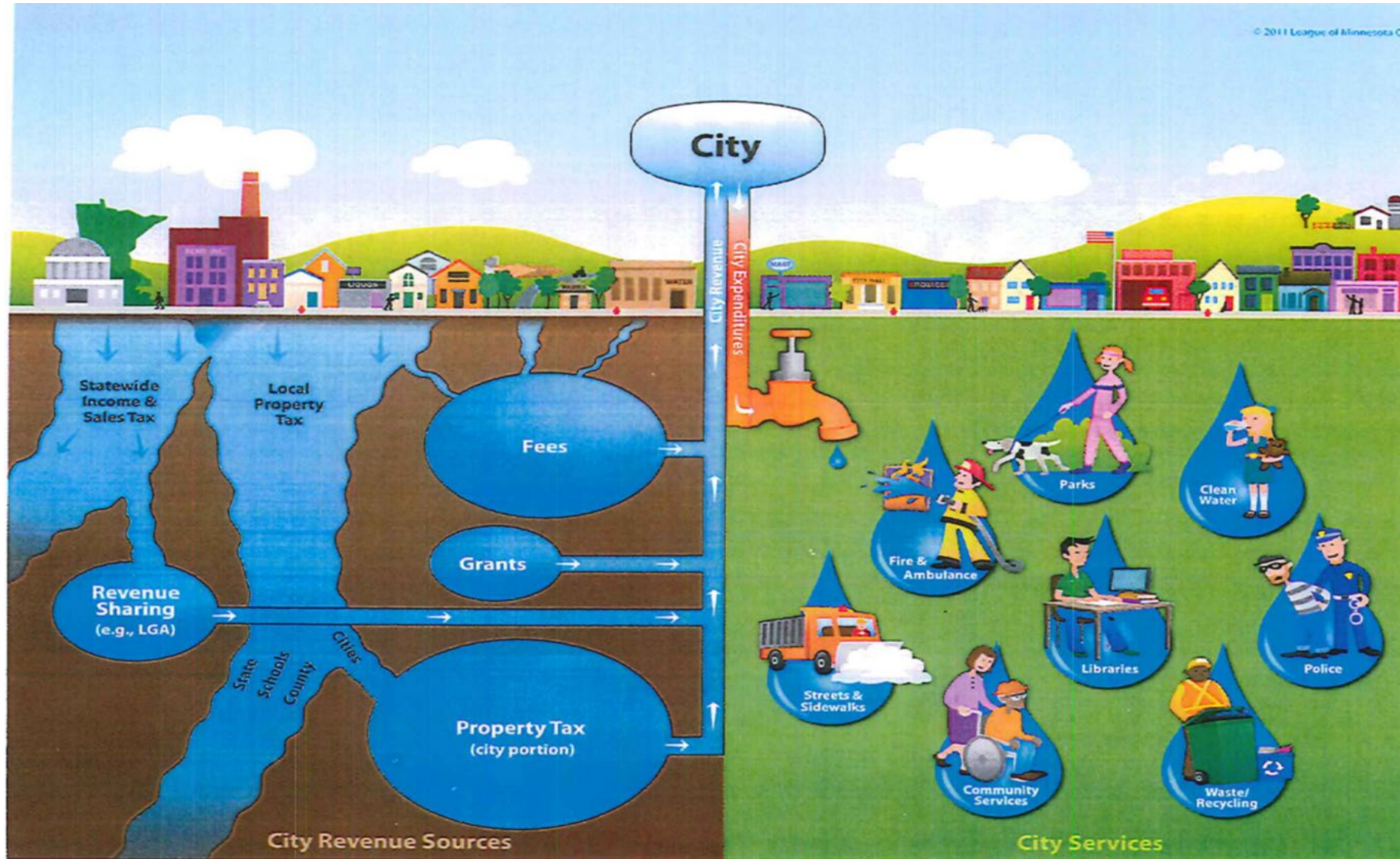


Truth In Taxation

Purpose of this meeting is to present the City's Proposed 2023 Budget and to receive public input and comments

Where do Cities get their money?



Why Property Taxes Vary Year to Year

- ▶ The market value of a property may change
- ▶ The market value of other properties in your taxing district may change, shifting taxes from one property to another
- ▶ The property tax levied by the city, county, school district or a special district may change
- ▶ Special assessments may be added to your property tax bill
- ▶ Voters may have approved a referendum
- ▶ Aid and revenue from the state and federal government may have changed (LGA)
- ▶ State legislature may have changed the portion of the tax base paid by different types of properties
- ▶ Other state law changes may adjust the tax base
- ▶ Inflation
- ▶ Infrastructure
- ▶ Public Safety
- ▶ Council Initiatives and Citizen Ideas

