

# **Public Meeting December 15, 2022**

## **2023 Budget & Property Tax Levy Presentation**



# CITY OF LINDSTROM

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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 2023 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 market value exclusion if eligible. The exclusion affects each property independently. This determines the TAXABLE Market Value.

**Step 2.** The Legislature sets the formula for tax capacity based on Minnesota Classification Rates.

**Step 3.** The County Assessor calculates the tax capacity for each value of property in the City.

**Taxable Market Value x Classification of Property = Tax Capacity.**

**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. The final levy amount is sent to the County Auditor for final calculations for each property taxed.

The Proposed General Fund  
Budget is \$3,641,838 to pay for  
City Services.

# 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**

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

## **Public Works**

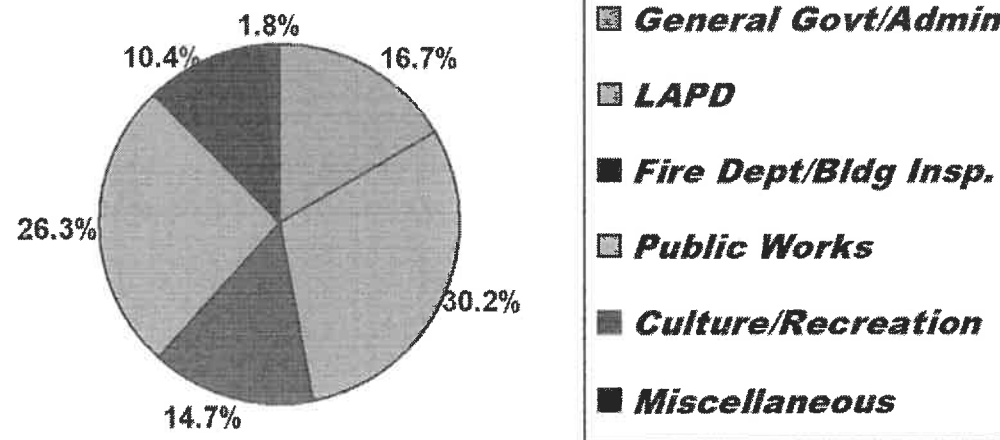
- Street Maintenance & Snow Removal & Street Lighting
- Engineering

## **Culture & Recreation**

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

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

# Proposed 2023 General Fund Expenses



**GENERAL GOVT/ADMIN = (16.66%)** City Council, Advisory Commissions, Financial, Administration, Legal Services, Licensing, Elections & Planning & Zoning

**LAPD =(30.23%)** Lakes Area Police Dept Contracted Services

**FIRE DEPT/ CODE ENFORCEMENT = (14.65%)** FD Operating & Code Enforce.

**PUBLIC WORKS = (26.34%)** Street Maintenance Operating, Snow Plowing, Engineering, Street Lighting

**CULTURE/RECREATION = (10.37%)** Mainstreet Flowers, Tourism Promotions, Cable TV Comm, Chisago Lakes Information Center, Community Center, Parks, and County Library

**MISCELLANEOUS = (1.75%)** Contract for Svcs, Initiative Foundation, Annexation Payments to Townships, Cemetery Operating, and Contingencies

City of Lindstrom

**2023 GENERAL FUND EXPENDITURES**

**Budget Comparison Summary**

<b><u>GENERAL GOVERNMENT</u></b>	<b><u>Budget 2022</u></b>	<b><u>Proposed 2023</u></b>	<b><u>+/- Difference</u></b>
<b>Administration/Elections/Audit</b>	<b>\$442,573</b>	<b>\$455,912</b>	<b>\$13,339</b>
<b>Planning</b>	<b>\$102,423</b>	<b>\$103,115</b>	<b>\$692</b>
<b>Legal Services</b>	<b>\$36,000</b>	<b>\$15,000</b>	<b>\$(21,000)</b>
<b>Government Buildings/Auto</b>	<b><u>\$30,301</u></b>	<b><u>\$32,181</u></b>	<b><u>\$1,880</u></b>
<b>Total General Government</b>	<b>\$611,297</b>	<b>\$606,208</b>	<b>\$(5,089)</b>

