

**HOPKINS CITY COUNCIL
AGENDA
Monday, December 4, 2023
6:30 pm**

**THIS AGENDA IS SUBJECT TO CHANGE
UNTIL THE START OF THE CITY COUNCIL MEETING**

- I. **CALL TO ORDER**
- II. **ADOPT AGENDA**
- III. **PUBLIC HEARING**
 1. 2024 Budget Meeting, 2024 Tax Levy, 2024 HRA/EDA Levy and General and Special Revenue Fund Budgets; Bishop
- IV. **ANNOUNCEMENTS**
 - Next Regular City Council Meeting: Tuesday, December 5 at 6:30 p.m.
- V. **ADJOURN**



Finance Department

CITY OF HOPKINS

City Council Report 2023-132

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Nick Bishop, Finance Director

Date: December 4, 2023

Subject: 2024 Budget Meeting, 2024 Tax Levy, 2024 HRA/EDA Levy and General and Special Revenue Fund Budgets

RECOMMENDED ACTION

MOTION TO Adopt Resolution 2023-050 Approving the 2024 Tax Levy, 2024 HRA Levy and Adopting the 2024 General and Special Revenue Fund Budgets.

OVERVIEW

A draft version of the 2024 Budget and Tax Levy was prepared by staff and presented to City Council on July 18th. Based on Council direction, the budget was reviewed and proposals with lesser increases were discussed on August 15th. The City also hosted a budget engagement session on August 14th. On September 12th a version of the tax levy was reviewed with a 4.86% increase compared to 2023. On September 19th, the preliminary levy of \$19,678,939, a \$912,715 or 4.86% increase from 2023 was approved. Staff's recommendation is to adopt this levy as Final.

The purpose of tonight's meeting is to hold a public hearing on the 2024 tax levy. The final levy must be adopted and submitted to Hennepin County by December 28th.

SUPPORTING INFORMATION

- Resolution 2023-050
- Tax Levy and Budget Overview
- HRA/EDA Levy Overview
- Public Safety Funding Overview
- 2024 General Fund and Special Revenue Fund Budgets
- 2024 Tax Levy Summary
- Truth in Taxation Statements Summary
- Association of MN Counties – "Why Property Taxes Vary from Year to Year"

**CITY OF HOPKINS
HENNEPIN COUNTY, MINNESOTA**

RESOLUTION 2023-050

**RESOLUTION APPROVING THE 2024 TAX LEVY, 2024 HRA LEVY AND ADOPTING
THE 2024 GENERAL AND SPECIAL REVENUE FUND BUDGETS**

THEREFORE BE IT RESOLVED, that the City Council of the City of Hopkins hereby approves the following sums be levied for 2024 upon the taxable property in the City of Hopkins, for the following purposes:

General Levy

General \$15,571,326

Special Levies

Debt Levies

| | |
|--------------------------------------|---------|
| 2014A GO Bonds | 97,000 |
| 2015A GO Street Reconstruction Bonds | 250,000 |
| 2015B GO Tax Abatement Bonds | 125,000 |
| 2016A GO Improvement Bonds | 100,000 |
| 2016B GO Tax Abatement Bonds | 36,781 |
| 2016C GO Bonds | 200,000 |
| 2017A GO Street Reconstruction Bonds | 915,000 |
| 2017B GO Tax Abatement Bonds | 102,061 |
| 2018A GO Equipment Certificates | 79,487 |
| 2018A GO Improvement Bonds | 450,000 |
| 2019A GO Bonds | 375,000 |
| 2019B GO Refunding Bonds | 115,300 |
| 2020A GO Bonds | 193,125 |
| 2020B GO Refunding Bonds | 308,114 |
| 2021A GO Bonds | 208,662 |
| 2022A GO Bonds | 325,072 |
| 2023A GP Temporary Bonds | 227,011 |

Subtotal Special Levies \$4,107,613

Total Levy **\$19,678,939**

HRA LEVY

Housing & Redevelopment Authority Levy **\$487,653**

This levy is made based on current law and the 2024 General Fund Budget of \$18,421,803

That based upon staff analysis of special assessments currently levied for Permanent Improvement Bonds, alternative revenue sources for the Capital Improvement Bonds and Equipment Certificates, and available reserves within all debt service funds listed below, that the debt service levies for 2024 for the following issues be levied at amounts less than provided by the bond covenants.