Total Budget \$9,966,852

▶ Two segments make up the total budget

1. Governmental Funds - \$7,572,983

General, Special, Debt, Capital

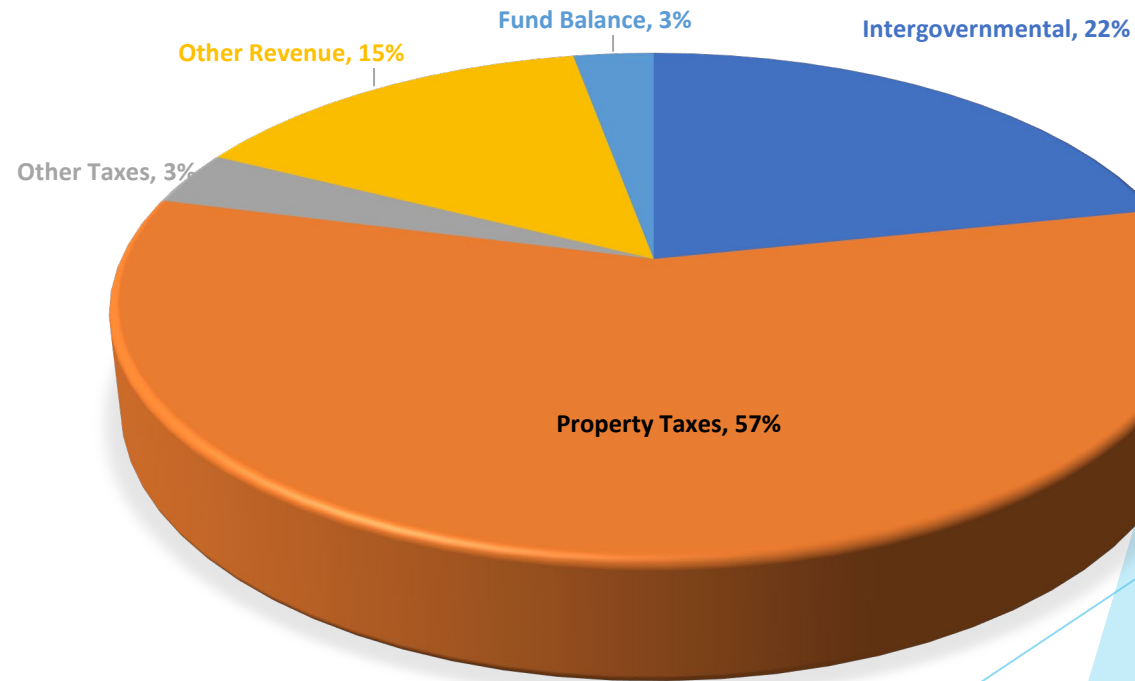
2. Enterprise Funds - \$2,393,869

Water, Sewer, Storm Sewer

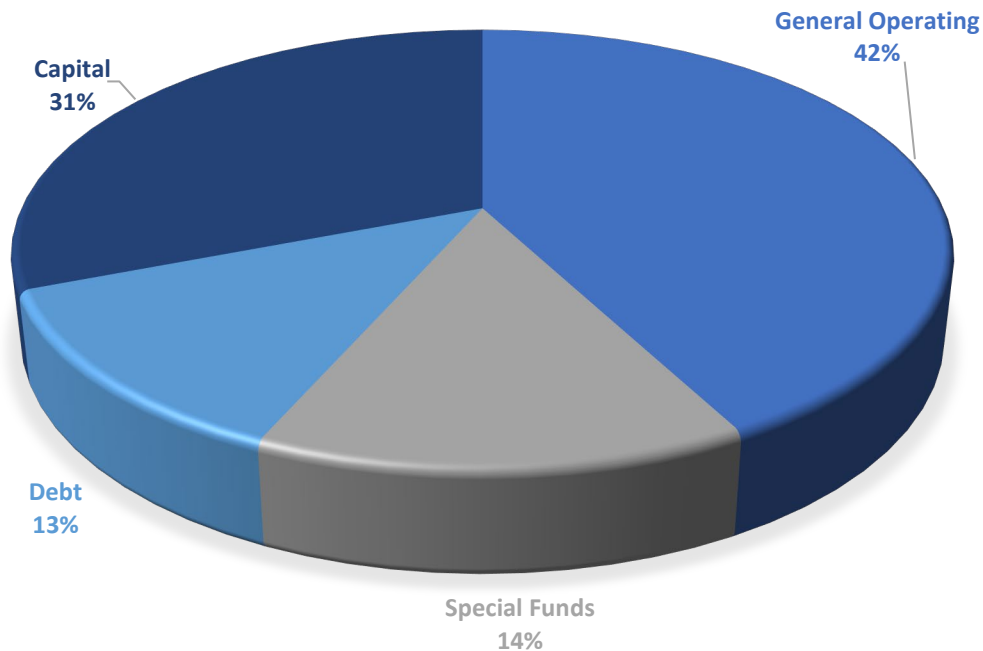
▶ YTY increase of 8.589%

General Government Total Budget for Revenue

- 1 Intergovernmental**
(State Aid, County, Library)
\$ 1,641,958
- 2 Property Taxes**
(Referendums, Levies)
\$ 4,343,124
- 3 Other Taxes**
(TIF, Special Assessments)
\$ 262,244
- 4 Other Revenues**
(Rent, Fees, Licenses, Donations,
Fines, Interest)
\$ 1,108,543
- 5 Fund Balance**
\$ 217,114