<b><u>PUBLIC SAFETY</u></b>	<b><u>Budget 2022</u></b>	<b><u>Proposed 2023</u></b>	<b><u>+/- Difference</u></b>
<b>Law Enforcement</b> Incl. 7% Increase & Future Bldg Planning \$50,000	<b>\$968,347</b>	<b>\$1,075,098</b>	<b>\$106,751</b>
<b>Fire Department</b> Includes transfer for Debt of new Fire Hall	<b>\$522,585</b>	<b>\$533,701</b>	<b>\$11,116</b>
<b>Code Enforcement/Bldg</b>	<b>\$16,703</b>	<b>\$23,859</b>	<b>\$7,156</b>
<b>Civil Defense/Animal Control</b>	<b><u>\$1,798</u></b>	<b><u>\$2,075</u></b>	<b><u>\$277</u></b>
<b>Total Public Safety</b>	<b>\$1,509,433</b>	<b>\$1,634,733</b>	<b>\$125,300</b>

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City of Lindstrom

**2023 GENERAL FUND EXPENDITURES**

**Budget Comparison Summary - continued**

<b><u>PUBLIC WORKS</u></b>	<b><u>Budget 2022</u></b>	<b><u>Proposed 2023</u></b>	<b><u>+/- Difference</u></b>
Engineering	\$30,000	\$32,000	\$2,000
SD Maintenance /Operating	\$318,249	\$334,706	\$16,457
Street Improvements and/or Projects Maintenance of Streets Increased amount	\$298,000	\$451,000	\$153,000
Street Lighting	\$59,100	\$71,600	\$12,500
Snow Removal /Salt & Sand	<u>\$80,000</u>	<u>\$70,000</u>	<u>\$(10,000)</u>
Total Public Works	\$785,349	\$959,306	\$173,957
<b><u>CULTURE &amp; RECREATION</u></b>	<b><u>Budget 2022</u></b>	<b><u>Proposed 2023</u></b>	<b><u>+/- Difference</u></b>
Tourism/Beautification	\$37,516	\$47,652	\$10,136
Cable Television	\$36,000	\$36,000	\$0
Chisago Lakes Information Center	\$5,866	\$7,302	\$1,436
Community Center	\$15,313	\$14,766	\$(547)
Parks Operating	\$291,779	\$255,683	\$(36,096)
Library	<u>\$16,300</u>	<u>\$16,400</u>	<u>\$100</u>
Total Culture & Recreation	\$402,774	\$377,803	\$(24,971)

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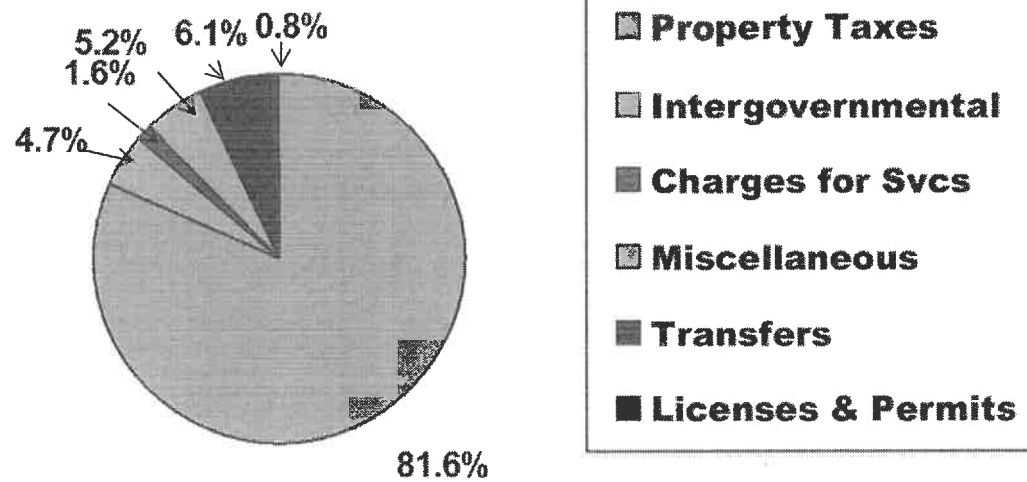
City of Lindstrom

