



Truth in Taxation

Public Information Hearing

December 7, 2009

6:00 P.M.

BUDGET PROCESS TO DATE

- City Council and Staff held work sessions over the summer and fall on the proposed budget for 2010
- 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 October 19th and December 1st 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. 21:** Continuation of Truth-in-Taxation Hearing (*if necessary*)
- **DEC. 21ST – DEC. 28TH:** Budget and levy must be adopted by the City Council

A REMINDER

Tonight we discuss the City's
share of your total 2010 tax bill,
not property valuations

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

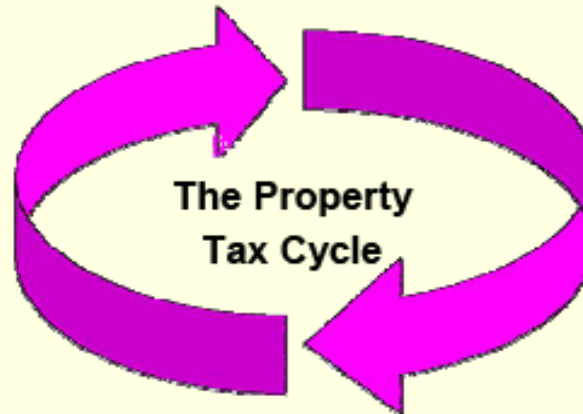
- I receive the Notice of Valuation for next year's taxes.
- I can talk to the assessor about next year's value.
- Tax court petitions must be filed by the end of this month to appeal last year's estimated market value.

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.



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 2010, were set in January 2009.
- Property Values on Statements recently received are based off of home sales from October of 2007 to September of 2008.
- Property owners will receive new notices of market values from the assessor in March/April of 2010. 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 2009 Average City Tax Rate ranked the 2nd lowest in Sibley County!**

1.	Gibbon	122.32%	
2.	Henderson	120.32%	
3.	Green Isle	104.20%	
4.	New Auburn	70.70%	
5.	Gaylord	65.64%	<u>Proposed</u>
6.	Arlington	65.43%	66.93%
7.	Winthrop	61.79%	

WHERE WE STAND

- According to a 2008 report from the Citizens League of Minnesota, Arlington's City Tax Rate is 27th (#1 being high) out of 63 Greater Minnesota Established Cities (Defined as Cities over 2,000 in greater Minnesota with little growth) – Up from a ranking of 30th in 2007
- The City of Arlington's Tax Rate is in the “middle of the pack” when compared to similar Cities throughout the State.

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.

$$\$740,726 / \$1,106,742 \text{ [Total Tax Capacity]} = 66.93\%$$

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 .6693
(city tax rate) = \$1,003.95

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



2010 PROPOSED BUDGET



**PROPOSED TAX LEVY AND GENERAL
FUND BUDGET**

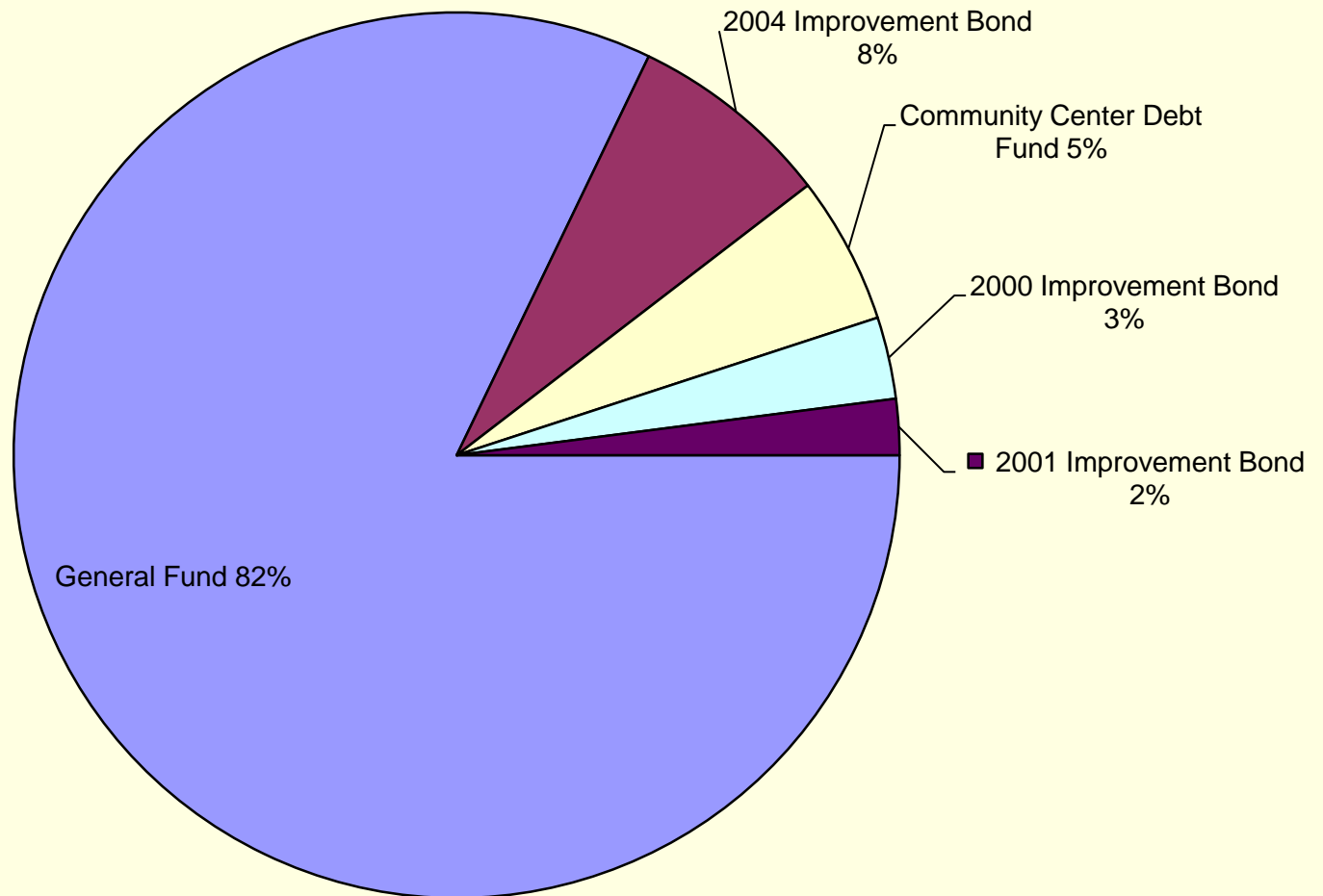
BRIEFLY ON THE 2009 BUDGET

- Last December's State Aid Payment to the City was cut by \$56,348 (loss filled by reserves) after the 2009 levy was adopted.
- Knowing additional State Aid cuts were coming in 2009, the City Council amended its 2009 budget in March by cutting \$73,351 in expenses.
- In June, the Governor's "unallotment" reduced the City's 2009 State Aid payment by \$46,156 and 2010's payment by \$108,701
- 2009 budget numbers shown is the March amended budget.

