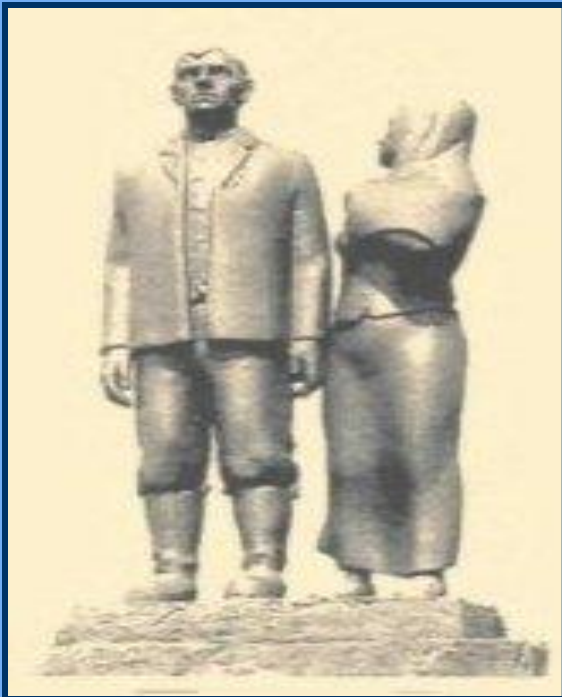


# Public Meeting December 20, 2018

## 2019 Budget & Property Tax Levy Presentation



# CITY OF LINDSTROM

Welcome to the Public Meeting as required by  
State Statutes.

This hearing is to explain the tax impact the  
property tax levy will have on the taxpayers of  
Lindstrom.

# CITY OF LINDSTROM

## A REMINDER

Tonight we discuss the City's share of your total 2019 tax bill, not property valuations.

The meeting to appeal/discuss valuations is held in the Spring.

# Who Levies Property Taxes?

- Counties
- Cities and Townships
- School Districts
- State
- Various special taxing jurisdictions (e.g., watershed districts, library districts, hospital districts, HRA, ECRDC).

# KEY STEPS IN THE PROCESS

**Step 1.** The **County Assessor** determines the EMV for each parcel in the City, then calculates the exclusion if eligible. This determines the **TAXABLE** Market Value.

**Step 2.** The **Legislature** sets the formula for **tax capacity**.

Minnesota Classification Rates:

Examples -

a. Residential Homestead

First \$500,000 1.00%

Over \$500,000 1.25%

b. Commercial – Industrial

First \$150,000 1.50%

Over \$150,000 2.00%

c. Rental Housing

4 or More Units 1.25%

## KEY STEPS IN THE PROCESS – continued

Step 3. The **County Assessor** calculates the tax capacity for each value of property in the City – based on values from Step 1 and tax capacity from Step 2.

Step 4. The **City Council** adopts a preliminary levy in September.

Step 5. After a public hearing the **City Council** adopts a final levy in December.

Step 6. The **County Auditor** divides the final levy (determined by the Council in Step 5) by the City's total tax capacity (determined in Step 3) to determine the tax rate. The auditor multiplies this tax rate times each property's tax capacity to determine the City tax for your property.

**Note:** The City Tax Rate Average for our region in 2016 was 61.632%. The Tax rate in 2016 for Cities in Greater MN with a population of 2,500 - 4,999 was 58.303%. The Tax Rate for Lindstrom in 2019 will be 51.847%

# Measures of Property Value

## Measures used for Individual Parcels

### 1. Estimated Market Value (EMV)

- Basic starting point
- Equal to the local assessor's estimate of the true market value (fair selling point) of a parcel of property
- State Department of Revenue monitors the assessment (assessing) practices.

### 2. Taxable Market Value (TMV)

- The Homestead Credit was replaced with a Market Value Exclusion, this results in a reduction of the value of the homestead that is subject to tax.
- This Exclusion affects each homeowner independently.
- For homes valued at less than \$76,000, the exclusion is equal to 40% of the homes EMV, for homes valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus 9% of the value over \$76,000. The ending result is the TMV.