Bond Issue

| | |
|---|-----------|
| \$1,895,000 GO Bonds of 2014A | \$ 97,000 |
| \$4,100,000 GO Street Reconstruction Bonds of 2015A | \$250,000 |
| \$4,335,000 GO Improvement Bonds of 2016A | \$100,000 |
| \$1,875,000 GO Bonds of 2016C | \$200,000 |
| \$11,795,000 Street Reconstruction Bonds of 2017A | \$915,000 |
| \$3,170,000 GO Tax Abatement Bonds of 2017B | \$102,061 |
| \$6,715,000 GO Improvement Bonds of 2018A | \$ 79,487 |
| \$3,285,000 GO Tax Abatement Bonds of 2018B | \$ 0 |
| \$12,185,000 GO Bonds of 2019A | \$375,000 |
| \$2,015,000 GO Refunding Bonds of 2019B | \$115,000 |

BE IT FURTHER RESOLVED, that the following amounts are budgeted for the Special Revenue Funds:

| | | | |
|--------------------------------|-------------|--------------------------|-------------|
| State Chemical Assessment | \$65,000 | Economic Development | \$520,278 |
| TIF 1.2 Entertainment District | \$14,228 | MN Public Safety | \$439,095 |
| Parking | \$159,894 | Race & Equity Initiative | \$6,000 |
| Communications | \$281,487 | Depot | \$183,832 |
| TIF 2.9 Oakes of Main | \$2,095 | TIF 2.11 Super Valu | \$2,875,266 |
| TIF 1.4 Marketplace and Main | \$214,948 | TIF 1.5 the Moline | \$2,530,195 |
| Arts Center | \$1,144,097 | Sustainability | \$385,000 |

Adopted by the City Council of the City of Hopkins this 4th day of December, 2023.

By: _____
Patrick Hanlon, Mayor

ATTEST:

Amy Domeier, City Clerk

Tax Levy and Budget Overview

The Final 2024 levy would be set at \$19,678,939, a \$912,715 or 4.86% increase from 2023. City taxes on a median value home (\$369,300) will be \$2,187, a \$1 or 0.1% decrease from 2023.

The two largest areas supported by the levy are public safety and capital projects & debt. This is a breakdown of City property taxes:

| | Median Value Home (\$369,300) | Percentage |
|-------------------------|--|-------------------|
| Public Safety | \$ 823 | 37.6% |
| General Government | \$ 343 | 15.7% |
| Public Works | \$ 252 | 11.5% |
| Parks and Recreation | \$ 145 | 6.6% |
| Pavilion | \$ 49 | 2.2% |
| Activity Center | \$ 40 | 1.9% |
| Arts Center | \$ 38 | 1.8% |
| Capital projects & debt | \$ 497 | 22.7% |
| Total | \$ 2,187 | 100.0% |

Public Safety is comprised of police, fire and inspection departments. In total they make up 37.6% of the levy.

The Police Department's Mission is to serve the community with Honesty, Integrity and Respect. They accomplish this through community engagement, relationship building and providing education and youth initiatives. They also responded to 23,718 calls for service in 2022. They work diligently to prevent and deter crime. The Police Department will add two positions in 2024 funded through one-time public safety funding.

The Fire Department makes a positive difference everyday by providing quality fire response, prevention services, emergency medical, hazardous materials handling and emergency preparedness. In 2022, they responded to 1,713 calls. Their average response time is 4.6 minutes. The Fire Department conducted a staffing study in 2023. They will hire an Assistant Fire Chief in 2023 funded through one-time public safety funding.

Inspections – this is the smallest department within public safety and accounts for 1.6% of the tax levy. The Inspections Department budget is primarily funded through charges for service. The 2024 budget includes revenues of \$735,400 and expenditures of \$1,173,086.

