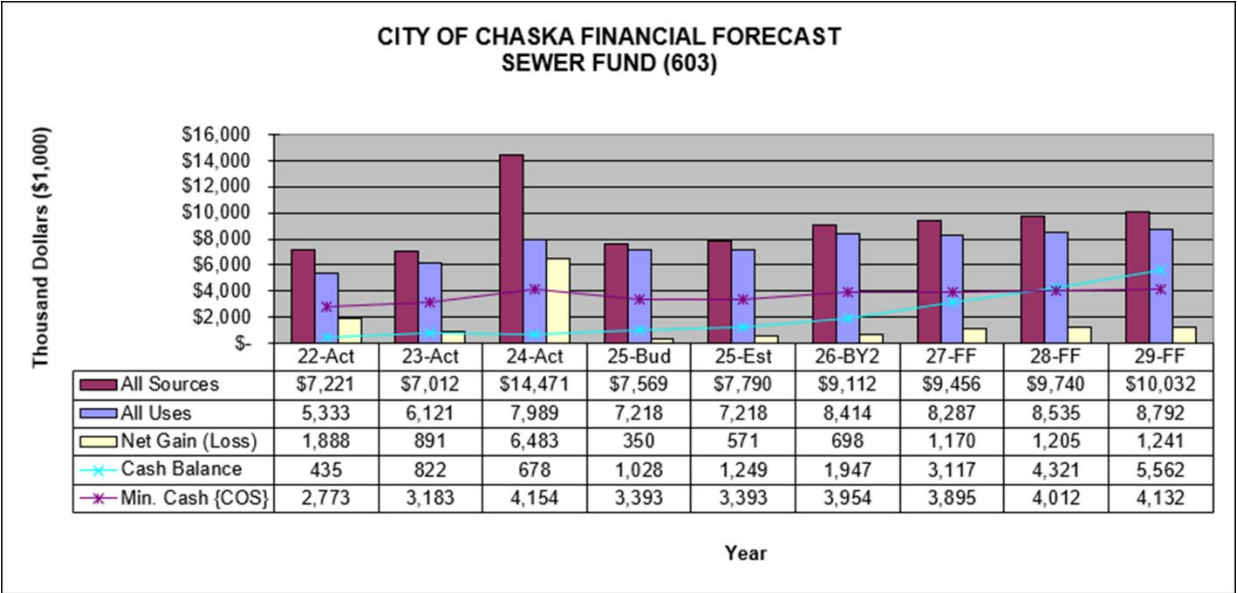
Besides our costs for treatment of our sewer through the Met Council, the major costs for 2026 revolve around our improvement schedule. Below is a list of the improvements that we have scheduled for the 2026 budget year:

- Contribution of \$110,000 annually towards our Street Reconstruction Program
- Continue to put \$125,000 annually towards our Inflow and Infiltration Reduction Program (help us reduce our costs over time by not allowing clean water to get into our system that needs to be treated)
- Continue \$125,000 annually towards our Sewer Lining Program (helps to keep pipes in good condition without having to excavate our road/trail surfaces)
- \$760,000 going towards the sewer lining project in the ravine on the west side of Highway 41 (across from La Academia School).
- Replacement of 3 existing trucks for \$210,000 shared with the Water Department
- Replace existing ATV and Generator for \$65,000
- Contribution towards the Building Improvement Program, getting it up to \$370,000 per year by 2028 (just like water) to support debt service on buildings attributable to our Utility Funds
- Replacement of our AMI Meter System with debt service being \$185,000 per year for 10 years (do in conjunction with Water and Electric Departments)
- Addition of an in-house GIS specialist that will be split between all utility funds

Currently, Chaska’s sanitary sewer rates are very comparable to other cities in the metropolitan area, and in the southwest metro area in particular. Metro City sewer rates tend to be very similar from city to city since a significant portion of the monthly bill is based on the Metro Council sewer charges. Below is a comparison of Chaska sewer rates to other surrounding cities for both winter and summer usage averages:



Based on our total expenditures and revenues, we are budgeting the Sewer Fund, we would expect that we would be able to add \$753,037 to our Sewer Fund Reserve Fund, which we anticipate will end the year at approximately \$1.9 million. Below is a chart illustrating our projections over the next 5 years:



In our last Cost of Service study, we identified that we should be working to get our Fund Balance in the Sewer Fund up to approximately \$3.9 million. While we will not reach that milestone in the 2025 budget year, you can see from the chart above that over our planning horizon, we do anticipate that we will get to that number by 2028. Achieving this will help us make sure that we have enough in reserves to properly reinvest back into our Sewer System and make it financially viable for the future.

Below is a chart illustrating the Revenues and Expenses for the Sewer Fund in 2026.

Sewer	Actual 2024	Budget 2025	Budget 2026	% Change
Revenues				
Metered Sales	\$28,993,623	\$8,021,250	\$9,104,950	13.51%
Other Revenues	\$193,054	\$6,700	\$61,700	820.90%
Total	\$29,186,677	\$8,027,950	\$9,166,650	14.18%
Expenses				
Pumping	\$18,100	\$31,770	\$33,503	5.45%
Treatment	\$4,170,070	\$3,973,648	\$4,365,618	9.86%
Collection	\$770,432	\$1,504,185	\$1,805,342	20.02%
Administration	\$873,462	\$948,910	\$1,006,833	6.10%
Transfers Out	\$399,112	\$491,400	\$484,900	-1.32%
Utility Billing	\$149,643	\$146,530	\$145,017	-1.03%
Depreciation	\$1,411,903	\$0	\$0	0.00%
Debt Service	\$125,625	\$577,200	\$572,400	-0.83%
Other	\$415,285	\$846,252	\$145,017	0.00%
Total	\$8,183,989	\$8,373,365	\$8,413,613	0.48%

Electric Fund Budget

Cost-of-Service Study Findings

As with both the Water and Sewer Utilities, the City also completed a Cost-of-Service Study in the Electric Department to ensure that we are planning financially for the future, helping to make sure we continue to be a sustainable utility both from a cost and reliability perspective.

As with the other two utilities, a major finding of this department’s study was that our Service Charge, supporting the fixed costs of our utility, had not been set at an adequate level to support all fixed costs associated with running our Electric Utility. We also determined that our City Facilities need to work towards paying full rates on their utilities, so these funds are not being subsidized by our Electric Department for their electricity usage. Besides making sure that we have adequate cash reserves, and that we maintain our minimum restricted cash balances in the fund to support the covenants of the bonds used to support financing activities in this Fund, a final finding of this study was that we needed to move away from having an unpredictable discount for our senior users and instead move to a predictable credit which will more equitably treat our users and provide support to those who need it most.

Service Charge

As mentioned above, it was found that our customer service charges had not been set adequately to recover the fixed costs of our utility. We had instead been putting too much emphasis on the actual rates, which should instead only be set to address the variable cost of our utility that represents the actual amount of energy a customer uses.

Below is a chart illustrating the recommendations for service charges the Cost-of-Service study recommended for our Electric Utility:

Customer Class	2017 Rates	2018 Rates	2019 Rates	2020 Rates	2018 COS	2021 COS	Difference
Residential and Water Heating Electric	\$ 9.40	\$ 9.75	\$ 9.95	\$ 10.30	\$ 13.68	\$ 14.74	\$ 4.44
Senior Citizen Residential Electric	8.40	8.75	8.95	9.25	13.68	14.74	5.49
On & Off Peak Electric Space Heating Rate	5.70	5.90	6.00	6.20	13.68	14.74	8.54
General Service - Below 20 KW Demand	17.70	18.35	18.70	19.35	28.22	30.39	11.04
Large General Service - 20 KW Demand & Above	52.00	53.90	55.00	56.95	135.54	145.96	89.01

Customer Class	Current Rates	Annual Change	Year 1	Year 2	Year 3	Year 4	Year 5
Residential and Water Heating Electric	\$ 10.30	\$ 0.89	\$ 11.19	\$ 12.07	\$ 12.96	\$ 13.85	\$ 14.74
On & Off Peak Electric Space Heating Rate	\$ 6.20	\$ 1.71	\$ 7.91	\$ 9.61	\$ 11.32	\$ 13.03	\$ 14.74
General Service - Below 20 KW Demand	\$ 19.35	\$ 2.21	\$ 21.56	\$ 23.77	\$ 25.98	\$ 28.19	\$ 30.39
Large General Service - 20 KW Demand & Above	\$ 56.95	\$ 17.80	\$ 74.75	\$ 92.55	\$ 110.35	\$ 128.16	\$ 145.96

As can be seen from this chart, the study recommends that we need to continue to raise our service charge for residential users up to \$14.74 per month if we are to capture all our fixed costs. Since 2022, we have been working to raise this service charge towards that ultimate goal of \$14.74 per month. In 2025, the service charge has been \$12.45 per month, meaning we still have additional changes to make before we reach our goal. However, we have been trying to make this change slowly, so as not to put ourselves in a position both that our rates are not competitive with Xcel (our industry benchmark) and so that our actual service charge itself is not out of the market for what Xcel customers are paying. For 2026, we are recommending that we increase the service charge for our customers by 3.6%, which would bring us up to \$12.90 per month for residential customers. While that does not bring us up to our ultimate goal, it is the most we would recommend for this year while still trying to be conscientious about how we compare from a rate perspective to Xcel. We will continue to monitor the market comparisons over the next couple of years to see what type of change we should consider in 2027 and 2028, to see if we can accomplish getting this Service Charge up to the ultimate levels recommended in the Study.

