

City of New Brighton

Public Hearing

Proposed 2012 Budget & Tax Levies

December 6th, 2011, 6:30 p.m.

Purpose of the Budget Hearing

- Discuss the proposed 2012 budget
- Inform taxpayers of the proposed 2012 property tax levies
- Request public comment

Goals of the budget

- Provide those services that are desired by the community
- Provide services to community in most cost effective manner
- Maintain the delivery of high quality services
- Plan for the future of the community
- Provide for City's infrastructure & capital needs
- Ensure the City's long-term financial stability

Budget Overview

- Minimize tax levy while still meeting citizens' needs and budget goals
- Some factors are beyond our control, e.g. State mandates, elections, fuel and utilities
- Some expenditures are due to City's choices, policies, and changing environment, e.g. debt service payments and union contracts
- Current economic conditions heavily influence anticipated building permit revenues and investment earnings

General Fund Expenditures

- Proposed 2012 Budget = \$12,423,100
 - Amended 2011 Budget = \$12,195,700
 - Amended 2010 Budget = \$12,588,800
 - Amended 2009 Budget = \$12,920,800
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- 1.86% increase from 2011 to 2012
 - Increase from 2011 = \$227,400
 - Decrease from 2010 = (\$165,700)

Changes from 2011 to 2012

➤ General Fund Expenditures:

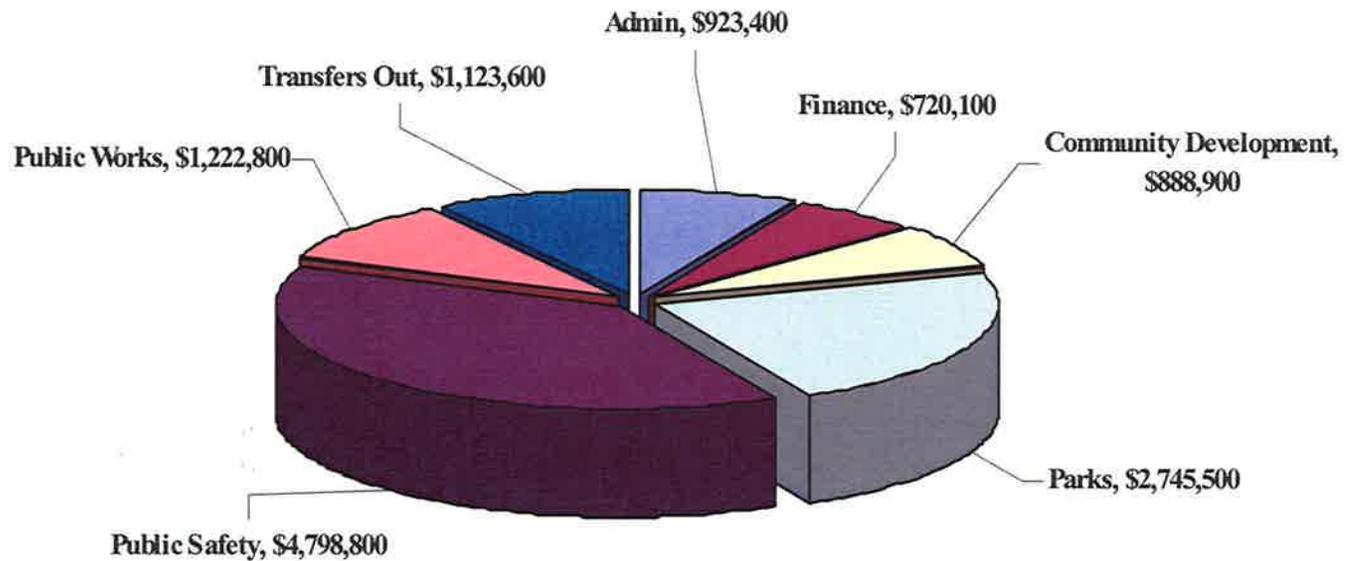
- Personnel
 - Police and Sergeant union budgeted:
 - 2% Cost of Living Adjustment (COLA)
 - Programmed salary steps implemented
 - Maintenance union budgeted:
 - 2% Cost of Living Adjustment (COLA)
 - Programmed salary steps implemented