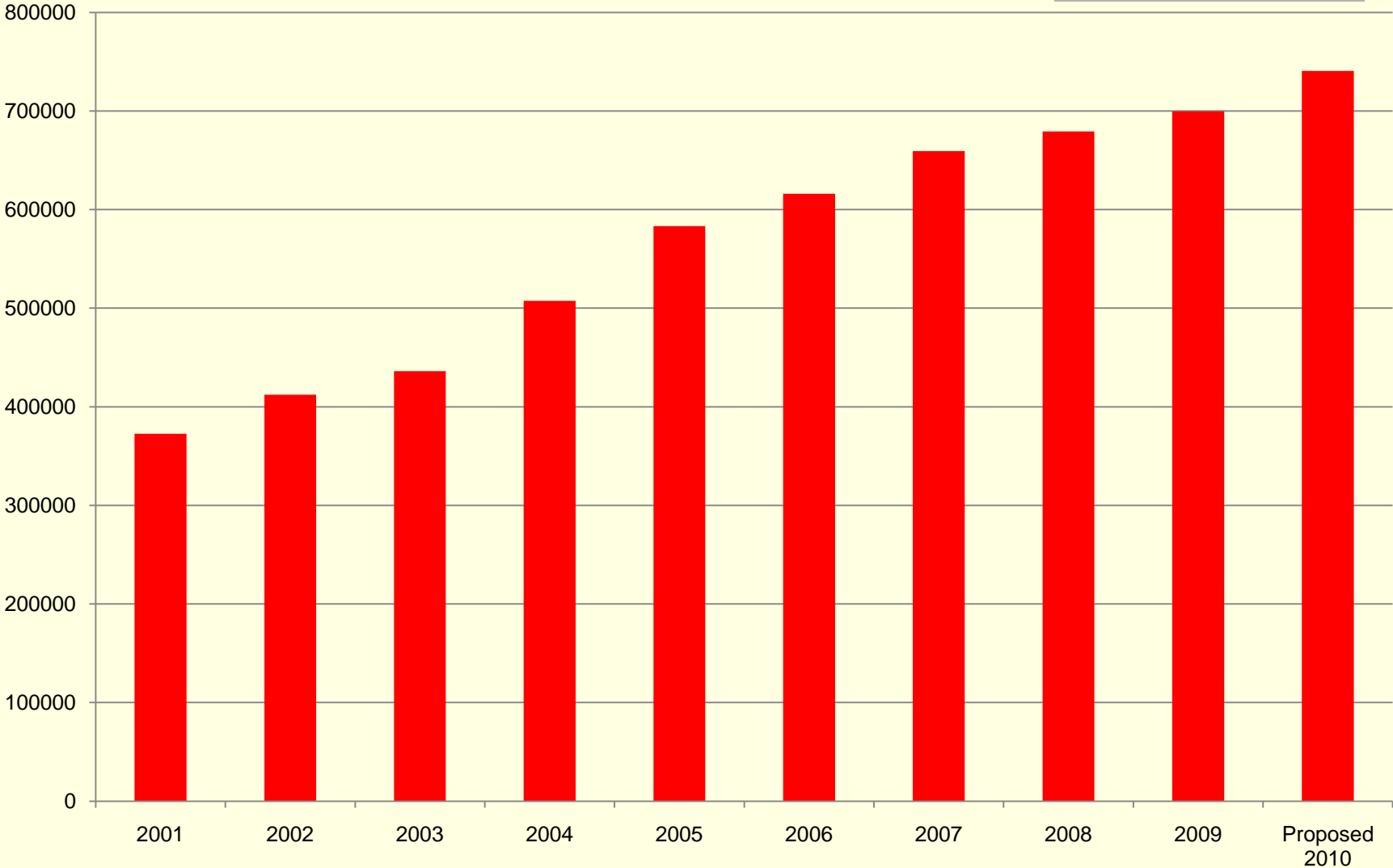
PROPOSED TAX LEVY

	<u>2009</u>	<u>2010</u>	<u>Increase</u>
General Fund Levy	\$582,459	\$608,451	4.46%
Special Levies (Debt Service)			
Comm. Ctr. Debt	\$35,000	\$40,000	14.29%
2000 Improv. Bond	\$17,100	\$22,175	29.68%
2001 Improv. Bond	\$15,100	\$15,100	0.00%
2004 Improv. Bond	\$50,000	\$55,000	10.00%
TOTAL LEVY	\$699,659	\$740,726	5.87%