From a usage rate perspective (variable costs), we are recommending that we increase our rates by 3.5%, which will have the effect of increasing the average user’s bill by 2.86% in 2026. The major reason behind this proposed increase is because our wholesale energy provider (MMPA) has budgeted a 3% increase in rates for 2026. We need to make sure that we are not subsidizing this increase in rates from our reserves in the fund, and we need to be able to keep up with the capital investment necessary to address growth, and to properly maintain our assets to keep them in good condition going into the future. Below is a sample Electric bill for the average residential user in Chaska for 2026 based on these recommendations:

Average Home	Units/Month	2025	2026	\$ Increase	% Increase
Service Charge	750	\$12.45	\$12.90	\$0.45	3.60%
Energy kWh	750	\$94.59	\$97.90	\$3.31	3.50%
EAC kWh	750	\$24.28	\$24.28	\$0.00	0.00%
TOTAL		\$131.32	\$135.08	\$3.76	2.86%

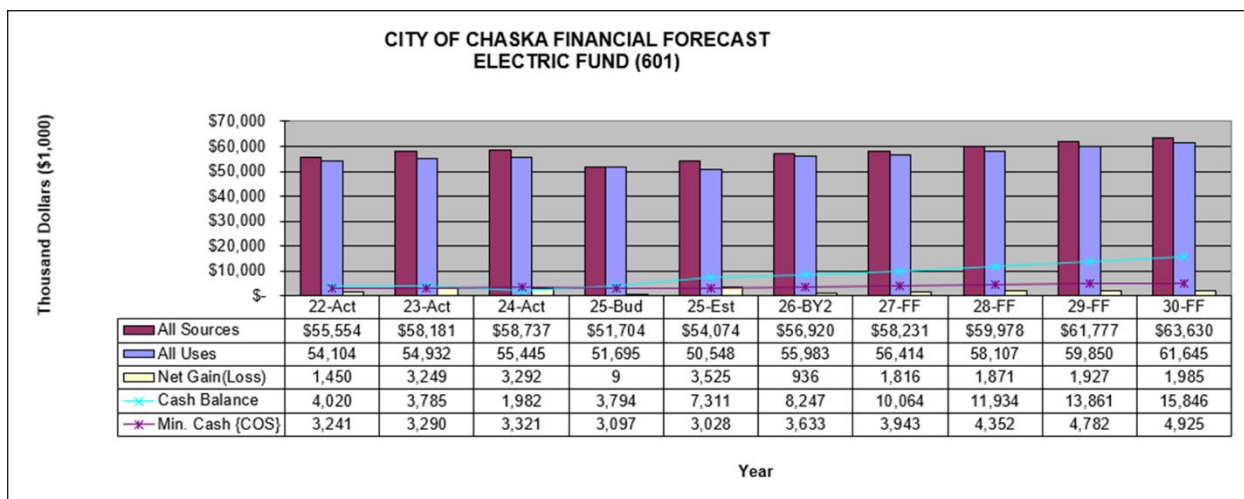
The other major finding of the Electric Cost of Service study was looking at our Senior Discount. Prior to 2021, the City had a 10% discount for seniors who say they have fixed-income needs. The intent of this program was to provide a discount to those who may not be able to afford as much because of being on a fixed income. However, in practicality, because it is difficult to verify income, we saw households that had very large usage requesting this discount, which potentially provided them with a discount that they did not need.

Instead of approaching the discount in this way, the Study recommended providing a credit equal to what a typical low-income user might see as a discount on their bill if they received our current 10% discount. In that respect, if someone requests this who may not really need this discount, they will be capped at receiving only the credit that meets the needs of our lower-income user, without seeing a 10% discount on a larger bill.

To help ease into this transition, we phased implementation of this credit over a 3-year period, with the final year being in 2022. As you will see from the chart below, seniors who apply for this credit now just receive a \$6 credit on their bill instead of a 10% discount. If someone who did not need this credit now were to somehow receive it, it would cap them at a \$6 credit instead of 10% of their bill, which could be a much higher number.

- 2020 (Current): 10% Discount, \$0 credit
- 2021 (year 1): 5% Discount, \$3 credit
- 2022 (year 2): 0% Discount, \$6 credit

Finally, as a part of the Cost-of-Service study, it indicated that we should be working to continue to build the cash balance in the Electric Fund, with a goal of trying to get it close to \$19 million. As you will see in the chart below, while we do continue to anticipate building our cash balance in the fund, and project to get close to \$16 million by the end of 2030 (which is above the 35% target we set for all other funds), we will still need to continue to work at building the cash balance in this fund beyond the 5-years identified in this planning period. However, with that being said, we do anticipate building our cash balance in each of these years, which will only increase more if we are able to attract large Commercial/Industrial users and expansions to our community.



2026 Revenues

For 2026, Electric Fund revenues are anticipated to be \$56,166,966. This compares to the \$52,983,299 we had budgeted for revenue in 2025, which is an increase of 6.01%. Much of this growth in revenue is coming from the new development and expansions that we are seeing in the community that drive our overall load in the system. Also, as we look back at the actual numbers from the 2024 budget year, we were already at \$55,442,934, which was well over the budget that we had adopted in 2025. This includes the over 600 new units of rental that were completed over the last year, the addition of Costco, and the additional new Industrial Buildings as they continue to lease up and utilize the space that was built. We expect that growth in load to continue into next year, as we have the expansion of Beckman Coulter currently being worked on, and the addition of several hundred new single-family homes in the community. Promoting continued

strategic growth in the community will continue to help drive our revenues up, which will help to keep the electricity we sell competitive as we move into the future.

As part of the 2026 budget process, one of the items that Staff has continued to look at is the effect that new large users in our system will have on our overall electric sales, not only for 2026, but for the years included in our 5-year forecast. Over the past several years, we have seen large growth in our electric usage not only because of the additions of large data center facilities in the community, but also because of several existing Industrial customers on the north end of the community expanding. We saw some of this expansion occur over the past 12 months, and we expect to continue to experience see users like Beckman Coulter and others expand their footprints in our existing industrial areas. At the same time, we are in discussions with an existing Data Center in the West Creek Industrial Park that could double their load, and we continue to talk with businesses that have expansion in their short-term plans.

One thing to note, however, is that our electric utility will not see growth from Industrial development on the property south of Engler Boulevard, as this area is currently within MN Valley Electric Cooperative’s service territory. Based on an existing contract, we are not allowed to repurchase this territory until after 2040, which we would plan on doing and is currently allowed through State Statute. While we know that we can plan on this acquisition in 2040, we are looking at whether there may be options to acquiring this territory earlier as there are large capital improvements that Mn Valley will have to make in this area to serve our new industrial load, and they will only have about 15 years left in the territory to recoup these costs.

The other action that Chaska Electric is currently working on is acquiring the small area of territory that Xcel has within our community. While it is not a large area that we would acquire, it will allow us to work towards controlling all the territory in our community in the future. We have already taken action to serve the High Point Vista neighborhood even before we have the acquisition finalized, as Xcel agrees that this is an area that we have the right to serve. We do expect that we will have this transaction completed within the first 6 months of 2026.

