

**NINA MOINI:** Well, the Cities of Minneapolis and St. Paul have released their 2027 budget proposals. We're starting with St. Paul, where Mayor Kaohly Her just wrapped up her budget address that looks to shrink a \$26 million budget gap. Here are some highlights of her proposal.

Property taxes will increase 6.8%. For the median value home, that's an annual increase of \$58. The city will be eliminating positions and reassigning staff. That includes decreasing the number of sworn police officers from 616 to 605-- specifically, reducing supervisory positions. Mayor Her says it's been years since the city has employed more than 600 officers. Additionally, the mayor herself will be reducing her salary by \$20,000.

**KAOHLY HER:** As we consider this budget, we must recognize the reality of the city we are governing. St. Paul employs over 3,100 people, and staff costs accounts for nearly 80% of our total city budget. Over the past two decades, our population has grown, our responsibilities have grown, but city government has not kept pace.

Meanwhile, the cost of providing those services have increased years of reduction. There is very little access left to trim without affecting the services residents count on every day. That does not mean we stop looking for efficiencies. It means we must be honest that additional reductions will have consequences, and that responsible budgeting requires us to identify those consequences before they are imposed on residents. Fiscal reality tells us what we cannot do. Our values determine what we must do.

**NINA MOINI:** Additionally, Mayor Her took time to address homeless encampment clearings. Last week, the city closed the largest encampment at Pig's Eye Park. It plans to close two additional encampments. Mayor Her said she's working on partnerships to address solutions.

**KAOHLY HER:** My administration is continuing to develop long term strategies to create more flexible housing options for our unhoused neighbors, and to strengthen the partnerships needed to make those solutions successful. If the city alone attempted to solve unsheltered homelessness at the scale our community deserves, it would cost us hundreds of millions of dollars in initial capital and tens of millions of dollars in ongoing costs.

For example, if we spent an additional \$120 million to build housing and provide wraparound services for every individual in the encampment, that would translate to over a 50% increase in the property tax levy. That is in addition to the 6.8% that is being proposed. I do not believe that this is a reasonable burden to place on St. Paul homeowners, renters, or businesses. But that comparison illustrates something important-- the challenge is not that St. Paul lacks compassion or creativity. The challenge is that the scale of the problem exceeds the fiscal capacity of a single city.

**NINA MOINI:** Mayor Her did not address the ongoing sexual harassment investigation in her budget address. As for the next steps for the budget, the St. Paul city council will hold public budget meetings on Wednesdays at 10:00 AM beginning next week. The city budget is expected to be adopted in December. We'll have more details on the St. Paul budget this afternoon on *All Things Considered* with Clay Masters, starting at 3 o'clock and at [mprnews.org](https://www.mprnews.org).

Turning to Minneapolis, Mayor Jacob Frey unveiled his budget yesterday. He's proposing an increase in the city's property taxes and layoffs, as well as more money for police overtime, fire, and some other city services. MPR News Reporter Estelle Timar-Wilcox joins us from Minneapolis to break this down. Thanks for being here, Estelle.

**ESTELLE** Hi, Nina.

**TIMAR-WILCOX:**

**NINA MOINI:** So there are a lot of cuts and a property tax hike in this proposal. What's causing these financial challenges?

**ESTELLE** Yeah. Well, in Minneapolis, there's also a budget gap. Frey says it's \$60 million that his team has to contend with.

**TIMAR-WILCOX:** And there are several causes for that gap. First, city budget staff say personnel is costing the city more. They're spending more money on paychecks and benefits. And basic costs like fuel and maintenance have also gone up.

And the city spent more money than it expected to this year. That was largely in response to the federal immigration enforcement operation. And the bulk of that spending was in the police department, which overshot its overtime budget by about \$23 million. And then the city also allocated some emergency funds for rent assistance and small businesses. And, more broadly, Frey pointed to a low point that the economy hit in 2024, which he says the city is now starting to feel.

**NINA MOINI:** So where exactly is the Mayor proposing these cuts?

**ESTELLE** Well, his budget proposes reducing staff by about 100 positions. Frey said they're looking to mostly cut vacant  
**TIMAR-WILCOX:** positions, but expecting to do some layoffs, too. And he said he's not sure yet exactly where in the city those layoffs would come from. Frey's budget also proposes consolidating some city departments, so combining some smaller offices to save money. And he said these were tough decisions to make.

**JACOB FREY:** I know these decisions will not be universally popular. In fact, I'm certain that the two biggest critiques of this budget will be that cuts are too deep or that they aren't deep enough.

**NINA MOINI:** Estelle, you mentioned police spending, those overtime dollars-- this is the second year in a row that the Minneapolis Police Department has overspent its budget. What is Mayor Frey proposing to do about that?

**ESTELLE** Yeah. Well, rather than cut the budget, he's proposing budgeting, instead, for what the police department has  
**TIMAR-WILCOX:** actually been spending. So this budget proposes increasing the department's overtime by \$13.1 million. Frey said that doesn't mean the department will actually be spending more money, just budgeting more accurately for what they've been spending. And he said he'd rather do that than cut down on police overtime hours, which he says are needed to respond to emergencies.

**NINA MOINI:** We know Minneapolis homeowners have seen their property taxes go up in the past few years. What can they expect this year?

**ESTELLE** Well, there's a big jump in this proposed budget for 2027. Mayor Frey proposed an increase of 11.3%. So for the  
**TIMAR-WILCOX:** homeowner of a median value home, that comes out to about \$34 a month, or a little over \$400 a year.

And that's steeper than the city's average annual increase, which, since 2018, has sat at about 7.7%. Frey says this tax is needed to help cover this budget gap. And, at the same time, the city is also continuing to feel the effects of declining commercial property values. So all those big buildings in downtown are now paying less in property taxes than they used to. And the city has shifted some of the cost onto residential homeowners.

**NINA MOINI:** So the city council now has a chance to review this. What are you hearing so far from council members?

**ESTELLE** Well, council members told me that they're going to take a close look at that budget book, and they're especially  
**TIMAR-WILCOX:** keeping an eye on that property tax increase. Council Member Soren Stevenson said he wants to make sure residents are getting what they pay for.

**SOREN STEVENSON:** I have heard over and over people feeling burdened by increased costs in the city, whether it's their rent, or mortgage, or insurance. And so something that I'm going to be really focused on is making sure that this isn't a large tax increase to maintain the status quo-- but, if there is going to be a large tax increase, that residents are going to feel high quality services as well.

**ESTELLE** And several council members also told me they want to look more closely at that police overtime budget item,  
**TIMAR-WILCOX:** among other spending. And the council has a plan to finalize the budget by December 15. Ahead of that, they're holding four public hearings about it to hear from their constituents.

**NINA MOINI:** Thanks for your reporting, Estelle.

**ESTELLE** You're welcome.

**TIMAR-WILCOX:**

**NINA MOINI:** That's MPR News Reporter Estelle Timar-Wilcox.