TAX LEVY BREAKDOWN



TAX LEVY TREND SINCE 2001



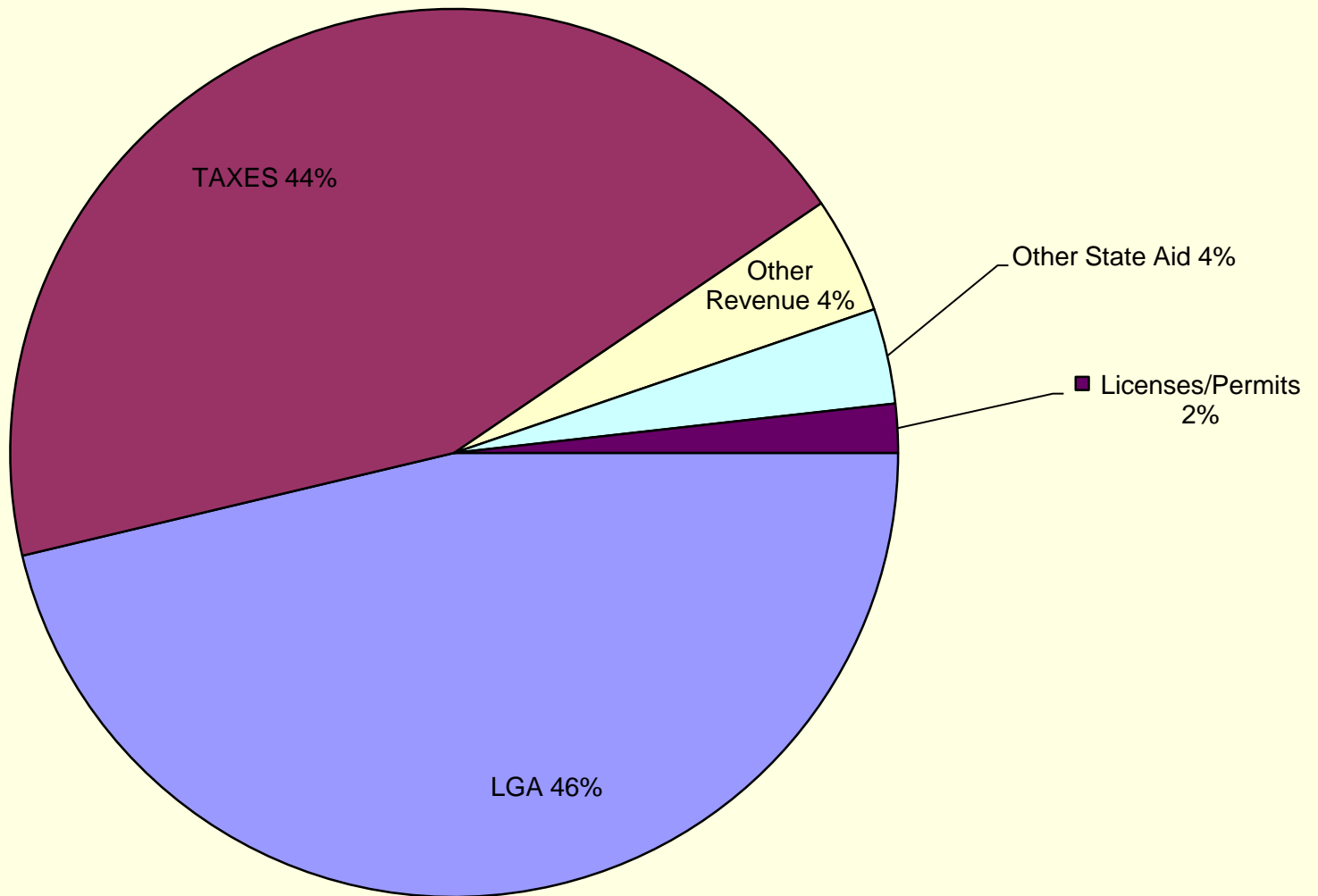
ADDITIONAL INFORMATION ON THE TAX LEVY

- THE 5.87% 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 16.00%.
- THE 2010 TAX LEVY ACCOUNTS FOR A PER CAPITA TAX OF \$353, UP FROM \$333 IN 2009.
- **THE COUNCIL HAS ELIMATED AN ADDITIONAL \$70,879 IN SPENDING SINCE ITS PRELIMINARY LEVY WAS SET IN SEPTEMBER!**
- **That is equal to about \$96 on a home valued at \$150,000**

PROPOSED GENERAL FUND REVENUES

	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Taxes	\$582,459	\$608,451	4.46%
Local Gov't Aid	\$648,882	\$636,892	-1.85%
Other State Aid	\$288,727	\$47,770	-83.45%
Licenses/Permits	\$28,870	\$24,450	-15.31%
<u>Other Revenue</u>	<u>\$65,408</u>	<u>\$58,653</u>	<u>-10.33%</u>
Total General Fund	\$1,614,346	\$1,376,216	-14.75%

2010 GENERAL FUND BUDGET - REVENUES



ADDITIONAL FACTS ON GENERAL FUND REVENUE

- 44%** -- Property taxes account for 44% of the revenue in the general fund, up from 34% in 2009.
- 46%** -- Local Government Aid accounts for 46% of the revenue in the general fund; up from 43% in 2009.
- 15%** -- Less revenue expected to be collected in licenses and permits in 2010, this is on top of a 34% reduction budgeted for 2009.
- 83%** -- Decrease in “Other State Aid” in the 2010 budget. The large decrease is because the City will not be receiving its one-time Small Cities Grant money of \$240,000.
- 0.1%** -- Actual increase in General Fund Revenues when the Small Cities Grant Money is removed.

