



Truth in Taxation

Public Information Hearing

December 1, 2008

As a taxpayer, at what time of the year do I do what?

NOVEMBER

- I receive the Notice of Proposed Taxes for next year.

OCTOBER

- I pay this year's second half of property taxes.

SUMMER

- The county, city or town, school district and other taxing districts decide on budgets and what portion must come from the property tax levy.

DECEMBER

- Attend meetings about the proposed budget and tax levy to express concerns about the amount of tax I will pay.

MARCH

- I receive my property Tax Statement (based on last year's valuation notice).

APRIL

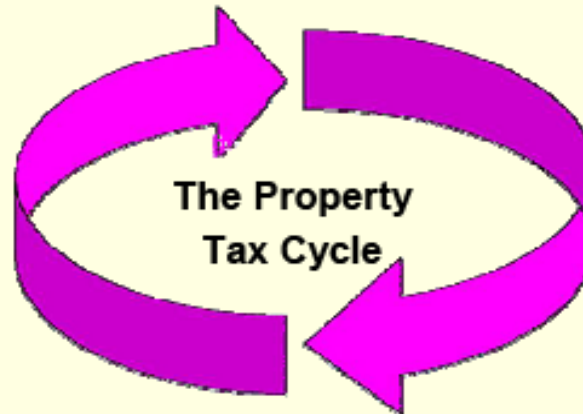
- I receive the Notice of Valuation for next year's taxes.
- I can talk to the assessor about next year's value.
- Tax court petitions must be filed by the end of this month to appeal last year's estimated market value.

JUNE

- I have the right to appeal next year's value at the county board of equalization.

MAY

- I have the right to Appeal next year's value at the local board of review.
- I pay this year's first half of property taxes.



BUDGET PROCESS TO DATE

- City Council and Staff held work sessions over the summer on the proposed budget for 2009
- City Council adopted the preliminary budget and levy in September
- Truth-in-Taxation Notices were mailed to all city property owners last month
- City Council met on Sept. 17th, Oct. 29th and Nov. 17th to revise budget and levy

BUDGET PROCESS TO DATE

Truth-in-Taxation Hearing Purpose

The main purpose of the Truth-in-taxation hearing is to enhance the public participation in the property tax system by allowing a public forum to:

- Discuss the Budget
- Discuss the Tax Levy
- Explain the Increases
- Hear Public Comments and Questions on Budget and Tax Levy

BUDGET PROCESS TO DATE

- **TONIGHT** – Truth-in-Taxation Hearing
- **MONDAY, DEC. 15:** Continuation of Truth-in-Taxation Hearing (*if necessary*)
- **DEC. 15TH – DEC. 27TH:** Budget and levy must be adopted by the City Council

A REMINDER

Tonight we discuss the City's
share of your total 2009 tax bill,
not property valuations

BRIEFLY ON VALUATIONS

- In Minnesota, the market value of a property is determined by January 2 of the year prior to the year in which taxes on that property are due. In other words, market values for taxes payable in 2009, were set in January 2008.
- Property Values on Statements recently received are based off of home sales from October of 2006 to September of 2007.
- Property owners will receive new notices of market values from the assessor in March/April of 2009. Questions on Valuations should be addressed at the Equalization Hearing in May/June.

WHERE WE STAND

Where does Arlington Stand in regards to the rest of the County when it comes to our City property tax rate?

- **Arlington's 2008 Average City Tax Rate ranked the 3rd lowest in Sibley County!**

1.	Gibbon	121.41%	
2.	Henderson	113.91%	
3.	Green Isle	98.51%	
4.	New Auburn	69.32%	<u>Proposed</u>
5.	Arlington	65.59%	63.22%
6.	Gaylord	63.01%	
7.	Winthrop	62.64%	

EXPLANATION OF PROPERTY TAX RATE

Arlington's Property Tax Rate is set by taking the city's tax levy and dividing it by its total tax capacity.

$$\$699,659 / \$1,106,742 \text{ [Total Tax Capacity]} = 63.22\%$$

Total Tax Capacity = Tax capacity is determined by multiplying a property's market value by its classification rate. Each property rate is assigned a classification rate depending on its use by the State Legislature. Properties associated with income production (commercial & industrial) have a higher classification weight than other properties. The City's total tax capacity is an accumulation of all parcels within the city, minus adjustments.

PROPERTY TAXATION 101

How do I determine the City's portion of my proposed tax bill?

[parcel market value] x [parcel class rate] x [city tax rate] = City portion of your tax bill

Example:

\$150,000 (home) x 1.0% (class rate) x .6322
(city tax rate) = \$948.30

14 REASONS PROPERTY TAXES VARY FROM YEAR TO YEAR

1. THE MARKET VALUE OF A PROPERTY MAY CHANGE
2. THE MARKET VALUE OF OTHER PROPERTIES IN YOUR TAXING DISTRICT MAY CHANGE, SHIFTING TAXES FROM ONE PROPERTY TO ANOTHER
3. THE STATE GENERAL PROPERTY TAX MAY CHANGE
4. THE CITY BUDGET AND LEVY MAY CHANGE
5. THE TOWNSHIP BUDGET AND LEVY MAY CHANGE.
6. THE COUNTY BUDGET AND LEVY MAY CHANGE
7. THE SCHOOL DISTRICT'S BUDGET AND LEVY MAY CHANGE
8. A SPECIAL DISTRICT'S BUDGET AND LEVY MAY CHANGE
9. SPECIAL ASSESSMENTS MAY BE ADDED TO YOUR PROPERTY TAX BILL
10. VOTERS MAY HAVE APPROVED A SCHOOL, CITY/TOWNSHIP, COUNTY OR SPECIAL DISTRICT REFERENDUM
11. FEDERAL AND STATE MANDATES MAY HAVE CHANGED
12. AID AND REVENUE FROM THE STATE AND FEDERAL GOVERNMENTS MAY HAVE CHANGED
13. THE STATE LEGISLATURE MAY HAVE CHANGED THE PORTION OF THE TAX BASE PAID BY DIFFERENT TYPES OF PROPERTIES
14. OTHER STATE LAW CHANGES MAY ADJUST THE TAX BASE

