Truth-In-Taxation Hearing

December 2nd, 2024

6:00PM

(copy of presentation on City Website)

Required Public Hearing

Purpose:

- Review 2025 Draft of the City Budget and Tax Levy

2025 City Budget Highlights

- Property Value Changes from 2024 to 2025
  - New Construction value – projected increase of $7.3 Million
    - Residential is $5M, Seasonal $85K, Apartment and Commercial $2.1M
    - New Construction accounts for about 1% of growth in tax capacity for 2025

- Personnel Costs
  - Union Contract Terms pending for 2025-2026
  - Higher Fringe Benefit Costs for 2025

2025 City Budget Highlights

- 2025 City Budget at $64 million
  - $6 million Increase from last year – Why?
    - $5 Million Increase in Permanent Improvement – primary capital costs
    - $1 Million Increase in ARPA Funded projects

2025 General Fund Comments

- Primary Operating Fund for City; 1 of 29 Funds
  - Gov't Services – Council, Admin, Legal, Finance, Technology, Assessing, Planning & Zoning, Library & Election
  - Public Safety – Police and Fire
  - Public Works – GIS, Engineering, Parks & Recreation, Streets
  - Miscellaneous – Transfers including Sanford Center, Contingencies, Econ Development. Mass transit & Special Requests
  - 30% of total Budget Expenses
  - Resulting in 88% of Tax Levy

2025 General Fund Comments

- Proposing a Balanced Budget for 2025
  - Revenue Versus Expenses – Due to Annual Fluctuations in Equipment
    - 2017 - $343K surplus
    - 2018 - $305K surplus
    - 2019 - $1170K deficit – Fire Ladder Truck
    - 2020 - $206K surplus
    - 2021 - $109K surplus
    - 2022 - $157K surplus
    - 2023 - $112K surplus
    - 2024 – Balanced Budget

2025 General Fund Revenue

$1.2M Increase

- Property Tax Increased by - $248K
- Grants & Aids decreased by $45K
- Other revenue increased by $29K
- Transfers From Enterprise Funds $981K

2025 General Fund Expenses
$1.2M Increase

- Personnel Costs Increase - $680K
- Fringe Benefit Costs Increase - $239K
- Utility Costs Increase - $40K
- Insurance Costs Increase – $63K
- Maintenance Costs Increased – $227K
- Supply/Operating Costs Increase – $58K
- Decrease in Capital Needs - $94K

2025 General Fund Expenses

- What IS NOT in the 2025 Budget…
- Adequate Capital funding for Sanford Center - $1 million per year
- Park Improvements/Maintenance Funding - $200K annually
- Neilson Reise Arena – Demo or Repurpose
- RailRoad Corridor Development
- Full Cost of Building Maintenance Funding
- Street Improvement Funding
- Above are all CAPITAL COSTS

2025 General Fund Budget

	Budget 2024	Budget 2025	Amount Change	2025 Budget Percentage
Revenues				
Property Taxes	$ 7,155,561	$ 7,404,029	$ 248,468	41%
Other Taxes & Assessments	$ 1,614,000	$ 1,620,300	$ 6,300	9%
Licenses & Permits	$ 140,500	$ 146,200	$ 5,700	1%
State Aid & Grants - LGA	$ 4,822,632	$ 4,777,187	$ (45,445)	27%
Other Revenue	$ 213,041	$ 229,090	$ 16,049	1%
Fire Revenue	$ 733,326	$ 735,000	$ 1,674	4%
Fines & Fees	$ 170,500	$ 170,196	$ (304)	1%
Transfers	$ 1,946,202	$ 2,927,332	$ 981,130	16%
Total Revenues	**$ 16,795,762**	**$ 18,009,334**	**$ 1,213,572**	**100%**