# Tax Capacity Number

- The Tax Capacity Number is calculated for each property based on the Taxable Market Value X the Classification Rate.
- The Classification Rates vary among types (or classes) of Property.
- The Net Tax Capacity Value for all taxable properties within the City limits of Lindstrom:

Tax Capacity Value 2018	\$3,843,179
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Projected Tax Capacity Value 2019	\$4,176,621
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The above numbers indicate the Total Market Value for properties within Lindstrom have increased.



The Proposed General Fund  
Levy is \$2,063,218

# General Fund Expenses

The General Fund pays for all City Services as outlined below. The services provided are those most commonly associated with City government and include:

## **General Government**

- City Council and Advisory Commissions
- Administration, Financial & Legal Services
- Licensing & Elections
- Planning/Zoning

## **Public Safety**

- Police
- Fire
- Code Enforcement
- Civil Defense
- Animal Control

## **Public Works**

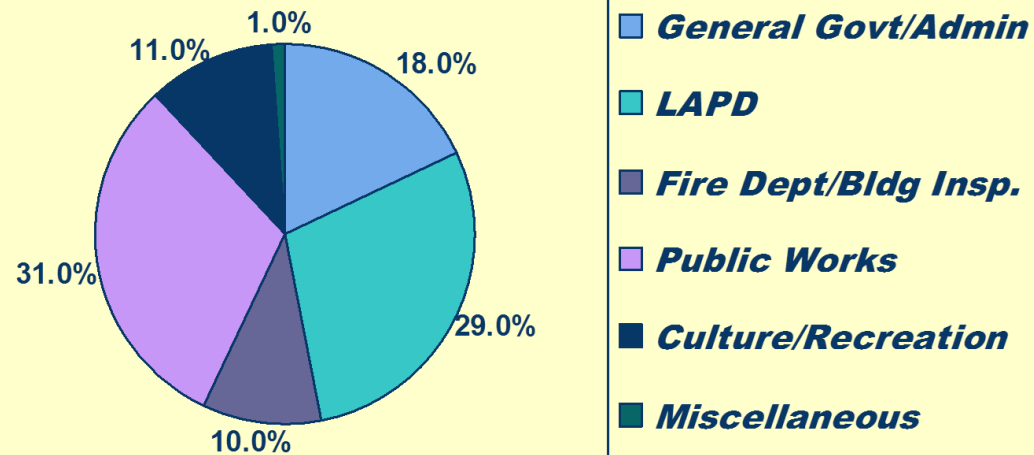
- Street Maintenance & Snow Removal & Street Lighting
- Engineering

## **Culture & Recreation**

- Mainstreet Beautification, City Celebrations
- Cable Commission
- Community Center
- Parks
- Library

**Miscellaneous** – Contract for Services, Cemetery, Contingency

# Proposed 2019 General Fund Expenses



**GENERAL GOVT/ADMIN = (18%)** City Council, Advisory Commissions, Financial, Administration, Legal Services, Licensing, Elections & Planning & Zoning

**LAPD =(29%)** Lakes Area Police Dept Contracted Services

**FIRE DEPT/ CODE ENFORCEMENT = (10%)** FD Operating & Code Enforce.

**PUBLIC WORKS = (31%)** Street Maintenance Operating, Snow Plowing, Engineering, Street Lighting

**CULTURE/RECREATION = (11%)** Mainstreet Flowers, Tourism Promotions, Cable TV Comm, Chisago Lakes Information Center, Community Center, Parks, and County Library

**MISCELLANEOUS = (1%)** Contract for Svcs, Initiative Foundation, Annexation Payments to Townships, Cemetery Operating, and Contingencies

**GENERAL FUND EXPENDITURES**  
**City of Lindstrom**  
**2019**

**Budget Comparison Summary**

<b>GENERAL GOVERNMENT</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Administration/Elections/Audit	\$ 383,838	\$ 387,974	\$ 4,136	
➤ Planning Re-Write Code Book & Planner Increase \$	\$ 16,700	\$ 49,445	\$ 32,745	
➤ Legal Services	\$ 43,000	\$ 22,000	\$ (21,000)	
➤ City Hall Building/Auto	\$ <u>28,113</u>	\$ <u>39,113</u>	\$ <u>11,000</u>	
<b>Total General Government</b>	<b>\$ 471,651</b>	<b>\$ 498,532</b>	<b>\$ 26,881</b>	
<b>PUBLIC SAFETY</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Lakes Area Police Dept	\$ 731,578	\$ 779,916	\$ 48,338	Commission Approval
➤ Fire Department	\$ 230,277	\$ 229,850	\$ (427)	
➤ Code Enforcement/Zoning	\$ 40,067	\$ 40,105	\$ 38	
➤ Civil Defense / Animal Control	\$ <u>405</u>	\$ <u>430</u>	\$ <u>25</u>	
<b>Total Public Safety</b>	<b>\$ 1,002,327</b>	<b>\$1,050,301</b>	<b>\$ 47,974</b>	