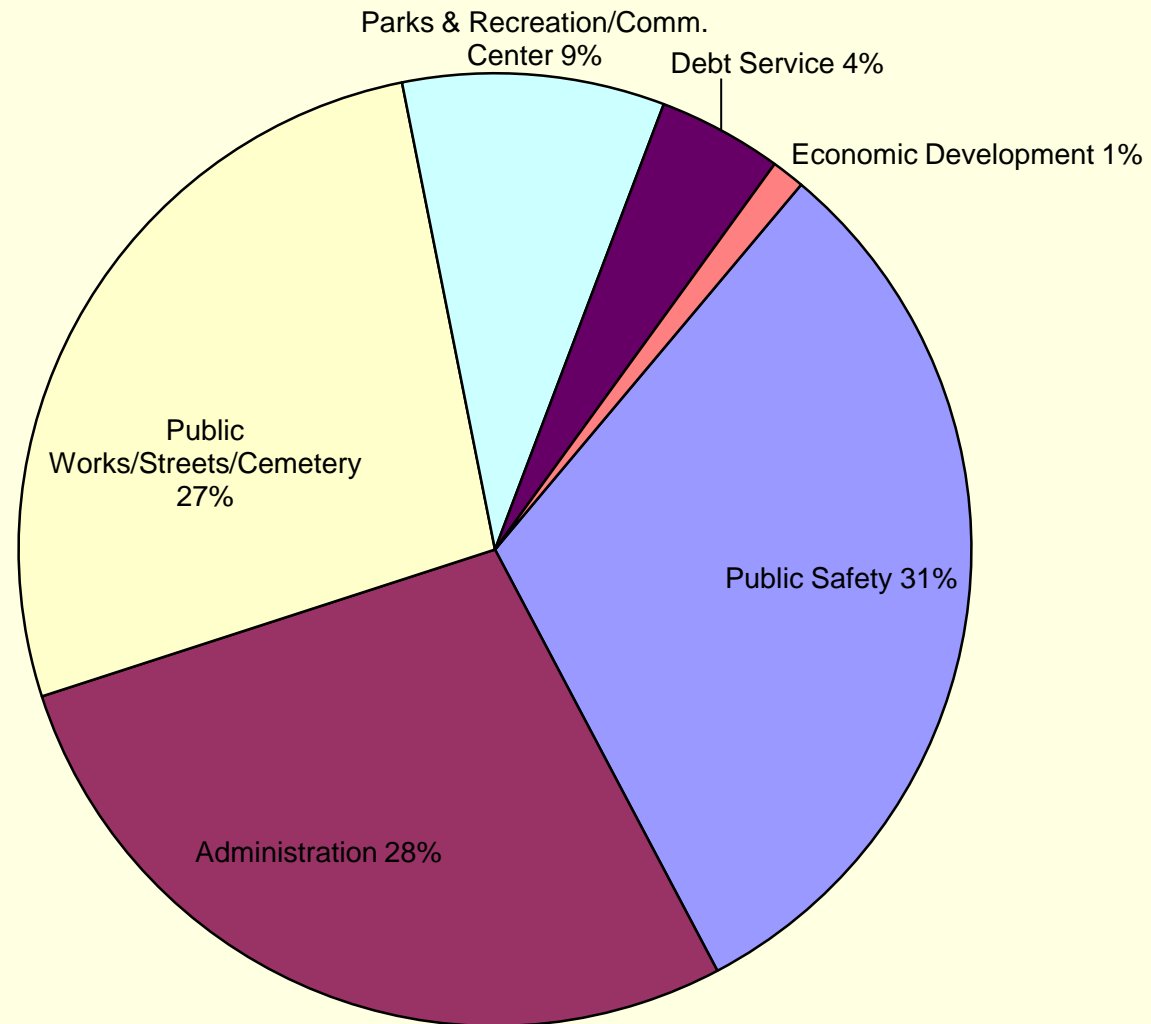
PROPOSED GENERAL FUND EXPENSES

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Council	\$35,009	\$36,494	4.24%
Administration	\$234,685	\$234,207	-0.20%
Elections	\$0	\$2,285	100.00%
Assessing	\$9,350	\$9,350	0.00%
Law/Legal Serv.	\$23,020	\$9,520	-58.64%
Planning/Zoning	\$54,773	\$51,780	-5.46%
Buildings/Plant	\$40,160	\$37,935	-5.54%
Police Department	\$250,220	\$241,571	-3.46%
Fire Stations	\$18,077	\$35,260	95.05%
Civil Defense	\$2,352	\$6,852	191.33%
Animal Control	\$600	\$495	-17.50%

PROPOSED GENERAL FUND EXPENSES

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Public Works	\$326,854	\$355,170	8.66%
Street Lighting	\$14,000	\$12,000	-14.29%
Parks & Recreation	\$73,897	\$76,640	3.71%
Libraries	\$26,262	\$27,576	5.00%
Health Services	\$258	\$258	0.00%
Econ. Develop.	\$276,735	\$15,467	-94.41%
Transfers	\$227,930	\$223,356	-2.01%
Total General Fund	\$1,614,182	\$1,376,216	-14.74%

2010 GENERAL FUND BUDGET - EXPENSES



ADDITIONAL FACTS ON GENERAL FUND EXPENSES

- 28%** -- General Administration accounts for 28% of the general fund expenses, up from 24% in 2009.
- 27%** -- Public Works/Streets account for 27% of the general fund expenses, up from 21% in 2009.
- 31%** -- Public Safety accounts for 31% of the general fund expenses, up from 26% in 2009.
- 9%** -- Parks and Recreation account for 9% of the general fund expenses, up from 8% in 2009.
- 4%** -- Percent of General Fund dollars that go to help pay off debt, up from 3% in 2009

ADDITIONAL FACTS ON GENERAL FUND EXPENSES

- 94%** -- Decrease in the EDA Fund Budget. The large decrease is because the City is done spending Small Cities Grant Dollars.
- 0.1%** -- Actual increase in General Fund Expenses when the Small Cities Grant Money is removed.
- 30%** -- of General Fund Expenses go to employee wages and benefits, up from 28% in 2009.
- 8%** -- of General Fund Expenses go to pay for professional services (Attorney, Auditor, Building Inspector, Engineer, etc.), down from 12% in 2009.
- \$658** -- Amount the City will spend, per capita, for General Fund needs, down from \$769 in 2009.

LARGE BUDGET ITEMS CUT FROM GENERAL FUND

- \$240,000** -- Small Cities Grant Expenses
(1-time event, Revenue also)
- \$16,482** -- Change in Employee Health Insurance
- \$15,000** -- Reduction in Engineering Services
- \$13,500** -- Reduction in Legal Services (Codification)
- \$11,264** -- Reduction of EDA Hours (In-Half)
- \$7,000** -- City's Contribution to the School Pool

LARGE BUDGET ITEMS ADDED TO THE GENERAL FUND

\$55,000 -- Street Maintenance Costs

\$19,183 -- Fire Relief Contribution

\$10,500 -- Park Improvements



2010 PROPOSED BUDGET



SPECIAL FUNDS AND ENTERPRISE FUND BUDGETS

PROPOSED SPECIAL FUND REVENUES

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Fire Fund	\$100,604	\$95,735	-4.8%
Ambulance Fund	\$233,531	\$243,078	4.1%
Community Center	\$87,465	\$89,664	2.5%
Revolving Loan Fund	\$19,074	\$15,319	-19.7%
Cemetery	\$9,125	\$8,225	-9.9%
Cemetery Perp. Fund	\$1,825	\$1,500	-17.8%
Park Dedication Fund	\$0	\$1,620	100.0%
Ambulance Retire.	\$1,000	\$1,500	50.0%
TIF District #2	\$53,000	\$55,000	3.8%
TOTAL SPECIAL	\$505,624	\$511,641	1.2%

ADDITIONAL FACTS ON SPECIAL FUND REVENUES

- TRANSFERS FROM THE GENERAL FUND TO HELP SUPPORT THE SPECIAL FUNDS ARE EXPECTED TO DECREASE BY \$10,680 (6%)
- THE AMBULANCE AND FIRE DEPARTMENT HAVE INCREASED COVERAGE RATES FOR 2010.
- INCREASED RENTAL RATES FOR COMMUNITY CENTER WILL TAKE AFFECT IN 2010.
- 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>2009</u>	<u>2010</u>	<u>Increase</u>
Fire Fund	\$100,604	\$95,735	-4.84%
Ambulance Fund	\$233,531	\$243,078	4.09%
Community Center	\$87,465	\$89,664	2.51%
Cemetery	\$9,125	\$8,225	-9.86%
TIF District #2	\$4,791	\$4,791	0.00%
EDA Special Fund	\$0	\$1,138	100.0%
TOTAL SPECIAL	\$435,516	\$442,631	1.63%

ADDITIONAL FACTS ON SPECIAL FUND EXPENSES

57% -- Percent of Fees and Charges collected that support the expenses of the Fire and Ambulance Department, up from 53% in 2009.