Changes from 2011 to 2012

➤ Expenditures (continued):

- Personnel
 - Non union budgeted:
 - 2% Cost of Living Adjustment (COLA)
 - Programmed salary steps implemented
 - COLA and steps have been frozen at 2009 levels
 - Transfers out increased by \$172,000 for the Capital Replacement Program

2012 General Fund Expenditures

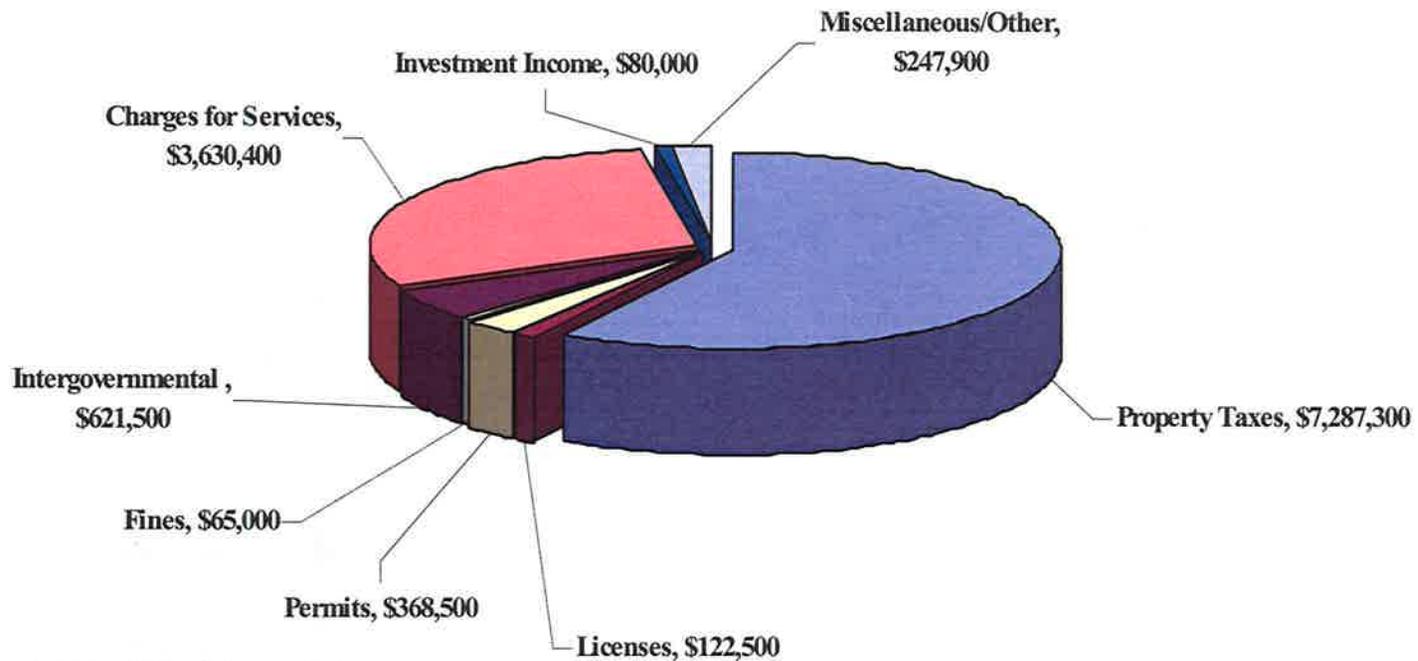


Changes from 2011 to 2012

➤ Non-Property Tax Revenues:

- Building permit revenues are anticipated to increase by \$58,500
- Revenues from the Community Center are anticipated to increase by \$122,400
- Administrative fees charged to developments are expected to decrease by \$97,400
- Investment income is expected to be \$80,000, down from the 2011 Budget of \$96,000

2012 General Fund Revenues



General Fund Summary

	Amended Budget <u>2011</u>	Proposed Budget <u>2012</u>	% <u>Change</u>
Expenditures	12,195,700	12,423,100	1.86%
Non-tax revenues	(5,080,400)	(5,135,800)	1.09%
Prop tax revenues	7,115,300	7,287,300	2.42%
Tax Levy	7,395,708	7,287,308	(1.47%)
Less unreimbursed MVHC	(280,400)	0	(100.00%)
Net tax revenues	7,115,308	7,287,308	2.42%