As you can see below, we are budgeting for a 9.88% increase in our Electric Sales, much of which is driven by the new load in our community. As mentioned previously, much of this growth we have already experienced, as can be illustrated below with the number from 2024 which was over \$57,000,000. So, we feel the projections below are conservative depending on the weather we will experience next year.

	Actual	Budget	Budget		
	2024	2025	2026	Change	% Change
Electric Sales	\$57,945,893	\$51,476,700	\$56,887,550	\$5,410,850	10.51%
Other Revenue	\$790,631	\$326,900	\$31,900	-\$295,000	-90.24%
Total Revenue	\$58,736,524	\$51,803,600	\$56,919,450	\$5,115,850	9.88%

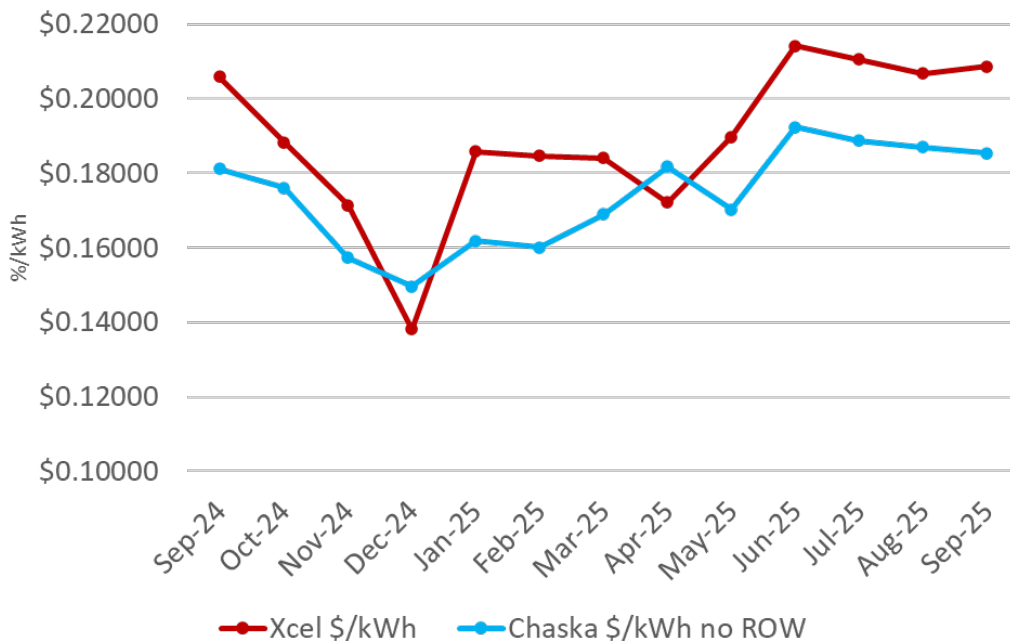
To develop our 2026 revenue budget, we did utilize the following assumptions:

- Continue implementing our Cost-of-Service Study recommendations, including increasing our Service Charge to get closer to the target set in this study
- Increase rates by 3.5%
- Total impact of retail rate changes to the average residential user of 2.86%
- Continued Economic Development activity in the upcoming year
- Single Family residential developing at similar pace to 2025
- Wholesale electric rates and demand from MMPA see 3% increase from 2025

Comparison to Xcel

The City’s objective is to maintain electric rates that are competitive to Xcel Energy. As we have seen over the past 12 months, Chaska’s residential rates have compared well to this market. Looking at the past 13 months, we did see total bills for residential users that averaged 8.2% lower than Xcel. This is not as large of a gap as we saw last year, where we were 11.46% lower than Xcel, but still significantly lower than Xcel. One reason for the gap getting smaller is because Xcel had their rate increase case rejected for their full request, with their interim rate being higher than what the MN Public Utilities Commission allowed. Because of that, Xcel did need to refund dollars to their customers, giving them a few months where this decreased their rates while they were refunding these dollars. For this next year, we expect to see rate increases from Xcel as they did again put in a formal request for a rate increase. We know at this time that their interim rate will keep Xcel lower for 2026, but it is uncertain what decision the PUC will make when the case is finally determined. MMPA will be watching this as we go through this next year.

Below is a graph showing our total residential bill compared to Xcel in 2025:



2026 Expenses

Electric Fund expenses for 2026 are projected to be \$56,166,696 compared to the budget of \$52,983,299 in 2025, for a total increase of 6.01%.

A primary factor in seeing our expenditures increase in 2026 compared to 2025 has to do with the continued Capital Improvement/Expansion projects needing to be completed in 2026 because of increased load, as illustrated below:

Project	Cost
2 -115 kV Breakers – MRS	\$225,000
Auto Pros	\$75,000
Beckman Coulter Expansion	\$461,000
Chavelle 19 th	\$90,000
Crosby Park Street Light Replacement	\$80,000
Eitel Lot Split	\$40,000
Fultonwood	\$313,000
Fust Cabinet Replacement	\$160,000
Highpoint Vistas	\$335,000
Kusske Residential	\$40,000
Long Range Plan	\$625,000
Sandy Acres Phase II (Overhead to underground)	\$150,000
Schlauderaff Residential	\$90,000
Skyview Reconductoring	\$40,000
Southwest Rental	\$75,000
U.S. Bank Data Center	\$1,000,000
Victoria Drive Feeder Extension	\$200,000
Well 11 and 12	\$100,000
Xcel Tie – Temp SW Feed	\$80,000
TOTAL	\$4,179,000

This represents a cost of \$4,179,000 in Capital Improvements in 2026. There are two things to recognize about the list above. First is that some of this work is a carry-over

from 2025 project, so not all costs will be incurred in 2026. Second, the projects that are listed as Developments above have costs associated with our share of the overall costs in providing service to these new development areas. Our current policy states that we are responsible for 60% of the new service cost, with 40% being paid for by the new development. The dollars listed above represent the City's 60% of the overall cost of completing these projects.

In addition to the work listed above, we will also be continuing with the replacement of our AMI Meter Reading system in 2026. This system will be replaced in conjunction with the Sewer/Water Department and will be replacing the AMI Meter system that we installed in 2015 for all 3 departments. It should be noted that while we would not normally expect to be doing this work at this time (given it has been less than 10 years since we installed our current AMI Meter system), the system has not worked properly since the initial installation and has only gotten worse. We have tried to have the original vendor fix the issues we have experienced, with them not only failing to address the issues but the system continuing to get worse. We are currently on hold for arbitration to try to recover a good portion of the dollars that we originally invested in this system but need to move forward at the same time with installing a new system as it is critical to the functioning of our utility. We will be picking up on the arbitration process as soon as our new system is up and functioning to make sure we have no gaps in meter system. The Electric Fund has \$4 million budgeted between 2024, 2025 and 2026 to complete this process, with work on this project having started during the fall of 2024. We would hope to have the entire new system up and running by the summer of 2026.

Besides these items, below is a list of the items that are budgeted for the Electric Fund in 2026:

- Continued Implementation of our new Metering System: \$4 million budgeted between 2024, 2025 and 2026
- Continued contribution towards the Community Building Fund of \$1.3 million (grows by 4% per year)
- Continued contribution of \$240,000 towards the debt service of Community Center Ice/Pool project, \$270,000 towards The Lodge debt service and \$100,000 annual made to the Community Center for annual repairs
- Contribution towards the Building Improvement Program-Builds up to \$960,000 contribution by Electric by 2026: \$240,000 is being added in 2026
- \$244,000 annual contribution that goes towards the debt service of The Loop capital improvements
- 5% Franchise Fee for use of General Fund Right of Way
- 5% General Fund contribution to support General Fund operations
- Addition of in-house GIS position shared with all Utilities in City of Chaska

Debt Service:

The Electric Fund has Debt Service payments for two projects it has completed within the past few years. The first is for the construction of the West Creek Substation, with this

being financed over a 20-year period. The second was for the construction of the new North Industrial Substation as well as new switch gear at West Creek Substation. Both projects were completed to increase the capacity and reliability of our electric system, especially as we are seeing growth in usage from our existing Industrial customers on the north end of the community. This debt was sold in 2018 and goes for 20 years. The annual debt service in the Electric Fund is \$702,000.