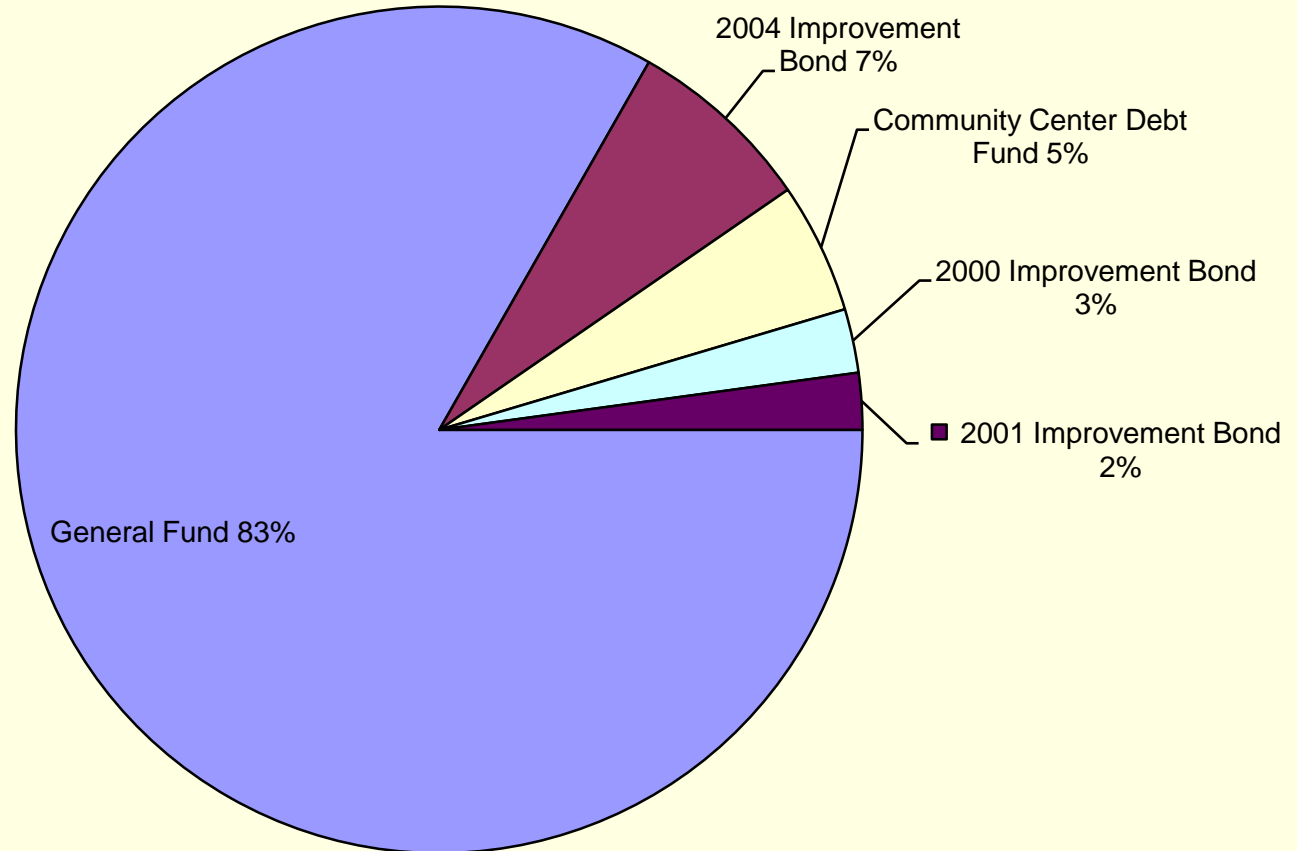
2009 PROPOSED BUDGET

**PROPOSED TAX LEVY AND GENERAL
FUND BUDGET**

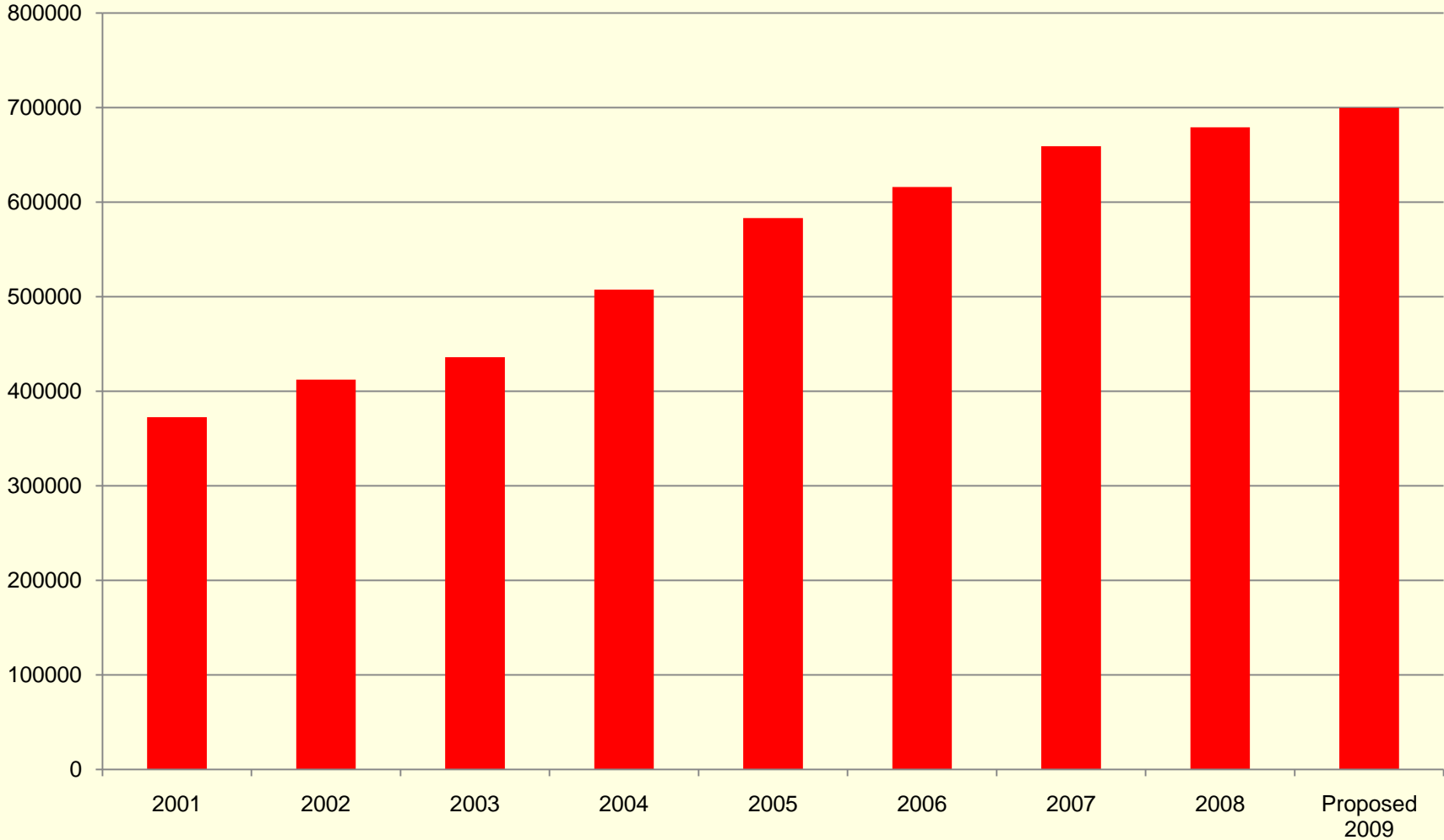
PROPOSED TAX LEVY

	<u>2008</u>	<u>2009</u>	<u>Increase</u>
General Fund Levy	\$497,680	\$582,459	17.0%
Special Levies (Debt Service)			
Comm. Center Debt	\$50,000	\$35,000	-30.0%
2000 Improv. Bond	\$31,500	\$17,100	-45.7%
2001 Improv. Bond	\$21,100	\$15,100	-28.4%
Fire Certificates**	\$32,000	\$0	-100.0%
2004 Improv. Bond	\$47,000	\$50,000	6.4%