Capital projects and debt is the next largest portion of the levy making up 22.7%. It supports street reconstruction, capital projects at municipal buildings and equipment purchases.

The City is completing a street reconstruction plan paid for through bond issuance, special assessments and user charges for water, sewer and storm-sewer. All streets in Hopkins are planned to be reconstructed by 2030. Continuing this program ensures the future preservation of our streets and helps maintain the quality-of-life Hopkins residents have come to expect.

In order to fully realize the benefits of Southwest Light Rail the city invested in 8th Avenue and created the Artery. The Artery is a bike, pedestrian and vehicle connection and community space between a future light rail transit station and the City's historic downtown. The \$5.7 million project leveraged \$2.6 million of grants from Metropolitan Council, Hennepin County and Three Rivers Park District.

The City has also invested in the Blake Road Corridor. The City is adding several pedestrian friendly amenities including: multi-use trails, landscaped boulevards and upgraded street lighting. The Road will also be upgraded to handle future traffic and development demands. The \$16 million project will receive reimbursements from Hennepin County (\$8 Million) and utilize Municipal State Aid of (\$3 million).

The City's share of the Artery project and Blake Road reconstruction were funded with debt. They also took advantage of limited outside funding sources in order to make needed improvements. Delaying the projects would likely result in higher costs and a larger City-share of the overall cost.

The Arts Center levy being proposed is \$345,000 or 1.8% of the total levy. The Arts Center is a premiere cultural and artistic destination drawing over 250,000 visitors annually. The City believes that it is an excellent economic development tool that helped make Mainstreet vibrant and authentic. With this levy, the Arts Center will continue to be an asset to the Community.

The Activity Center is a separate facility that is included in the general fund budget. The general fund levy amount being used for the Activity Center is \$364,138 or 1.9% of the levy. The Activity Center's mission is to provide pathways to "Experience the Upside of Aging". It is a gathering place for mature adults. It is also used as a rental facility and community space.

The Pavilion levy being proposed is \$440,000 or 2.2% of the levy. In 2018, the Pavilion was upgraded and expanded. The City needed to complete a project to replace a 27-year-old refrigeration system that was unreliable, developing leaks and being phased out by the EPA. The City was able to increase the scope of the project to include remodeled locker rooms, shower rooms, expanded lobby, remodeled offices, remodeled concession stand and expanded restroom facilities after receiving contributions from Hopkins School District (\$1.0 Million) and Hopkins Youth Hockey Association (\$1.0 Million). The project still required bond proceeds of \$3.1 million to complete. The debt service for the bonds will be paid with a Pavilion levy through 2033.

HRA/EDA Levy

The HRA/EDA Levy is the main revenue source for the City's Economic Development Fund and plays an important role in the City's continued efforts for redevelopment.

There are levy limits based on 0.01850% of the City's estimated market value. The market value used for the 2024 Levy is \$2,688,722,500, resulting in a maximum tax levy of \$497,414 which would be an increase of \$45,883 or 10.16% from 2023. The proposed levy is \$487,653 a \$36,122 or 8.00% increase from 2023.

| Tax Year | Maximum Allowable Levy | HRA/EDA Levy | \$ Increase | % Increase |
|---------------|------------------------|--------------|-------------|------------|
| 2019 | 350,154 | 350,154 | 21,137 | 6.81% |
| 2020 | 367,951 | 367,951 | 17,797 | 5.08% |
| 2021 | 407,727 | 378,070 | 10,119 | 2.75% |
| 2022 | 434,750 | 391,302 | 13,232 | 3.50% |
| 2023 | 451,531 | 451,531 | 60,229 | 15.39% |
| 2024-Proposed | 497,414 | 487,653 | 36,122 | 8.00% |

For the proposed levy, taxes on a median value home (369,300) will be \$61, a \$1 or 2.33% increase. The HRA/EDA levy is a separate levy and appears on tax statements under Other Taxing Districts.