General Government Total Budget for Expenditures



General Operating (wages, utilities, supplies, benefits)
\$3,198,901

General Government, Streets, Parks & Grounds, Pool, Law Enforcement, Solid Waste, Street Lighting

Special Funds
\$1,088,782

Library, Economic Development, Fire, Civic Center, Revolving Loan

Debt
\$947,086

CIP & Utility Bonds

Capital
\$2,338,214

Capital Building & Equipment, TIF Districts, Fire Dept. Capital Equipment

EXPENDITURES - General & Special Funds

▶ General Government	\$904,006		
▶ Administration, Mayor & Council, Clerk, Finance, Planning/Zoning, Insurance (Liability & General)		▶ Special Funds	
▶ Law Enforcement	\$839,649	▶ Library	\$568,450
▶ Emergency Services	\$3,250	▶ Economic	\$178,182
▶ Parks	\$353,238	▶ Fire Dept	\$250,109
▶ Solid Waste (dump)	\$7,188	▶ Civic Center	\$64,955
▶ Animal Control	\$200	▶ Revolving Loan	\$27,087
▶ Streets	\$621,825		
▶ Swimming	\$331,695		
▶ Summer Rec	\$7,000		
▶ Signal Lights	\$2,850		
▶ Street Lighting	\$117,000		
▶ Unallocated	\$11,000		

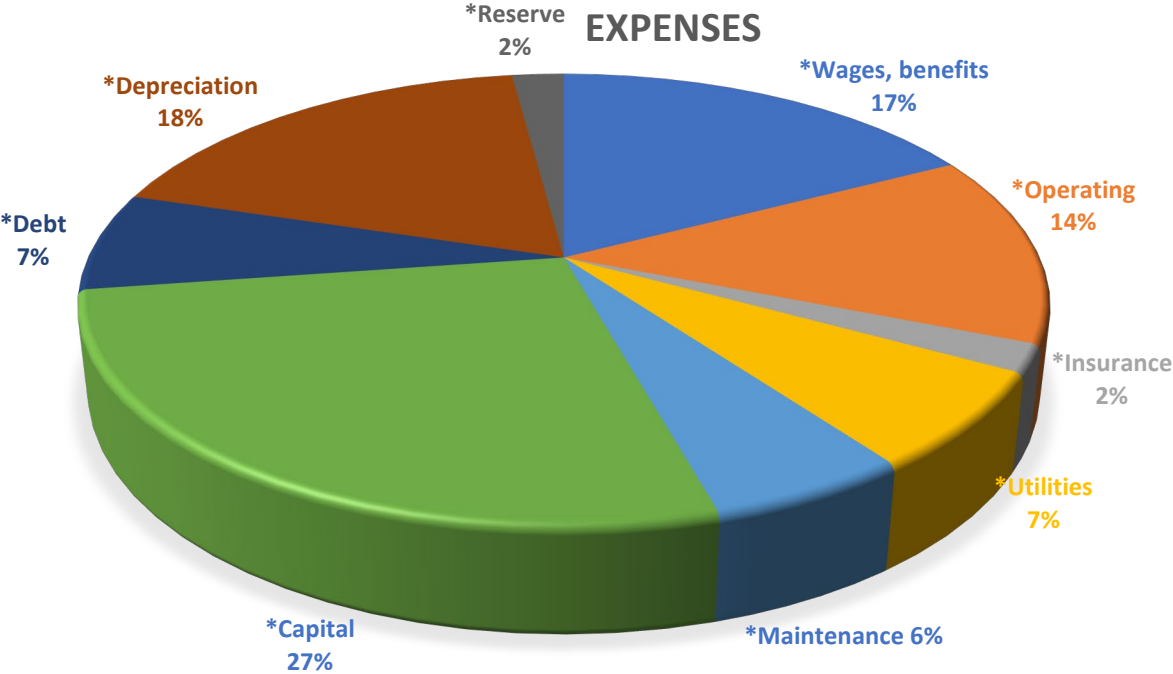
Expenditures include:
Wages, Insurance, Supplies,
Utilities, Maintenance, Contractual
Services, Tools, Equipment...