Based on this, the following would be the expenditures for 2026:

	Actual	Budget	Budget		
	2024	2025	2026	Change	% Change
Purchased Power	\$36,986,999	\$33,304,045	\$31,384,000	-\$1,920,045	-5.77%
Trans/Distribution	\$3,251,536	\$7,727,869	\$8,721,076	\$993,207	12.85%
Load Conservation	\$406,524	\$357,146	\$342,690	-\$14,456	-4.05%
Admin System	\$4,252,427	\$4,333,638	\$4,707,639	\$374,001	8.63%
Admin Billing	\$756,074	\$837,189	\$832,141	-\$5,048	-0.60%
Franchise Fee	\$4,892,840	\$5,127,000	\$5,606,000	\$479,000	9.34%
Depreciation	\$1,769,140	\$0	\$0	\$0	0.00%
Debt Service	\$214,573	\$702,000	\$702,000	\$0	0.00%
Transfer Out	\$2,895,700	\$3,187,100	\$3,852,100	\$665,000	20.87%
Other (EAC)	\$17,121	-\$2,592,688	\$19,050	\$2,611,738	0.00%
Total	\$55,442,934	\$52,983,299	\$56,166,696	\$3,183,397	6.01%

Based on the budget as proposed, the Electric Fund would increase its Fund Balance by approximately \$936,000 in 2026, bringing us to a Fund Balance of \$8.2 million after 2026. As mentioned earlier, we do project over the 5-year period to continue to grow our Fund Balance, with us expecting to be at just over \$15 million by the end of 2030.

One final note on the Electric Fund that will impact all Electric utilities in the State over the next several years are the new mandates that the State of Minnesota put in place for renewable energy requirements. While the standards up until now were for 25% of our energy coming from renewable sources by 2025 (we are now at 48%), the new standard will require 80% of our energy to not only be renewable but come from Carbon free sources by 2030. By 2040, 100% of our energy will need to come from Carbon-free sources. This is something our power agency (MMPA) is currently working on, as well as every other utility in the State. While hitting the 2030 goals seems feasible at this time, while keeping electric costs competitive, the 2040 standards will cause a challenge for all utilities in the State. This will be a requirement that will dominate the work of what we do as a power agency at MMPA for the next several years and will undoubtedly change the way we produce energy going into the future. We will continue to discuss this in budgets going into the foreseeable future.

In 2008, the City of Chaska created, by ordinance, a Storm Water Utility Fund to address the growing requirements of managing surface water runoff throughout the community. With the implementation of new MS4 Storm Water Management requirements at both the State and Federal levels, the City of Chaska, along with other communities across the country, needed to look at their surface water management practices differently, and generate the resources to complete all requirements of the new laws. Up until the point of creating a separate Storm Water Utility Fund, any activities that the City of Chaska completed with Storm Water Management were completed by the Public Works department utilizing General Fund resources. With the new statutory requirements, it was apparent that these resources would not be sufficient to complete all necessary activities.

As the City of Chaska established our Storm Water Utility Fund, the City identified several objectives to complete in this Enterprise Fund, including:

- Provide the necessary resources for the Storm Sewer Fund to assure continuation of quality services to customers
- Maintain rates comparable to other cities, while at the same time generating adequate cash reserves for the replacement of existing capital, necessary maintenance of our system, and for emergencies
- Meet all the new MS4 requirements for Storm Water Management, addressing changes in the requirements as they occur
- Assume that major capital additions to the collection system are not financed from rate revenue (these are paid through Trunk Funds paid for through our development agreements)
- Move all Storm Water Management activities out of our General Fund, treating the management of our Storm Water System the same financially as our other Utility Enterprise Funds (i.e. Water/Sewer and Electric)

In 2008 when the Storm Water Utility Fund was created, the City identified all work that needed to be completed as part of the Storm Water management activities so we could develop an estimate of what it would cost to complete this work on an annual basis. We also estimated what future costs would likely be for the replacement of infrastructure as our system aged. From this analysis, the City developed a rate structure in 2008, charging residential property owners \$3 per month based on each residential parcel that they owned, and attributed a per acre fee to those Commercial/Industrial and undeveloped properties in the City, based on what each of these parcels actually contributes to surface water runoff in our overall system. Some of the major operations that these fees helped to fund included:

- Completing certification and maintenance of Chaska's Flood Control System
- Completing maintenance of our Storm Water treatment ponds across the City
- Completing Street Cleaning to keep surface water runoff as clean as possible
- Maintaining our ravine systems throughout the City
- Completing our MS4 reporting and maintenance requirements
- Monitoring development activities to ensure Storm Water runoff and treatment requirements both during and after construction were completed

With the Minnesota River Flood Control system, and the many ravine systems around the community, Chaska's Storm Water Management activities are often more complex than communities not located next to a body of water such as the Minnesota River. This especially became apparent during the early summer of 2014, as we experienced significant rains in a short period of time that put our system to the test. While we did experience some localized issues in our Storm water system, which the 2015 budget addressed, our system has generally worked very well, demonstrating the need to have a well-maintained and properly functioning system to protect our residents from the potential hazards of uncontrolled storm water. However, it also helped to expose what work needs to be done into the future to address the increasing intensity of rain events, so we are prepared to protect the community in these situations.

2026 Revenues

When the initial fee was established in 2008, this fee was based on estimates that were developed to help complete each of the activities listed above. It was the intent that once we had the Storm Water Utility Fund fully up and running that we would come back and review our fee structure to determine if it had been set at the proper level. In 2012 it became clear that not only was our rate set too low to accommodate all the activities that needed to be completed, but that we were also very low compared to many of the surrounding cities who also have a Storm Water Utility Fund.

Based on what we were seeing for actual costs in Storm Water Management system and based on having the ability to increase these fees and still stay very competitive compared to other surrounding communities, in 2012 the Council decided to raise the fee by \$1.50, bringing it to \$4.50 per month, still below the area average. We increased this fee slightly each year between 2012-2018.

Based on the continued increases in the amount of Storm Water work that municipalities are now required to complete, and especially because of large projects we needed to continue to undertake to deal with the storm water issues we did experience during the large rains of 2014, we continued to realize that the activities that we thought were one-time events were becoming the norm, and that our stormwater system was not sized properly to accommodate this "new normal" for rainfall events we were experiencing. We also recognized that there were significantly more issues to address with Storm Water being a river community with a flood control system and bluffs draining into the downtown area than there would be in a non-river community.

During the budgeting process in 2018, we did begin to realize that as we compared our rates to other cities, that we were likely not comparing ourselves to the right communities to truly give an "apples to apples" comparison of the work we were needing to undertake. While we always had looked at the surrounding communities as a comparison, we realized it was probably more appropriate to compare ourselves to other Cities with similar types of Storm Water services that need to be provided if we were to truly set our rates at the proper level. We used this new comparison, along with a projection that if we did not increase our rates, we would find ourselves in a \$900,000 deficit over a 5-year period with the work we knew needed to be completed.

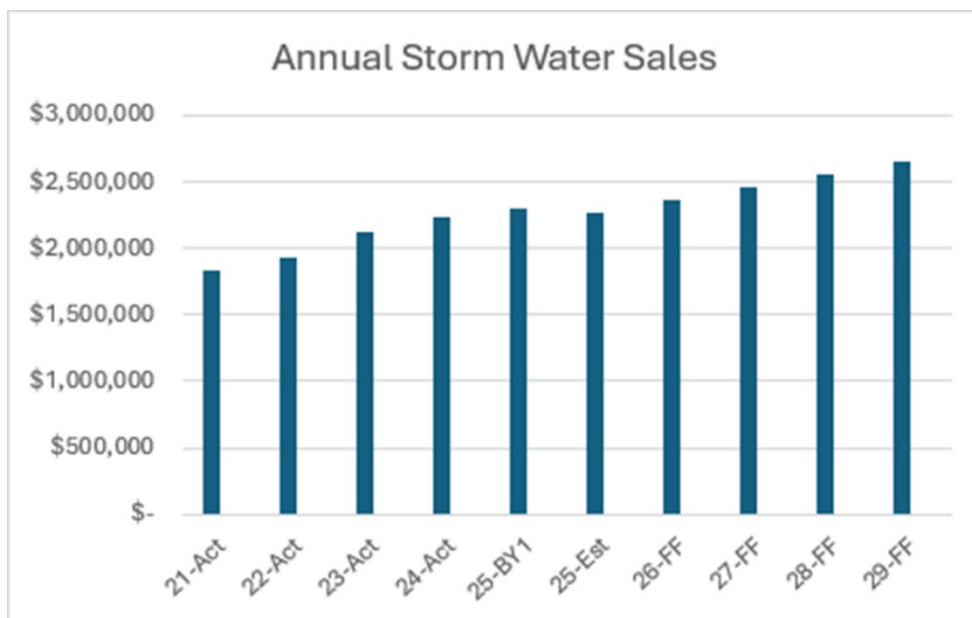
Based on that, we established our new base rate of \$9.50 per month. We have adjusted off that new “base rate” with annual adjustments ever since.