	Budget 2024	Budget 2025	Amount Change	2025 Budget Percentage
Expenses				
Mayor & Council	$ 177,216	$ 176,690	$ (526)	1%
Administration	$ 558,302	$ 630,112	$ 71,810	3%
Election	$ 9,100	$ 4,450	$ (4,650)	0%
Finance	$ 805,305	$ 718,457	$ (86,848)	4%
Technology Services	$ 166,301	$ 175,000	$ 8,699	1%
Assessing	$ 143,850	$ 138,000	$ (5,850)	1%
Legal	$ 643,994	$ 803,919	$ 159,925	4%
Planning & Zoning	$ 449,028	$ 481,303	$ 32,275	3%
Police	$ 5,955,848	$ 6,241,038	$ 285,190	35%
Fire & Emergency	$ 1,738,974	$ 2,039,063	$ 300,089	11%
Streets	$ 1,736,923	$ 1,956,381	$ 219,458	11%
GIS	$ 184,029	$ 165,256	$ (18,773)	1%
Engineering & PW Admin	$ 664,018	$ 657,424	$ (6,594)	4%
Parks & Recreation	$ 1,654,171	$ 1,999,365	$ 345,194	11%
Library	$ 229,599	$ 239,275	$ 9,676	1%
Sanford Center	$ 350,000	$ 350,000	$ -	2%
Economic Development	$ 30,000	$ 30,000	$ -	0%
Contingencies	$ 69,004	$ 225,000	$ 155,996	1%
Public Transportation	$ 15,500	$ 2,600	$ (12,900)	0%
Transfers	$ 310,200	$ 166,000	$ (144,200)	1%
Capital Expenditures	$ 904,400	$ 810,000	$ (94,400)	4%
Total Expenses	**$ 16,795,762**	**$ 18,009,334**	**$ 1,213,572**	**100%**

General Fund Where it comes from

- Property Taxes 41%
- State Aid & Grants 27%
- Transfers from Enterprise Funds 16%
- Other Taxes and Assessments 10%
- Other Revenue 6%

General Fund
Where it goes

- Police & Fire; Public Safety 46%
- General Government 18%
- Public Works & Streets 15%
- Parks & Recreation 11%
- Capital 4%
- Sanford Center 2%
- Other 4%

2025 City Tax Levy

- Increase of $383,705 or 4.76% from 2024…
- Combined with the change in the City's tax capacity, this produces an estimated tax rate of 44.31%; in 2011 it was 42.36%; average from 2011 to 2024 is 48.61%
- The 4.76% increase DOES NOT translate to a 4.76% increase for taxpayers individually
  - Average Residential property taxes increased by approximately $86 from the 5% Levy increase from 2022 into 2023 tax payments. In 2024 $88 average increase.

Levy paid by Businesses is 52%, 40% residential and 8% Rental.

2025 Property Tax Levy

	2024 Levy	12/16/2024 Proposed 2025 Levy	Variance from 2024	Percent Change from 2024
General Levy	$ 7,183,052	$ 7,404,029	$ 220,977	3.08%
Sanford Center Capital Improvements	$ 210,000	$ 210,000	$ -	0.00%
Annual Street Improvements	$ 385,000	$ 535,000	$ 150,000	38.96%
Debt Levy				
2007 GO - Public Works Building	$ 288,243	$ 300,971	$ 12,728	4.42%
Total	**$ 8,066,295**	**$ 8,450,000**	**$ 383,705**	**4.76%**
Tax Capacity	**$ 18,534,929**	**$ 19,068,579**	**$ 533,650**	**2.88%**
City Tax Rate*	**43.52%**	**44.31%**	**1%**	**1.83%**

*The City's Payable 2025 tax capacity information is provided by Beltrami County.

