
# Truth-in-Taxation Hearing
# December 4, 2023
# 6:00 PM
# (Copy of presentation on City Website)

# ***Required Public Hearing***

## Purpose

- Review 2024 City budget and tax levy
- "City Finance 101"
  - Helpful to respond to questions during year
  - Financial overview
- How is City doing?
  - Historical and comparative information
  - Being "average" isn't good or bad
  - Gives perspective
- Answer questions

# 2024 City Budget Highlights

- **Property value changes from 2023 to 2024**
  - New construction value – projected increase $8.7M
    - Residential $7.6M, Seasonal $700K, Apartment and Commercial $400K combined
    - New construction accounts for about 1% of growth in tax capacity for 2024
- **Personnel Costs**
  - Union contract terms set for 2022-2024
  - Job study results
  - New positions
    - Drug Task Force Officer
    - Parks and Recreation (Outreach Coordinator, Maintenance 1)
    - Firefighters (2)
    - Legal Assistant
    - Removed Assistant City Manager

# 2024 City Budget Highlights

- **Non-personnel operating costs**
  - Increases not reflective of inflation pressure
  - Like current budget, may result in reduced services due to limited resources
- **2024 City Budget at $59 million**
  - $5 million decrease from last year – Why?
    - $5M decrease in public utilities – primarily capital costs
    - $1.8M increase in General Fund expenses - details later

# 2024 GENERAL FUND COMMENTS

- **Primary operating fund for City – (1 of 29 funds)**
  - Police, Fire, Parks, Public Works, General Government
  - 29% of total budget expenses
  - But more importantly is 89% of tax levy
    - Balance of tax levy (11%) is PW bldg. debt or capital improvement related
    - Why most discussion spent on General Fund

- **Proposing a balanced budget for 2024**

  - Revenue versus Expenses – due to annual fluctuations in equipment
    - 2016 - $1 million deficit – (Nymore Fire Station)
    - 2017 - $343,000 surplus
    - 2018 - $305,000 surplus
    - 2019 - $170,000 deficit – (Fire ladder truck)
    - 2020 - $206,000 surplus
    - 2021 - $109,000 surplus
    - 2022 - $157,000 surplus
    - 2023 - $164,000 surplus

# General Fund Revenue

$1.7M increase

- ✓ **Property tax – $770K**
- ✓ **Rural Fire contribution - $62K**
- ✓ **Reduced Revenue Sharing with Northern Township $28K**
- ✓ **Gas & Electric Franchise Fees $113K**
- ✓ **Local Government Aid $333K**
- ✓ **Public Safety Aid $166K**

# General Fund Expenses

$1.9M increase

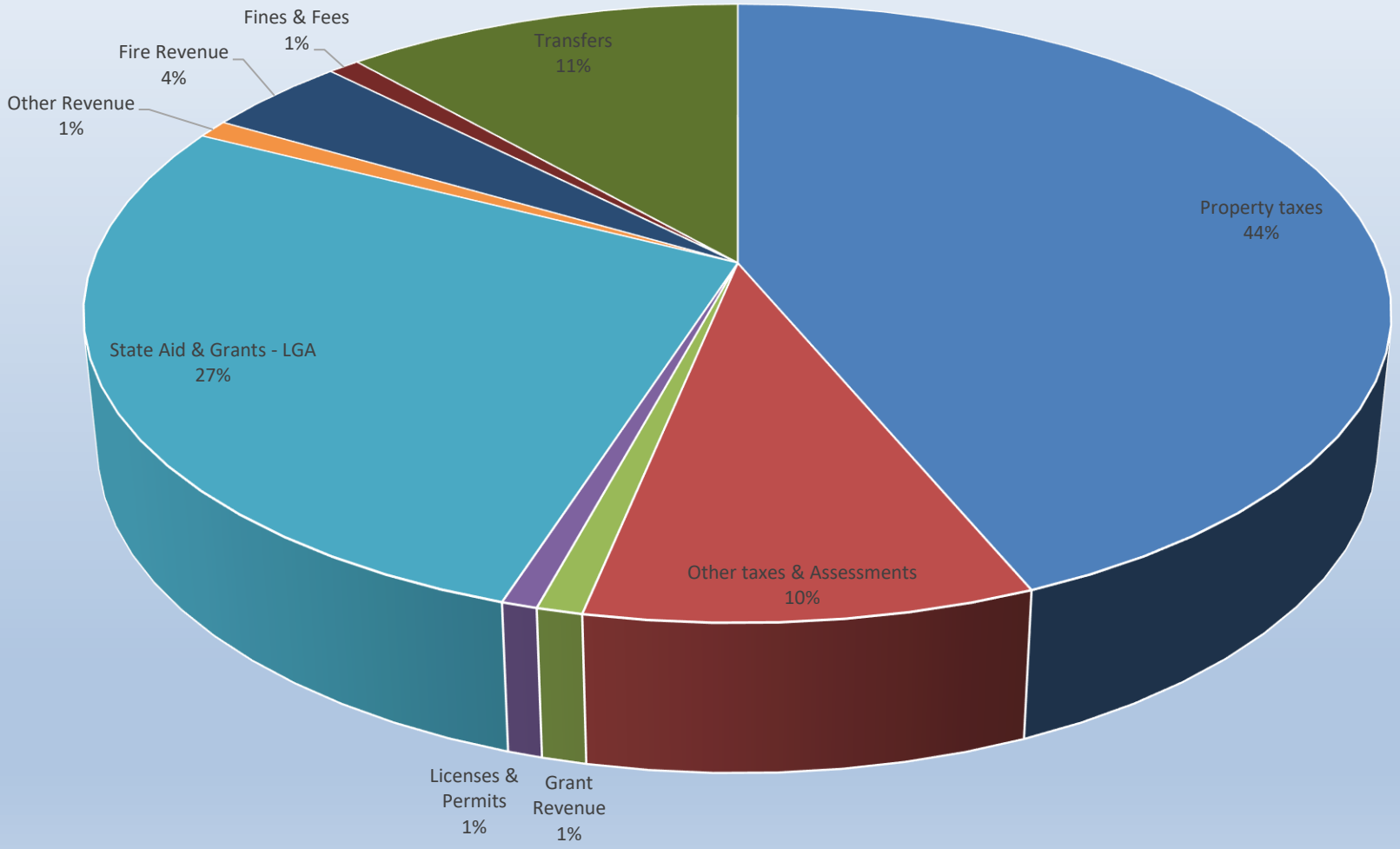
- **Personnel costs - $589K**
- **Job study implementation - $474K**
- **New / removed positions - $246K**
- **Law Enforcement Center Lease - ($200K)**
- **Increased capital needs - $260K**
- **Reduced Sanford Center deficit - ($188K)**
- **Law Enforcement Dispatch - $175K**
- **Joint Planning Board dissolution (city cost increase) - $200K**
- **Law Enforcement building maintenance - $50K**
- **City Hall / Public Works building costs - $42K**
- **County, Assessing, and Police IT - $20K**
- **Update compensation plan for union negotiations - $20K**
- **City contribution to KRL system - $4K**
- **Public Works bond payment - $5K**