**GENERAL FUND EXPENDITURES**  
**City of Lindstrom**  
**2019**

**Budget Comparison Summary - continued**

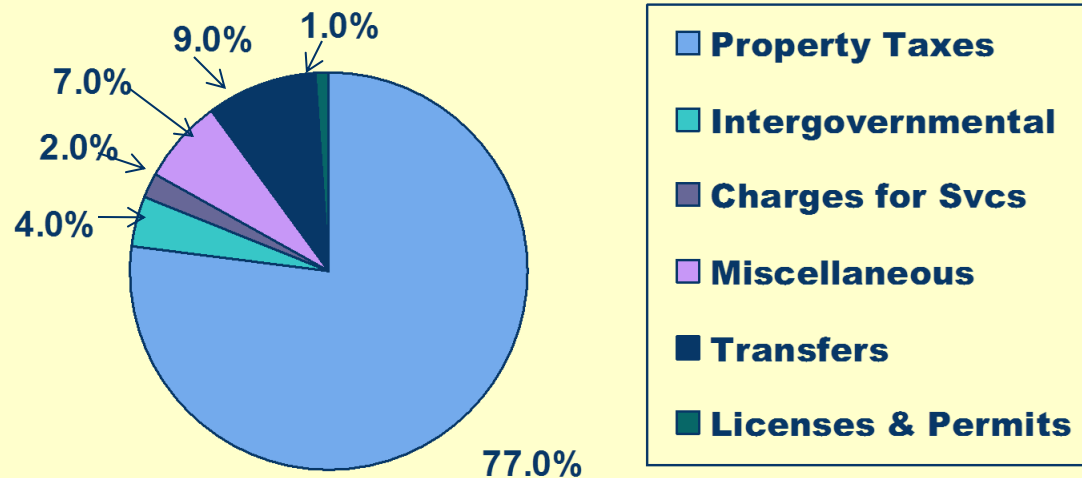
<b>PUBLIC WORKS</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Engineering	\$ 11,400	\$ 14,000	\$ 2,600	
➤ SD Maintenance/Operating	\$ 257,150	\$ 215,165	\$ (41,985)	Loan Paid Up & Salary Reallocat.
➤ Street Improvements/Projects	\$ 478,124	\$ 512,747	\$ 34,623	Street Maint.
➤ Street Lighting	\$ 60,500	\$ 56,500	\$ (4,000)	
➤ Snow Removal/Salt & Sand	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 0</u>	
<b>Total Public Works</b>	<b>\$ 842,174</b>	<b>\$ 833,412</b>	<b>\$ (8,762)</b>	
<b>CULTURE &amp; RECREATION</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Tourism/Beautification	\$ 35,381	\$ 31,081	\$ (4,300)	Plaza Lighting
➤ Cable Television	\$ 35,000	\$ 38,000	\$ 3,000	Franchise Fees
➤ Chisago Lakes Info Center	\$ 7,238	\$ 6,040	\$ (1,198)	
➤ Community	\$ 15,291	\$ 14,901	\$ (390)	
➤ Parks Operating	\$ 172,540	\$ 189,498	\$ 16,958	Park Comm. Expenses
➤ Library	<u>\$ 17,200</u>	<u>\$ 15,910</u>	<u>\$ (1,290)</u>	
<b>Total Culture &amp; Recreation</b>	<b>\$ 282,650</b>	<b>\$ 295,430</b>	<b>\$ 12,780</b>	

