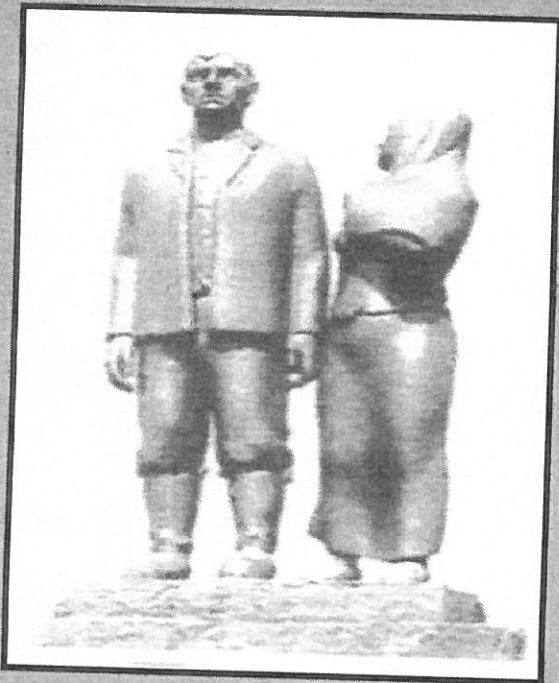


**Public Meeting December 19, 2019**

**2020 Budget &  
Property Tax  
Levy  
Presentation**

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# 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

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## A REMINDER

Tonight we discuss the City's share of your total 2020 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 in 2019 was 51.34%. The projected tax rate in 2020 is 48.64%

# 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 2019	\$4,223,540
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Projected Tax Capacity Value 2020	\$4,718,702
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The above numbers indicate the Total Market Value for properties within Lindstrom have increased.

# General Fund Expenses

The Proposed General Fund  
Levy is \$2,185,733

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**

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

## **Public Works**

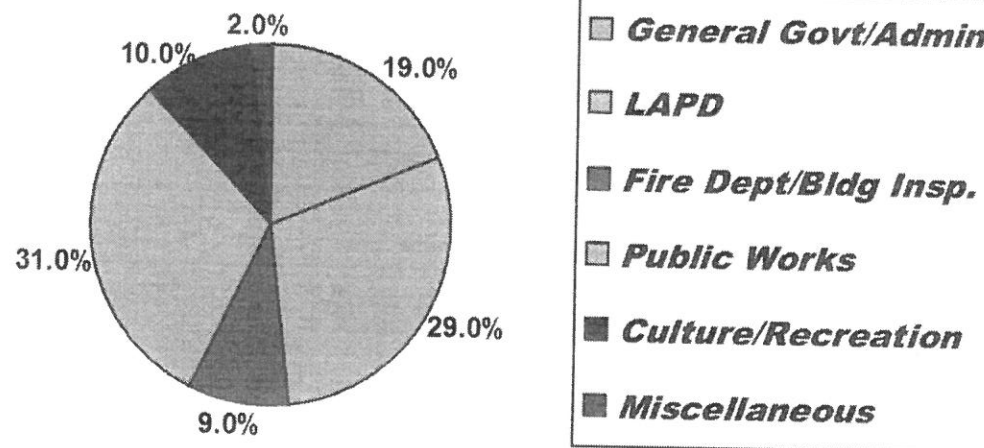
- Street Maintenance & Snow Removal & Street Lighting
- Engineering

## **Culture & Recreation**

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

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

# Proposed 2020 General Fund Expenses



**GENERAL GOVT/ADMIN = (19%)** City Council, Advisory Commissions, Financial, Administration, Legal Services, Licensing, Elections & Planning & Zoning

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

**FIRE DEPT/ CODE ENFORCEMENT = (9%)** FD Operating & Code Enforce.

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

**CULTURE/RECREATION = (10%)** Mainstreet Flowers, Tourism Promotions, Cable TV Comm, Chisago Lakes Information Center, Community Center, Parks, and County Library

**MISCELLANEOUS = (2%)** Contract for Svcs, Initiative Foundation, Annexation Payments to Townships, Cemetery Operating, and Contingencies