2025 Budget/Levy

- Council Adopts Final Budget and Tax Levy at the December 16th, 2024, meeting
- Total City Budget is $64 million, consisting of:
  - Enterprise Activities - $34 million = 53% of Budget
    - Utilities, Refuse, Liquor Stores, Sanford Center
    - $8 million reflects Water Treatment & WWTP Construction
  - General Fund – $18 million – 28% of Budget
  - Special Revenue - $12 million – 18% of Budget
  - Debt Service - $645K – 1% of Budget

2025 City Budget

FUND #	FUND DESCRIPTION	2025 REVENUE	2025 EXPENSES	2025 VARIANCE	% of Total	Expense Total by Category
	GENERAL FUND	**Primary Operating Fund**				
101	General Fund	18,009,334	18,009,334			
					28%	$ 18,009,334
	SPECIAL REVENUE	**Grants & Construction**				
103	Building & Rental	$ 497,750	$ 614,901	$ (117,151)		
104	ARP Funds	$ -	$ 977,827	$ (977,827) **		
202	Railroad Corr Redevelopment	$ 1,103,000	$ 1,103,000	$ -		
204	Development Fund	$ 50,000	$ 50,000	$ -		
205	UDAG	$ 3,000	$ -	$ 3,000		
206	Stratacor Project	$ 10,425	$ -	$ 10,425		
208	Program Income	$ 350	$ -	$ 350		
209	DUI Penalty Assessment	$ 18,500	$ 3,500	$ 15,000		
212	Police Canine Program	$ 5,500	$ 5,000	$ 500		
214	PEG Cable Fee	$ 10,400	$ -	$ 10,400		
220	Parking Development & Maint	$ 83,500	$ 81,500	$ 2,000		
222	Carnegie Library	$ 37,500	$ 33,150	$ 4,350		
224	OPC Rent Fund	$ 3,500	$ -	$ 3,500		
225	Firemen's Relief	$ 304,000	$ 304,000	$ -		
226	Permanent Improvement	$ 7,206,850	$ 7,206,850	$ -		
230	Parkland Dedication	$ 100	$ -	$ 100		
231	Library Board Funds	$ 7,316	$ 7,316	$ -		
232	Joint Planning Board	$ -	$ -	$ -		
615	Arena	$ 2,100	$ 37,050	$ (34,950)		
701	Central Services	$ 1,342,038	$ 1,342,038	$ (0)		
					18%	$ 11,766,132
	DEBT SERVICE	**Bond Principal & Interest**				
306	2007 GO Bonds	$ 276,971	$ 276,971	$ -		
384	TIF University Heights	$ 9,300	$ 9,300	$ -		
512	Energy Savings Project	$ 184,000	$ 184,000	$ -		
520	2008 Improvement Bonds	$ 175,000	$ 175,000	$ -		
					1%	$ 645,271
	ENTERPRISE	**Business Like Activities**				
601	WaterSewer	$ 21,334,250	$ 21,051,184	$ 283,066		
602	Storm Water	$ 1,192,500	$ 1,392,500	$ (200,000)		
603	Refuse	$ 671,500	$ 571,429	$ 100,071		
604	SE Shore Development	$ 3,376,000	$ 2,970,000	$ 406,000		
609	Liquor	$ 8,460,000	$ 8,460,000	$ (0)		
					53%	$ 34,445,113
	Totals	**$ 64,429,684**	**$ 64,865,850**	**$ (491,166)** **		**$ 64,865,850**

Why do Property Taxes Vary from Year to Year?

- Property Values change which drives the mathematical calculations
- The City Assessor determines values based on sales
- Special Assessments are added to a tax bill
- Tax Levy, for the City, County or School District Changes
- MN Property tax regulations are one of the most complicated in the Nation