Economic Development Fund

The Fund coordinates the economic development processes not directly funded by specific project budgets and also supports Artstreet, the Arts Center, the Façade Improvement program, and marketing efforts. The main revenue sources of the fund are the HRA/EDA tax levy and excess tax increment financing. The 2024 budget includes \$100,000 for the Façade Improvement program (staff is reviewing current criteria to determine any modifications needed in 2024).

Public Safety Funding

During 2023 Legislative Session, \$210 million of on-time public safety aid was authorized for Cities. The aid can be spent on fire, police, emergency medical or other public safety needs. Hopkins will receive a one-time payment of \$828,185. The following budget is recommended for 2024 and 2025.

| | 2024 | 2025 | Total |
|--------------------------------|---------|---------|---------|
| Police Officer 1 (April 1st) | 87,423 | 121,135 | 208,558 |
| Police Officer 2 (April 1st) | 87,423 | 121,135 | 208,558 |
| Canine Start-Up costs | 46,420 | - | 46,420 |
| License Plate Readers | 13,000 | - | 13,000 |
| Fire Captain | 139,829 | 146,820 | 286,649 |
| Fire Hose | 10,000 | - | 10,000 |
| Fire MDC | 40,000 | - | 40,000 |
| Fire Records Management System | 15,000 | - | 15,000 |
| Total | 439,095 | 389,090 | 828,185 |

**City of Hopkins
General Fund Revenue Budget
For the Year Ending December 31, 2024**

**RECOMMENDED
December 4, 2023**

| Department | 2023 Budget | 2024 Budget | % Increase (Decrease) |
|--|--------------------|--------------------|----------------------------------|
| Property Taxes | 14,020,781 | 14,511,326 | 3.50% |
| Intergovernmental Revenue | | | |
| Local Government Aid | 925,794 | 1,081,012 | |
| Intergovernmental Revenue - Other | 705,000 | 797,000 | |
| Total Intergovernmental Revenue | 1,630,794 | 1,878,012 | 15.16% |
| Licenses, Permits & Fines | | | |
| Court Fines & Penalties | 176,000 | 176,000 | |
| Building Permits & Inspections | 557,000 | 563,000 | |
| Inspection Fines & Citations | 3,000 | 3,000 | |
| City Clerk - Business Licenses | 8,000 | 8,900 | |
| PD - Liquor, Animal Licenses & Penalties | 101,800 | 101,800 | |
| Fire - Licenses & Permits | 4,000 | 4,000 | |
| Public Works - Licenses & Permits | 19,415 | 19,615 | |
| Planning & Zoning - Licenses & Permits | 1,000 | 2,000 | |
| Total Licenses, Permits & Fines | 870,215 | 878,315 | 0.93% |
| Charges for Service | | | |
| Finance Department | 5,500 | 5,500 | |
| Assessing | 3,000 | 3,000 | |
| Inspections | 175,450 | 175,450 | |
| Police | 35,000 | 35,000 | |
| Fire | 10,500 | 10,500 | |
| Public Works | 3,150 | 3,150 | |
| Activity Center | 94,300 | 118,500 | |
| Total Charges for Service | 326,900 | 351,100 | 7.40% |
| Miscellaneous Revenue | | | |
| Franchise Fees | 296,200 | 346,200 | |
| Miscellaneous | 20,250 | 25,250 | |
| Finance Department | 3,000 | 3,000 | |
| Police | 500 | 500 | |
| Fire | 3,500 | 3,500 | |
| Public Works | 5,300 | 10,600 | |
| Activity Center | 11,000 | 14,000 | |
| Total Miscellaneous | 339,750 | 403,050 | 18.63% |
| Total Revenues | 17,188,440 | 18,021,803 | 4.85% |