ENTERPRISE FUNDS

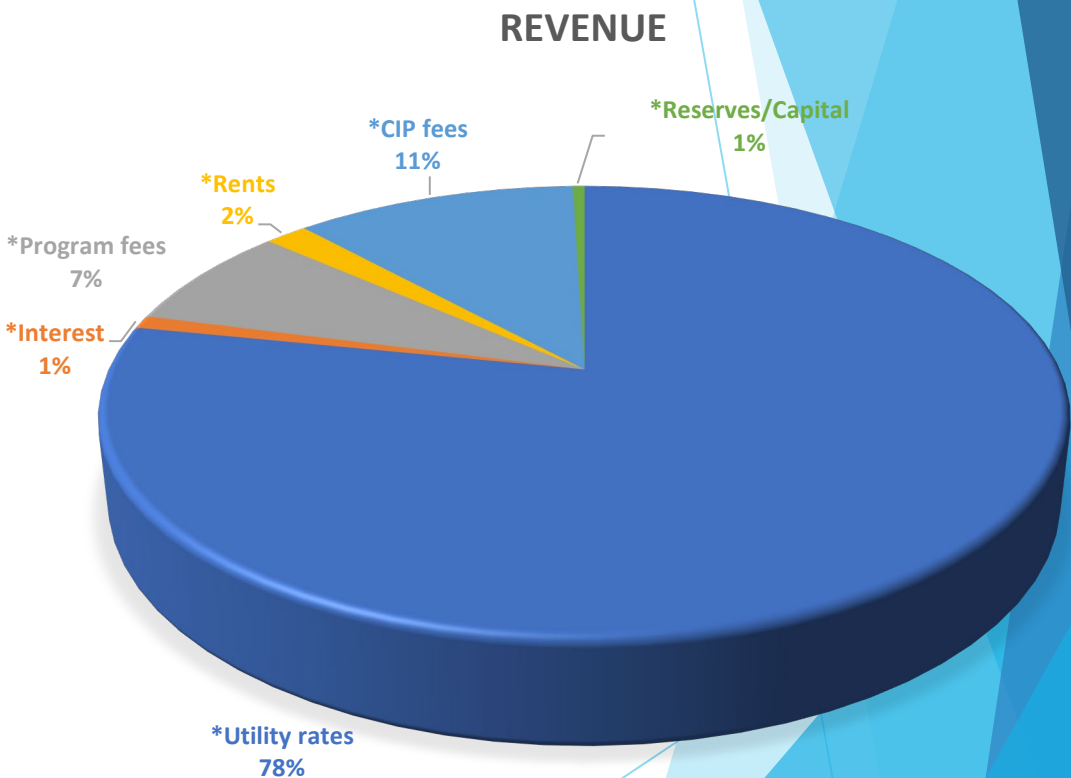
- ▶ General Government Fund operations are funded by tax dollars and the property tax system is determined by the State Legislature.
- ▶ Enterprise operations are similar to a for-profit commercial business.
- ▶ Enterprise operations collect fees that are established by the City through a rate structure and CANNOT use property taxes.
- ▶ Established fees must:
 - ▶ Cover all operating costs
 - ▶ Pay for capital improvements and expansion
 - ▶ Fund reserves
 - ▶ Be equitable and affordable
- ▶ Information from Ehlers Advisor (Sept 2007)

ENTERPRISE FUNDS

EXPENSES



REVENUE



Tax Capacity Rate Formula

- ▶ $A/B = C$
- ▶ A = City Certified Levy
- ▶ B = Tax Capacity Market Value
- ▶ C = City Tax Capacity Rate
- ▶ Current Formula:
 $\$4,064,717 / \$6,563,588 = 61.93\%$

2023 City Certified Levy

- ▶ Certified Levy \$ 4,064,717
- ▶ Does not include Pool (\$141,959) or Fire Hall (\$114,448) Referendum
- ▶ Levy increase of \$303,988 from 2022
- ▶ YTY this is 7.64% Total Levy increase with a 22.67% Tax Base increase

Assessed Market Value

Market Value
YTY

2022

\$507,720,900

Increase of \$35,065,500

7.42% increase YTY

New Construction

\$12,015,000 (34.26%)

Re-valuations

\$23,050,500 (65.74%)

2023

\$610,213,600

Increase of \$102,522,700

20% increase YTY

New Construction

\$10,073,300 (9.83%)

Re-valuations

\$92,449,400 (90.17%)