**GENERAL FUND EXPENDITURES**  
**City of Lindstrom**  
**2019**

**Budget Comparison Summary - continued**

<b>CONTRACT FOR SERVICES</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ <b>Total Contracts</b>	<b>\$ 1,050</b>	<b>\$ 2,300</b>	<b>\$ 1,250</b>	Council Approved
<b>URBAN /ECONOMIC GROWTH</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Property Tax Reimbursement	\$ 9,266	\$ 9,258	\$ (8)	
➤ Initiative Foundation	<u>\$ 260</u>	<u>\$ 260</u>	<u>\$ 0</u>	
<b>Total Urban/Economic Growth</b>	<b>\$ 9,526</b>	<b>\$ 9,518</b>	<b>\$ (8)</b>	
<b>MISCELLANEOUS</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ Cemetery	\$ 35,071	\$ 34,560	\$ (511)	4 <sup>th</sup> E Hired
➤ Compost	<u>\$ 4,200</u>	<u>\$ 4,200</u>	<u>\$ 0</u>	
<b>Total Miscellaneous</b>	<b>\$ 39,271</b>	<b>\$ 38,760</b>	<b>\$ (511)</b>	
<b>TOTAL EXPENDITURES</b>	<b>\$2,648,649</b>	<b>\$2,728,252</b>	<b>\$ 79,603</b>	

# Proposed 2019 General Fund Revenues



**PROPERTY TAXES = (77 %) Current Ad Valorem Taxes, Delinquent, Penalties & Mobile Home Taxes**

**INTERGOVERNMENTAL = (4%) LGA (Local Govt. Aid), Fire Dept Aid, and PERA Aid Payment**

**CHARGES FOR SERVICES = (2%) Zoning & Subdivision Fees, Assmt Searches, Fire Svc Contracts and Cemetery Revenue**

**MISCELLANEOUS = (7%) Interest, Community Center Rental, Liquor Stores Rent, Cable TV Franchise Fees, and Antenna Rentals/Leases, Street Lighting Fees, Electric & Gas Franchise Fees**

**TRANSFERS = (9%) On & Off Sale Municipal Liquor Stores, Water & Sewer Overhead Costs, Elections, Monopole**

**LICENSES & PERMITS = (1%) Bldg Permits Garbage Haulers, Tobacco Licensing, Business Licensing, Special Event Permits, Animal Licensing, and Liquor and Beer Licensing**

**GENERAL FUND REVENUES**  
**City of Lindstrom**  
**2019**

**Budget Comparison Summary**

**TOTAL REVENUE SOURCES**

<b>Description</b>	<b>Budget 2018</b>	<b>Proposed 2019</b>	<b>+/- Difference</b>	
➤ General Property Taxes	\$ 2,000,659	\$ 2,063,218	\$ 62,559	
➤ Delinquent Taxes/Penalties	\$ 23,000	\$ 20,500	\$ (2,500)	
➤ Mobile Home Taxes	\$ 11,000	\$ 12,100	\$ 1,100	
➤ Licenses & Permits	\$ 29,650	\$ 28,445	\$ (1,205)	
➤ Intergovernmental Revenue	\$ 85,980	\$ 111,976	\$ 25,996	Addl LGA
➤ Charges for Services	\$ 62,150	\$ 56,550	\$ (5,600)	
➤ Miscellaneous Revenue	\$ 188,100	\$ 192,160	\$ 4,060	
➤ Transfers In	\$ 248,110	\$ 243,303	\$ (4,807)	
<b>TOTAL REVENUE</b>	<b>\$ 2,648,649</b>	<b>\$ 2,728,252</b>	<b>\$ 79,603</b>	

## **Add'l \*LGA Received Is Allocated for Future Capital Equipment**

- City Hall – A/C Units, Roof, Parking Lot, and Painting
- Fire Dept – Future Vehicles, Capital Safety Equipment
- Civil Defense – Sirens
- Street Dept – Future Vehicles/Equipment, Repair of Shop
- Mainstreet – Downtown Decorations, Statue Repair, Lighting
- Chamber Office – Roof , A/C Unit, Furnace
- Community Center- A/C Units, Roof, Parking Lot, Flooring  
Appliances, Paint Interior
- Parks – Kiosk, Trails, Improvements, Lawnmowers
- Cemetery – Lawnmowers, Improvements

**TOTAL LGA ALLOCATED FOR FUTURE CAPITAL : \$278,666**

\*LGA = Local Government Aid paid by the MN Dept. of Revenue & approved by the MN Legislature .



