

City of Deephaven, Minnesota

2026 Proposed Budget and Property Tax Levy



Truth - in - Taxation Hearing

The Truth-in-Taxation Hearing on the proposed 2026 Budget and Property Tax Levy is scheduled for 7 p.m., Monday, December 1, 2026 in City Hall Council Chambers. The general public is encouraged to attend.

City Budgets, Levy and Property Taxes

The State of Minnesota has a complex system for calculating property taxes. The amount of tax assessed to a property changes from year to year based upon a number of different factors. For instance, the decisions made by City Councils, County Boards and School Boards about the amount of tax dollars needed to deliver services may be the most obvious factor affecting property tax bills. Other factors that impact the taxes paid by property owners include the market valuation of the individual property, the total market valuation of all other properties in the community, the total market valuation of all other properties in the County, legislative changes in state programs and changes in State Statutes and laws that affect the administration of the property tax system.

Calculating the Budget and Levy

The City of Deephaven is responsible for the “City of Deephaven” property tax category provided in the Hennepin County Property Tax Statements. The City’s property tax levy is combined with the Hennepin County property tax levy, the School District property tax levy, the Metropolitan Council property tax levy and any other “Special Taxing Districts” that may apply to establish a property’s total and final property taxes payable in any given year. The City of Deephaven uses a detailed annual budgeting process to determine what taxes are needed in the annual levy to provide programs and services to our community. This budgeting process is a multi-step, year-long cycle involving City staff, heads of City departments, the Mayor and members of the City Council. This perennial process

typically starts with staff preparing a draft budget based upon the prior year’s budget in the spring. The prior year’s audited financial statements are reviewed and compared to the revenues and expenses received to date, and projections are made and revised until a preliminary budget and preliminary property tax levy are established. This preliminary information is then more formally reviewed with the City Council, and Staff is provided guidance on the Council’s plans, policies and goals regarding the provision of services and sound resource management to be factored into the budget process. These discussions are distilled into a formalized financial plan that is then used to set the Preliminary Property Tax Levy. This levy is required to be submitted to the County by September 30th and serves as the basis for a working final draft budget that is reviewed by the Council in November and December. The Final Budget and Property Tax Levy are presented annually at the Truth in Taxation Public Hearing, and are then finalized by the Council in December each year. This Final Property Tax Levy is required to be certified to Hennepin County no later than December 29th, with a certification of compliance being filed with the Department of Revenue as well. This final levy is what is collected as property tax for the following year.

Long Term Debt

The long-term debt, or “bond debt,” a city has incurred is one factor impacting a city’s property tax levy. The principal and interest of these bonds is paid annually, which is reflected as one of three separate line items in the city’s annual Property Tax Levy Resolution. Deephaven currently has one outstanding bond obligation, the 2019A Series Bond issued July 11, 2019, in the amount of \$1,635,856 for the 2020 Minnetonka Boulevard reconstruction project. The 2019A Series debt will be satisfied in 2030 but can be called and paid early on or after February 1, 2027, for the amount of the outstanding principal and interest accrued to the date of redemption. The 2026 payment on this bond is in the amount of \$190,785; with \$160,000 of that amount being principle, and the remaining \$30,785 being administration costs and interest fees.

Bond / Loan	Annual Payment	Balance	Interest Rate	Maturity Year	Call Date
2019A Series	\$190,785	\$536,300	3% - 4%	2030	January, 2027

Funding Future Projects

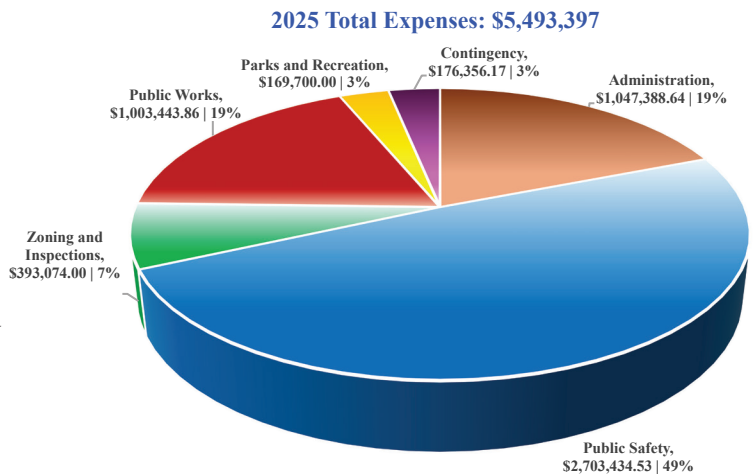
The City also has a fund into which incremental transfers are made to offset the expense of future large-scale projects and future equipment purchases. Depreciation schedules have been established for most city assets with a value over \$10,000, and annual contributions to this fund support timely replacement of these assets when needed. The City also has funds for future infrastructure projects. By funding those incrementally now, we decrease the impact of high bond issuances for these projects in the future. For 2026, the City is proposing a levy of \$1,000,000 that will support planned projects in 2026. These projects include construction of a Warming House to support the new hockey rink in Village Hall Park, the purchase of a new front end loader truck, and most notably, funding to support the planned 2026 Street Improvement Project.