2012 Proposed Tax Levy

- Proposed 2012 Levy - \$7,287,308
 - 2011 Levy - \$7,395,708
 - 2010 Levy - \$7,395,708
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- Reduction of \$108,400
 - Proposed 2012 City tax rate = 41.415%
 - 2011 City tax rate = 37.871%

Property Values

- New Brighton's total value for local tax rate decreased from 16,166,272 for payable 2011, to 14,829,941 or by (8.27%).
- Taxable value of median value single family property decreased 10.1%, from \$218,100 to \$196,100

State Changes Property Tax Laws

- Changes have significant impacts on how much each property is taxed
- Market Value Homestead Credit (MVHC) eliminated
- Homestead Market Value Exclusion (HMVE) implemented

Market Value Homestead Credit

- State provided credit against property taxes on homestead properties under \$413,800 in value
- State was to reimburse City for these credits
- 2011 Budget anticipated \$280,400 reduction in revenues as State eliminated the reimbursements with their budget cuts
- Property taxes to increase without MVHC
 - State will no longer be giving \$280,400 in credits
 - Impact is similar to a tax increase of \$280,400

Homestead Market Value Exclusion

- New HMVE program starts 2012
- Residential homestead properties have taxable values reduced
- HMVE applies to residential homestead properties with values less than \$413,800
- Reducing values in this manner has a dramatic impact on the City's total values
- Reduced values push the City's tax rate higher even without an increase to levy

New Brighton's Total Value for Local Tax Rate

Decreased by 8.27%

Pay 2011	16,166,272
Decrease due to economic conditions & State's MV Excl	(1,668,445)
Increase due to TIF #'s 5 & 6 decertification	332,114
Pay 2012	14,829,941

MVHC & Exclusion Affect Tax Calculations

	Old Law: MVHC	New Law: HMVE
Estimated Market Value	\$196,100	\$196,100
HMVE	0	(19,600)
Taxable Market Value	196,100	176,500
Class Rate	1.00%	1.00%
Net Tax Capacity	1,961	1,765
City Tax Rate	37.871%	41.415%
Gross City Tax	\$743	\$731
MVHC	(\$59)	\$0
Net City Tax	\$684	\$731

Proposed 2012 City-wide Tax Levies

General operating levy	\$7,115,308
Transfer for Capital Replacement	<u>172,000</u>
Total proposed 2012 tax levy	\$7,287,308

Long-Term Financial Plan

- Council adopted plan last year in which Equipment Certificates would be issued to finance the replacement of capital assets starting this year
- The timing of these issues was intended to coincide with TIF Districts being decertified (Global Tax Levy Strategy) in order to minimize the tax impacts
- TIF Districts # 5 & 6 will be decertified at end of 2011 resulting in increase of \$332,114 to total City value

Long-Term Financial Plan

- An additional \$172,000 is budgeted to be transferred to the Capital Replacement Plans in 2012 in order to defer issuing Equipment Certificates
- Financing the Capital Replacement Plan on a cash basis instead of issuing debt will result in significant savings to the City in future years
- In the past, purchases of replacement equipment have been deferred, especially in the areas of Parks, CC, and Golf

Storm Sewer Improvement Taxing District

- Improvements were requested by property owners surrounding Lake Diane
- These same property owners will pay tax levy
- Lake Diane - 2012 proposed as \$2,250, the same as in 2011

Long-term Financial Plan

- “Smooth out” tax levies avoiding erratic, unpredictable trends
- Continue to follow Fund Balance Policy in regards to the “reserve” funds
- Continue to reduce taxes by using reserves to supplement annual debt service payment (\$508,800 in 2012)
- Long-term financial plan includes replenishing the reserve funds
- Long-term financial plan is implemented one year at a time, that is with the annual budget

Next Steps...

- City Council determines if there will be any further adjustments
- City Council approves the final 2012 Tax Levies & Budgets on Tuesday, December 13th at their regular business meeting starting at 6:30 p.m. in the Council Chambers

Question & Comments

The public is invited to address the City Council with their questions and comments

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