74% -- Percent of Fees and Charges collected that support the expenses of the Community Center and Cemetery, up from 62% in 2009.

\$298 -- 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 (\$298) on public safety than any other function besides the Enterprise Funds and Debt.

PROPOSED ENTERPRISE FUNDS

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Water Revenues	\$387,935	\$410,436	5.80%
Sewer Revenues	\$366,710	\$425,986	16.16%
Electric Revenues	\$1,768,200	\$1,601,055	<u>-9.45%</u>
TOTAL REVENUES	\$2,522,845	\$2,437,477	-3.38%

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Water Expenses	\$408,630	\$408,947	0.08%
Sewer Expenses	\$367,816	\$418,109	13.67%
Electric Expenses	\$2,019,094	\$2,003,524	<u>-0.77%</u>
TOTAL EXPENSES	\$2,795,540	\$2,830,580	1.25%

ADDITIONAL FACTS ON THE ENTERPRISE FUNDS

- 10%** -- Budgeted water user rate increase for 2010
- \$0.88** -- Budgeted monthly water base rate increase for 2010 (To help pay for the 2009 street improvement project)
- \$4.50** -- Budgeted sewer base rate increase for 2010 (To help pay for 3 debt service projects in 2009)
- \$87** -- Expected yearly utility bill increase to each household with water and sewer rate increases
- (\$402,469)** – Expected deficit in the electric fund for 2010 (Reserves being used to pay for 2010 Improvement Project)