Property Tax Impacts

Value = $100,000

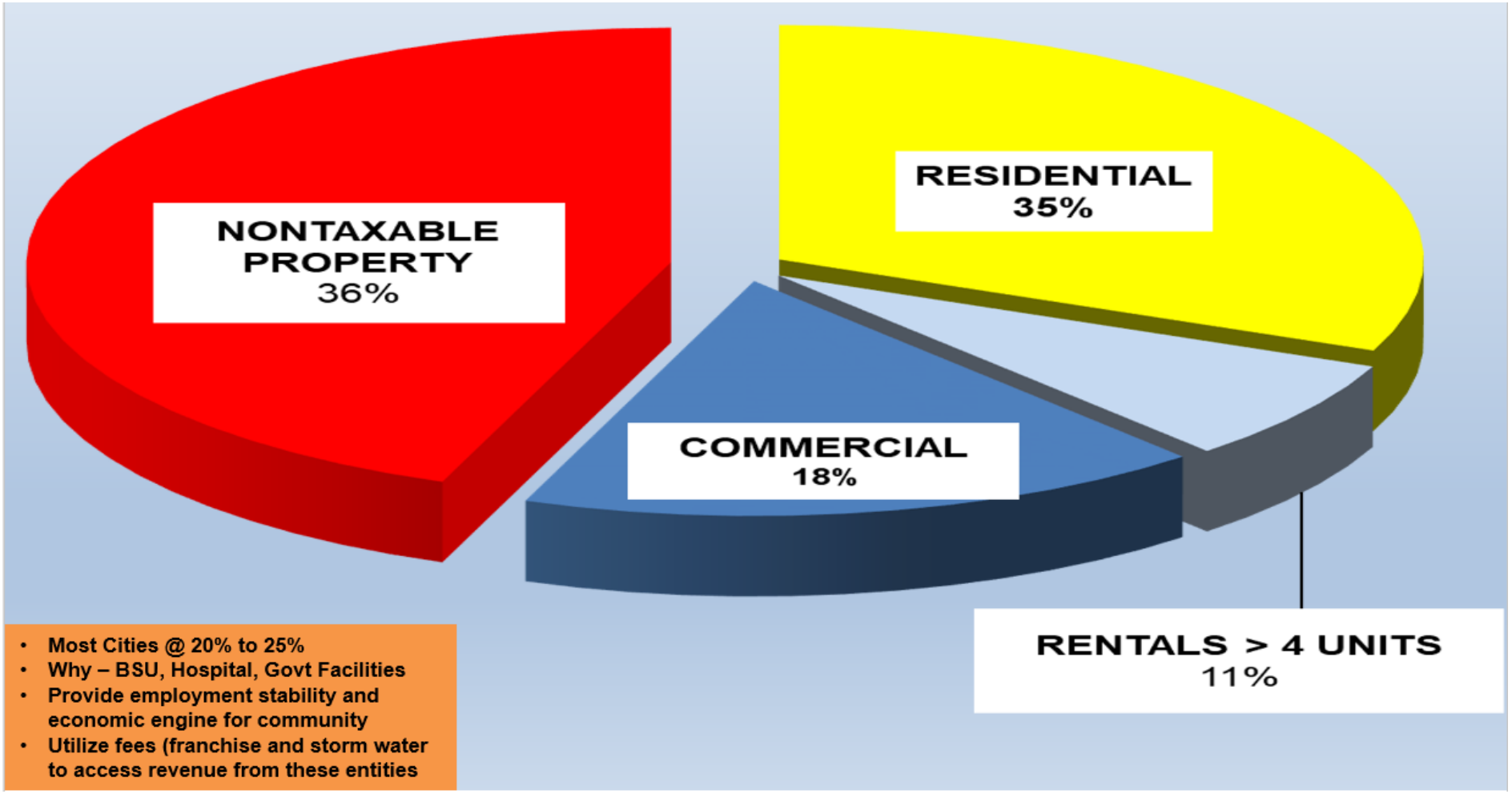
Value = $100,000

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