# General Fund Expenses

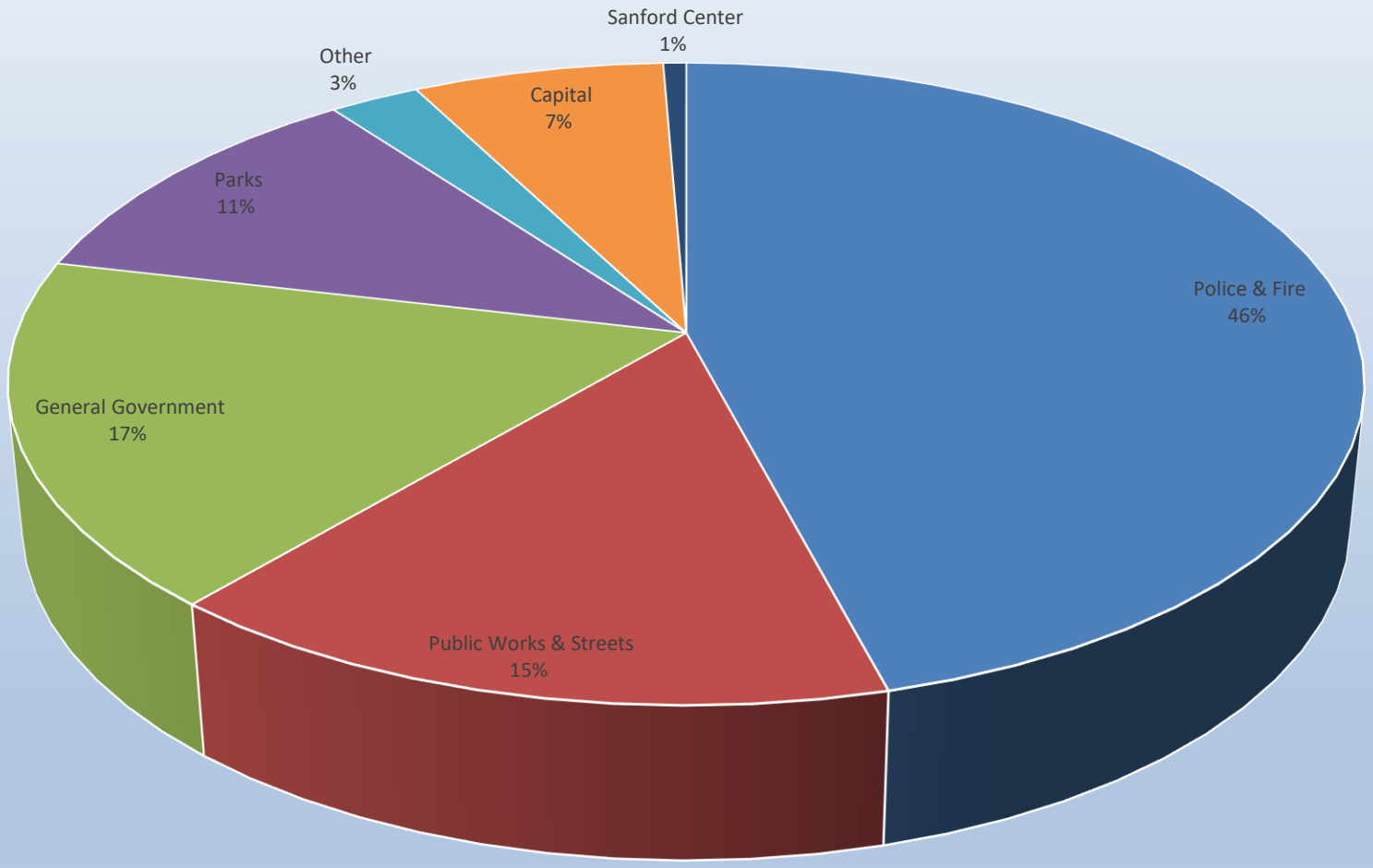
$1.9M increase

- **What isn't in 2024 budget……**
  - Adequate **capital** funding for Sanford Center - $ 1 million/yr
  - Park Improvements/Maintenance funding - $200K annually
  - Neilson Reise Arena – Demo or repurpose?
  - Full cost of City Hall/Fire Hall repair or new construction
  - Street improvement funding
  - Full cost of City Building Maintenance funding
  - Railroad Corridor development/cleanup costs, if any
  - Above are all **capital costs**