2026 Budget and Property Tax Levy

The City of Deephaven established a 2025 General Fund Budget last December with expenses totaling \$4,819,657. The City levied \$3,255,425 for operating expenses to provide City services, \$192,045 to pay the City’s long-term debt, and \$900,000 to contribute to the Capital Improvement Fund. The 2026 Proposed General Fund Budget is currently set with expenses totaling \$5,493,397. The proposed levy for operating expenses is \$3,489,666, which represents an increase in operating expenses of \$234,241; or roughly 7.2% from what was levied in 2025. The increase in operating expenses proposed for next year is primarily due to an increase in total employee compensation and insurance benefits (6.35%). The City’s long term debt levy will be set at \$190,785 based upon the principal and interest payments due and payable in 2026 for the 2019A Series bond to improve Minnetonka Boulevard. These debt service payments represent a decrease of \$1,260 from the 2025 amount of \$192,045; or, roughly .66%. The City’s Capital Improvement Fund proposed levy for next year is \$1,000,000, which represents an increase in capital funding in the amount of \$100,000 from the amount levied in 2025 of \$900,000; representing an increase of roughly 11.11%. The increase in capital funding proposed for next year will support the purchase of a front end loader truck for the Public Works Department, a Warming House at Village Hall Park, and support the 2026 Street Improvement. Based upon these figures, the City’s total 2026 Property Tax Levy is currently recommended to be \$4,680,451; which represents an increase of \$423,565, or 9.95%, from the 2025 Property Tax Levy in the amount of \$4,256,886.

2026 Projected Expenses

The pie chart to the right highlights the general categories of general fund expenses involved in city operations and through the provision of city services. Public Safety (Police and Fire Services) comprises the largest portion of the City’s annual budget with a combined annual cost of \$2,703,434, constituting approximately 49% of the City’s annual budget. Administration (19%), Public Works (19%) and Zoning and Inspections (7%) round out the other major categories of the City’s annual expenditures.



Where does your property tax dollar go?*

Minnetonka Schools 41¢

Hennepin County 37¢

Other 7¢

Deephaven 16¢



This graphic depicts what is funded by every tax dollar collected.

- 5¢ Police Services
- 3¢ Administration
- 3¢ Public Works
- 3¢ Fire Services
- 1¢ Planning and Zoning
- 1¢ Parks and Recreation

“Other” includes the Met Council, any Fiscal Disparity Tax, TIF Districts or other Special Taxing Districts

Based upon a 2026 home valuation of approximately \$858,800 located in the City of Deephaven, Minnesota.



2026 Deephaven Budget and Property Tax Levy Report

How are my property taxes calculated?

The State of Minnesota has a complex system for calculating property taxes. The decisions made by the County Board, School Board and City Council regarding the amount of tax dollars needed for operations and the provision of services may be the most obvious factors affecting property tax bills. Other factors that impact property taxes include the property classification, value of the individual property, total value of all properties in our community, changes in state programs and changes in state laws that impact the property tax system.

Property Valuations



The property classification, valuation and tax assessment process begins each year with local assessors who estimate the market values of all of the properties in the city. The goal of the assessor is to determine the approximate sale value of each parcel of property based upon current market conditions and recent comparable property sales. That value is then established as your property's estimated market value for property taxation purposes. Some properties, based upon their age, value or other factors, have deductions made to their estimated market value. After review and calculation of any applicable deductions, the final taxable market value is established for each property in the city.

Property Classification

In addition to property market valuations, each parcel of property is assigned a property class. This classification is important because the State of Minnesota assigns a weight to each class of property that impacts the amount of property taxes that property will contribute. As an example, income generating properties like those with commercial or industrial uses have a higher classification weight than other properties. Additionally, residential properties with a higher value carry a higher classification weight than lower valued properties. For more detailed information on property classifications and weights, visit the Minnesota House Research Department's website:

<https://www.house.mn.gov/hrd/issinfo/clsrates.aspx>.

Taxable Tax Capacity

The Property Valuation and Property Classification systems are then applied to each parcel of property; the taxable market value is multiplied by the relevant class rate to arrive at the net taxable tax capacity for that parcel. This net taxable tax capacity for each property is added together to determine the city's total taxable net tax capacity. Stated differently, the city's taxable net tax capacity is generally comprised of the net tax capacities of all individual properties within the jurisdiction.

Local Tax Rate

A local tax rate is determined based upon the city's taxable net tax capacity and the amount of that city's property tax levy. Specifically, the County Assessor divides the city's property tax levy by the city's taxable net tax capacity. This formula provides the city's local tax rate, expressed as a percentage based upon the calculation above.