TAX CAPACITY RATE

- ▶ Total Tax Capacity Rate for General Operating

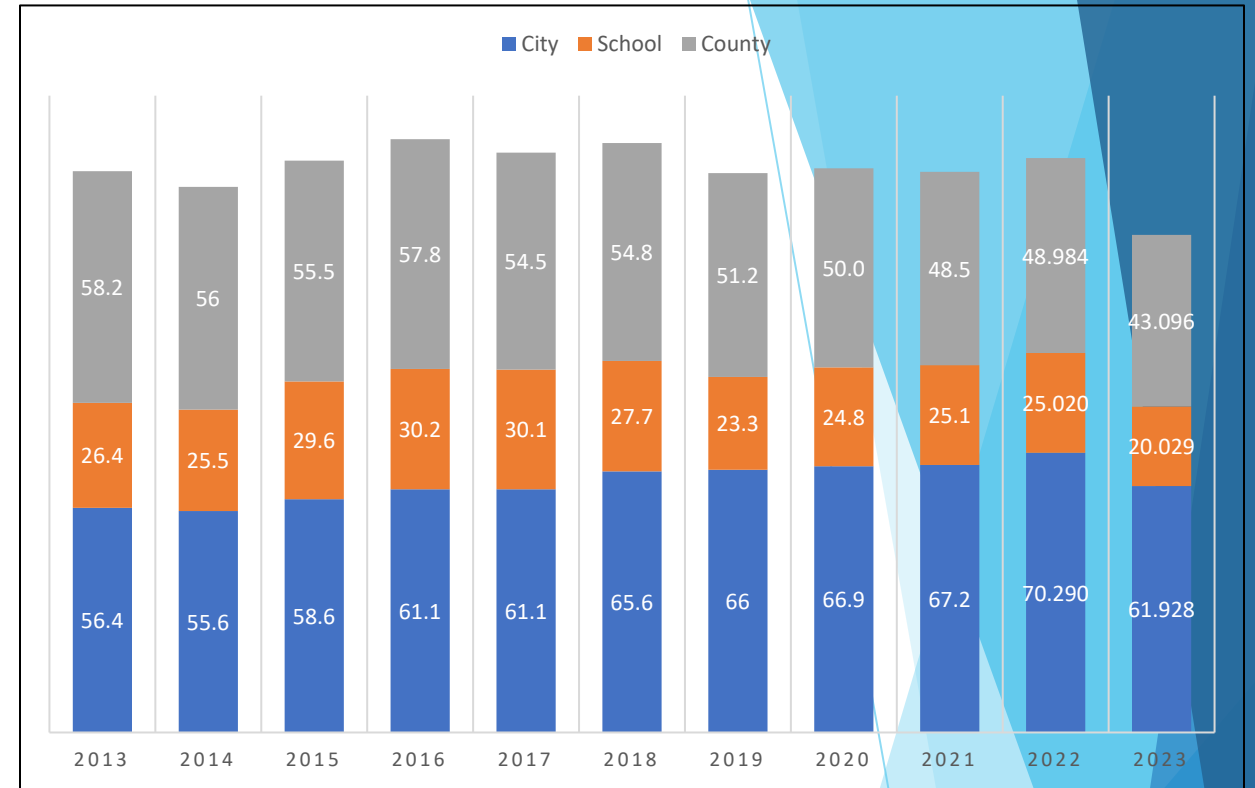
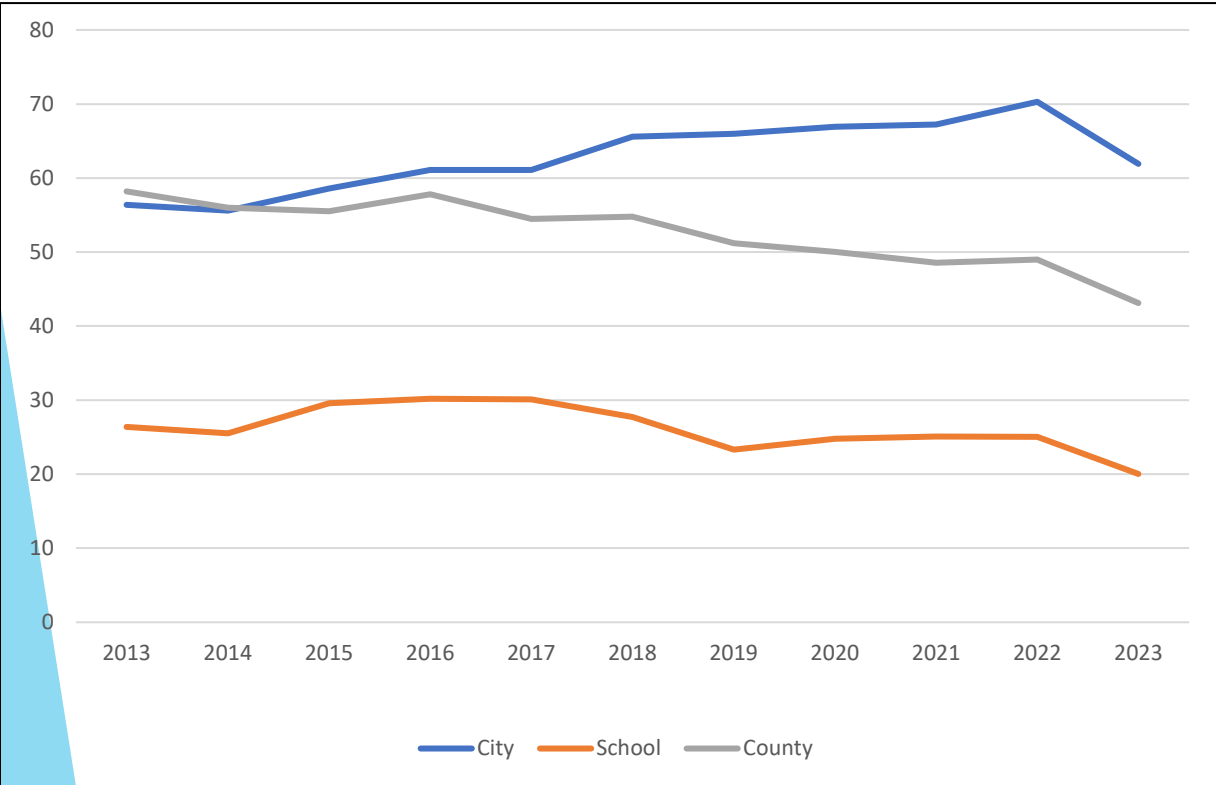
	<u>2022</u>	<u>2023</u>
▶ City Rate	70.290%	61.928%
▶ County Rate	48.984%	43.096%
▶ School Rate	25.020%	20.029%