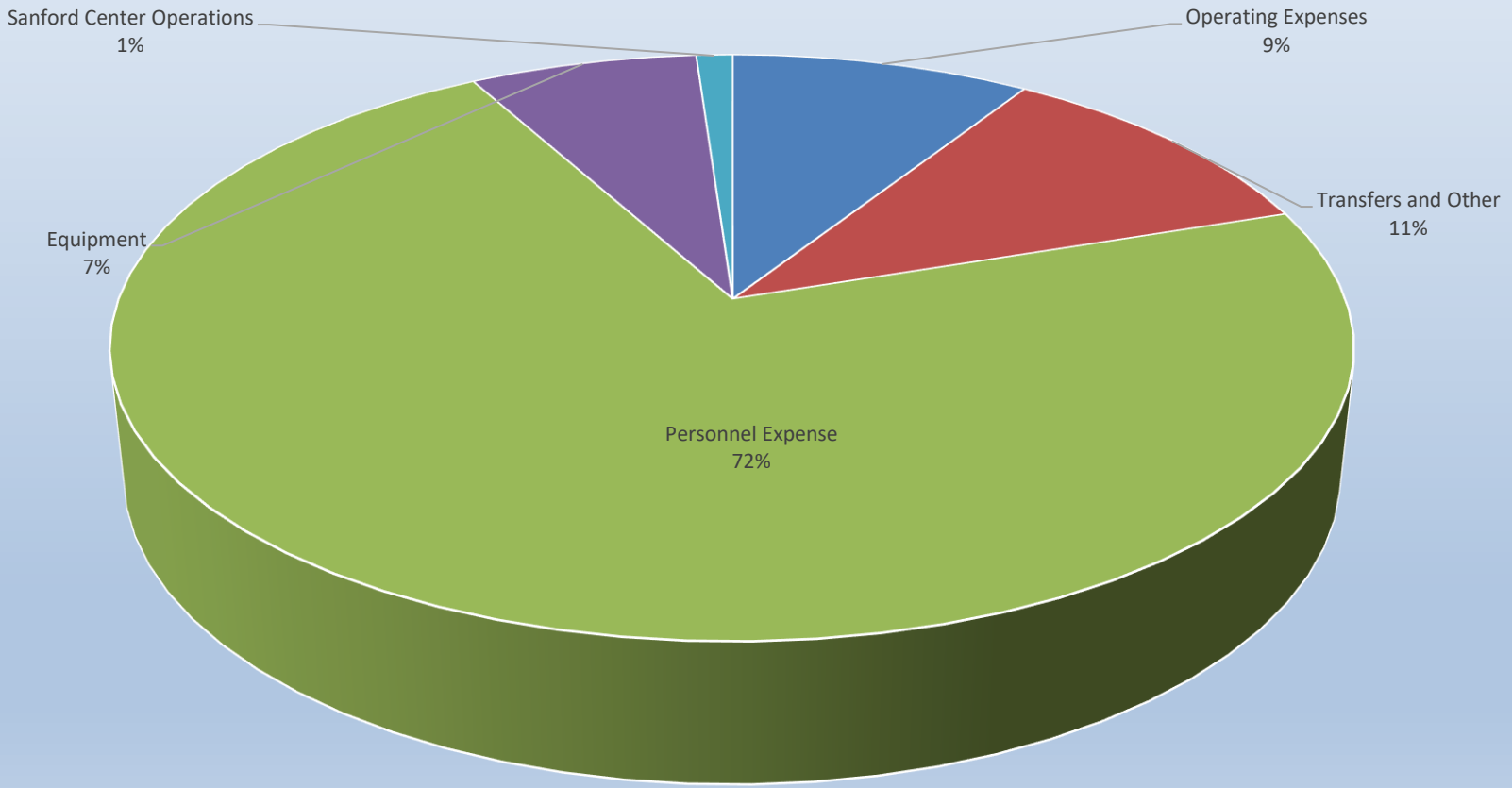
# General Fund - Where it Comes From



# General Fund - Where it Goes



# General Fund - Where it Goes



# 2024 GENERAL FUND BUDGET

| | Budget 2023 | Budget 2024 | Amount Change |
|---|---|---|---|
| **Revenues** | | | |
| Property taxes | $ 6,560,138 | $ 7,359,091 | $ 798,953 |
| Other taxes & Assessments | 1,398,000 | 1,614,000 | 216,000 |
| Grant Revenue | - | 165,500 | 165,500 |
| Licenses & Permits | 134,500 | 129,500 | (5,000) |
| State Aid & Grants - LGA | 4,293,035 | 4,646,132 | 353,097 |
| Other Revenue | 154,241 | 159,241 | 5,000 |
| Fire Revenue | 638,076 | 699,576 | 61,500 |
| Fines & Fees | 153,500 | 153,500 | - |
| Sale of Assets | - | - | - |
| Transfers | 1,866,202 | 1,946,202 | 80,000 |
| **Total Revenues** | $ 15,197,692 | $ 16,872,742 | $ 1,675,050 |
| **Expenditures** | | | |
| Mayor & Council | $ 177,270 | $ 177,216 | $ (54) |
| Administration | 593,392 | 557,951 | (35,441) |
| Election | 9,100 | 9,100 | - |
| Finance | 732,790 | 805,305 | 72,515 |
| Technology Services | 166,301 | 166,301 | - |
| Assessing | 123,850 | 143,850 | 20,000 |
| Legal | 557,252 | 719,638 | 162,386 |
| Joint Planning Board | 172,485 | - | (172,485) |
| Planning and Zoning | - | 350,485 | 350,485 |
| Police | 5,192,671 | 5,836,214 | 643,543 |
| Fire and Emergency Mgmt | 1,559,601 | 1,917,378 | 357,777 |
| Streets | 1,587,010 | 1,736,923 | 149,913 |
| GIS | 177,727 | 187,779 | 10,052 |
| Engineering and PW Admin | 616,367 | 664,018 | 47,651 |
| Parks & Recreation | 1,435,533 | 1,654,171 | 218,638 |
| Library | 234,959 | 234,959 | - |
| Sanford Center | 308,000 | 108,000 | (200,000) |
| Economic Development | 30,000 | 30,000 | - |
| Contingencies | 69,004 | 69,004 | - |
| Public Transportation | 15,500 | 15,500 | - |
| Transfers | 306,150 | 310,200 | 4,050 |
| Capital Expenditures | 969,000 | 1,178,750 | 209,750 |
| **Total Expenditures** | $ 15,033,962 | $ 16,872,742 | $ 1,838,780 |

# 2024 CITY TAX LEVY

- **Increase of $775,853 or 10.35% from 2023**

- **Combined with the change in the City's tax capacity, this produces an estimated tax rate of 44.62%**

- **Individual property impacts will vary**
  - The estimated median home value is $200,375
  - If property value stays the same, City tax will decrease by approximately ($9)
  - Residential values increased 10% on average; median value homeowner will experience $88 increase to City tax

- **Exception is Phase III Northern Township property**
  - Phased in tax increase over 5 years

- **Levy 52% paid by businesses, 40% residential, 8% rental**

# 2024 Property Tax Levy

| | 2023 Levy | Proposed 2024 Levy | Increase (Decrease) from 2023 | Percent Change from 2023 |
|---|---|---|---|---|
| **General Levy** | $ 6,615,629 | $ 7,386,582 | $ 770,953 | 11.65% |
| **Sanford Center Capital Improvements** | 210,000 | 210,000 | - | 0% |
| **Annual Street Improvements** | 385,000 | 385,000 | - | 0% |