**City of Hopkins
General Fund Expenditure Budget
For the Year Ending December 31, 2024**

**RECOMMENDED
December 4, 2023**

| Department | 2023 Budget | 2024 Budget | % Increase (Decrease) |
|-------------------------------|--------------------|--------------------|----------------------------------|
| City Council | 105,851 | 133,032 | 25.68% |
| Administrative Services | 502,931 | 564,399 | 12.22% |
| Information Technology | 483,570 | 650,365 | 34.49% |
| Diversity, Equity & Inclusion | 33,530 | 133,530 | 298.24% |
| Finance | 744,883 | 724,979 | -2.67% |
| Legal | 225,000 | 250,000 | 11.11% |
| Municipal Building | 380,832 | 416,207 | 9.29% |
| City Clerk | 245,466 | 322,770 | 31.49% |
| Inspections | 1,062,119 | 1,173,086 | 10.45% |
| Police | 6,958,766 | 7,129,993 | 2.46% |
| Fire | 1,633,390 | 1,709,791 | 4.68% |
| Public Works | 3,632,027 | 3,899,510 | 7.36% |
| Recreation | 306,993 | 276,441 | -9.95% |
| Activity Center | 486,192 | 554,995 | 14.15% |
| Planning & Zoning | 170,842 | 224,193 | 31.23% |
| Community Development | 126,848 | 129,312 | 1.94% |
| Tuition Reimbursement | 19,200 | 19,200 | 0.00% |
| Contingency | 50,000 | 50,000 | 0.00% |
| Transfer to Depot/ACE Program | 20,000 | 60,000 | 200.00% |
| Total Expenditures | 17,188,440 | 18,421,803 | 7.18% |

**City of Hopkins
Special Revenue Funds Budget
For the Year Ending December 31, 2024**

**RECOMMENDED
December 4, 2023**

Revenues

| Fund No. | Fund | 2023 Budget | 2024 Budget | % Increase (Decrease) |
|-----------------|----------------------------------|--------------------|--------------------|----------------------------------|
| 203 | State Chemical Assessment | 65,000 | 65,000 | 0.00% |
| 204 | Economic Development | 571,531 | 557,706 | (2.42%) |
| 211 | TIF 1.2 Entertainment District | 45,000 | 45,000 | 0.00% |
| 212 | MN Public Safety | - | 439,095 | 100.00% |
| 214 | Parking | 143,250 | 125,000 | (12.74%) |
| 216 | Hopkins Race & Equity Initiative | 6,000 | 6,000 | 0.00% |
| 217 | Communications (Cable TV) | 233,000 | 230,000 | (1.29%) |
| 219 | Depot Coffee House | 248,224 | 203,832 | (17.88%) |
| 229 | TIF 2.9 Oaks of Main | 250 | - | (100.00%) |
| 231 | TIF 2.11 Super Valu | 2,820,000 | 2,820,000 | 0.00% |
| 233 | TIF 1.4 - Marketplace & Main | 226,000 | 226,000 | 0.00% |
| 234 | TIF 1.5 - The Moline | 2,515,000 | 2,515,000 | 0.00% |
| 250 | Arts Center | 1,164,132 | 1,172,650 | 0.73% |
| 260 | Sustainability | - | 385,000 | 100.00% |

Expenditures

| Fund No. | Fund | 2023 Budget | 2024 Budget | % Increase (Decrease) |
|-----------------|----------------------------------|--------------------|--------------------|----------------------------------|
| 203 | State Chemical Assessment | 65,000 | 65,000 | 0.00% |
| 204 | Economic Development | 519,236 | 520,278 | 0.20% |
| 211 | TIF 1.2 Entertainment District | 16,046 | 14,228 | (11.33%) |
| 212 | MN Public Safety | - | 439,095 | 100.00% |
| 214 | Parking | 158,610 | 159,894 | 0.81% |
| 216 | Hopkins Race & Equity Initiative | 6,000 | 6,000 | 0.00% |
| 217 | Communications (Cable TV) | 293,596 | 281,487 | (4.12%) |
| 219 | Depot Coffee House | 263,224 | 183,832 | (30.16%) |
| 229 | TIF 2.9 Oaks of Main | 8,591 | 2,095 | (75.61%) |
| 231 | TIF 2.11 Super Valu | 3,700,000 | 2,875,266 | (22.29%) |
| 233 | TIF 1.4 - Marketplace & Main | 215,828 | 214,948 | (0.41%) |
| 234 | TIF 1.5 - The Moline | 2,487,887 | 2,530,195 | 1.70% |
| 250 | Arts Center | 1,104,132 | 1,144,097 | 3.62% |
| 260 | Sustainability | - | 385,000 | 100.00% |