City of Lindstrom

**2020 GENERAL FUND EXPENDITURES**

**Budget Comparison Summary**

<b><u>GENERAL GOVERNMENT</u></b>	<b><u>Budget 2019</u></b>	<b><u>Proposed 2020</u></b>	<b><u>+/- Difference</u></b>
<b>Administration/Elections/Audit</b> Summer Intern Added , Student Intern Added	<b>\$387,974</b>	<b>\$405,417</b>	<b>\$17,443</b>
<b>Planning</b> Incl Addl \$ for Planner & Reallocation of EE Salary	<b>\$49,445</b>	<b>\$91,294</b>	<b>\$41,849</b>
<b>Legal Services</b>	<b>\$22,000</b>	<b>\$22,000</b>	<b>\$-</b>
<b>Government Buildings/Auto</b>	<b><u>\$39,113</u></b>	<b><u>\$31,773</u></b>	<b><u>\$(7,340)</u></b>
<b>Total General Government</b>	<b>\$498,532</b>	<b>\$550,484</b>	<b>\$51,952</b>
<hr/>			
<b><u>PUBLIC SAFETY</u></b>	<b><u>Budget 2019</u></b>	<b><u>Proposed 2020</u></b>	<b><u>+/- Difference</u></b>
<b>Law Enforcement</b>	<b>\$779,916</b>	<b>\$825,213</b>	<b>\$45,297</b>
<b>Fire Department</b>	<b>\$229,850</b>	<b>\$248,225</b>	<b>\$18,375</b>
<b>Code Enforcement/Bldg</b> Reallocation of EE Salary to Planning Dept	<b>\$40,105</b>	<b>\$16,660</b>	<b>\$(23,445)</b>
<b>Civil Defense/Animal Control</b>	<b><u>\$430</u></b>	<b><u>\$430</u></b>	<b><u>\$-</u></b>
<b>Total Public Safety</b>	<b>\$1,050,301</b>	<b>\$1,090,528</b>	<b>\$40,227</b>

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City of Lindstrom

**2020 GENERAL FUND EXPENDITURES**

Budget Comparison Summary - continued

<b><u>PUBLIC WORKS</u></b>	<b><u>Budget 2019</u></b>	<b><u>Proposed 2020</u></b>	<b><u>+/- Difference</u></b>
Engineering	\$14,000	\$20,000	\$6,000
SD Maintenance /Operating	\$225,665	\$230,584	\$4,919
Street Improvements/Projects Maintenance of Streets Increased amount	\$502,247	\$540,000	\$37,753
Street Lighting	\$56,500	\$55,500	\$(1,000)
Snow Removal /Salt & Sand Based on Balance eff 7/31/2019	\$35,000	\$50,000	\$15,000
<b>Total Public Works</b>	<b>\$833,412</b>	<b>\$896,084</b>	<b>\$62,672</b>
<b><u>CULTURE &amp; RECREATION</u></b>	<b><u>Budget 2019</u></b>	<b><u>Proposed 2020</u></b>	<b><u>+/- Difference</u></b>
Tourism/Beautification Additional for Trees & Wood Chips	\$31,081	\$34,557	\$3,476
Cable Television	\$38,000	\$38,000	\$-
Chisago Lakes Information Center	\$6,040	\$6,340	\$300
Community Center	\$14,901	\$14,376	\$(525)
Parks Operating Increase in summer workers wages , Operating	\$189,498	\$198,723	\$9,225
Library	\$15,910	\$16,061	\$151
<b>Total Culture &amp; Recreation</b>	<b>\$295,430</b>	<b>\$308,057</b>	<b>\$12,627</b>