TOTAL LEVY	\$679,280	\$699,659	3.00%

TAX LEVY BREAKDOWN



TAX LEVY TREND SINCE 2001



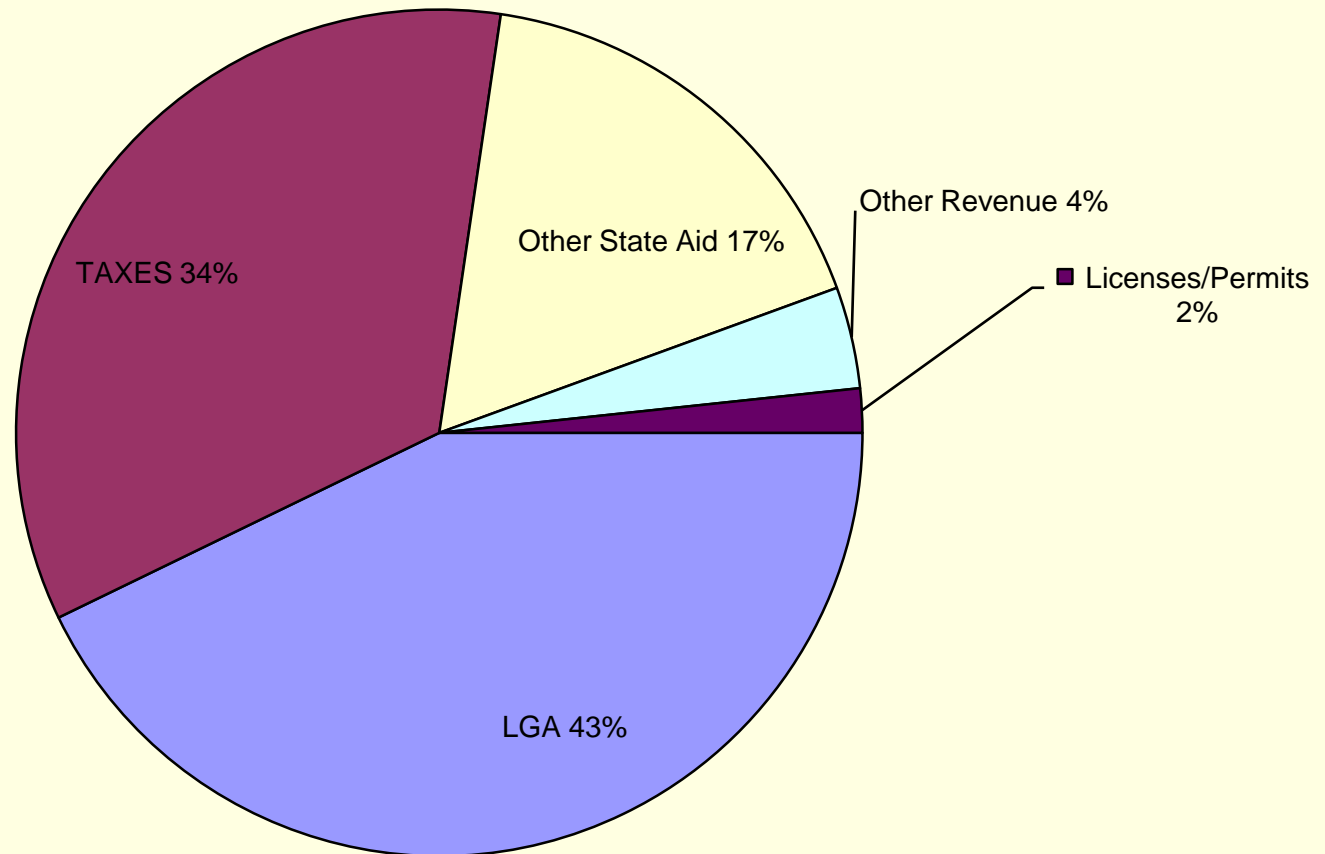
ADDITIONAL INFORMATION ON THE TAX LEVY

- THE 3.00% INCREASE IN THE TAX LEVY IS LOWER THAN THE LEVY SET IN SEPTEMBER.
- WHAT YOU RECEIVED IN THE MAIL WAS A LEVY THAT HAD A NET TAX INCREASE OF 8.00%.
- THE 2009 TAX LEVY ACCOUNTS FOR A PER CAPITAL TAX OF \$333, UP FROM \$324 IN 2008.
- **THE COUNCIL HAS ELIMATED AN ADDITIONAL \$34,364 IN SPENDING SINCE ITS PRELIMINARY LEVY WAS SET IN SEPTEMBER!**