**City of Hopkins
Tax Levy
For the Year Ending December 31, 2024**

**RECOMMENDED
December 4, 2023**

| Purpose | Actual FY2023 | Recommended FY2024 | % Increase (Decrease) |
|--------------------------|--------------------------|-------------------------------|----------------------------------|
| General Operations | | | |
| General Fund | 13,935,781 | 14,426,326 | 3.52% |
| Capital Levy | - | - | 100.00% |
| Arts Center | 347,697 | 345,000 | -0.78% |
| Pavilion Fund | 340,000 | 440,000 | 29.41% |
| Equipment Replacement | 250,000 | 360,000 | 100.00% |
| Permanent Improvement | - | - | 100.00% |
| Total General Operations | <u>14,873,478</u> | <u>15,571,326</u> | 4.69% |
| Debt Levy | 3,892,746 | 4,107,613 | 5.52% |
| Total Levy | <u><u>18,766,224</u></u> | <u><u>19,678,939</u></u> | 4.86% |

Truth in Taxation Summary

Based on preliminary levies, the total taxes on a median value home in Hopkins will increase by \$83 or 1.6%. Hennepin County and Hopkins Public Schools adopted preliminary levy increases of 6.50% and 7.68%, respectively.

| TOTAL TAX COMPARISON | | | |
|--------------------------------|-----------------|------------------|--------------|
| | Actual 2023 | Preliminary 2024 | % Increase |
| Median Value Home | 361,000 | 369,300 | 2.30% |
| Hennepin County | 1,273.05 | 1,303.93 | 2.43% |
| City of Hopkins | 2,188.81 | 2,186.71 | -0.10% |
| School District 270 | 1,430.89 | 1,488.42 | 4.02% |
| Metropolitan Council | 70.29 | 67.36 | -4.17% |
| Other Special Taxing Districts | 231.66 | 231.26 | -0.17% |
| | 5,194.70 | 5,277.68 | 1.60% |

Hennepin County provides Cities with summarized data from Truth in Taxation statements. The following chart shows the percentage of each property type that will see a decrease or increase in total taxes based on preliminary levies. Residential properties include single family houses, condominiums, townhomes and duplexes. Apartments will see the largest decreases.

| CITY OF HOPKINS | | | |
|-------------------------|-------------|-----------|---------------------------|
| | Residential | Apartment | Commercial/ Industrial |
| Decrease/No Change | 28.77% | 74.60% | 27.38% |
| Increase .1% - 4.9% | 45.67% | 15.87% | 16.72% |
| Increase 5.0% - 9.9% | 19.92% | 7.94% | 27.00% |
| Increase 10.0% - 14.9% | 3.97% | 0.00% | 12.93% |
| Increase 15.0% and Over | 1.67% | 1.59% | 15.97% |
| *based on total taxes | | | |

The changes are caused by both the preliminary property tax levies and changes to estimated market values. The value of residential and apartments has grown at a slower rate than the value of commercial/industrial properties. This causes a shift of property taxes to commercial/industrial. Most Cities in Hennepin County are experiencing similar trends. This chart shows the changes in total taxes for residential properties in Hopkins and Hennepin County.

| RESIDENTIAL SINGLE FAMILY PROPERTIES | | | |
|---|--------------------|--------------------------------|--------------------|
| | City of Hopkins | Suburban Hennepin County | Hennepin County |
| Decrease/No Change | 28.77% | 19.16% | 24.07% |
| Increase .1% - 4.9% | 45.67% | 40.35% | 38.40% |
| Increase 5.0% - 9.9% | 19.92% | 29.13% | 27.31% |
| Increase 10.0% - 14.9% | 3.97% | 7.52% | 6.98% |
| Increase 15.0% and Over | 1.67% | 3.84% | 3.24% |
| *based on total taxes | | | |

Fourteen Reasons WHY PROPERTY TAXES VARY FROM YEAR TO YEAR

- 1. THE MARKET VALUE OF A PROPERTY MAY CHANGE.**
- Each parcel of property is assessed at least once every five years and a sales ratio study is done to determine if the property is assessed similarly to like properties. If not, the Commissioner of Revenue may issue an 'order' that would affect the taxable value of a parcel.
 - Additions and improvement made to a property generally increases its market value.