| **Debt Levy** | | | | |
| 2007 GO - Public Works Bldg | 283,343 | 288,243 | 4,900 | 1.73% |
| **Total** | **$ 7,493,972** | **$ 8,269,825** | **$ 775,853** | **10.35%** |
| **Tax Capacity** | **$ 16,604,675** | **$ 18,534,929** | **$ 1,930,254** | **11.62%** |
| **City Tax Rate*** | **45.13%** | **44.62%** | **-0.51%** | |

**The City's Payable 2024 tax capacity information is provided by Beltrami County.*

# 2024 Budget/Levy

- **Council adopts final budget and tax levy at December 18th meeting**

- **Total City Budget is $59 million consisting of:**
  - Enterprise Activities - $37 million – **62%** of budget
    - Utilities, Refuse, Liquor, Sanford Center
    - $15 million reflects Water Treatment & WWTP Construction
  - General Fund - $17 million - **29%** of budget
  - Special Revenue - $5 million - 8% of budget
  - Debt Service - $ 640K – 1% of budget

# 2024 City Budget

| FUND # | DESCRIPTION | REVENUE | EXPENSE | NET | % OF TOTAL | TOTAL BY CATEGORY |
|---|---|---|---|---|---|---|
| 101 | **General Fund - Primary Operating Fund** | 16,872,742 | 16,872,742 | - | 29% | 16,872,742 |
| | **Special Revenue - Grants & Contributions** | | | | | |
| 103 | Building and Rental | 555,000 | 597,622 | (42,622) | | |
| 104 | ARP Funds | - | - | - | | |
| 202 | Railroard Corridor | - | - | - | | |
| 204 | Development Fund | 34,000 | - | 34,000 | | |
| 205 | UDAG | 1,000 | - | 1,000 | | |
| 206 | Stratacor | 10,000 | - | 10,000 | | |
| 208 | Program Income | 100 | - | 100 | | |
| 209 | DUI Penalty Assessment | 27,000 | 23,000 | 4,000 | | |
| 214 | Peg Fee | 15,050 | - | 15,050 | | |
| 220 | Parking Development | 43,000 | 12,000 | 31,000 | | |
| 222 | Carnegie Library | 34,100 | 34,000 | 100 | | |
| 224 | OPC Rent | 16,000 | - | 16,000 | | |
| 225 | Firefighters Relief | 240,000 | 240,000 | - | | |
| 226 | Permanent Improvements | 1,142,500 | 2,819,890 | (1,677,390) | | |
| 230 | Parkland Dedication | 100 | - | 100 | | |
| 232 | Joint Planning Board | 279,463 | 467,028 | (187,565) | | |
| 615 | Arena | 1,100 | 40,300 | (39,200) | | |
| 701 | Central Services | 784,910 | 575,535 | 209,375 | 8% | 4,809,375 |
| | **Debt Service - Bond Principal & Interest** | | | | | |
| 306 | 2007 GO - Public Works Bldg | 288,243 | 274,475 | 13,768 | | |
| 384 | University Heights | 13,000 | 13,000 | - | | |
| 512 | Energy Savings Project | 137,000 | 162,160 | (25,160) | | |
| 520 | 2005 Bonds - Birchmont Drive | 190,000 | 190,000 | - | 1% | 639,635 |
| | **Enterprise - Business-like Activities** | | | | | |
| 601 | Water/Sewer | 17,094,500 | 22,346,305 | (5,251,805) | | |
| 602 | Storm Water | 1,020,500 | 1,110,582 | (90,082) | | |
| 603 | Refuse | 662,000 | 975,336 | (313,336) | | |
| 604 | The Sanford Center | 3,725,000 | 2,978,413 | 746,587 | | |
| 609 | Liquor | 8,877,000 | 9,135,347 | (258,347) | 62% | 36,545,983 |
| | | 52,063,308 | 58,867,735 | (6,804,427) | | 58,867,735 |