# Calculation of 2019 Proposed Tax Levy

	Budget 2018	Proposed 2019
General Fund Expense	\$2,648,649	\$2,728,252
Less General Fund Revenue	<u>\$ (647,990)</u>	<u>\$ (665,034)</u>
<b>General Fund Levy</b>	\$2,000,659	\$2,063,218
General Fund Levy	\$2,000,659	\$2,063,218
Debt Service Levy	\$ 33,000	\$ 38,163
EDA	<u>\$ 64,000</u>	<u>\$ 64,000</u>
<b>TOTAL GROSS LEVY</b>	\$2,097,659	\$2,165,381
<b><u>OTHER INFORMATION</u></b>		
<b>Total Tax Levy</b>	<b>\$2,097,659</b>	<b>\$2,165,381</b>
<b>Taxable Net Tax Capacity Value</b>	<b>\$3,843,179</b>	<b>\$4,176,521</b>
<b>City Tax Rate</b>	<b>54.581%</b>	<b>51.847%</b>

## Impact on Taxpayers

If the proposed 2019 Budget is adopted, the City will request Chisago County to collect \$2,165,381 from City taxpayers to help pay for City services. A portion of the proposed tax levy will fund the EDA (Economic Development Authority). The EDA was established to market the community's economic resources to expand the tax base beyond the single family residential sector. The EDA levy portion is \$64,000 and is included in the \$2,165,381 Net Tax Levy. The Debt Service portion of \$38,163 is also included.

# Impact on Taxpayers - continued

The amount of property taxes paid on an individual property may vary greatly and is dependent upon each element of the property:

- **TAX CLASSIFICATION** – Type of Property Assigned by the County Assessor Such As:

Residential Homestead

Non-Homestead

Commercial

Industrial

Apartments

Agriculture

Seasonal Recreational

# Impact on Taxpayers - continued

- Estimated Market Value assigned to the property by the County Assessor
- Tax Valuation prescribed by the State – Class Rates Specific to Different Types of Property

## MN Classification Rates for Taxes Payable 2019: (Most Common Classifications Below)

### RESIDENTIAL HOMESTEAD

First \$500,000 1.00%

Over \$500,000 1.25%

### COMMERCIAL – INDUSTRIAL

First \$150,000 1.50%

Over \$150,000 2.00%

RENTAL HOUSING (4 or More Units) 1.25%

# Impact on Taxpayers - Continued

The County Assessor is updating market values for the City. A change in market value, by itself, has the effect of increasing or decreasing property taxes.

The County Assessor locates the property to be taxed, estimates its market value (how much the property would sell for in today's market) and assigns it to a class according to its use and this sets the Tax Classification Rate (value set by State Law). The notice to property owners is sent out in the spring with the taxable market value minus the exclusion

**If the property owners disagree with the assessor they may appeal to the City Board of Appeal and Equalization. The City Council Board meets between April 1<sup>st</sup> and May 1<sup>st</sup> to hear any appeals.**

## TAX IMPACT – RESIDENTIAL

<b>TMV 1/2/2018</b> Taxable Market Value	<b>2018</b>	<b>2019 No Change in Value</b>	<b>Difference 2018 to 2019 No Change</b>	<b>2019 City Tax with Inflation Value of 7%</b>
\$ 101,400	\$ 553	\$ 525	\$ -28	\$ 562
\$117,400	\$ 641	\$ 609	\$ -32	\$ 652
\$124,200	\$ 678	\$ 644	\$ -34	\$ 689
\$150,000	\$ 819	\$ 778	\$ -41	\$ 832
\$172,800	\$ 943	\$ 896	\$ -47	\$ 959
\$192,568	\$ 1,051	\$ 998	\$ -53	\$ 1,068
\$229,098	\$ 1,250	\$ 1,188	\$ -62	\$ 1,271
\$250,000	\$ 1,365	\$ 1,296	\$ -69	\$ 1,387
\$300,000	\$ 1,637	\$ 1,555	\$ -82	\$ 1,664
\$350,000	\$ 1,910	\$ 1,815	\$ -95	\$ 1,942

For taxes paid, the above figures are calculated with the Taxable Market Value exclusion, if eligible. Houses valued above \$413,800 receive no exclusion.