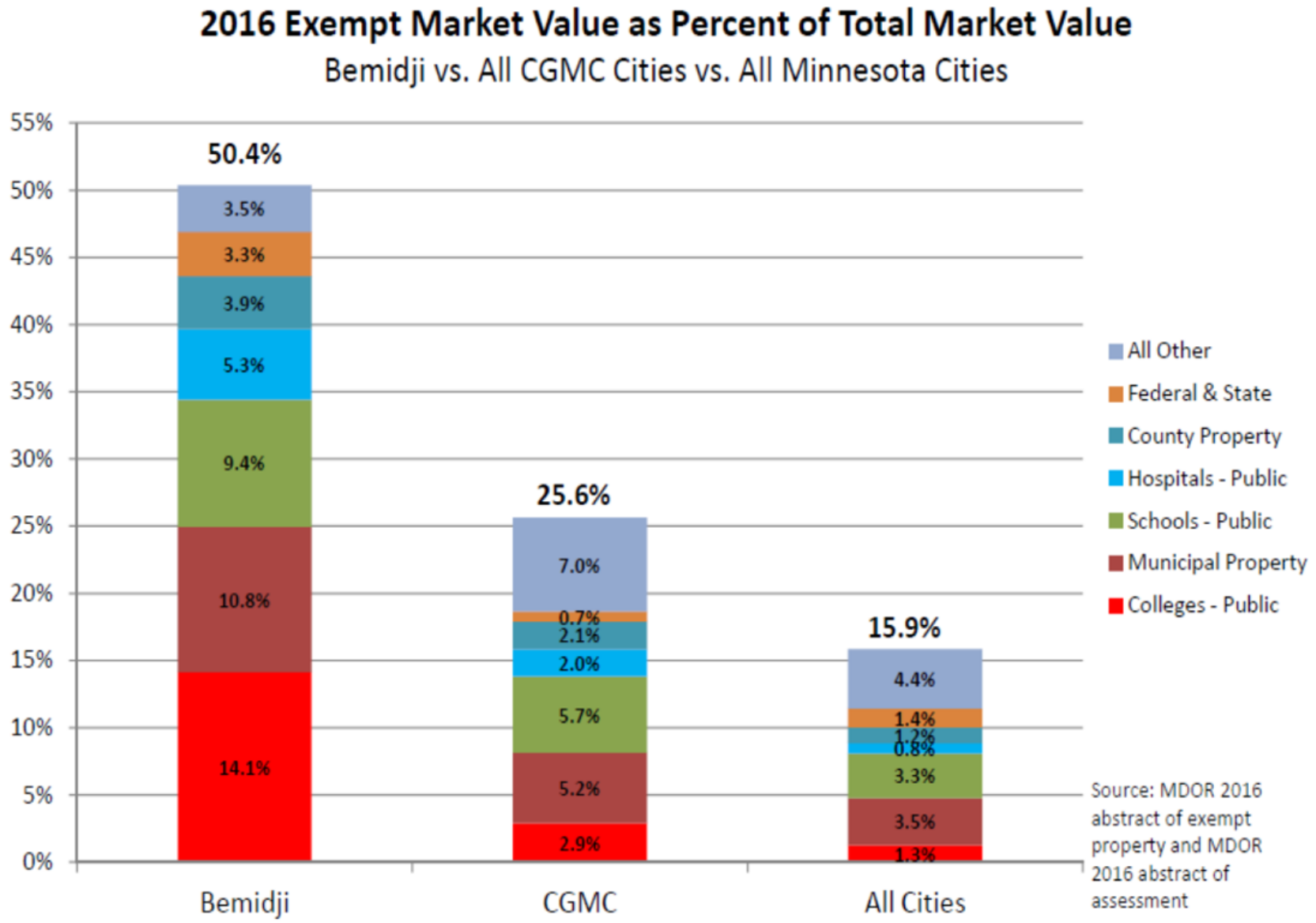
- **Tax = $2,000**
- **Tax = $2,000**

- 