2010 PROPOSED BUDGET



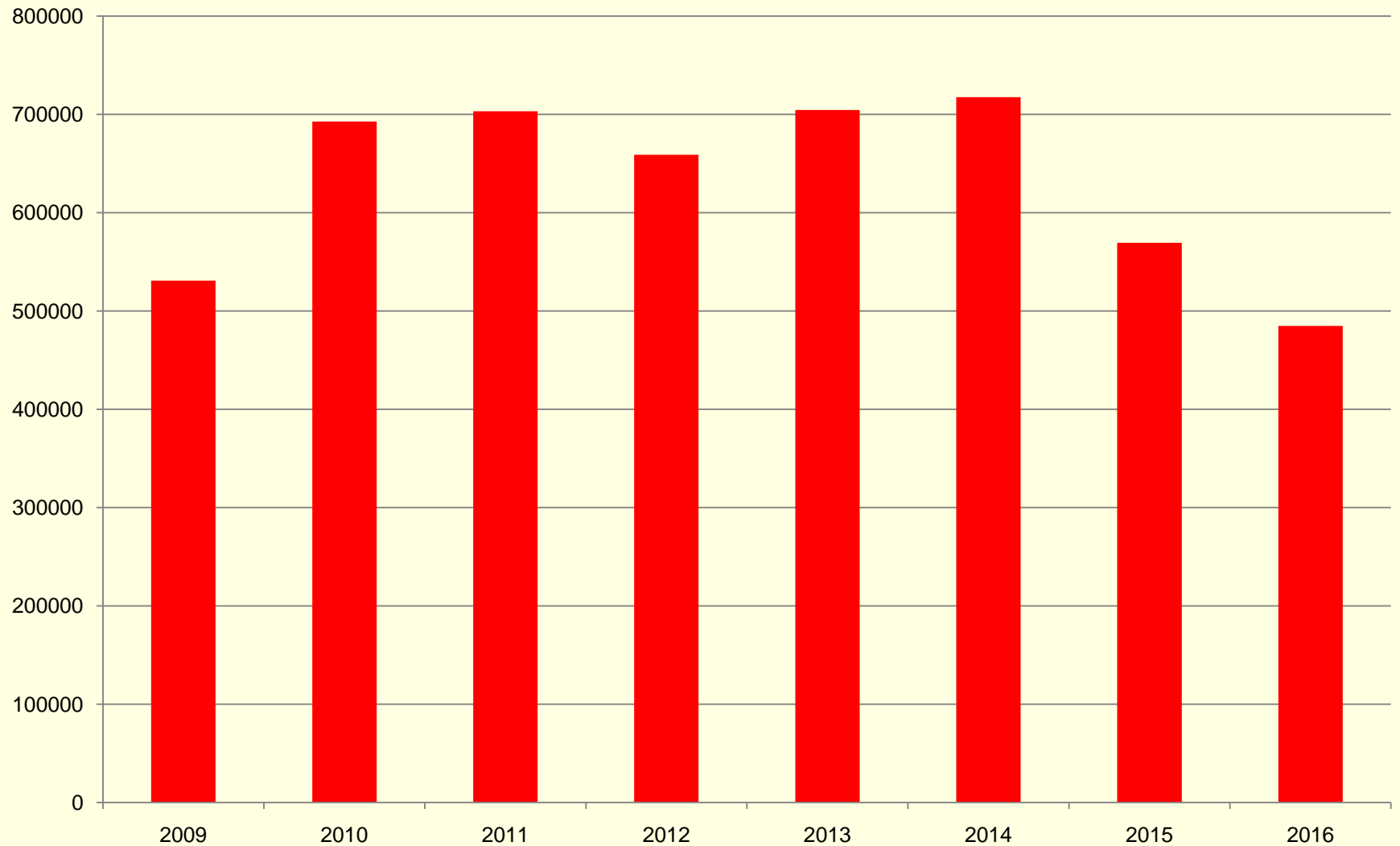
DEBT SERVICE FUNDS

DEBT SERVICE PAYMENTS

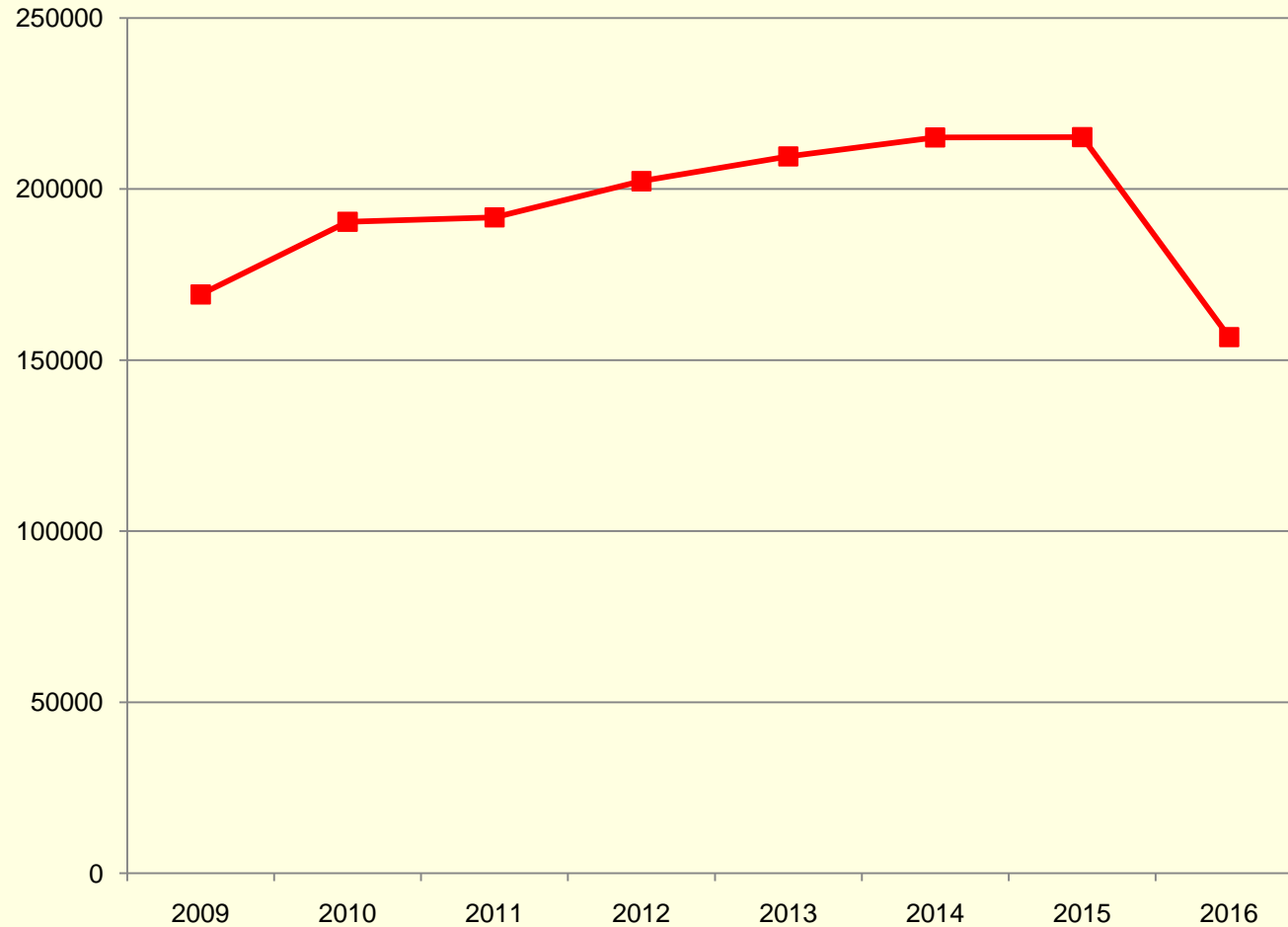
<u>Fund</u>	<u>2009</u>	<u>2010</u>	<u>Increase</u>
RUS Loan	\$12,500	\$0	-100.0%
2000 Imp. Bond	\$23,455	\$27,405	16.84%
2001 Imp. Bond	\$34,095	\$32,775	-3.87%
2004 Imp. Bond	\$90,258	\$88,088	-2.40%
2009 GO. Improv.	\$0	\$37,662	100.0%
2003 Refunding	\$36,381	\$0	-100.0%
2004 Refunding	\$276,788	\$0	-100.0%
2008 GO. Equip.	\$0	\$78,575	100.0%
2004 Pub. Proj.	\$62,473	\$61,213	-12.26%
TOTAL DEBT	\$535,950	\$325,718	-39.23%

- 2010 will be the first year of two new debt requirements for the City
- 2003 & 2004 Refunding Bonds moved to Water/Sewer Funds
- RUS Loan is paid off

FUTURE DEBT PAYMENTS



FUTURE DEBT LEVIES



OTHER DEBT SERVICE INFO

\$692,646 -- Total debt payments in 2010, up from \$530,743 (31%) in 2009.

\$212,232 -- Dollar amount of property taxes that go to pay for City Debt, up from \$184,200 (15%) in 2009

29% -- Percent of the total tax levy that goes to pay for city debt obligations, up from 26% last year.

14% -- Percent of all City Expenses that go to cover debt obligations, up from 10% last year

- THE REMAINING DEBT IS COVERED BY ASSESSMENTS, INTEREST EARNINGS AND/OR USER FEES (WATER/SEWER)