The above numbers are calculated with no change in the market value of a homestead property and also a column with an inflation factor of 7%.

## TAX IMPACT – COMMERCIAL

<b>TMV 1/2/2018</b> Taxable Market Value	<b>2018</b>	<b>2019 No Change in Value</b>	<b>Difference 2018 to 2019 No Change</b>	<b>2019 City Tax with Inflation Value of 7%</b>
\$ 150,000	\$ 1,228	\$ 1,166	\$ -62	\$ 1,248
\$ 200,000	\$ 1,774	\$ 1,685	\$ -89	\$1,803
\$ 250,700	\$ 2,327	\$ 2,211	\$-116	\$2,366
\$ 321,500	\$ 3,100	\$ 2,945	\$ -155	\$3,151
\$ 399,100	\$ 3,947	\$ 3,750	\$ -197	\$4,013
\$ 450,000	\$ 4,503	\$ 4,277	\$ -226	\$4,576
\$ 500,000	\$ 5,049	\$ 4,796	\$ -253	\$5,132
\$ 678,100	\$ 6,993	\$ 6,643	\$ -350	\$7,108

The above numbers are calculated with no change in the market value of a commercial property and also a column with an inflation factor of 7%.

# FACTORS IMPACTING TAX INCREASE

## Issues Driven by Legislative Decisions

### 1. LGA (Local Government Aid) Changes to Cities

Beginning in 2004, virtually all of the LGA was distributed to each city based on the need and the City's ability to raise taxes.

Each year the state legislature reviews and adjusts the level of funding provided to local governments thru Local Government Aid. The formulas for how aid is determined and distributed among local governments may change.

As an example, to help balance the State of Minnesota's budget years ago, Lindstrom was not paid a total of \$516,708 for the years 2008 thru 2012 that was promised to it by the State. This "unallotment" resulted in budget cuts and postponement of projects and equipment.



# FACTORS IMPACTING TAX INCREASE

## Issues Driven by Legislative Decisions – cont.

### 2. Market Value Exclusions

In 2012, the Market Value Homestead Credit (MVHC) was replaced with an exclusion on the market value on many residential properties. Market Value Exclusions are calculated toward residential taxable amounts for houses valued at less than \$413,800 (before exclusion calculations). This did impact taxes that were paid, even with reduced levies.

### 3. Change in Class Rate

The Legislature may change the class rates specific to different types of property. A change in class rate requires a change in the tax rate to raise the same amount of money.

## **Tax Increase Factors Continued.....**

### **LOCAL FACTORS**

- 1. Change in individual assessed market value.**
- 2. The market value of other properties in your taxing district may change. Real estate market value Inflation or deflation.**
- 3. Possible change in property classification.**
- 4. Property improvements not previously taxed.**
- 5. The City, County, and/or School District budget and levy may change.**
- 6. Special assessments may be included in your property tax bill.**

# Final Points to Remember

1. The assessors valuation process is separate from the property tax determination process.

- The assessor estimates market value prior to the local government budget process. The assessor uses property values as of January 2<sup>nd</sup> of each year (that is, the assessed value as of January 2<sup>nd</sup>, 2018, is the value used to raise taxes payable 2019).
- Local Governments determine their property tax through their budget process (commencing each June). Through this budget process, local government officials identify their spending needs and estimate how much they will receive in non - property tax revenue (that is, fees, charges, state aid, etc.). The gap between spending need and the non - property tax revenue is filled with property tax

2. However, any change in value on your property and any change in value on other properties in your community will affect your property taxes.

# 2019 Proposed Levy

➤ General Government Levy Fund	<u>\$2,063,218</u>
➤ EDA (Economic Development Authority) Levy	<u>\$ 64,000</u>
➤ 2015 GO Equipment Certificate (FD )	<u>\$ 5,000</u>
➤ 2009 GO Bonds (Machmeier Court Paving)	<u>\$ 6,763</u>
➤ 2007 Go Bonds (Terryll & Newlander Paving)	<u>\$ 24,400</u>
➤ 2010 GO Bonds (Glader/Lakelawn Area Sewer)	<u>\$ 2,000</u>
<b><i>TOTAL LEVY</i></b>	<b><i>\$2,165,381</i></b>

**LEVY INCREASE 3.2%**