# Why Property Taxes Vary from Year to Year

- **Explaining individual property tax changes from year to year involves a multi-step process and beyond the scope of this presentation**
  - **See City Assessor**

## Generally, these items have most impact

- **Property value** drives mathematical calculations
  - City Assessor determines value based on sales
- **Special assessments** added to tax bill
- **Tax levy** for City, County or School District changes
  - Next slide shows simplified example

# Property Tax Impact
# Very small town - population 2

Value = $100,000


Value = $100,000

- **City Tax Levy = $4,000**

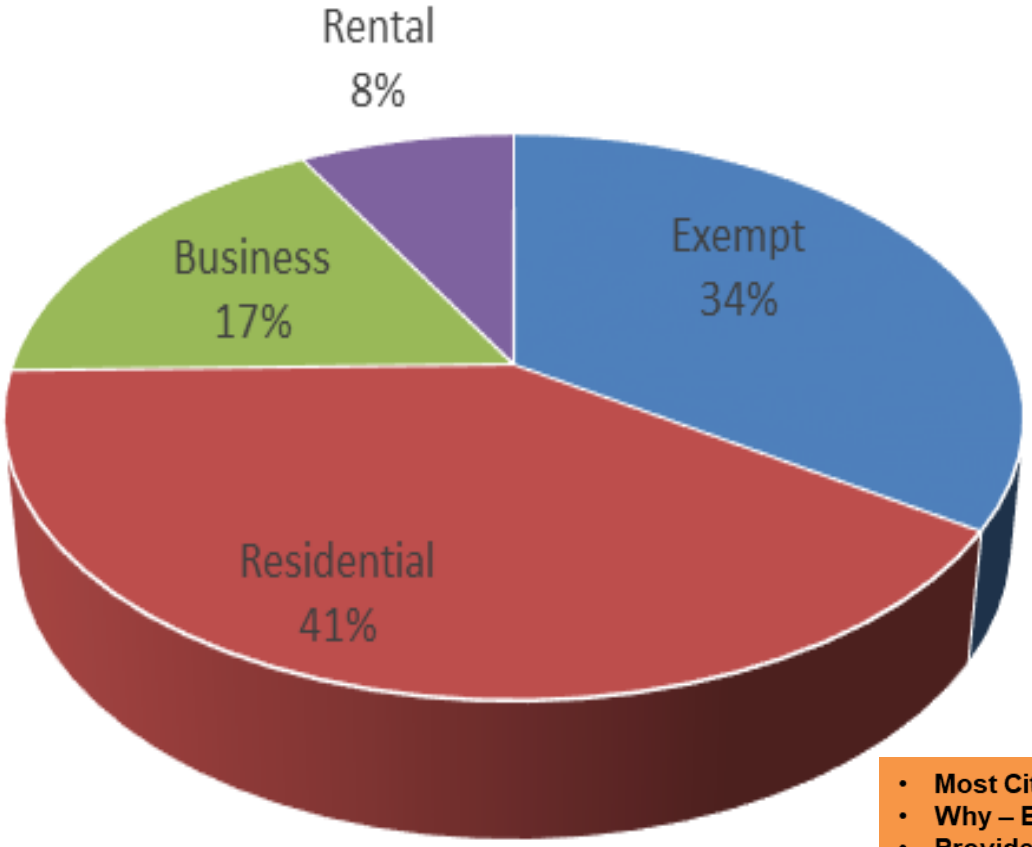
- **Tax = $2,000**

- **Tax = $2,000**

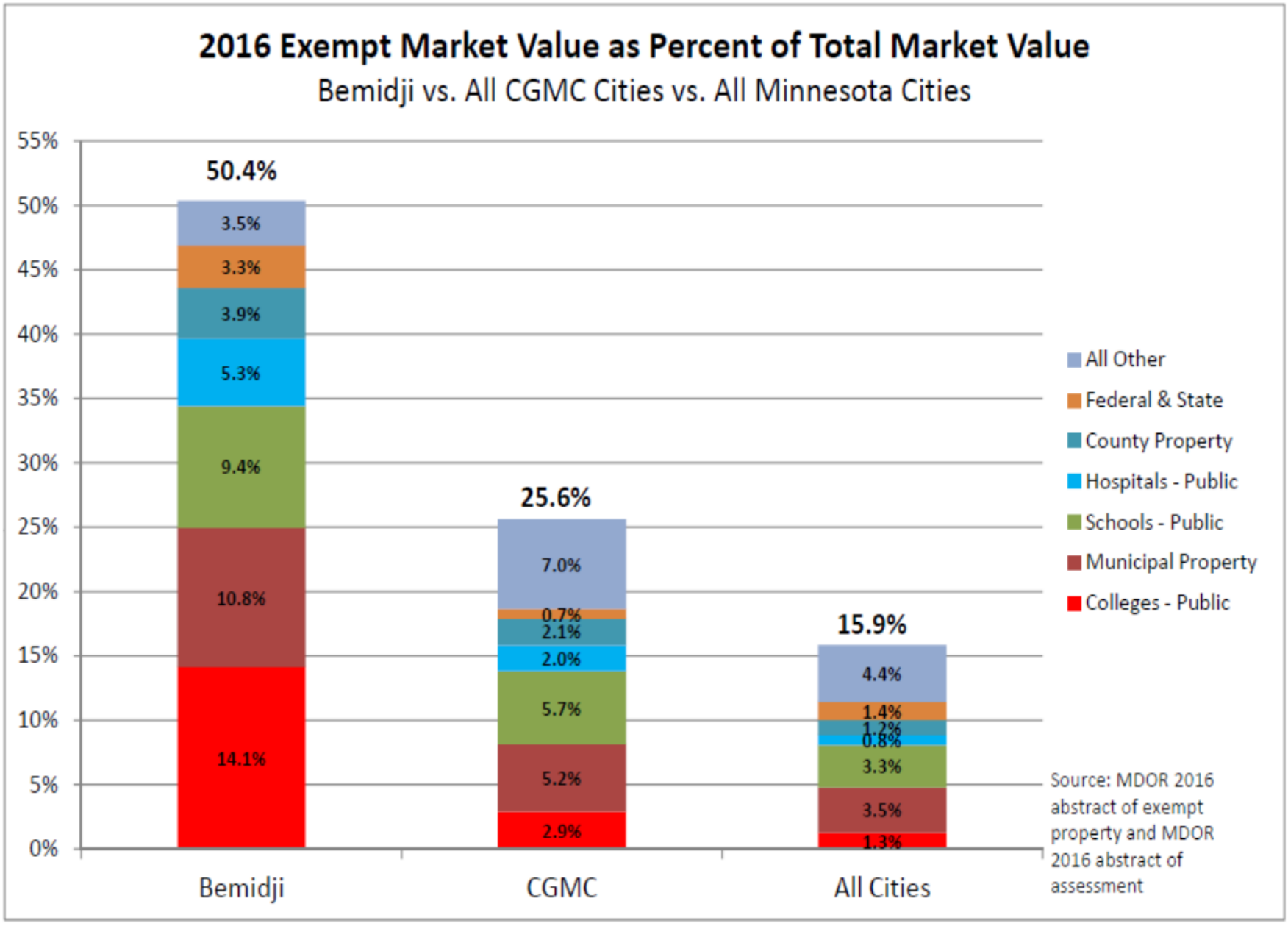
- If values for both properties **increase by 20%** and levy remains $4,000, then taxes for each property remain the same @ $2,000
- Point - property value increases by themselves do not result in tax increases
- MN Property tax regulations are one of most complicated in nation