Below is a survey of 2025 monthly rates for cities around the State that we feel are good comparisons based on the types of work that we need to complete, and that have similar types of systems to maintain:

Victoria	\$12.83
Shakopee	\$8.70
Moorhead	\$10.41
Carver	\$22.84
Chaska	\$12.77
Edina	\$13.75
Red Wing	\$12.00
Waconia	\$24.47
Average	\$14.72

As can be seen above, the average of these communities is \$14.72 per month per residential unit. Based on the needs of our system for the upcoming year, along with comparing to these other communities, Staff recommends that the rate go to \$13.29 per residential unit per month, which would be a 4% increase for 2026. This rate increase meets our needs for the upcoming year and keeps us in line with the average of these other communities, even when comparing us to the 2025 average.

Based on this new rate, and assuming we would need approximately a 4% annual increase to keep up with our needs over the next 5 years, the following chart illustrates what would happen during the 5-year period with anticipated Storm Water Sales:



2026 Expenditures

Within the Storm Water system, there are really two distinct types of activities that occur. There is the day-to-day maintenance of our Storm Water system, and there is the inspection and reporting work that is required as part of the MS4 requirements. In 2015, we also added one other category to this work, which is system improvements that need to be completed to address issues that became apparent during the 2014 rain/flooding event.

From a maintenance perspective, the City of Chaska does utilize our Public Works crew to support the maintenance activities of the fund. The time that they put into Storm Water maintenance functions is charged directly back to the Storm Water Fund.

One change that we first saw in 2013, and will continue to see in coming years, is the addition of significant work for maintenance of our Flood Control Levy system. In 2012, the Army Corp of Engineers went through an inspection process to re-certify our levy. This inspection included new standards for levy maintenance that were not in effect at the time our Flood Control System was completed in the mid-1990s. One component of the work identified is the annual Rock Channel Weed/Brush control program. This is a program we will have to complete each year and adds approximately \$10,000 annually to our budget.

The other major maintenance work needed is the regular maintenance schedule of the storm water ponds we have scattered throughout the community. For this, we have \$50,000 allocated annually.

Another maintenance activity comes through the maintenance of our Storm Water system as part of our Street Reconstruction Program. To support these activities, the Storm Water Fund has contributed \$246,000 annually to the Street Reconstruction program. These dollars go towards addressing the addition of a storm water system into our downtown streets, something that was not included when these roads were originally built over 80 years ago. We continue to include these dollars for the Street Reconstruction Program in the budget both to support new projects addressed during a Street Reconstruction project, but also to support the debt service of projects that have already been completed.

To be able to address the ever-increasing areas that we need to address through our Storm Water system, the budget includes a \$70,000 allocation toward storm water maintenance, and an additional \$80,000 towards consulting engineering fees to help support the design of our future improvements in the City.

We also budget each year towards supporting capital improvements in our system. Below is a list of the projects that we expect to have completed during the 2026 budget year:

Project	Cost
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Street Reconstruction Program (annual)	\$246,000
Contractual Engineers (annual)	\$80,000
Replacement of Pump	\$125,000
Street Sweeper (replacement)	\$350,000
Seminary Fen C-2 Ravine (total cost \$1.3M)	\$85,000
Amberg Lane Stormwater Repair	\$50,000
Town Course Cattail Management	\$15,000
Manuela Drive Stormwater Repair	\$50,000
Update stormwater model	\$50,000
McKnight Wetland	\$25,000
Seminary Fen – Assumption Creek	\$28,000

It should be noted that one of the larger projects that we will have next year is the Seminary Fen Ravine #2 project. While that project was over \$1 million to complete, our Staff was able to receive a grant for this project, leaving our local share at only \$28,000. Beyond this ravine project, we have one more ravine to restore in the Seminary Fen area that we will again seek grant dollars to support this work.

For 2026, we do not have any scheduled equipment, nor additional Staff to account for.

The functions of inspections and reporting in the past was mainly completed through contract Engineering services. We now have a Storm Water Coordinator position that resides in our Engineering Department that was added in 2019. This position not only completes much of the work our consulting engineers once did, but it also takes work off our City Engineering Department as it relates to other areas of our City. This position was responsible for the City acquiring the grant to support the Seminary Fen project.

One thing to note from a staffing perspective is that the Utility Billing Department does support the billing for the Storm Water System. Because of this, 10% of the costs of UB are allocated to the Storm Water Fund. In 2026 this cost is \$116,937.

Finally, as we discussed in the Water, Sewer and Electric Funds, the Storm Water Fund is scheduled to contribute an additional \$40,000 to the Building Improvement Program in 2026. This will bring the total up to \$160,000, with the final amount coming from the Storm Water Fund being \$160,000 when the ramp up of funding for the program is complete in 2026. These dollars will help support the overall \$2.36 million that will be needed from our Utilities each year to support the debt service of this program.

Based on the changes to our rate structure and our planned projects for 2026, below is a breakdown of the revenues and expenditures for this next year:

	2024	2025	2026		
Revenues	Actual	Budget	Budget	Change	% Change
Storm Water Fees	\$20,422,542	\$2,305,000	\$2,843,000	\$538,000	23.34%
Other	\$474,035	\$257,000	\$349,600	\$92,600	36.03%
Total	\$20,896,577	\$2,562,000	\$3,192,600	\$630,600	24.61%
Expenditures					
Transfer Out	\$327,600	\$369,300	\$411,000	\$41,700	11.29%
Transmission/Distribution	\$432,755	\$936,794	\$1,455,928	\$519,134	55.42%
Administration	\$646,051	\$727,255	\$759,739	\$32,484	4.47%
Utility Billing	\$98,387	\$116,826	\$116,937	\$111	0.10%
Depreciation	\$948,106	\$0	\$0	\$0	0.00%
Debt Service Support	\$78,670	\$326,600	\$394,700	\$68,100	20.85%
Other	\$98,806	\$0	\$0	\$0	
Total	\$2,630,375	\$2,476,775	\$3,138,304	\$661,529	26.71%

Curling and Event Center Fund Budget

In 2015, the City of Chaska completed the redevelopment of Firemen’s Park, and the Block 6 corner at the northwest intersection of Highways 41 and 61. This project was first identified in the Downtown Master Plan as a catalyst site, with the main objective of the redevelopment to create a destination in Downtown Chaska to drive more resident and visitor traffic into our downtown commercial district.

While the redevelopment included the entire renovation of Firemen’s Park on the south side of Firemen’s Lake, Veteran’s Park on the north side of the lake, and the addition of the Curling and Event Center (CEC) building, the CEC was set up as a separate Enterprise Fund, separating itself operationally from the Park, which is in the General Fund. In this way, the Curling and Event Center is run very similarly to our other

recreational Enterprise Funds including the Community Center, the Town Course and The Loop.

While the overall goal of the CEC and the Firemen's/Veteran's Park redevelopment was to help attract more people and activity into our historic downtown commercial district, the Curling and Event Center did identify key objectives to determine the success of this facility, including:

- Provide the necessary resources for the CEC Fund to ensure continuation of quality service to our customers, including providing a world-class curling facility
- Utilize the facility's amenities and newly renovated Firemen's Park to attract people to downtown Chaska as a destination location
- Promote community gathering and interaction, with an emphasis on creating a variety of programs and services to draw people to this location throughout the year
- Be operationally self-supporting with no property tax support
- Reinvest back into the facility to keep it in good condition for future generations
- Work to build a cash reserve in the CEC Fund to support future maintenance and improvements

As an Enterprise, the Chaska Curling and Event Center has three main components in the building including the 300-seat Event Center and catering kitchen, the restaurant/bar, and the 6-sheet Curling Facility. All three of these components are tied together by the Great Hallway, which contains displays to help orient visitors to the history of our community.