- ▶ Plus Referendum (based on Market Value)

▶ School	0.19820%	0.18802%
▶ Pool & Fire Hall	0.05064%	0.04202%

- ▶ Completion: Pool 2026, Fire hall 2033

Property Tax History (Tax Capacity Rate) 2013 - 2023



Historical Data 2014 - 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tax Capacity Rate	55.791	58.614	61.115	65.433	65.646	66.016	66.92	67.23	70.29	61.93
+ or – change	-0.64	2.82	2.50	4.32	0.21	0.37	0.90	0.31	3.06	-8.36
Levy plus pool & fire hall referendum	\$2,241,248	\$2,434,233	\$2,552,587	\$2,894,905	\$3,058,065	\$3,298,321	\$3,468,629	3,619,013	4,014,293	4,321,234
% of change	6.79%	8.61%	4.86%	13.41%	5.64%	7.86%	5.16%	4.34%	10.92%	7.65%
General Government Budget	\$4,106,412	\$4,531,988	\$4,737,194	\$5,365,828	\$5,626,127	\$6,055,720	\$6,107,791	\$6,219,170	\$6,737,292	\$7,572,983
% of Change	8.43%	10.36%	4.53%	13.27%	4.85%	7.64%	0.86%	1.82%	8.33%	12.40%

Comparative Levy Data

LEVY DATA PER CAPITA				TAX CAPICITY RATE						
Population	City	City Levy Payable 2022	Per Capita	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
6553	Byron	\$5,936,307	\$905.89	67.04	67.04	68.45	69.5	66.09	64.37	67.8
2841	Caledonia	\$1,146,118	\$403.42	53.92	58.44	56.53	56.41	54.4	52.98	56.42
2997	Chatfield	\$2,445,108	\$815.85	90.00		104.9	112	98.56	95.56	92.04
2798	Dodge Center	\$2,230,691	\$797.24	79.75		99.99	100	100.2	99	100.6
6921	Kasson	\$3,971,859	\$573.89		68.74	71.1	75.08	79.9	78.7	84.96
5261	Lake City	\$3,937,427	\$748.42		63.93	65.2	68.83	67.48	68.41	73.19
3483	Plainview	\$2,576,733	\$739.80	76.41	87.79	88.44	95.43	99.7	98.64	97.37
6759	Stewartville	\$4,064,717	\$601.38	61.93	70.3	67.2	66.92	66.02	65.65	65.43
3849	St. Charles*	\$1,839,342	\$477.88	48.02	47.12	41.14	41.3	43.9	45.39	43.66

*St Charles has a City owned electric company that pays the City a payment in lieu of taxes.

Property Tax System

- ▶ Starts with the local assessor.
- ▶ Ends with tax settlements.
- ▶ The city has no authority to determine what property is taxable, nor in what proportions or amounts.
- ▶ For many cities in Minnesota property tax is the main source of revenue.