Final Parcel Property Tax

The property taxes to be paid by each parcel of property in the city are calculated by multiplying the net tax capacity of that property by the tax rate established for the city. This figure represents the amount to be received in taxes as levied by the city to support municipal operations and the provision of city services. This process is repeated for the County property tax levy and School District property tax levy. Any other applicable property taxes are then included in the final figure and calculations that are sent to you as your property tax statement.



Putting it into Practice

Parcel Tax Capacity

Here is a current example of the property tax system put into practice with a property located in the City of Deephaven. This property has an estimated market value of \$858,800, and with no exemptions or deductions applicable, a taxable market value also of \$858,800. This property is zoned residential with a residential use, and because it is valued greater than \$500,000 it is assigned a class rate of 1% for the first \$500,000 and a class rate of 1.25% for the remainder of the value. When the taxable market value is multiplied by the property's tax rate of 1% for the first \$500,000 in value, and 1.25% for the remaining estimated market value, the property is given a net tax capacity of \$9,485.

Deephaven Tax Rate

The City of Deephaven approved the 2026 Preliminary Property Tax Levy at the September 15, 2025 Council Meeting by Resolution in the amount of \$4,680,451. Subtracting Fiscal Disparities, the levy becomes \$4,649,890. The net taxable tax capacity for Deephaven in 2026, as set by the County Assessor, is \$27,266,930. When the property tax levy is divided by the City's net taxable tax capacity, it provides us with the 2026 Deephaven Tax Rate of 17.053%.

Parcel Specific Tax Rate

The net tax capacity of this specific parcel, as provided above, is \$9,485. The City's 2026 Tax Rate is 17.053%. When the net tax capacity is multiplied by the City's tax rate, it gives us the property taxes to be paid to the City in the amount of \$1,617. This amount is added to the taxes of the other jurisdictions to provide the total taxes due in 2026.

Taxation Process in Review

Step 1: Local, County and School District officials review their budgets each year to determine how much money should be raised from property taxes to cover operational expenses and support the provision of services to the community.

Step 2: The levy is spread among all taxable properties according to their tax capacity: $\text{Taxable Market Value} \times \text{Classification Rate} = \text{Tax Capacity}$.

Addresses for correspondence	Actual 2025	Proposed 2026
Hennepin County, A2400 300 S Sixth St Minneapolis MN 55487 612-348-3011 hennepin.us	\$3,430.41	\$3,828.71
City of DEEPHAVEN City Hall 20225 Cottagewood Rd Deephaven MN 55331 952-474-4755 cityofdeephaven.org	\$1,501.24	\$1,617.57
STATE GENERAL TAX		
School District 276		
Voter Approved Levy:	\$2,368.48	\$2,420.61
Other Local Levies:	\$1,728.88	\$1,884.80
School District Total:	\$4,097.36	\$4,305.41
Minnetonka Schools 5621 Hwy 101 S Minnetonka MN 55345 952-401-5000 minnetonkaschools.org		
Metro Special Taxing Dist. Metropolitan Council 390 Robert Street North St Paul MN 55101-1805 651-602-1738 metro council.org/budget	\$181.79	\$191.50
Other Spec. Taxing Dist: Fiscal Disparity Tax: Tax Increment Tax:	\$460.66	\$484.89
TAX EXCLUDING SPECIAL ASSESSMENTS	\$9,671.46	\$10,428.08

Property taxes statement schedule

Step 1	Value & classification		
	TAX YEAR PAYABLE CLASS:	2025 HOMESTEAD	2026 HOMESTEAD
	Estimated Market Value:	\$816,800	\$858,800
	Homestead Exclusion:	\$0	\$0
	Other Exclusion/Deferral:	\$0	\$0
	Taxable Mkt Value:	\$816,800	\$858,800

Step 3: The levy and total tax capacity for all properties are used to calculate the local tax rate: $\text{Local Tax Levy} / \text{Total Tax Capacity} = \text{Local Tax Rate}$.

Step 4: County Auditor determines if any tax credits or additional taxes apply. These may include property tax credits, referendum levies, State general taxes or taxes from special taxing jurisdictions.

Step 5: Property Tax Notices are compiled for each property that list the taxes assessed to the property by jurisdiction. Taxes are then assessed to each property and collected by the County annually.

To learn more about the City of Deephaven proposed 2026 Budget or Property Tax Levy, please attend the Public Hearing on Monday, December 1, 2025 at 7 p.m. in Council Chambers of City Hall, 20225 Cottagewood Road, Deephaven, Minnesota 55331. The City Council may set the Final Property Tax Levy after the Public Hearing at this City Council Meeting. If you have comments or questions, please share them with City Staff by contacting City Hall at (925) 474-4755 or stop by City Hall during normal business hours.