From an operational standpoint, the City of Chaska owns the entire facility, operating both the Event Center and the Curling Facility. The City of Chaska leases out the restaurant space to Crooked Pint, a restaurant that was chosen through an RFP process as the facility was being planned. The relationship with the restaurant in the CEC is very similar to the structure and relationship we have between the Chaska Town Course and the restaurant operator Oak 19, who leases this space from the City based on a revenue sharing agreement.

Impacts of COVID Pandemic

Very similar to what we experienced in the Community Center, the Curling and Event Center also was impacted significantly during this pandemic period, having to be shut down by Executive Order twice, which had a significant impact on revenues that we were able to generate in the facility in both 2020 and 2021.

The largest impact that we saw was on revenue from the restaurant, as they were closed during a good portion of the pandemic period. Because we have a lease agreement based on a percentage of revenue generated by the restaurant, this meant that we saw no rent revenue during the entire period they were closed. We also saw significant impacts on our Event Center, as most events that were planned during this period were either postponed, cancelled or were reduced based upon restrictions being imposed by the State. The Curling portion of the operations saw the least amount of impact as we were able to hold leagues taking proper precautions, although at a

reduced number of participants. In general, we saw a \$400,000 loss in revenue in each of these two years, with the Self Insurance Fund supporting this loss.

While we did experience significant impacts during this time, we were able to recover relatively quickly after State restrictions were lifted, and by 2022 saw most of our operations return to normal.

2026 Revenues

As indicated previously, one of the main goals of the CEC Fund is to make it an operationally self-supporting entity. While the Debt service for the construction of the facility itself is supported by our "Community Building Fund", which derives its revenues from multiple sources including the Chaska Electric Fund and the Economic Development Authority, the CEC is meant to support all its own operational costs, including Staffing, maintenance, utilities, and programming.

There are four main sources of revenue for the CEC, including:

- Restaurant Lease Revenue
- Curling Membership and League Fees
- Event Center Rental/Event Center Food Alcohol Sales
- Corporate Curling Events

I will spend some time discussing each of these revenue sources in detail below.

Currently, the CEC has a lease with Crooked Pint Restaurant to operate the restaurant within the building. Crooked Pint was chosen as the vendor for the restaurant service after going through an RFP process while the facility was being developed. As part of our lease, Crooked Pint is responsible for providing all the food service within the facility, Staff, inventory, Point of Sales system and a liquor license. While Crooked Pint is not the exclusive provider of food service within our Event Center, they are the sole liquor license holder for the entire CEC building, and because of this are the only vendor allowed for alcohol sales in the restaurant and Event Center. We structured it this way to make sure that we limited any potential liability issues relating to alcohol sales.

The Crooked Pint lease is currently structured so that lease payments are made based on a percentage of all gross sales in the building. Specifically, their lease is based on 7.5% of all food and alcohol sales. Their lease expires in mid-2026, with them having two options to renew. Should they decide to renew, which they have indicated they will, their lease would go to 8.25% of all food and alcohol sales by mid-2025 when the lease option would need to be acted upon by Crooked Pint. It should be noted that while Crooked Pint has indicated their desire to renew their lease, they are looking at potentially a new concept for food and beverage services through their company. The new option they are exploring would keep most of the same beverage and food options that currently exist but would look at adding breakfast every day as well as more dinner entrees to their menu. If they were to convert into this new alternative, we would expect that this would likely happen during our slower summer league season to have as little of an impact as possible on service we provide, especially to our curlers.

As we looked at establishing the budget for 2026, one of the things we considered is the rent we can expect from Crooked Pint for the year. While they have continued to have strong business following COVID and the reconstruction of Highway 41, we have not seen this number growing but instead staying relatively stable. For this reason, we are budgeting \$326,200 in lease revenue for 2026 to stay consistent with what we have actually seen in rent over the past few years. It should be noted that if the vendor did move to a model that adds breakfast that this would likely have the impact of raising this lease payment as we would expect additional sales through the restaurant being open for additional hours.

The second major source of revenue is Curling Membership and League fees. As mentioned previously, while we saw a loss of members during COVID, we have built much of that membership back, with there now being approximately 800 members of the facility, with many people being new to curling the past two years as we have been offering beginners leagues in the summer to get new people acquainted with the sport. With our leagues being relatively steady, we are budgeting \$464,692 for Curling Revenue, which is 5.36% more than what we budgeted to see for revenue in 2025. It should be noted that out of all the members of our facility, we still have approximately 25% that are residents, with the other 75% coming from out of town each week to participate in our leagues. This demonstrates that we have been able to accomplish using this facility to drive not only our residents but people from other communities to visit our downtown on a regular basis.

The third major source of revenue in the CEC is from the Event Center itself. For the event center, we generate revenue off both the rental of the room for events, as well as from the sale of food and alcohol in the facility. For the room rental, we have groups renting the facility for anything as big as weddings, class reunions and Senior Proms, all the way to renting it for non-profit fundraisers. Depending on the day, fees can be as low as \$475 for 4 hours on a Sunday-Thursday block for residents, all the way to \$2,700 for an 8- hour block on a Saturday for non-residents.

Below are the rates that are adopted for 2026, along with a comparison to other municipal facilities to show where we are falling compared to market. It should be noted that in 2026, we will be slightly lower than the average for the market, even for weekend events. We have continued to grow this side of our business, with us having more bookings in 2025 than we did in 2024. We exceeded our budgeted projections in 2025 because of this. The most difficult period we have to sell is Monday-Thursday. Below are two charts illustrating what the market is for similar facilities for our regular rates and our residents' rates, and how our new rates in 2026 will compare:

		Regular					Resident				
	M-Th	Fri	Sat	Sun		M-Th	Fri	Sat	Sun	Capacity	
Maple Grove Comm. Center	\$562	\$661	\$1,091	\$661		\$510	\$606	\$989	\$606	256	
Brooklyn Park Comm. Center	\$450	\$1,150	\$1,150	\$1,150		\$400	\$1,000	\$1,000	\$1,000	250	
Minnetonka Comm. Center	\$525	\$1,175	\$1,450	\$1,000		\$400	\$850	\$1,025	\$825	250	
Shoreview Comm. Center	\$1,080	\$1,585	\$1,965	\$1,080		\$920	\$1,405	\$1,730	\$920	300	
Coon Rapids Civic Center	\$1,905	\$2,029	\$2,408	\$1,831		\$1,728	\$1,824	\$2,222	\$2,000	230	
CCC Brick Room	\$1,184	\$1,535	\$1,535	\$1,184		\$1,088	\$1,349	\$1,349	\$1,088	200	
Eagan Community Center	\$1,903	\$1,421	\$1,679	\$1,100		\$1,903	\$1,421	\$1,679	\$1,100	350	
Heritage Center (Brk Cntr)	\$3,000	\$3,000	\$3,000	\$3,000		\$3,000	\$3,000	\$3,000	\$3,000	250	
Plymouth Comm. Center	\$1,446	\$4,096	\$4,096	\$3,733		\$1,231	\$3,709	\$3,709	\$3,325	350	
Mississippi Crossings	\$1,600	\$2,325	\$2,713	\$2,400		\$1,600	\$2,325	\$2,713	\$2,400	120	
MN Landscape Arb	\$3,500	\$3,500	\$3,500	\$3,500		\$3,500	\$3,500	\$3,500	\$3,500	248	
Chaska CURRENT Rate	\$1,575	\$2,275	\$2,650	\$1,300		\$1,420	\$2,000	\$2,300	\$1,240	300	
Average Facility Rental	\$2,290	\$2,868	\$2,998	\$2,747		\$2,247	\$2,791	\$2,920	\$2,665		
Chaska % to Average	-31%	-21%	-12%	-53%		-37%	-28%	-21%	-53%		
Chaska 2026 Rates	\$1,575	\$2,350	\$2,700	\$1,425		\$1,420	\$2,000	\$2,300	\$1,290	300	
Chaska 2027 Rates	\$1,575	\$2,350	\$2,700	\$1,525		\$1,420	\$2,000	\$2,350	\$1,340	300	

As mentioned previously, all alcohol sales for the Event Center are required to go through the Crooked Pint restaurant, as they are the liquor license holder for the entire facility. We receive 10.5% of all alcohol sales in the event center. Users of the facility can utilize whatever caterer they want to for their event, with the caterer's fee being equal to 17% of their gross sales for outside vendors and a 12% fee for use of the Crooked Pint. The reason for this difference is because outside caterers are provided with the full caterer's kitchen as part of their package, and it takes more staff resources to be able to manage the outside vendor.