PROPOSED GENERAL FUND REVENUES

	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Taxes	\$497,680	\$582,459	17.00%
Local Gov't Aid	\$701,806	\$722,422	2.94%
Other State Aid	\$53,275	\$288,727	441.96%
Licenses/Permits	\$42,100	\$28,420	-32.49%
<u>Other Revenue</u>	<u>\$55,850</u>	<u>\$65,505</u>	<u>17.29%</u>
Total General Fund	\$1,350,711	\$1,687,533	24.94%

2009 GENERAL FUND BUDGET - REVENUES



ADDITIONAL FACTS ON GENERAL FUND REVENUE

- 34%** -- Property taxes account for 34% of the revenue in the general fund, down from 37% in 2008.
- 43%** -- Local Government Aid accounts for 43% of the revenue in the general fund; down from 52% in 2008.
- 32%** -- Less revenue expected to be collected in licenses and permits in 2009.
- 442%** -- Increase in “Other State Aid” in the 2009 budget. This includes \$240,000 budgeted for the remaining money in the Small Cities Development Grant. This amount was not budgeted in 2008.

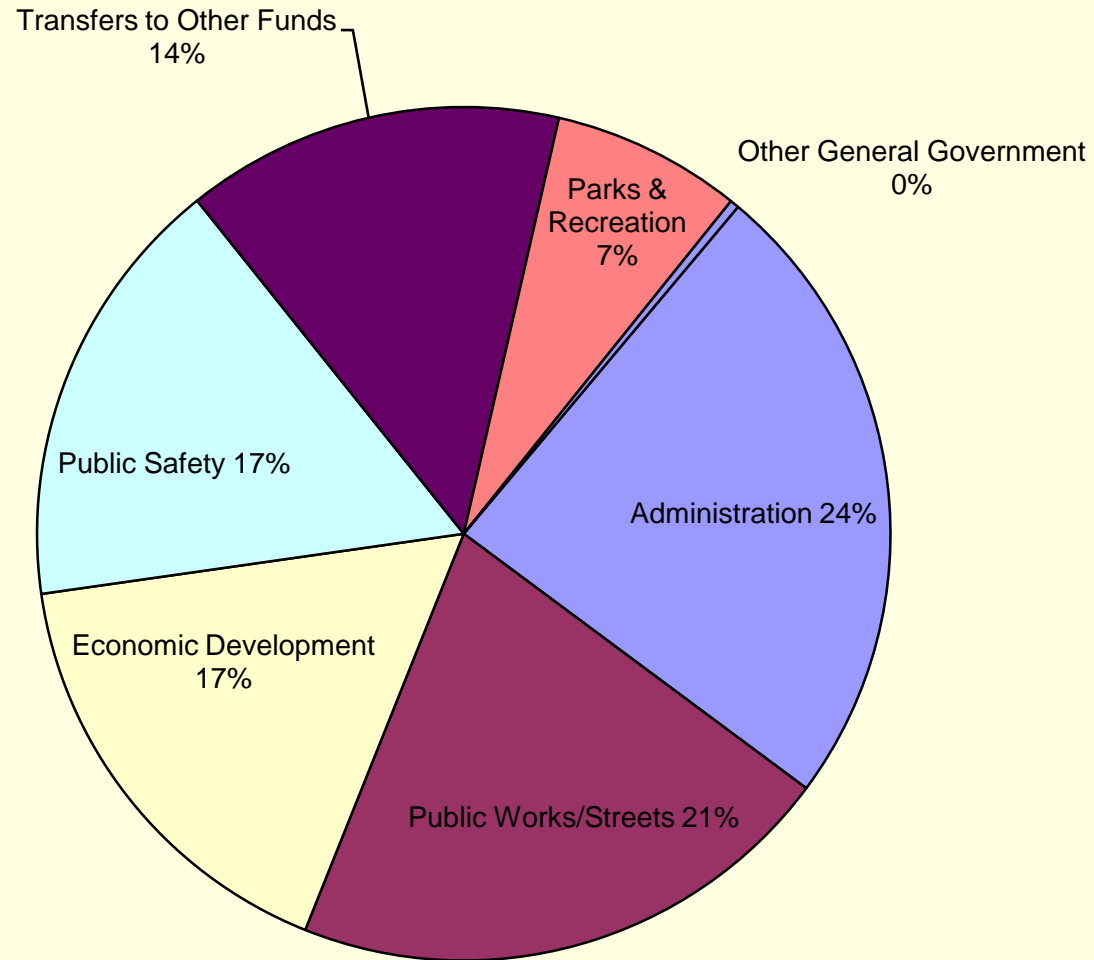
PROPOSED GENERAL FUND EXPENSES

<u>Department</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Council	\$24,760	\$35,009	41.39%
Administration	\$241,808	\$242,256	0.19%
Elections	\$2,150	\$0	-100.00%
Assessing	\$8,200	\$8,200	0.00%
Law/Legal Serv.	\$12,400	\$23,020	85.65%
Planning/Zoning	\$68,010	\$54,787	-19.44%
Buildings/Plant	\$60,730	\$42,710	-29.67%
Police Department	\$247,318	\$257,312	4.04%
Fire Stations	\$3,000	\$18,077	502.57%
Civil Defense	\$4,054	\$2,577	-36.43%
Animal Control	\$700	\$600	-14.29%