Property Tax Changes

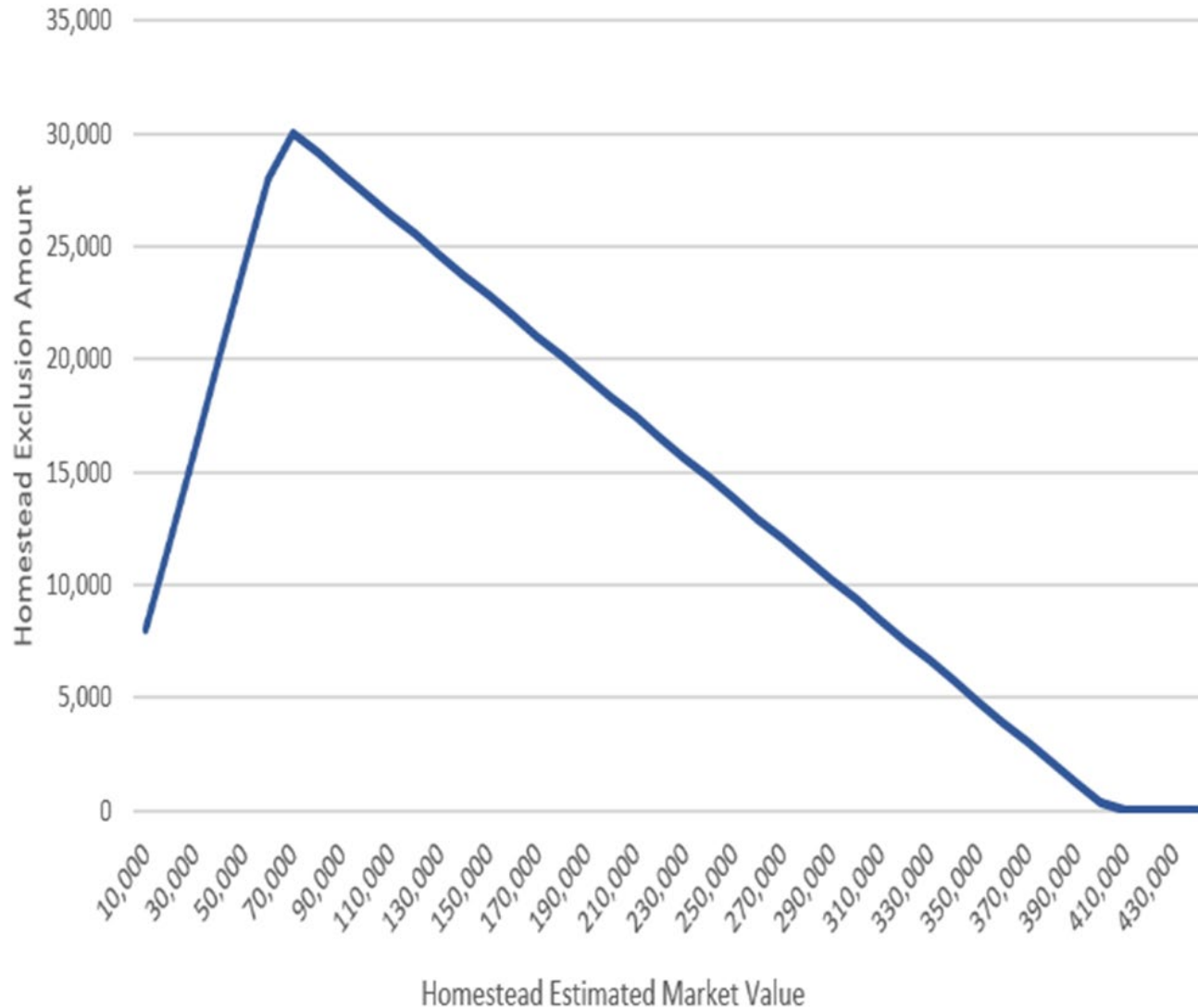
Why Property Taxes Go Up

- Decrease in tax base/lower values
- Higher levies by city, county, school
- No new construction
- Higher than average increase in individual property value compared to other properties in the same jurisdiction
- A shift in values between property classes

Why Property Taxes Go Down

- Increase in tax base/higher values
- Levy decreases or modest levy increases by city, county, school
- New construction – growth in new value
- Decrease or lower than average increase in individual property value
- A shift in values between property classes

Homestead Market Value Exclusion



The value excluded depends on a property's market value. The calculation is:

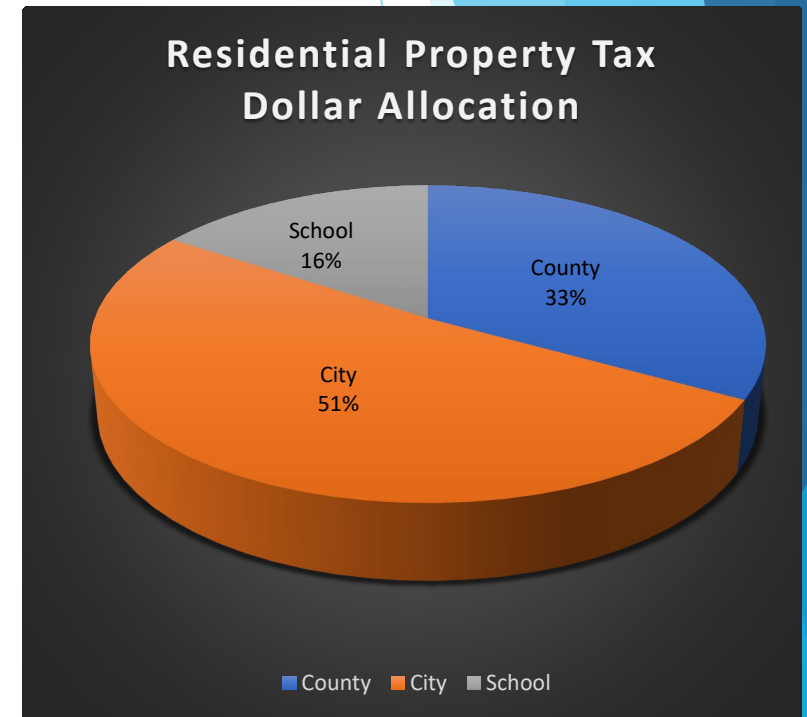
- For homesteads valued at \$76,000 or less, the exclusion is 40% of market value (maximum of \$30,400).
- For homesteads valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus 9% of the value over \$76,000.