Finally, our last source of revenue for the Curling facility is through Corporate Events in our Curling Facility. Our Corporate Events are booked on weekday afternoons within the Curling Center and include the use of the Curler's Lounge in the front of the rink for business meetings and lunch, with a Learn to Curl session, complete with instructors, provided for the participants as a team building event. These Corporate Events have been very popular, with several afternoons per week booked for these events. The fee for these Corporate Events is \$50 per person, with a minimum fee of \$500. Food is something that is provided separately from Crooked Pint, but they can order and be served directly in the Curler's Lounge Space. The total revenue generated for this service is budgeted to be \$205,000.

The final revenue source we have coming in is \$1,627,500 from the Community Building Fund to support the debt service on the construction of this project, as well as help support the reinvestment back into equipment and infrastructure in the facility as it continues to age. Because we are in our 10th year of debt for the facility, our debt service payments go down, which means that we can utilize more for reinvestment back into the facility. For 2026, we have the following items scheduled for Capital Reinvestment, including:

- Carpet Replacement (Event Center and Hallway): \$90,000
- Chair Replacement (Event Center): \$140,000
- Carpet Extractor Replacement: \$20,000
- Curling Stone Reconditioning: \$30,000
- Trophy Case: \$14,500

- Thermastore Heat Recovery Maintenance: \$7,500
- Vacuum Replacement: \$8,000
- Broom/Brushes Replace in Curling: \$4,000

Based on this, we are recommending that the adopted revenue budget we have for 2026 will be \$2,825,392, which is 6.62% lower than in 2025. This reduction in revenue is mainly to adjust our budget to properly reflect what we have seen in actual revenue over the past year.

Below is a chart reflecting the actual revenue number for 2024, as well as the budgeted revenue for the year 2025 budget, along with the proposed budget for 2026:

Revenues	Actual 2024	Budget 2025	Budget 2026	Change	%Change
Event Center Rental	\$210,137	\$171,000	\$202,000	\$31,000	18.13%
Curling Center Leagues/Memberships	\$428,326	\$441,032	\$464,692	\$23,660	5.36%
Corporate Curling Events	\$187,332	\$220,000	\$205,000	-\$15,000	-6.82%
Restaurant Lease	\$315,759	\$402,000	\$326,200	-\$75,800	-18.86%
Community Fund Transfer (Debt)	\$1,503,474	\$1,790,500	\$1,627,500	-\$163,000	-9.10%
Other Revenue	\$1,099	\$1,227	\$0	-\$1,227	-100.00%
Total Operating Revenues	\$2,646,127	\$3,025,759	\$2,825,392	-\$200,367	-6.62%

2026 Expenditures

From an expenditure standpoint, there are two main types of expenses that we have within the Curling and Event Center. The first expense that we have is with Staffing as it relates both to scheduling and programming of the facility, as well as on-going and daily maintenance of the facility. The second major expense is with the day-to-day operational costs such as cleaning, utilities, and on-going maintenance of mechanical systems within the building.

From a staffing standpoint, we are currently budgeting for 4 full-time employees within the CEC facility office as well as some part-time help to staff at the front desk and to put up and tear down equipment for different events happening within the CEC.

Our full-time staff consists of our Curling Manager, our Curling Ice Maker, the Curling and Event Center Coordinator and our Curling and Event Center Supervisor. Each are responsible for the day-to-day leadership of their individual areas, although we do see a crossover between the positions because of the interrelation of many things within the facility.

As with the Community Center, because this facility falls under the general Parks and Recreation Department, we do get the efficiency of being able to provide some shared staff both with the Park and Recreation Department out of the General Fund and the Community Center staff. These are similar efficiencies we see between other Enterprise Funds and the General Fund, thus allowing us to keep our Administrative costs as low as possible in each of these funds.

From a day-to-day operational standpoint, the biggest expenses we have other than staffing in the CEC is the cost of Utilities, general custodial duties within the facility, and the cost of maintaining our mechanical systems within the building. From a utility perspective, we break down the cost of Utilities based on the area of the building and

based on the City versus leasable portions of the building. The utilities include sewer, water, electric, gas and garbage. Within the Event Center, Curling Center and general common areas of the facility, our Utility costs are approximately \$242,000 per year, with the costs within the restaurant area being approximately \$55,000 per year.

The only other thing to mention as part of the CEC budget is that all debt service is included in the overall budget for the entire project, including the Firemen’s Park redevelopment components. Because this debt service is covered through dollars accumulated in our “Community Building Fund” and the EDA, we do see a transfer of dollars coming into the CEC Fund, with those then going back out to support this debt service. This debt service cost is \$1,082,711 in 2026 but is supported through a transfer from the Community Fund into the CEC Fund for a similar amount. This is not an expense related to day-to-day operations. As mentioned previously, with us going into our 10th year of debt service on the facility, our payments are going down by approximately \$500,000 per year for the remainder of the life of the debt. We plan on utilizing these savings to reinvest back into the facility, so it stays in good shape going into the future.

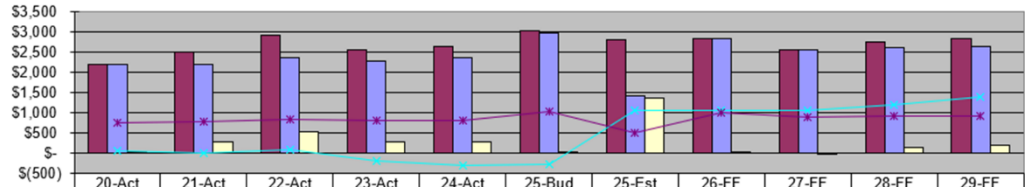
Based on the total Revenue and Expense budget for 2026, below is the expenditure budget for 2026.

Expenditures	Actual 2024	Budget 2025	Budget 2026	Change	% Change
Administration/General Facilities	\$944,475	\$943,410	\$1,008,812	\$65,402	6.93%
Event Center	\$45,643	\$36,806	\$289,112	\$252,306	685.50%
Curling Center	\$335,617	\$355,078	\$374,319	\$19,241	5.42%
Crooked Pint	\$54,339	\$67,725	\$62,135	-\$5,590	-8.25%
Other	\$0	\$0	\$0	\$0	0.00%
Depreciation	\$632,900	\$0	\$0	\$0	0.00%
Debt Service	\$337,915	\$1,580,717	\$1,082,711	-\$498,006	-31.51%
Total Operating Expenses	\$2,350,889	\$2,983,736	\$2,817,089	-\$166,647	-5.59%

With the CEC being nearly 10 years old, we are now starting to focus on regular reinvestment into this facility. For this reason, we are starting to focus on building up cash reserves in our CEC Fund. Below is a 5-year forecast for this fund, and what we expect to happen from a financial perspective. As you will see, we do plan on trying to build up this fund balance, with it projected to be close to \$1,392,000 by 2029. Building up this fund balance will be helped by the reduction in our debt service payments over the remaining 5 years with this giving us a revenue source to invest back into this facility to help preserve it in good condition going into the future.

**CITY OF CHASKA FINANCIAL FORECAST
CURLING AND EVENT CENTER (FUND 610)
[Does not include \$5.3 million construction deficit.]**

Thousand Dollars (\$1,000)



	20-Act	21-Act	22-Act	23-Act	24-Act	25-Bud	25-Est	26-FF	27-FF	28-FF	29-FF
All Sources	\$2,215	\$2,498	\$2,927	\$2,579	\$2,646	\$3,026	\$2,810	\$2,849	\$2,553	\$2,761	\$2,844
All Uses	2,199	2,217	2,379	2,302	2,367	2,984	1,429	2,849	2,560	2,623	2,654
Net Inc. (Dec.)	16	280	547	277	279	42	1,381	1	(7)	137	190
Est Net Cash	67	17	100	(196)	(310)	(268)	1,071	1,071	1,065	1,202	1,392
35% Cash Target	770	776	833	806	829	1,044	500	997	896	918	929

Year

The Loop Golf Budget

History of Par 30

For nearly 50 years, the Chaska Par 30 was a small Executive Course that the City of Chaska owned and operated. Being a remnant of the development of Hazeltine National Golf Course and designed by Robert Trent Jones, it was a unique course that offered opportunities for many in Chaska to take up golf. Not only did the course have an inexpensive price point for patrons to play, but it also provided opportunities for those that may not have the skill or desire to play on a high-end course, such as the Chaska Town Course, the opportunity to go out and get exposed to the game of golf.