**2023 GENERAL FUND EXPENDITURES**

**Budget Comparison Summary - continued**

<u>CONTRACT FOR SERVICES</u>	<u>Budget 2022</u>	<u>Proposed 2023</u>	<u>+/- Difference</u>
Lakes Center for Youth & Families	\$2,000	\$2,000	\$0
Chisago Lakes Historical Society	\$-	\$500	\$500
Chisago County Senior Center	<u>\$300</u>	<u>\$300</u>	<u>\$0</u>
Total Contracts	\$2,300	\$2,800	\$500
<u>URBAN/ ECONOMIC DEVELOP.</u>	<u>Budget 2022</u>	<u>Proposed 2023</u>	<u>+/- Difference</u>
Urban Development/Tax Reimb. to Township	\$10,056	\$5,229	\$(4,827)
Initiative Foundation	<u>\$260</u>	<u>\$260</u>	<u>\$0</u>
Total Urban /Economic Develop.	\$10,316	\$5,489	\$(4,827)
<u>MISCELLANEOUS</u>	<u>Budget 2022</u>	<u>Proposed 2023</u>	<u>+/- Difference</u>
Cemetery	\$38,632	\$47,200	\$8,568
Compost Site/Contingency	<u>\$7,000</u>	<u>\$8,300</u>	<u>\$1,300</u>
Total Miscellaneous	\$45,632	\$55,500	\$9,868
<b>TOTAL EXENDITURES GENERAL FUND</b>	<b>\$3,367,102</b>	<b>\$3,641,838</b>	<b>\$274,736</b>

# Proposed 2023 General Fund Revenues



**PROPERTY TAXES = (81.61%)** Current Ad Valorem Taxes, Delinquent, Penalties & Mobile Home Taxes

**INTERGOVERNMENTAL = (4.66%)** LGA (Local Govt. Aid), Fire Dept Aid, and PERA Aid Payment

**CHARGES FOR SERVICES = (1.63%)** Zoning & Subdivision Fees, Assmt Searches, Fire Svc Contracts and Cemetery Revenue

**MISCELLANEOUS = (5.23%)** Interest, Community Center Rental, Liquor Stores Rent, Cable TV Franchise Fees, and Antenna Rentals/Leases, Street Lighting Fees, Electric & Gas Franchise Fees

**TRANSFERS = (6.12%)** On & Off Sale Municipal Liquor Stores, Water & Sewer Overhead Costs, Elections, Monopole

**LICENSES & PERMITS = (.75%)** Bldg Permits Garbage Haulers, Tobacco Licensing, Business Licensing, Special Event Permits, Animal Licensing, and Liquor and Beer Licensing

City of Lindstrom

**2023 GENERAL FUND REVENUES**

**Budget Comparison Summary**

**TOTAL REVENUE SOURCES SUMMARY**

<b>DESCRIPTIONS</b>	<b>Budget 2022</b>	<b>Proposed 2023</b>	<b>+/- Difference</b>
<b>General Property Taxes</b>	<b>\$2,648,405</b>	<b>\$2,938,006</b>	<b>\$289,601</b>
<b>Delinquent Taxes/Penalties</b>	<b>\$20,700</b>	<b>\$20,700</b>	<b>\$-</b>
<b>Mobile Home Taxes</b>	<b>\$13,500</b>	<b>\$13,500</b>	<b>\$-</b>
<b>Licenses &amp; Permits</b>	<b>\$26,525</b>	<b>\$26,450</b>	<b>\$(75)</b>
<b>Intergovernmental Revenue</b>	<b>\$165,035</b>	<b>\$170,000</b>	<b>\$4,965</b>
<b>Charges for Services</b>	<b>\$57,150</b>	<b>\$59,400</b>	<b>\$2,250</b>
<b>Miscellaneous Revenue</b>	<b>\$196,153</b>	<b>\$190,720</b>	<b>\$(5,433)</b>
<b>Transfers In</b>	<b><u>\$239,634</u></b>	<b><u>\$223,062</u></b>	<b><u>\$(16,572)</u></b>
<b>TOTAL REVENUE GENERAL</b>	<b>\$3,367,102</b>	<b>\$3,641,838</b>	<b>\$274,736</b>