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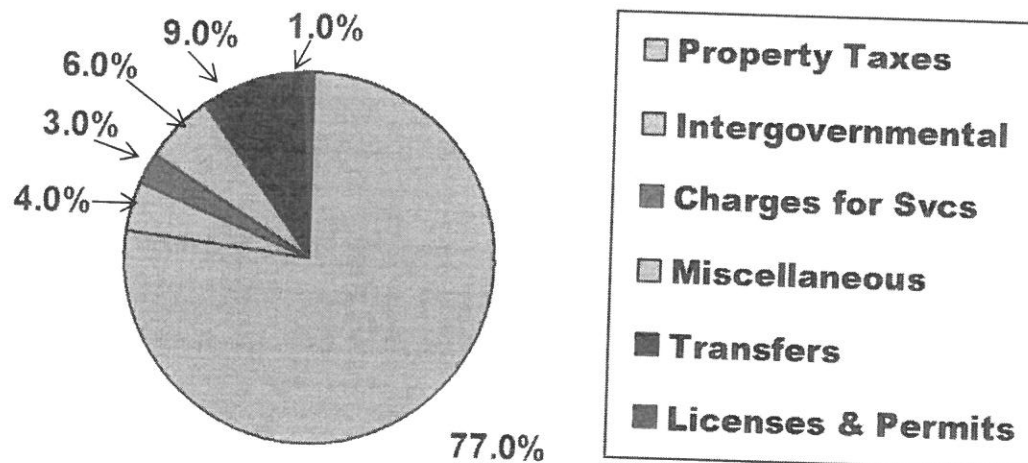
City of Lindstrom

**2020 GENERAL FUND EXPENDITURES**

Budget Comparison Summary - continued

<u>CONTRACT FOR SERVICES</u>	<u>Budget 2019</u>	<u>Proposed 2020</u>	<u>+/- Difference</u>
Lakes Center for Youth & Families	\$2,000	\$2,000	\$-
Chisago County Senior Center	<u>\$300</u>	<u>\$300</u>	<u>\$-</u>
Total Contracts	\$2,300	\$2,300	\$-
<u>URBAN/ ECONOMIC DEVELOP.</u>	<u>Budget 2019</u>	<u>Proposed 2020</u>	<u>+/- Difference</u>
Urban Development/Tax Reimb. to Township	\$9,258	\$11,200	\$1,942
Initiative Foundation	<u>\$260</u>	<u>\$260</u>	<u>\$-</u>
Total Urban /Economic Develope.	\$9,518	\$11,460	\$1,942
<u>MISCELLANEOUS</u>	<u>Budget 2019</u>	<u>Proposed 2020</u>	<u>+/- Difference</u>
Cemetery	\$34,560	\$31,198	\$(3,362)
Compost Site	<u>\$4,200</u>	<u>\$6,000</u>	<u>\$1,800</u>
Total Miscellaneous	\$38,760	\$37,198	\$(1,562)
<b>TOTAL EXENDITURES GENERAL FUND</b>	<b>\$2,728,253</b>	<b>\$2,896,111</b>	<b>\$167,858</b>

# Proposed 2020 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 = (3%)** Zoning & Subdivision Fees, Assmt Searches, Fire Svc Contracts and Cemetery Revenue

**MISCELLANEOUS = (6%)** 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

City of Lindstrom

**2020 GENERAL FUND REVENUES**

Budget Comparison Summary

**TOTAL REVENUE SOURCES SUMMARY**

DESCRIPTIONS	Budget 2019	Proposed 2020	+/- Difference
General Property Taxes	\$2,063,218	\$2,185,733	\$122,515
Delinquent Taxes/Penalties	\$20,500	\$20,500	\$-
Mobile Home Taxes	\$12,100	\$13,000	\$900
Licenses & Permits	\$28,445	\$25,820	\$(2,625)
Intergovernmental Revenue	\$111,976	\$141,587	\$29,611
Charges for Services	\$56,550	\$60,100	\$3,550
Miscellaneous Revenue	\$192,160	\$200,429	\$8,269
Transfers In	<u>\$243,303</u>	<u>\$248,942</u>	<u>\$5,639</u>
<b>TOTAL REVENUE GENERAL</b>	<b>\$2,728,253</b>	<b>\$2,896,111</b>	<b>\$167,858</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
- Street Dept – Future Vehicles/Equipment, Repair of Shop
- Mainstreet – Downtown Decorations, Flags & Poles
- 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 : \$315,272**