2010 PROPOSED BUDGET

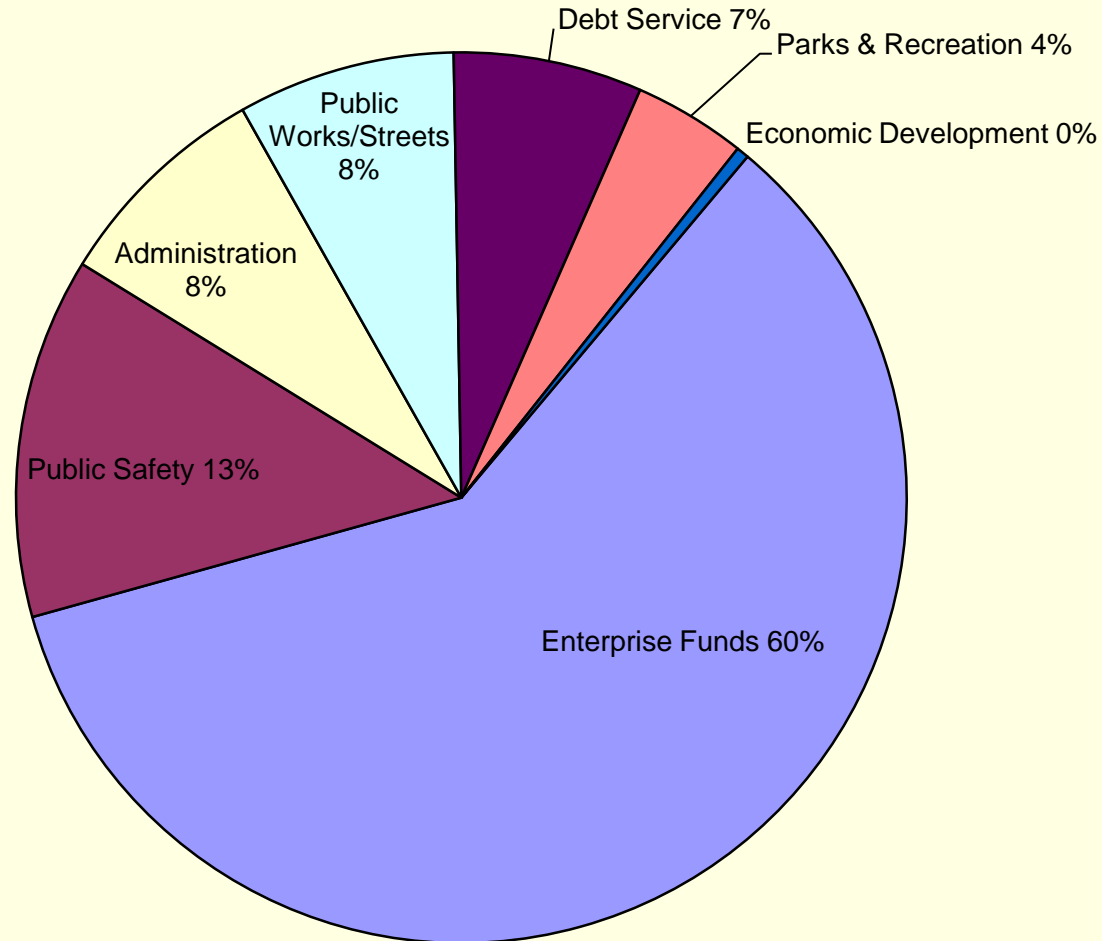


IN CONCLUSION

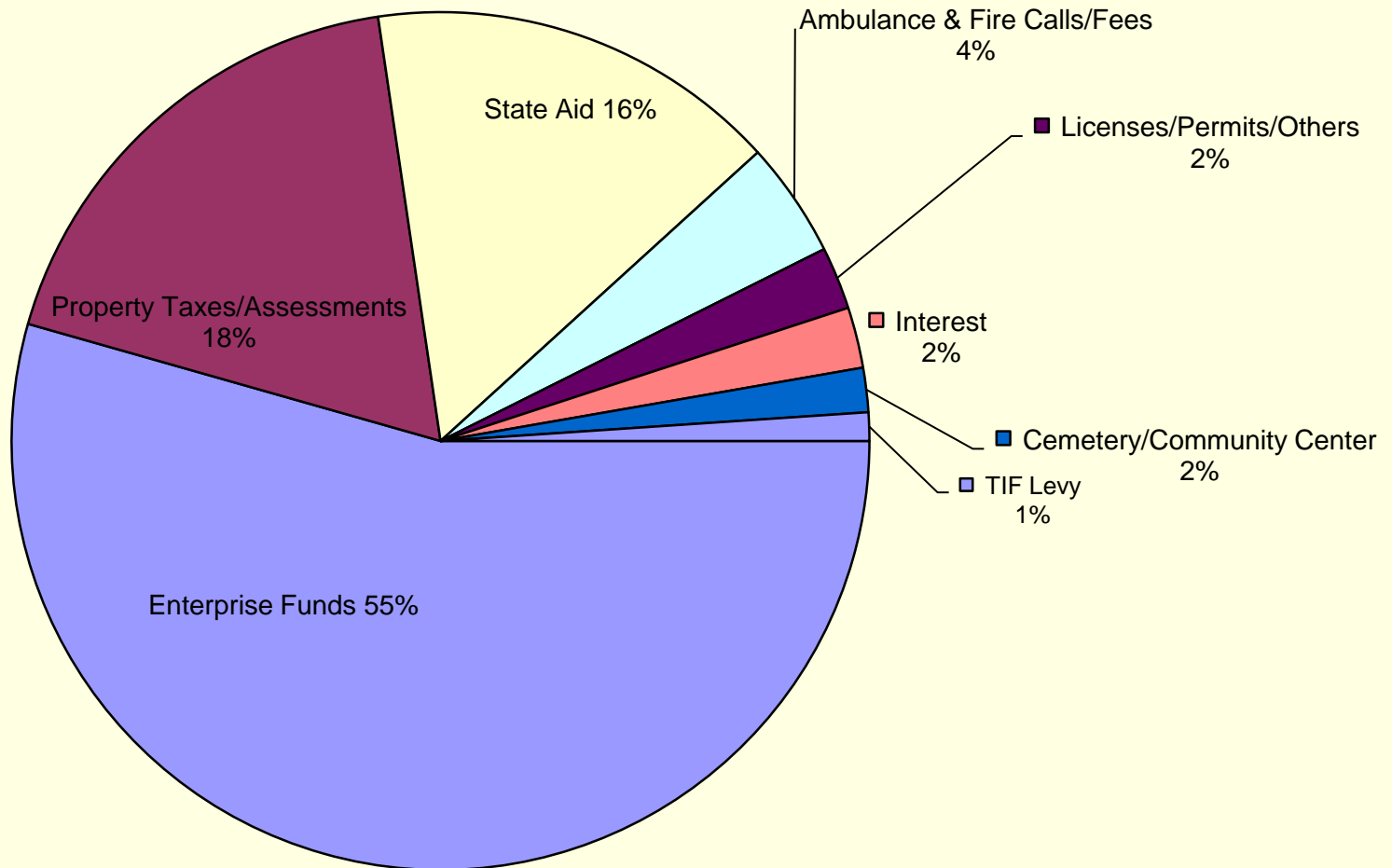
2010 PROPOSED BUDGET – ALL CITY FUNDS

	<u>2009</u>	<u>2010</u>	<u>% Increase</u>
GENERAL FUND	\$1,614,182	\$1,376,216	-14.74%
SPECIAL FUNDS	\$435,516	\$442,631	1.63%
ENTERPRISE FUNDS	\$2,795,540	\$2,830,580	1.25%
DEBT SERVICE	\$530,743	\$325,718	-38.63%
<u>OTHER FINANCING</u>	<u>\$200,000</u>	<u>\$0</u>	<u>-100.0%</u>
TOTAL BUDGET	\$5,575,981	\$4,975,145	-10.78%