# 2024 Property Classifications

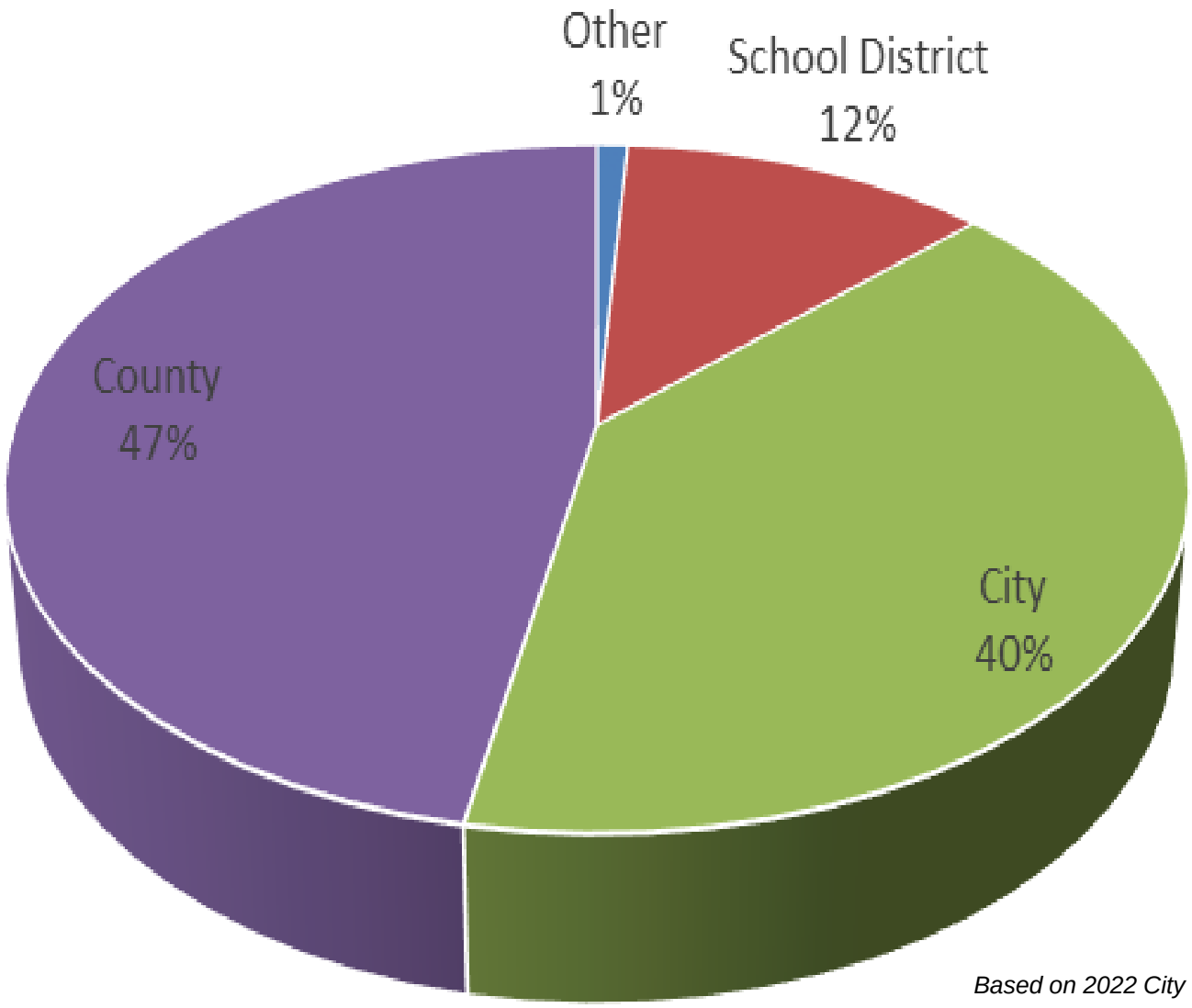
## Value $2.2 Billion




- Most Cities @ 20% to 25%
- Why – BSU, Hospital, Govt Facilities
- Provide employment stability and economic engine for community
- Utilize fees (franchise and storm water to access revenue from these entities


2016 Exempt Market Value as Percent of Total Market Value
Bemidji vs. All CGMC Cities vs. All Minnesota Cities
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
50.4%
3.5%
3.3%
3.9%
5.3%
9.4%
10.8%
14.1%
25.6%
7.0%
0.7%
2.1%
2.0%
5.7%
5.2%
2.9%
15.9%
4.4%
1.4%
1.2%
0.8%
3.3%
3.5%
1.3%
Bemidji
CGMC
All Cities
All Other
Federal & State
County Property
Hospitals - Public
Schools - Public
Municipal Property
Colleges - Public
Source: MDOR 2016 abstract of exempt property and MDOR 2016 abstract of assessment