PROPOSED GENERAL FUND EXPENSES

<u>Department</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Public Works	\$196,170	\$160,506	-18.18%
Hwys/Streets/Roads	\$144,436	\$177,996	23.24%
Street Lighting	\$19,000	\$14,000	-26.32%
Recreation	\$35,775	\$39,510	10.44%
Park Areas	\$45,800	\$51,908	13.34%
Libraries	\$25,375	\$29,862	17.68%
Health Services	\$260	\$258	-0.77%
Econ. Develop.	\$42,265	\$281,645	566.38%
Miscellaneous	\$7,500	\$5,500	-26.67%
Transfers	\$161,000	\$241,800	50.19%
Total General Fund	\$1,350,711	\$1,687,533	24.94%

2009 GENERAL FUND BUDGET - EXPENSES



ADDITIONAL FACTS ON GENERAL FUND EXPENSES

- 24%** -- General Administration accounts for 24% of the general fund expenses, down from 31% in 2008.
- 21%** -- Public Works/Streets account for 21% of the general fund expenses, down from 27% in 2008.
- 17%** -- Public Safety accounts for 17% of the general fund expenses, down from 19% in 2008.
- 7%** -- Parks and Recreation account for 7% of the general fund expenses, down from 8% in 2008.
- 50%** -- Increase in transfers from the general fund to other funds in 2009.

ADDITIONAL FACTS ON GENERAL FUND EXPENSES

566% -- Increase in the EDA Fund Budget. This is due to the inclusion of expenses for the Small Cities Grant, which accounts for 85% of the Budget.

28% -- of General Fund Expenses go to employee wages and benefits, down from 34% in 2008.

12% -- of General Fund Expenses go to pay for professional services (Attorney, Auditor, Building Inspector, Engineer, etc.), down from 13% in 2008.

\$804 -- Amount the City will spend, per capita, for General Fund needs, up from \$644 in 2008.



2009 PROPOSED BUDGET

**SPECIAL FUNDS AND ENTERPRISE
FUND BUDGETS**

PROPOSED SPECIAL FUND REVENUES

<u>Department</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Fire Fund	\$97,550	\$106,804	9.49%
Ambulance Fund	\$111,984	\$234,531	109.43%
Community Center	\$106,450	\$92,715	-12.90%
Revolving Loan Fund	\$0	\$20,074	100.00%
Cemetery	\$18,200	\$14,525	-20.19%
Ambulance Retire.	\$0	\$1,600	100.00%
TIF District #2	\$48,600	\$54,000	11.11%
TOTAL SPECIAL	\$382,784	\$524,249	36.96%

ADDITIONAL FACTS ON SPECIAL FUND REVENUES

- TRANSFERS FROM THE GENERAL FUND TO HELP SUPPORT THE SPECIAL FUNDS ARE EXPECTED TO INCREASE BY \$28,800 (18%)
- THE AMBULANCE FUND WILL SEE AN INCREASE OF \$56,650 (377%) IN GENERAL FUND DOLLARS TO HELP SUPPORT THE UPGRADE IN SERVICE
- THE \$47,000 TAX LEVY THAT IS DEDICATED TO THE TIF DISTRICT DOES NOT AFFECT THE CITY'S OVERALL TAX LEVY

PROPOSED SPECIAL FUND EXPENSES

<u>Department</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Fire Fund	\$97,550	\$106,804	9.49%
Ambulance Fund	\$111,984	\$234,531	109.43%
Community Center	\$106,450	\$92,715	-12.90%
Cemetery	\$18,200	\$12,825	-29.53%
TIF District #2	\$14,791	\$4,791	-67.61%
TOTAL SPECIAL	\$348,975	\$451,666	29.43%

The Large Increase in Special Fund Expenses is due to the Ambulance Service Upgrade

ADDITIONAL FACTS ON SPECIAL FUND EXPENSES

53% -- Percent of Fees and Charges collected that support the expenses of the Fire and Ambulance Department

62% -- Percent of Fees and Charges collected that support the expenses of the Community Center and Cemetery

\$296 -- When you combine the Special Fund Expenses of the Fire Department and Ambulance with the General Fund Public Safety Expenses, the City spends more per capita (\$296) on public safety than any other function besides the Enterprise Funds

PROPOSED ENTERPRISE FUNDS

<u>Department</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
Water Revenues	\$376,575	\$387,935	3.02%
Sewer Revenues	\$347,375	\$366,710	5.57%
Electric Revenues	\$2,101,715	\$1,768,200	<u>-15.87%</u>
TOTAL REVENUES	\$2,825,665	\$2,522,845	-10.72%

<u>Department</u>	<u>2007</u>	<u>2008</u>	<u>Increase</u>
Water Expenses	\$376,575	\$408,630	8.51%
Sewer Expenses	\$347,375	\$367,816	5.88%
Electric Expenses	\$2,101,715	\$2,020,389	<u>-3.87%</u>
TOTAL EXPENSES	\$2,825,665	\$2,796,835	-1.02%