2010 BUDGET - ALL CITY EXPENSES



2010 BUDGET - ALL CITY REVENUES



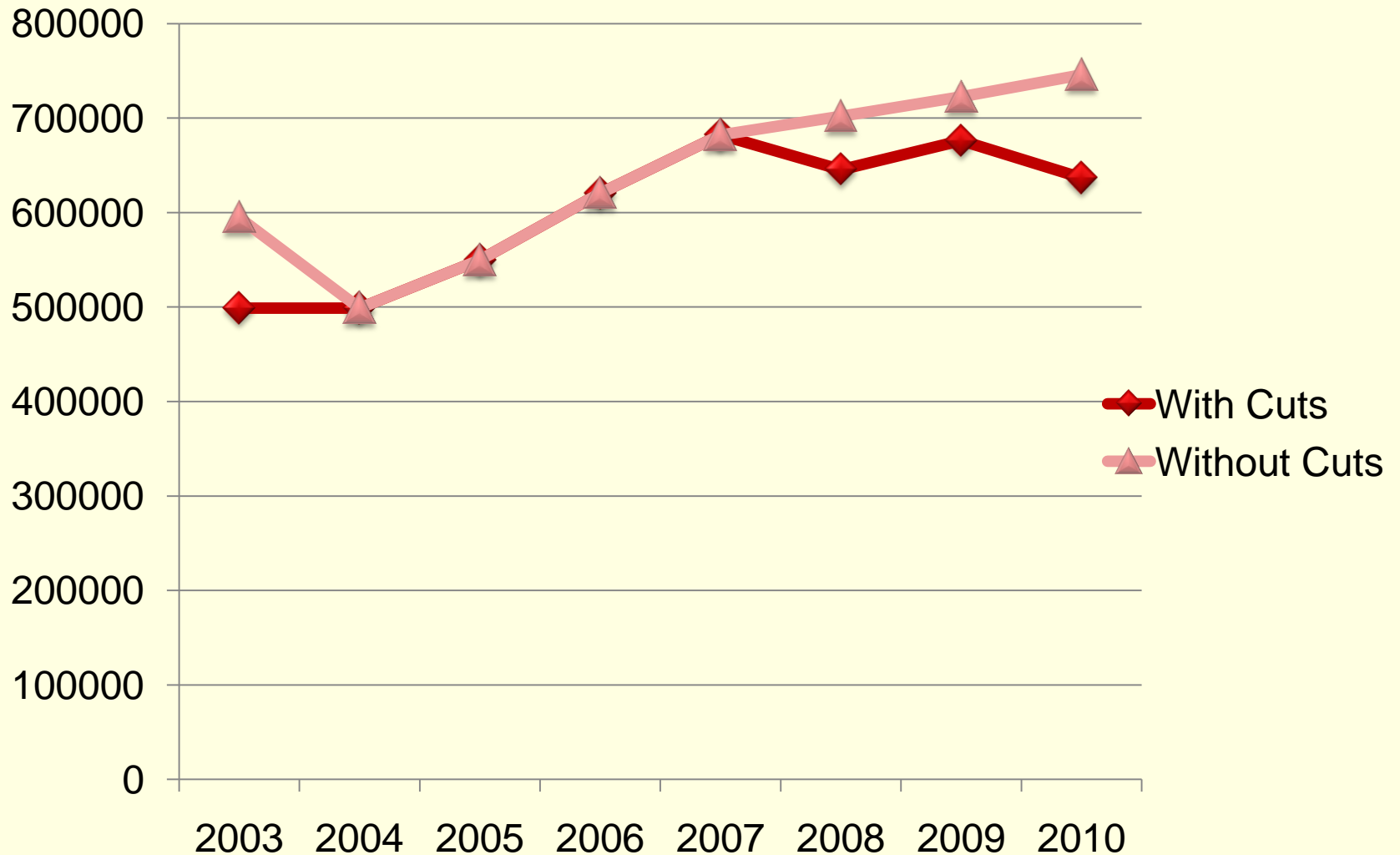
ADDITIONAL FACTS ON THE 2010 BUDGET

- The loss in City Revenue (State Aid, Permits, etc.) and an increase in debt obligations are the biggest reasons for a property tax increase.
- State Aid was suppose to be \$745,593, actually will be \$636,892
- Total City Revenues will decrease by 11.9% in 2010 (7.7% when not including Small Cities Grant Money).
- Total City Expenses will decrease by 10.8% in 2010 (6.8% when not including Small Cities Grant Money).
- The City will spend \$2,379 per person in 2010, down from \$2,658 in 2009.
- Top 5 Per Capita Spending:
 - 1) Enterprise Funds -- \$1,178
 - 2) Debt – \$331
 - 3) Public Safety -- \$298
 - 4) Administration -- \$182
 - 5) Public Works -- \$176

CITY CONCERNS

- The State is currently faced with a \$1.2 billion deficit.
- State virtually has no budget reserves and may need to use short-term borrowing to meet statutory cash flows
- Projected Deficit for 2012-2013 is \$5.4 billion
- Tax Base remain stagnate
- December's State Aid payment could be reduced or next year's State Aid payment could be reduced.
- Budget reserves most likely will have to be used to offset State Cuts
- City's fiscal condition is currently healthy

LOCAL GOV'T AID (2003-2010)



NEXT STEPS

■ TONIGHT:

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

■ FUTURE:

- MONDAY, DEC. 21ST: Continuation of Truth-in-Taxation Hearing (*If Necessary*)
- MONDAY, DEC 21ST – DEC. 28TH: Authorize Final Budget and Tax Levy



Truth in Taxation Hearing
Thank you for your Attention!

December 7, 2009