For homesteads valued at or over \$413,800, there is no exclusion.

This exclusion has remained the same since 2012.

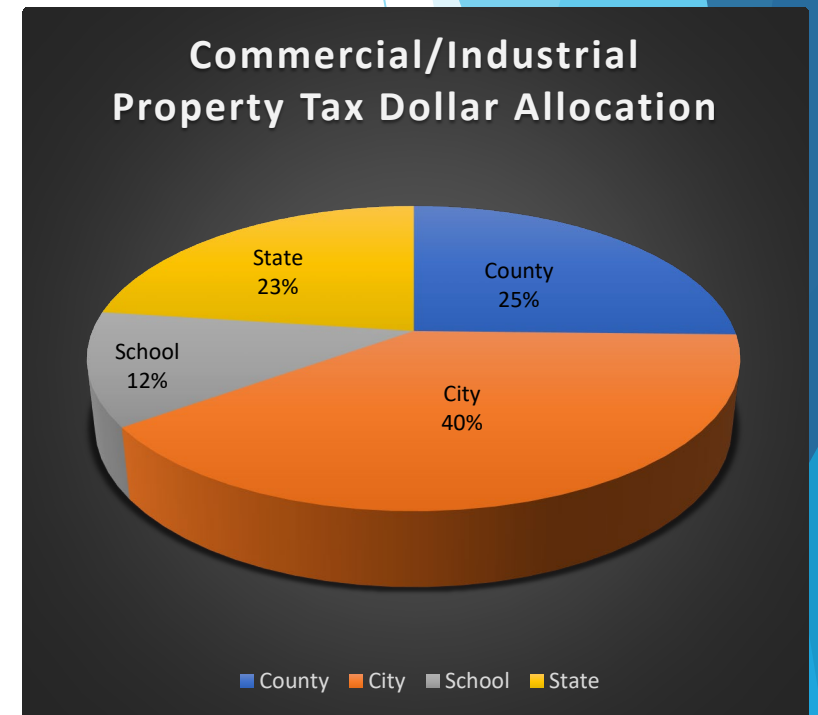
Residential Property Tax Example

	2022	2023	Change	Increase in Market Value	Change (Increase/ Decrease)	Percentage Change
Assessed Value	\$ 292,800	\$ 292,800	\$0	\$ 342,300	\$ 49,500	17%
Market Value Exclusion	\$ (10,888)	\$ (10,888)	\$0	\$ (6,433)	\$ 4,455	-41%
Taxable Market Value after State Homestead Exclusion	\$ 281,912	\$ 281,912	\$0	\$ 335,867	\$ 53,955	19%
City Levy - General Operating	\$ 1,981	\$ 1,746	\$ (236)	\$ 2,080	\$ 99	6%
County Levy	\$ 1,381	\$ 1,203	\$ (178)	\$ 1,433	\$ 52	4%
School Levy	\$ 705	\$ 565	\$ (141)	\$ 673	\$ (33)	-6%
School Referendum (based on original assessed value)	\$ 6	\$ 5	\$ (0)	\$ 6	\$ 1	14%
Pool & Fire Hall Referendums (Voter Approved - based on original assessed value)	\$ 141	\$ 118	\$ (22)	\$ 141	\$ 0	0%
TOTAL TAX	\$ 4,214	\$ 3,637	\$ (577)	\$ 4,333	\$ 119	3%
City Portion	\$2,122	\$ 1,864	(\$258)	\$ 2,221	\$ 99	5%



Commercial Property Tax Example

	2022	2023	Change	Increase in Market Value	Change
Assessed Value	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,050,000	\$ 50,000
State Tax	\$ 7,123	\$ 7,123	\$ -	\$ 7,493	\$ 370
City Levy - General Operating	\$ 13,530	\$ 11,921	\$ (1,609)	\$ 12,540	\$ (989)
County Levy	\$ 9,062	\$ 7,893	\$ (1,169)	\$ 8,288	\$ (774)
School Levy	\$ 4,629	\$ 3,705	\$ (923)	\$ 3,891	\$ (738)
School Referendum (based on original assessed value)	\$ 37	\$ 35	\$ (2)	\$ 37	\$ (0)
Pool & Fire Hall Referendums (Voter Approved - based on original assessed value)	\$ 500	\$ 420	\$ (80)	\$ 441	\$ (59)
TOTAL TAX	\$ 34,880	\$ 31,097	\$ (3,783)	\$ 32,689	\$ (2,191)
City Portion	\$ 14,030	\$ 12,341	\$ (1,688)	\$ 12,982	\$ (1,048)



Thank you for Coming!

Questions?