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

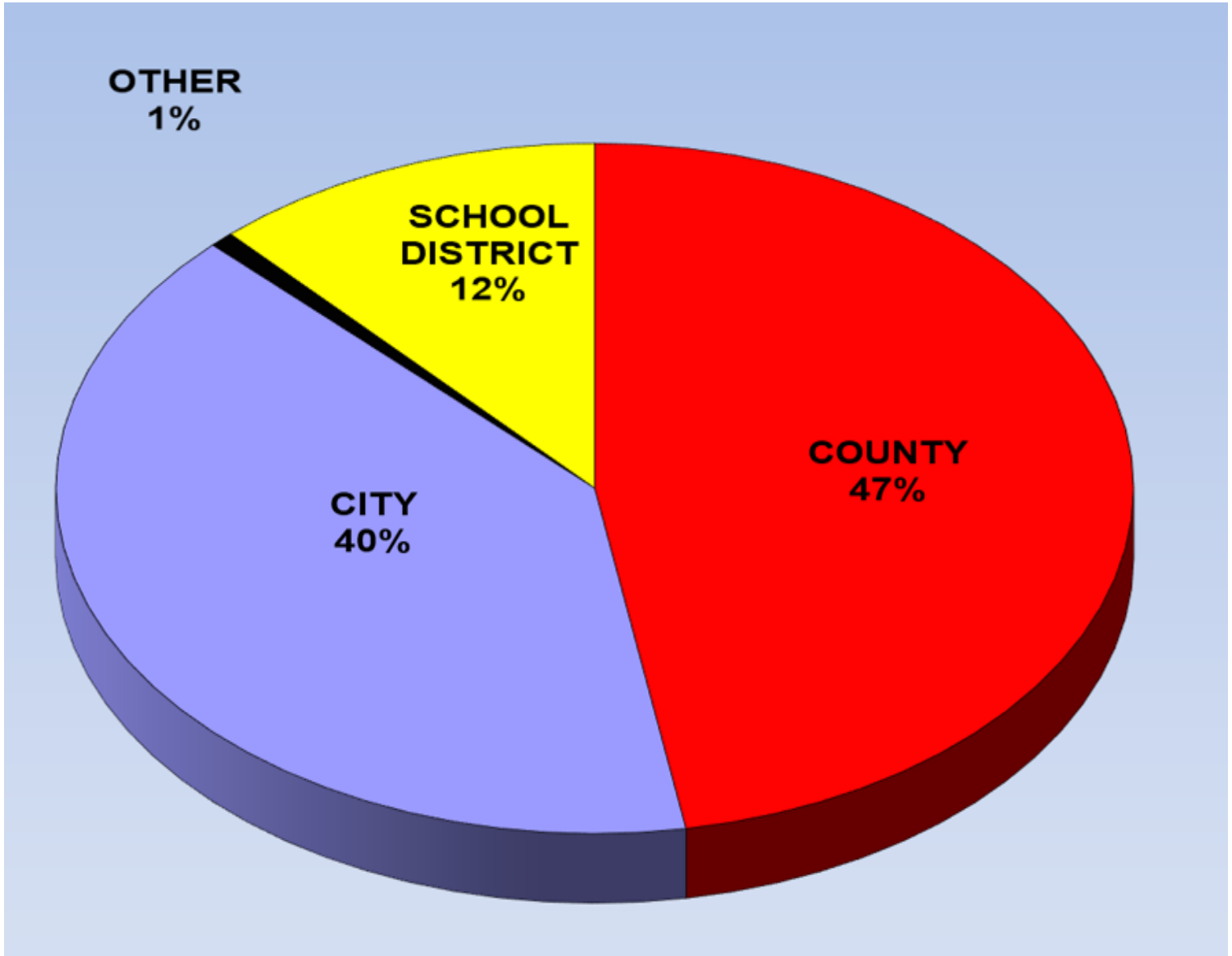
2025 Property Classifications
Value $2.3 Billion