- 2. THE MARKET VALUE OF OTHER PROPERTIES IN YOUR TAXING DISTRICT MAY CHANGE, SHIFTING TAXES FROM ONE PROPERTY TO ANOTHER.**
- If the market value of a property increases more or less than the average increase or decrease in a taxing district, the taxes on that property will also change.
 - New construction in a taxing district increases the tax base and will affect the district's tax rate.

- 3. THE STATE GENERAL PROPERTY TAX MAY CHANGE.**
- The state legislature directly applies a State General Property Tax to commercial/industrial and season/recreational property classes.

4.

THE CITY BUDGET AND LEVY MAY CHANGE.

- Each year, cities review the needs and wants of their citizens and how to meet those needs and wants. This is called 'discretionary spending' in the city budget. Also included in the budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders.

5.

THE TOWNSHIP BUDGET AND LEVY MAY CHANGE.

- Each March, townships set the levy and budget for the next year.

6.

THE COUNTY BUDGET AND LEVY MAY CHANGE.

- Each year, counties review the needs and wants of their citizens and how to meet those discretionary needs and wants. In addition, also included in the county budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders. As much as sixty to eighty-five percent of the county expenditures are used to deliver mandated services.

7.

THE SCHOOL DISTRICT'S BUDGET AND LEVY MAY CHANGE.

- The Legislature determines basic funding levels for K-12 education and mandates services that schools must perform. On average, approximately seventy percent of school costs are paid by the state.
- Local school districts set levies for purposes including safe school and community education, etc.

8.

A SPECIAL DISTRICT'S BUDGET AND LEVY MAY CHANGE.

- Special districts such as the Metropolitan Council, hospital districts, watershed districts, drainage districts, etc. set levies to balance their budgets.

9.

SPECIAL ASSESSMENTS MAY BE ADDED TO YOUR PROPERTY TAX BILL.

- Water lines, curb and gutter, and street improvements that directly benefit your property may be funded, in whole or in part, through a special assessment that is added to your tax bill.

10. VOTERS MAY HAVE APPROVED A SCHOOL, CITY/TOWNSHIP, COUNTY, OR SPECIAL DISTRICT REFERENDUM.

- Local referendums may be held for local government construction projects, excess operating levies for schools or many other purposes.
- Referendum levies may be spread on the market value or the tax capacity of a property depending on process and type of referendum levy.

11. FEDERAL AND STATE MANDATES MAY HAVE CHANGED.

- Both the state and federal governments require local governments to provide certain services and follow certain rules. These mandates often require an increase in the cost and level of service delivery.

12. AID AND REVENUE FROM THE STATE AND FEDERAL GOVERNMENTS MAY HAVE CHANGED.

- Each year the state legislature reviews and adjusts the level of funding for a variety of aids provided to local governments including Local Government Aid and County Program Aid. The formulas for how aid is determined and distributed among local governments may have changed.
- While direct aid and revenue from the federal government to local governments has declined greatly in recent years, federal revenue continues to be a key portion of the local government revenue stream and that revenue stream may have changed.

13. THE STATE LEGISLATURE MAY HAVE CHANGED THE PORTION OF THE TAX BASE PAID BY DIFFERENT TYPES OF PROPERTIES.

- A change in class rates will require a change in the tax rate to raise the same amount of money.

OTHER STATE LAW CHANGES MAY ADJUST THE TAX BASE.

- Fiscal disparities, personal property taxes on utility properties, limited market value, and tax increment financing are example of laws that affect property taxes.