ADDITIONAL FACTS ON THE ENTERPRISE FUNDS

5% -- BUDGETED WATER RATE INCREASE FOR
2009

(\$20,695) -- EXPECTED DEFICIT IN THE WATER
FUND FOR 2009

(\$1,106) -- EXPECTED DEFICIT IN THE SEWER
FUND FOR 2009

(\$252,189) -- EXPECTED DEFICIT IN THE ELECTRIC
FUND FOR 2009



2009 PROPOSED BUDGET



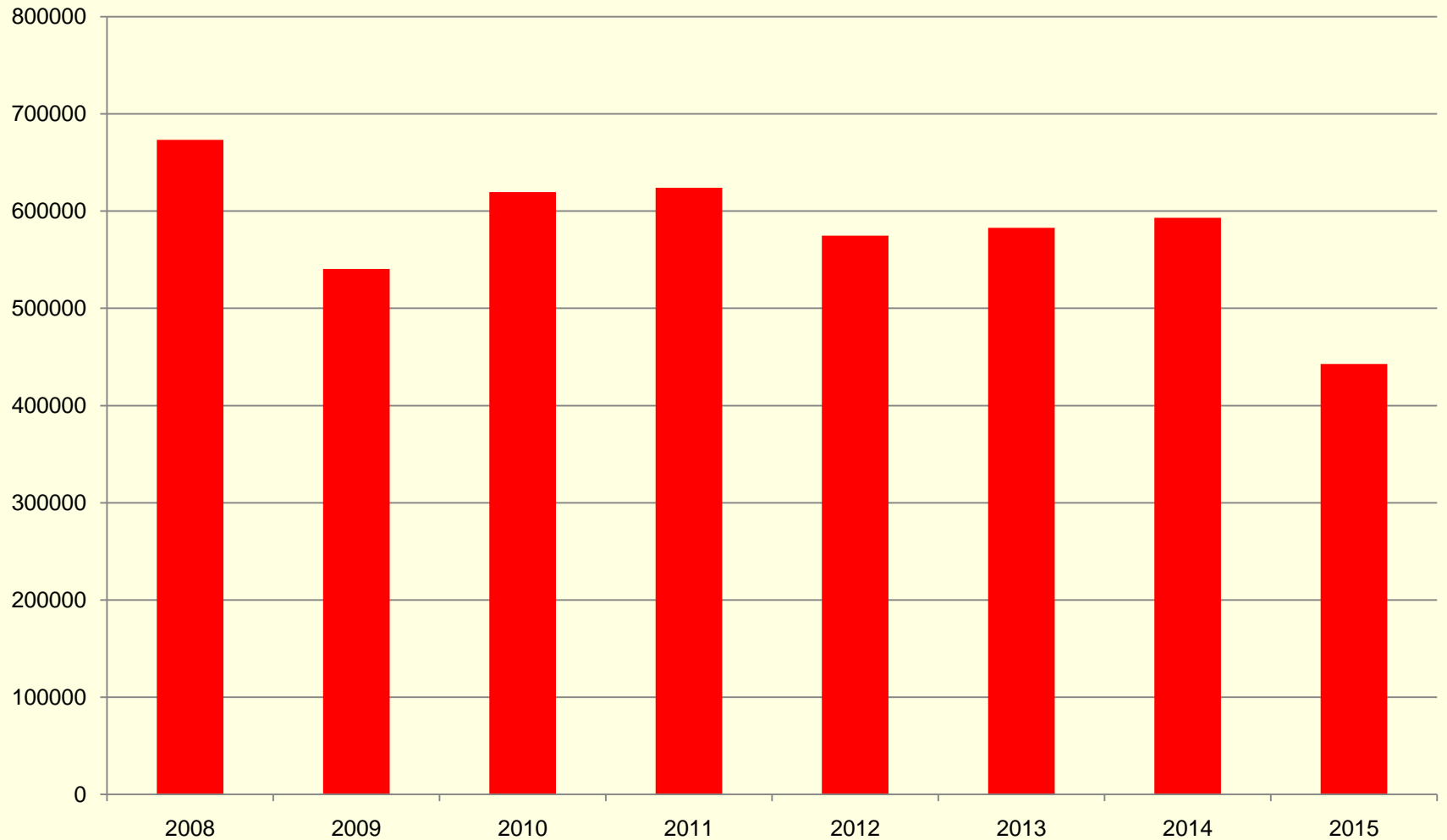
DEBT SERVICE FUNDS

DEBT SERVICE PAYMENTS

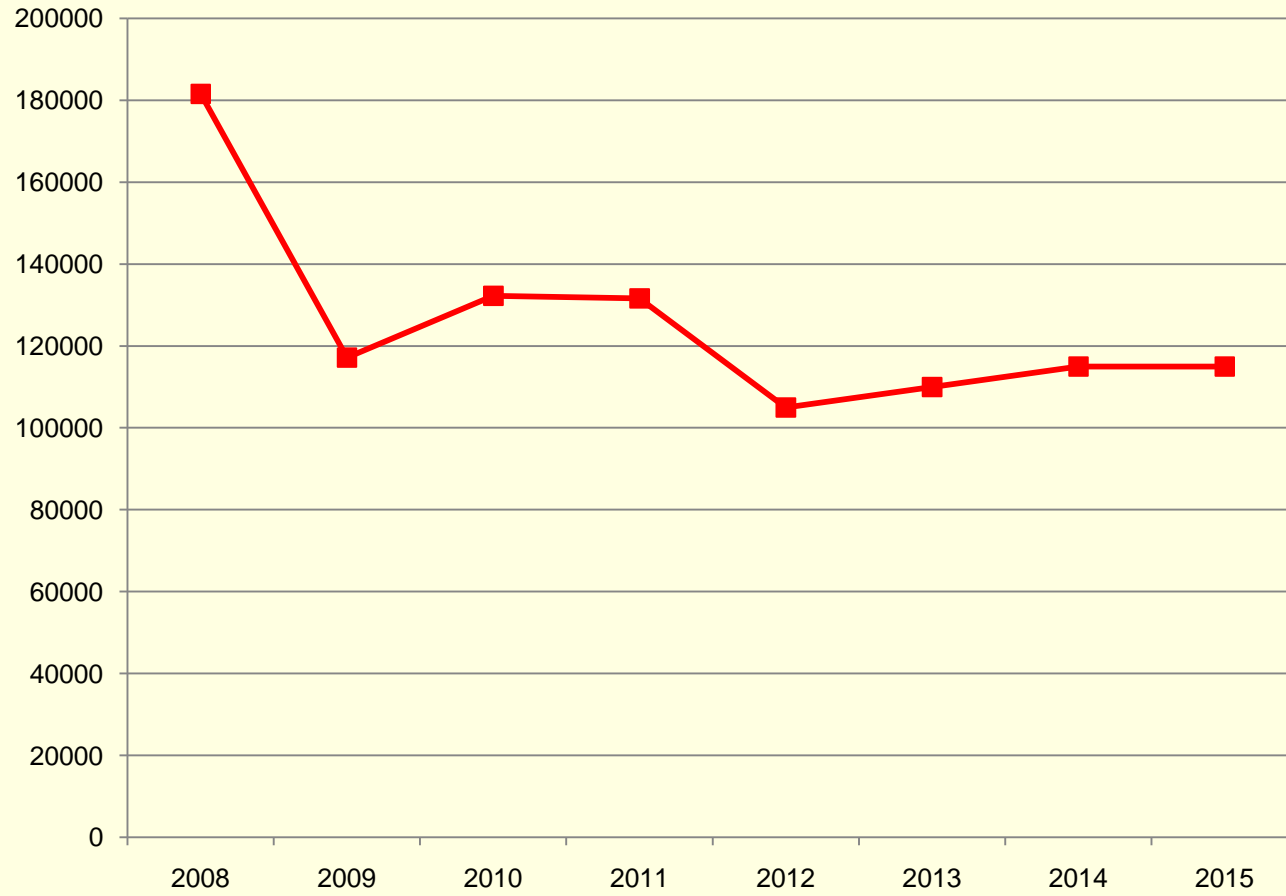
<u>Fund</u>	<u>2008</u>	<u>2009</u>	<u>Increase</u>
2004 Fire Truck	\$77,175	\$0	-100.0%
RUS Loan**	\$30,000	\$12,500	-58.33%
2000 Imp. Bond	\$61,110	\$23,455	-61.62%
2001 Imp. Bond	\$35,400	\$34,095	-3.69%
2004 Imp. Bond	\$87,143	\$90,258	3.57%
2003 Refunding	\$36,923	\$31,173	-15.24%
2004 Refunding	\$277,288	\$276,788	-0.18%
2004 Pub. Proj.	\$63,673	\$62,473	-1.88%
TOTAL DEBT	\$668,712	\$530,742	-20.63%