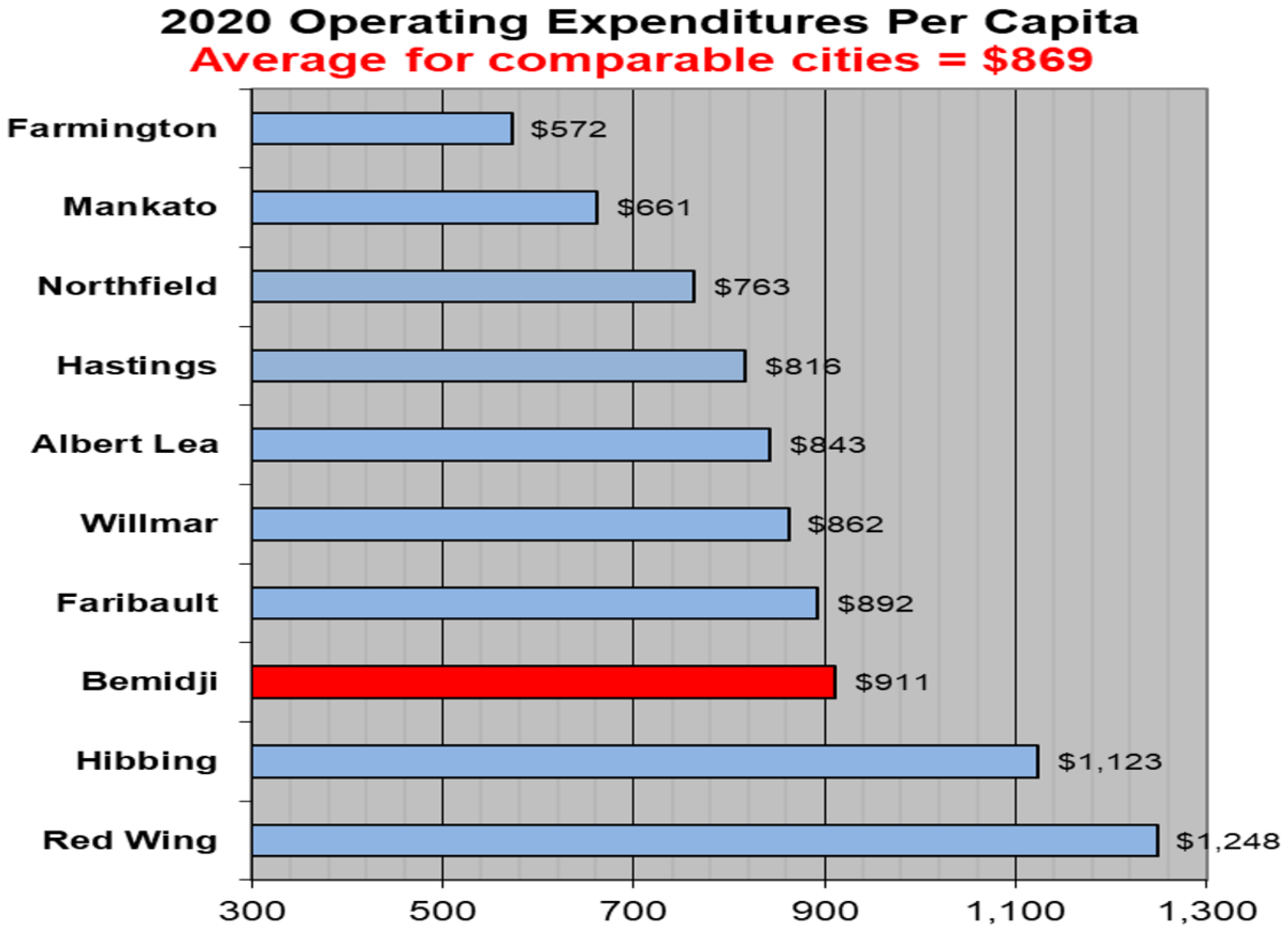
2016 Exempt Market Value as Percent of Total Market value