Glossary of Terms

CATEGORICAL AID: Aid given to a local unit of government to be used only for a specific purpose.

CIRCUIT BREAKER: See "Property Tax Refund."

CLASS RATES: The percent of market value set by state law that establishes the property's tax capacity subject to the property tax.

COUNTY PROGRAM AID: State property tax relief aid to counties, distributed with a formula based on needs (households on foodstamps, age of the population, number of serious crimes) and tax base equalization for counties with smaller tax bases.

EDUCATION AID: The total amount of state dollars paid for K-12 education. This aid is paid to the school districts.

FISCAL DISPARITIES: A program in the Twin Cities metropolitan area and on the iron range in which a portion of the commercial and industrial property value of each city and township is contributed to a tax base sharing pool. Each city and township then receives a distribution of property value from the pool based on market value and population in each city.

GENERAL PURPOSE AID: Aid given to units of government to be used at their own discretion. Examples are Local Government Aid and County Program Aid.

HIGHWAY AID: Motor fuels tax and license tab money the state distributes to counties, cities and townships for highways and bridges.

HOMESTEAD: A residence occupied by the owner.

INDIVIDUAL INCOME TAX: A state tax on the income of residents and non-residents with Minnesota sources of income that is deposited into the state general fund.

LEVY: The imposition of a tax, associated with the property tax.

LEVY LIMIT: The amount a local unit of government is permitted to levy for specific services under state law.

LIMITED MARKET VALUE: A state imposed limit on property value increases for the purpose of calculating property taxes.

LOCAL GOVERNMENT AID (LGA): A state government revenue sharing program for cities with low property wealth or high service burdens that is intended to provide an alternative to the property tax.

LOCAL SALES TAX: A local tax, authorized by the state, levied on the sale of goods and services to be used for specific purposes by the local government.

LOCAL TAX RATE: The tax rate usually expressed as a percentage of tax capacity, used to determine the property tax due on a property.

MARKET VALUE: An assessor's estimate of what property would be worth if it were sold.

MARKET VALUE AGRICULTURE CREDIT: A state credit to reduce the property tax paid by agricultural homesteads to the local taxing jurisdiction.

MARKET VALUE HOMESTEAD CREDIT: The Market Value Homestead Credit (MVHC) program was eliminated during the 2011 Special Session for taxes payable in 2012 and beyond. The credit was replaced with a *market value exclusion* (defined below). This guide describes the (MVHC) reimbursement program. The program was designed to provide state-paid property tax relief to owners of certain qualifying homestead property.

MARKET VALUE HOMESTEAD EXCLUSION: The exclusion reduces the taxable value of qualifying homesteads. Despite the decreased taxable value, taxes will increase on most properties including apartments and businesses and is independent of any action taken by local governments. The exclusion provides for a portion of each home's market value to be excluded from its value for property tax calculations. The amount of value excluded is directly proportional to the MVHC the home received under the old law. In this way, each home contributes a smaller amount to each taxing jurisdiction's tax base. The tax rate tends to be a little higher because of the reduced tax base, which is why taxes increase for the other types of property. The tax burden on any given homestead could be lesser or greater depending upon the mix of properties in the jurisdiction and the level of the tax rate.

PROPERTY TAX: A tax levied on any kind of property.

PROPERTY TAX REFUND: A partial property tax refund program for those who have property taxes out of proportion with their income. This program is available to homeowners and renters.

SALES RATIO STUDY: A study conducted by the Department of Revenue of open market property sales, which is then compared to local assessments to ensure that local assessments adequately reflect the market.

STATE GENERAL PROPERTY TAX: A state-imposed property tax on commercial, industrial, and seasonal recreational properties.

STATE SALES TAX: A state tax (6.5%) levied on the sale of goods and services that is deposited into the state general fund.

TAX CAPACITY: The valuation of property based on market value and class rates, on which property taxes are determined.

Revised October 2014



Association of Minnesota Counties
125 Charles Avenue
Saint Paul, MN 55103-2108
Main Line/Switchboard: 651.224.3344 Fax: 651.224.6540
www.mncounties.org