## **Some LGA Received Is Allocated for Future Capital Equipment**

- Fire Dept – Future Vehicles, Capital Equipment - \$78,916
- Street Dept – Repair of Shop, Required Signs - \$6,000
- Parks – Trail Improvements, Lawnmowers – \$19,000
- Cemetery – Lawnmowers - \$8000
- Street Maintenance - \$229,703

**TOTAL LGA ALLOCATED FOR FUTURE CAPITAL : \$341,619**

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

## **Impact on Taxpayers**

**If the proposed 2023 Budget is adopted, the City will request Chisago County to collect \$3,047,006 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 \$45,000 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 2023: (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 2023 TAX IMPACT – RESIDENTIAL

TMV 1/2/2022	2022		2023		Difference <u>IF</u> No Change in Value		Tax <u>IF</u> House/ Property Value Increases 25%	Increase Value 25% Tax Diff	per Month
\$124,200	\$607		\$534		\$(73)		\$667	\$60	\$5.03
\$143,300	\$700		\$616		\$(84)		\$770	\$70	\$5.80
\$150,000	\$733		\$644		\$(89)		\$806	\$73	\$6.05
\$172,800	\$844		\$742		\$(102)		\$928	\$84	\$7.00
\$192,568	\$941		\$827		\$(114)		\$1,034	\$93	\$7.73
\$229,098	\$1,119		\$984		\$(135)		\$1,230	\$111	\$9.25
\$250,000	\$1,221		\$1,074		\$(147)		\$1,343	\$122	\$10.13
\$300,000	\$1,465		\$1,289		\$(176)		\$1,611	\$146	\$12.18
\$350,000	\$1,710		\$1,503		\$(207)		\$1,879	\$169	\$14.06
\$400,000	\$1,953		\$1,719		\$(234)		\$2,148	\$195	\$16.27

## LINDSTROM 2023 TAX IMPACT – COMMERCIAL

TMV 1/1/2022	2022	2023	Difference <u>IF</u> No Change in Value	Tax <u>IF</u> Building/ Property Value Increases 4%	Increase Value 4% Diff
\$150,000	\$1,099	\$966	\$(133)	\$1,005	\$(94)
\$200,000	\$1,588	\$1,396	\$(192)	\$1,452	\$(136)
\$250,700	\$2,083	\$1,832	\$(251)	\$1,905	\$(178)
\$321,500	\$2,774	\$2,440	\$(334)	\$2,538	\$(237)
\$399,100	\$3,533	\$3,107	\$(426)	\$3,231	\$(301)
\$450,000	\$4,030	\$3,544	\$(486)	\$3,686	\$(344)
\$500,000	\$4,518	\$3,974	\$(544)	\$4,133	\$(385)
\$606,400	\$5,558	\$4,888	\$(670)	\$5,084	\$(474)
\$678,100	\$6,258	\$5,504	\$(754)	\$5,724	\$(534)
\$773,800	\$7,193	\$6,327	\$(866)	\$6,580	\$(613)

# **FACTORS IMPACTING ANY TAX INCREASE or DECREASE**

## **Issues Driven by Legislative Decisions**

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

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.

### **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.

## **Tax Increase or Decrease 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>, 2022, is the value used to raise taxes payable 2023).
- 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.

# 2023 Proposed Levy

➤ General Government Levy Fund	<u>\$2,648,405</u>
➤ EDA (Economic Development Authority) Levy	<u>\$ 64,000</u>
➤ GO Equipment Certificate (FD )	<u>\$ 15,000</u>
➤ 2020 Go Bonds (Fire Hall & Redevelopment)	<u>\$ 30,000</u>
<b><i>TOTAL LEVY</i></b>	<b><i>\$3,047,006</i></b>

**Note:**

Tax Rate 2022 - 48.8%

Tax Rate 2023 – 42.9%