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

City of Lindstrom

**Calculation of 2020 Proposed Tax Levy - Comparison**

	<u>Budget 2019</u>	<u>Proposed 2020</u>
General Fund Expense	\$2,728,252	\$2,896,111
Less General Fund Revenue	<u>-\$665,034</u>	<u>-\$710,378</u>
<b>General Fund Levy</b>	<b>\$2,063,218</b>	<b>\$2,185,733</b>

Levy Summary

	<u>Budget 2019</u>	<u>Proposed 2020</u>
General Fund Levy	\$2,063,218	\$2,185,733
Debt Service Levy	\$38,163	\$45,575
EDA Levy	<u>\$64,000</u>	<u>\$64,000</u>
<b>TOTAL LEVY</b>	<b>\$2,165,381</b>	<b>\$2,295,308</b>

Increase 6.0%

Taxable Market Value	\$395,301,100	\$442,508,900
Tax Capacity Value (all taxable properties)	\$4,223,540	\$4,718,702
Tax Rate	51.3%	48.6%



## **Impact on Taxpayers**

**If the proposed 2020 Budget is adopted, the City will request Chisago County to collect \$2,295,308 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. The Debt Service portion of \$45,575 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 2020: (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 updates 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.

## LINDSTROM 2020 TAX IMPACT – RESIDENTIAL

TMV 1/2/2019	2019		2020		Difference <u>IF</u> No Change in Value		Tax <u>IF</u> House/ Property Value Increases 7%	Diff
\$101,400	\$520		\$493		\$(27)		\$528	\$8
\$117,400	\$602		\$571		\$(31)		\$611	\$9
\$124,200	\$637		\$604		\$(33)		\$646	\$9
\$150,000	\$769		\$730		\$(39)		\$781	\$12
\$172,800	\$885		\$841		\$(44)		\$900	\$15
\$192,568	\$987		\$937		\$(50)		\$1,003	\$16
\$229,098	\$1,175		\$1,114		\$(61)		\$1,192	\$17
\$250,000	\$1,283		\$1,216		\$(67)		\$1,301	\$18
\$300,000	\$1,538		\$1,459		\$(79)		\$1,561	\$23
\$350,000	\$1,794		\$1,702		\$(92)		\$1,821	\$27

## LINDSTROM 2020 TAX IMPACT – COMMERCIAL

TMV 1/2/2019	2019	2020	Difference <u>IF</u> No Change in Value	Tax <u>IF</u> Building/ Property Value Increases 7%	Diff
\$150,000	\$1,154	\$1,094	\$(60)	\$1,171	\$17
\$200,000	\$1,666	\$1,581	\$(85)	\$1,692	\$26
\$250,700	\$2,186	\$2,074	\$(112)	\$2,219	\$33
\$321,500	\$2,912	\$2,763	\$(149)	\$2,956	\$44
\$399,100	\$3,708	\$3,518	\$(190)	\$3,764	\$56
\$450,000	\$4,230	\$4,013	\$(217)	\$4,294	\$64
\$500,000	\$4,742	\$4,499	\$(243)	\$4,814	\$72
\$606,400	\$5,833	\$5,535	\$(298)	\$5,922	\$89
\$678,100	\$6,569	\$6,232	\$(337)	\$6,668	\$99
\$773,800	\$7,550	\$7,163	\$(387)	\$7,664	\$114

# 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>, 2019, is the value used to raise taxes payable 2020).
- 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.

# 2020 Proposed Levy

➤ General Government Levy Fund	<u>\$2,185,733</u>
➤ EDA (Economic Development Authority) Levy	<u>\$ 64,000</u>
➤ 2015 GO Equipment Certificate (FD )	<u>\$ 13,500</u>
➤ 2009 GO Bonds (Machmeier Court Paving)	<u>\$ 6,275</u>
➤ 2007 Go Bonds (Terryll & Newlander Paving)	<u>\$ 23,800</u>
➤ 2010 GO Bonds (Glader/Lakelawn Area Sewer)	<u>\$ 2,000</u>
<b><i>TOTAL LEVY</i></b>	<b><i>\$2,295,308</i></b>