In its early years, the Chaska Par 30 attracted over 30,000 rounds per year and was a source of income for the City to be able to reinvest back into the facility. However, as the course aged, the Chaska Town Course was added, and additional Executive Courses around the area opened, its rounds dropped to around 14,000-15,000 rounds per year making it very difficult to not only operate without outside support, let alone be able to reinvest back into the facility. With the City facing a very large decision about whether or not to reinvest back into the course with the needed replacement of the irrigation system, which would have been over \$750,000, the City needed to evaluate whether it made financial sense to make this investment back into the Course if it likely would not increase rounds and financially support its own operations.

Learning Links of Chaska

It was at this time that a group of individuals who started a non-profit called *The Learning Links of Chaska* approached the City with an idea to completely rebuild the course, but to do it in a way that no other course in the Country had deliberately tried to do yet. What they wanted to do was make it a course physically accessible to people of all ages and abilities. The concept was to take the land that the Par 30 sat on and redesign it in a way that any person could play it, whether they had a physical disability or not, whether they were a child or senior, or whether they were a new golfer or an expert. The course would be designed so that each of these individuals would find it fun to play the Course. *The Learning Links of Chaska* committed that if the City would agree to move forward with developing such a course that they would do significant fundraising to help support the construction of this facility and would work with the course to help facilitate the programming, including introducing those with physical disabilities to the game of golf.

With a total development cost of just over \$3.5 million, *The Learning Links of Chaska* raised \$750,000 to support the efforts of reinvesting back into this course, which was rebuilt over the summers of 2022 and 2023, with the Clubhouse and Maintenance Facilities being completed shortly before we opened in the early summer of 2024. With us now having the first summer of partial play occurring in 2024, and having a full summer of play during 2025, we now have more knowledge on setting our operational budget for 2026.

The Loop Objectives

As part of developing the budget for The Loop, the Council did adopt the following objectives for this facility:

- Provide a high-quality golf experience for the residents of Chaska and visitors of all abilities
- Be viewed as a golf course facility with innovative design that breaks down barriers for people of all abilities to play
- Provide another opportunity to create a premier Community Gathering Location in our community
- Assume that we are providing adequate resources for The Loop to support all operations of a high-quality golf course, including adequate and well-trained staff and well-maintained equipment
- Ensure that we are operating a golf course that can be financially sustainable and generate enough reserves to continue to reinvest back into the facility in

It is these objectives that we utilized to put together the budget for the 2026 year.

2026 Budgeted Revenue

In determining the revenues for this upcoming year, we need to look at two factors. First, we must make assumptions on the number of rounds that we expect to see on the course for the year, as well as play on the Minnalayas Green. Second, we needed to determine what we should set the rate at for 2026.

From a rate perspective, we utilized the area Executive Courses as a benchmark on where to set our fees. The one thing that we took into consideration is that the quality of course that we will be providing here is at a higher level than other Executive Courses in the area, and that the main user of our course will be Seniors and Juniors. Because we will be in just our second full year of operation, we are proposing we keep the rate the same as in 2025 to continue to build up the new golfers at our course. Based on that, the following are the rates that we have set for 2026:

- Juniors: \$18
- Seniors: \$18
- Adults: \$23
- Minnalayas Green: \$5

Based on this, the following is a comparison of other Executive Courses in the area and how we will compare as we keep our rates the same going into 2026:

Course	Junior	Senior	Adult
Halla Greens	\$15.00	\$19.00	\$24.00
Braemar Executive	\$12.00	\$19.00	\$19.00
Water's Edge	\$20.00	\$20.00	\$20.00
Orono	\$12.00	\$16.00	\$20.00
Glen Lake	\$17.00	\$17.00	\$21.00
Average	\$15.20	\$18.20	\$20.80
The Loop 2025 Rate	\$18.00	\$18.00	\$23.00
The Loop 2026 Rate	\$18.00	\$18.00	\$23.00

It is important to point out that our rates are very close to the average of other area Executive Courses, but slightly higher. This is because the quality of this course, and especially the greens, is much better than other area Executive courses, and we need to make sure that we charge enough to keep the maintenance of this course a high priority as we move into the future.

As for assumptions on the usage of the course, we assumed that we will have 20,000 rounds in 2026. We are budgeting this conservatively, as we had close to 25,000 rounds in 2025. For the Minnalayas, we are budgeting that we will be at 3,000 rounds, which is very close to what we saw for usage in 2025. As we move through next year, we will be looking for creative ways to program this space so it continues to be used by as many patrons as possible, whether or not they golf the rest of the course.

Based on the assumptions above, we budget that we will at \$773,259 in revenue for 2026. While this is less than what we budgeted in 2025, we already have a better sense of what is realistic to expect after 1 and a half years of operations, which allows us to be more accurate as we budget for this facility next year.

Budgeted Expenditures

From an expenditure perspective, there are two things that drive the costs that go into the course from an operational standpoint. First is the staffing that we will need both in the clubhouse and for maintenance. The other expenditure will be for the equipment and supplies we will need to operate and maintain the facility.

From a staffing standpoint, we have programmed that we will need 2 full-time Greenskeepers, along with the support of approximately 700 hours of part-time maintenance staffing to keep the course in good condition. The main difference from the Par 30 is that we only had 1 full-time Greenskeeper as there was less to maintain than we have at The Loop.

From a Clubhouse perspective, we plan to continue to have a Clubhouse Manager position, which will be a 9-month full-time position. To support this person, we will have programmed 5,040 hours of part-time support through the summer to make sure that we always have 2 people scheduled to work in the clubhouse at any given time.

From an equipment perspective, we plan on utilizing the Town Course maintenance equipment that is scheduled to be replaced to maintain The Loop. While this equipment is too old to continue maintaining a course the size of The Town Course, it will work fine for The Loop. While we will have equipment that we shift over to The Loop from the Town course each year, we do not have any new equipment that is scheduled to be purchased for The Loop in 2026.

Besides these items, all other expenditures such as supplies, utilities and insurance are budgeted based on what we experienced for actual expenditures this past year. We have no new improvements scheduled to be made at The Loop during the summer of 2026.

Based on this, the total expenditures we are budgeting for 2026 is \$773,259, compared to the \$798,309 in expenses we budgeted in 2025. It is not that we are cutting anything that was provided as a service last year by reducing this amount. Instead, it is us "right-sizing" this budget after we have had a season and a half of experience to base our decisions on when establishing the 2026 budget. Below is a chart showing the revenues and expenditures we are budgeting for 2026:

	Actual	Budget	Budget	Dollar	Percent
	2024	2025	2026	Change	Change
Green Fees	\$350,588	\$489,500	\$459,350	-\$30,150	-6.16%
Minnalayas Fees	\$5,471	\$30,000	\$15,000	-\$15,000	-50.00%
Transfer In/Learning Link	\$244,000	\$244,000	\$244,000	\$0	0.00%
Other	\$118,239	\$61,500	\$54,909	-\$6,591	-10.72%
Total Revenue	\$718,298	\$825,000	\$773,259	-\$51,741	-6.27%
Maintenance	\$300,715	\$287,348	\$295,843	\$8,495	2.96%
Administration	\$195,624	\$246,161	\$212,408	-\$33,753	-13.71%
Merchandise	\$19,871	\$15,000	\$15,075	\$75	0.50%
Other	\$45,169	\$0	\$0	\$0	0.00%
Debt Service	\$115,572	\$249,800	\$249,933	\$133	0.05%
Total Expenses	\$676,951	\$798,309	\$773,259	-\$25,050	-3.14%
Net Income (loss)	\$41,347	\$26,691	\$0	-\$26,691	-100.00%

Based on the budget above, we would anticipate that we will break even in 2026. As is illustrated in the chart above, we may be budgeting for less revenues, but we are also budgeting for less expenses based on what we experienced during the 2024 and 2025 seasons. We expect to continue to learn more about the operations of this course during the 2026 season as we will be doing more to open league play, and more programming opportunities will exist, especially with the Minnalayas Green Course.