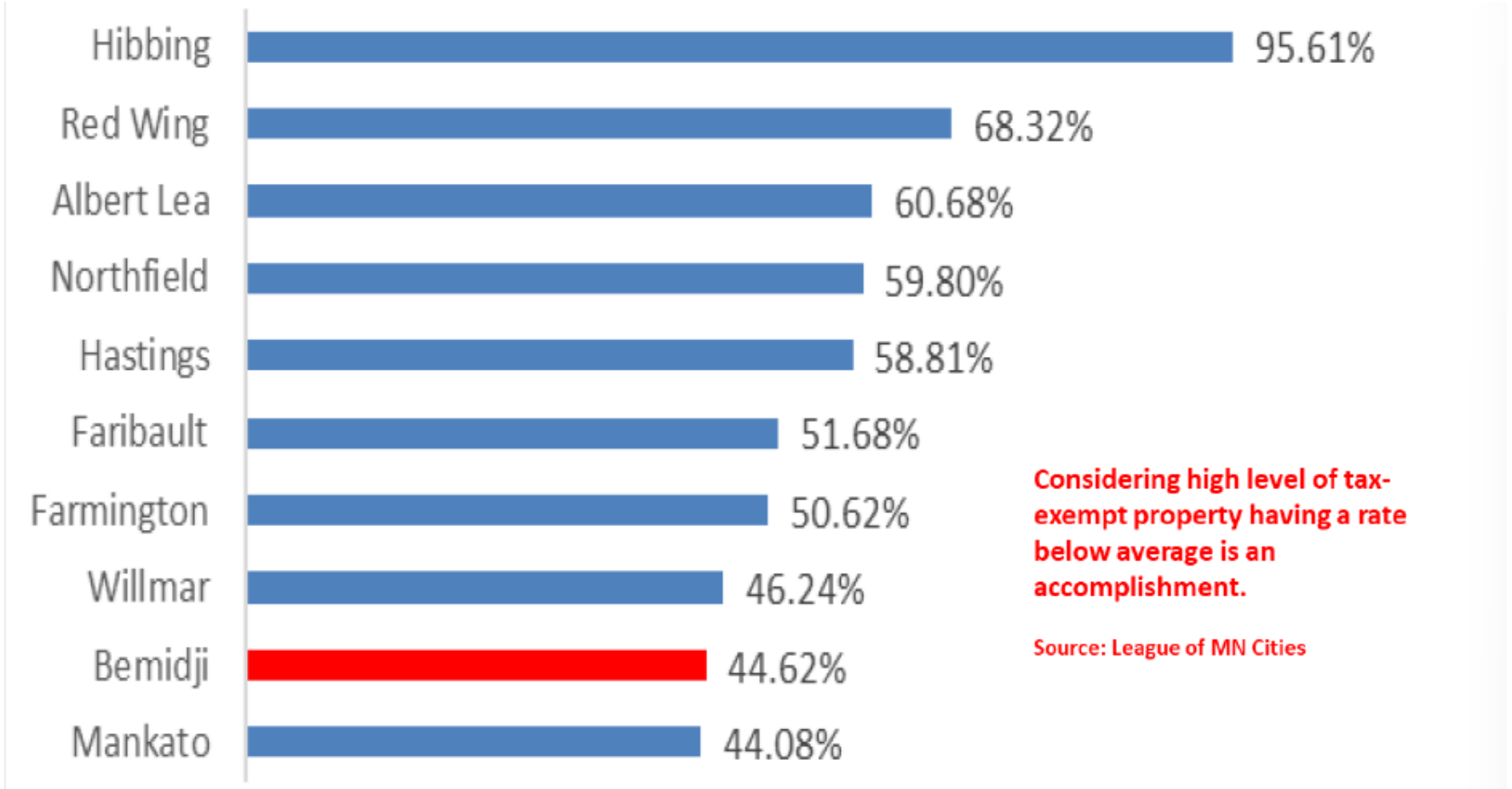
Where do your Property Tax dollars go?



2020 Operating Expenditures Per Capita



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

Thank you for your time and interest.

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