- THIS IS THE LAST YEAR OF PAYMENTS ON THE RUS LOAN

FUTURE DEBT PAYMENTS



FUTURE DEBT LEVIES



OTHER DEBT SERVICE INFO

\$117,200 – Dollar amount of property taxes that go to pay for City Debt, down from \$181,600 (-35%) in 2008

16.8% -- Percent of the total tax levy that goes to pay for City Debt, down from 26.7% last year.

- THE REMAINING DEBT IS COVERED BY ASSESSMENTS, GENERAL FUND TRANSFERS AND/OR USER FEES (WATER/SEWER)



2009 PROPOSED BUDGET

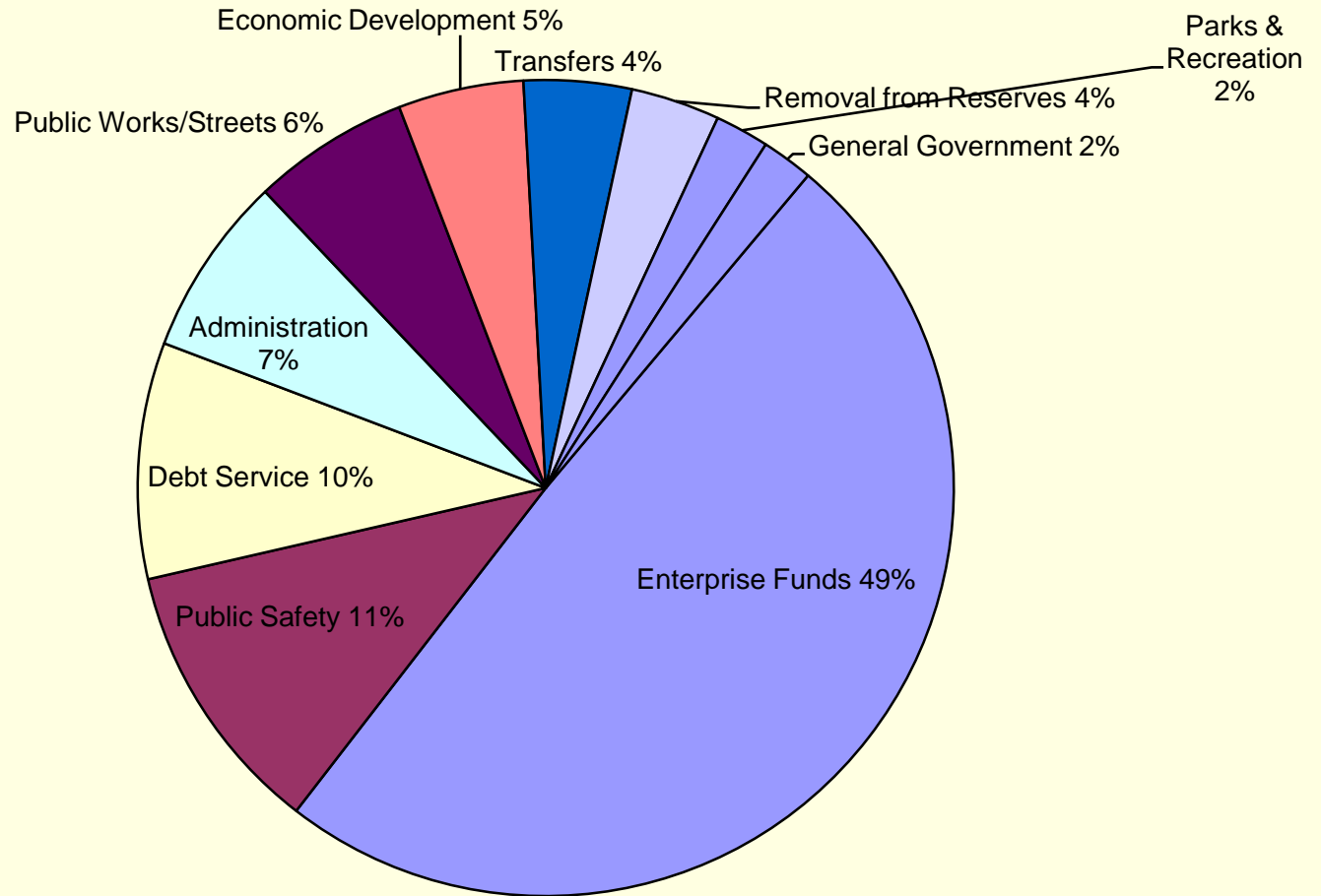


IN CONCLUSION

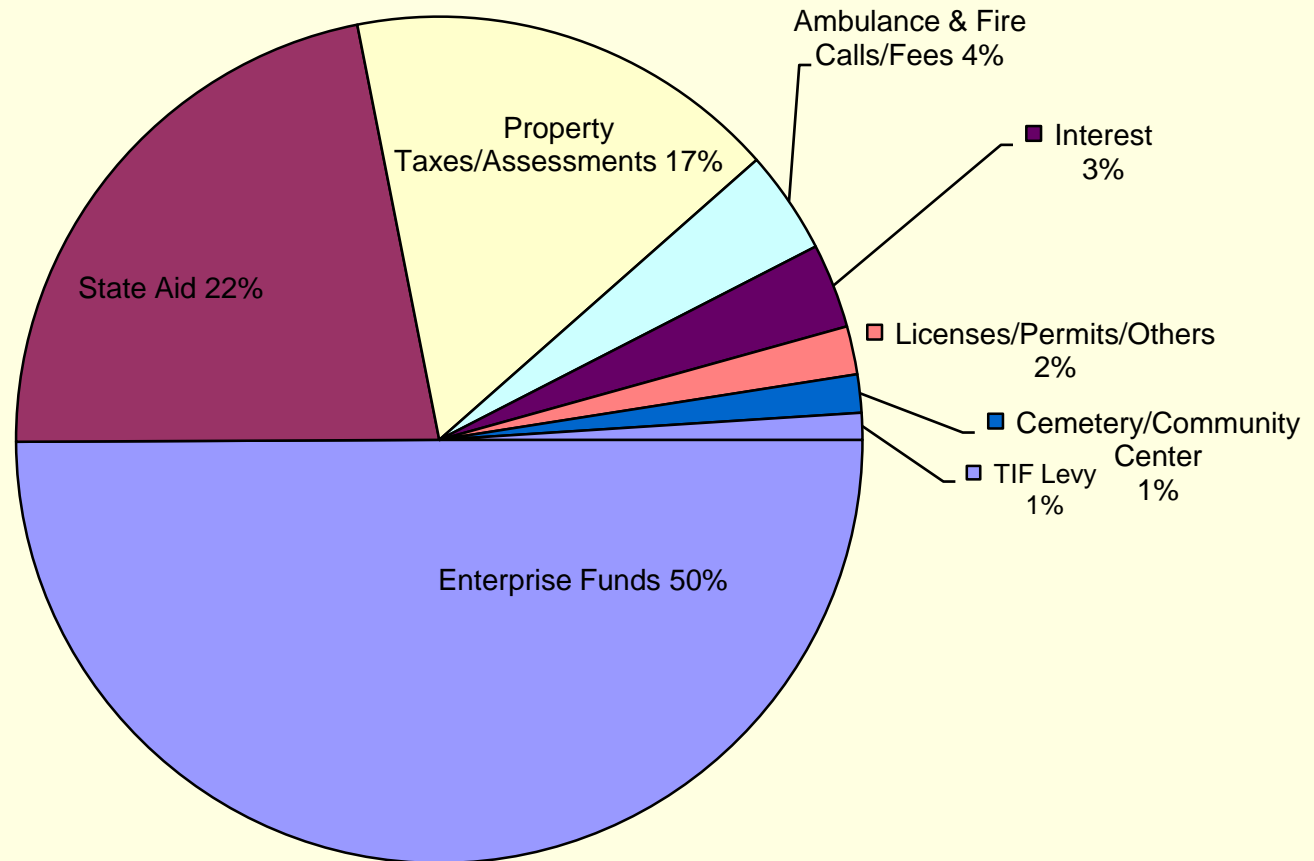
2009 PROPOSED BUDGET – ALL CITY FUNDS

	<u>2008</u>	<u>2009</u>	<u>% Increase</u>
GENERAL FUND	\$1,350,711	\$1,687,533	24.94%
SPECIAL FUNDS	\$348,975	\$451,666	29.43%
ENTERPRISE FUNDS	\$2,825,665	\$2,796,835	-1.02%
DEBT SERVICE	\$668,712	\$530,743	-20.63%
<u>RESERVE TRANSERS</u>	<u>\$250,000</u>	<u>\$200,000</u>	<u>-20.00%</u>
TOTAL BUDGET	\$5,444,063	\$5,666,777	4.09%