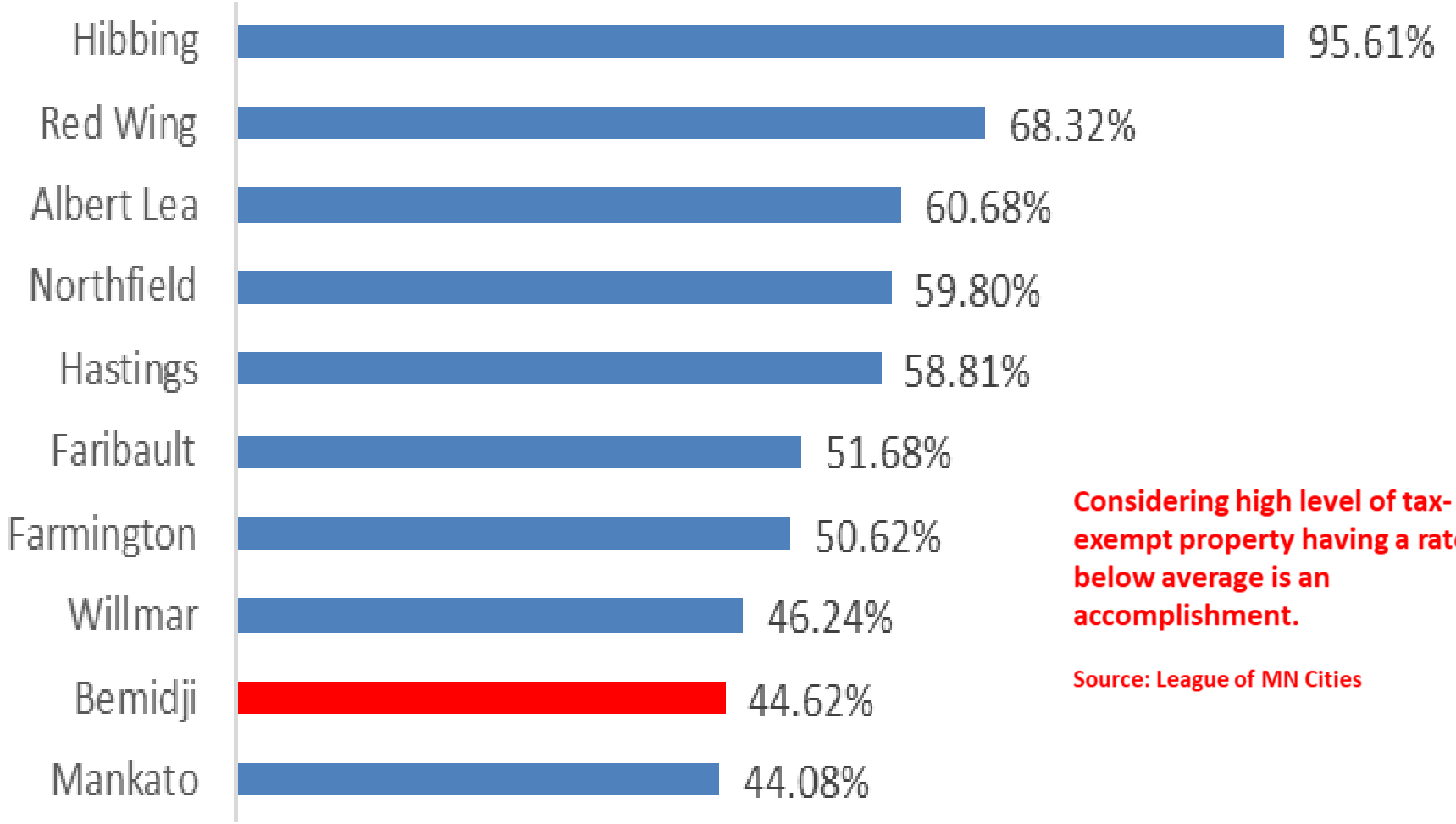
# Where Your Tax Dollars Go




*Based on 2022 City Presentation*

# 2023 Tax Rates

## Average 58.01%

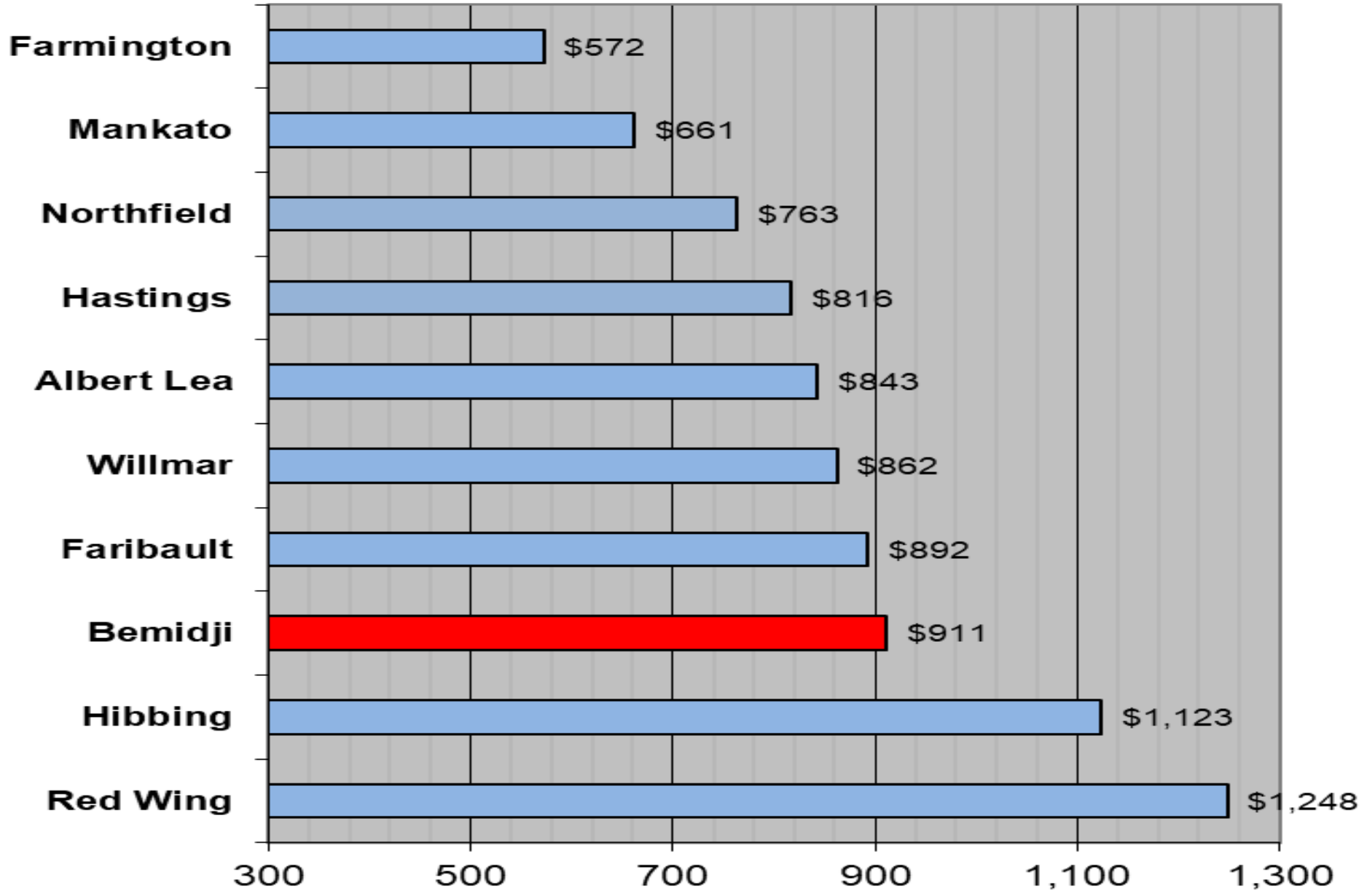



**Considering high level of tax-exempt property having a rate below average is an accomplishment.**

**Source: League of MN Cities**

# 2020 Operating Expenditures Per Capita

## Average for comparable cities = $869



***Thank you for your time and interest***