2009 BUDGET - ALL CITY EXPENSES



2009 BUDGET - ALL CITY REVENUES



ADDITIONAL FACTS ON THE 2009 BUDGET

- THE 109% INCREASE (\$122,547) IN THE AMBULANCE FUND IS THE MAJOR FACTOR FOR A PROPERTY TAX INCREASE.
- 2009 WILL BE THE FIRST YEAR THE CITY BUDGET'S FOR INTEREST RECEIVED.
- THE CITY WILL SPEND \$2,701 PER PERSON IN 2009, UP FROM \$2,595 IN 2008.
- TOP 5 PER CAPITA SPENDING:
 - 1) ENTERPRISE FUNDS -- \$1,333
 - 2) PUBLIC SAFETY -- \$296
 - 3) DEBT -- \$253
 - 4) ADMINISTRATION -- \$194
 - 5) PUBLIC WORKS -- \$168

NEXT STEPS

■ TONIGHT:

- Questions from Council Members
- Open Public Hearing and Receive Input
- Close Public Hearing or Continue

■ FUTURE:

- MONDAY, DEC. 15TH: Continuation of Truth-in-Taxation Hearing (*If Necessary*)
- MONDAY, DEC 15TH – DEC. 27TH: Authorize Final Budget and Tax Levy



Truth in Taxation Hearing
Thank you for your Attention!

December 1, 2008