



2018 Budget Update  
November 14th, 2017

Draft 11/10/17

# Property Taxes – Tax Rate

- How is Property Tax Calculated?

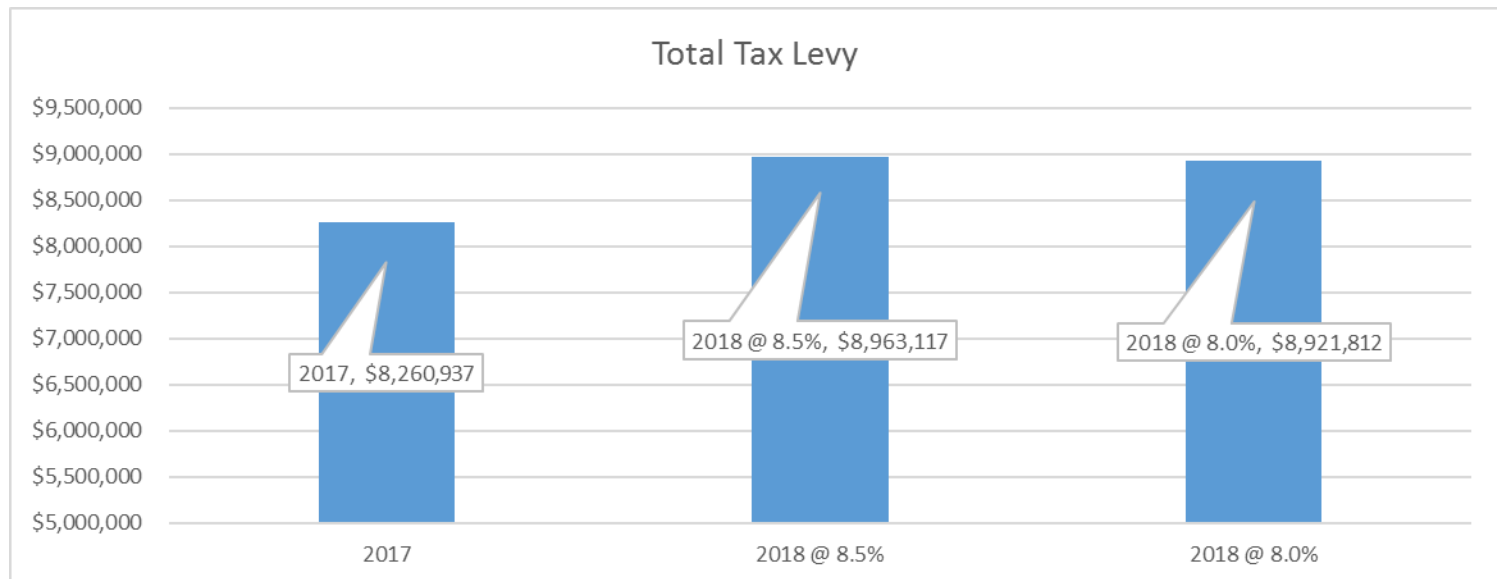
Individual Tax Bill = Parcel Tax Capacity \* City Tax Rate

$$\text{City Tax Rate} = \frac{\text{Total \$ City Levy}}{\text{Net Tax Capacity}}$$

- Total \$ City Levy = City Budget – Non-property Tax Revenue
- Tax Calculation - Residential Homestead Example:
  - Taxable Market Value = Estimated Market Value - Homestead exclusion
  - Parcel Tax Capacity = Taxable Market Value \* (1.0% of first \$500,000 + 1.25% of taxable market value > \$500,000)

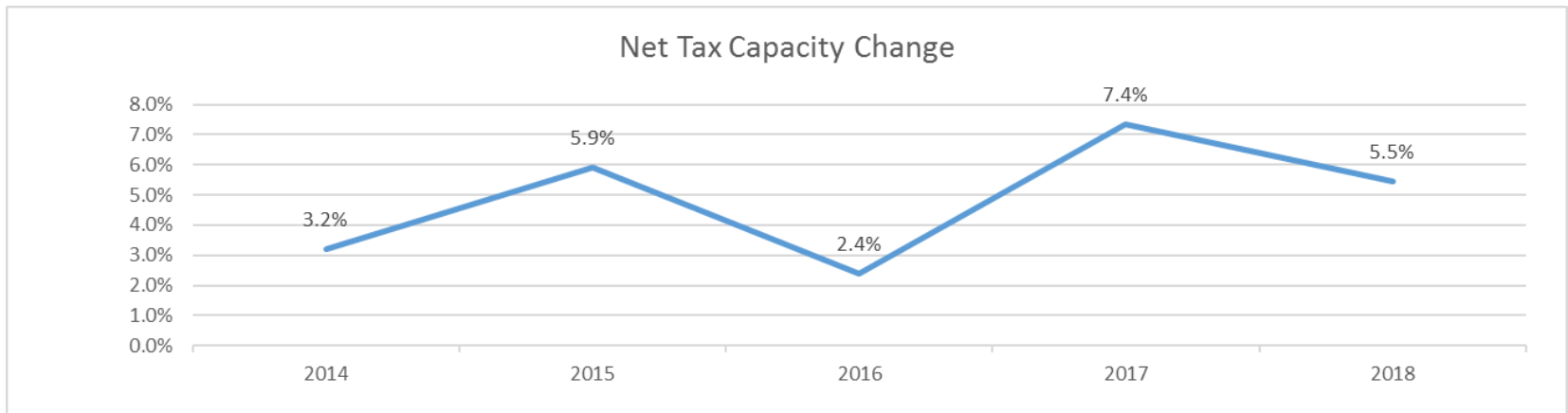
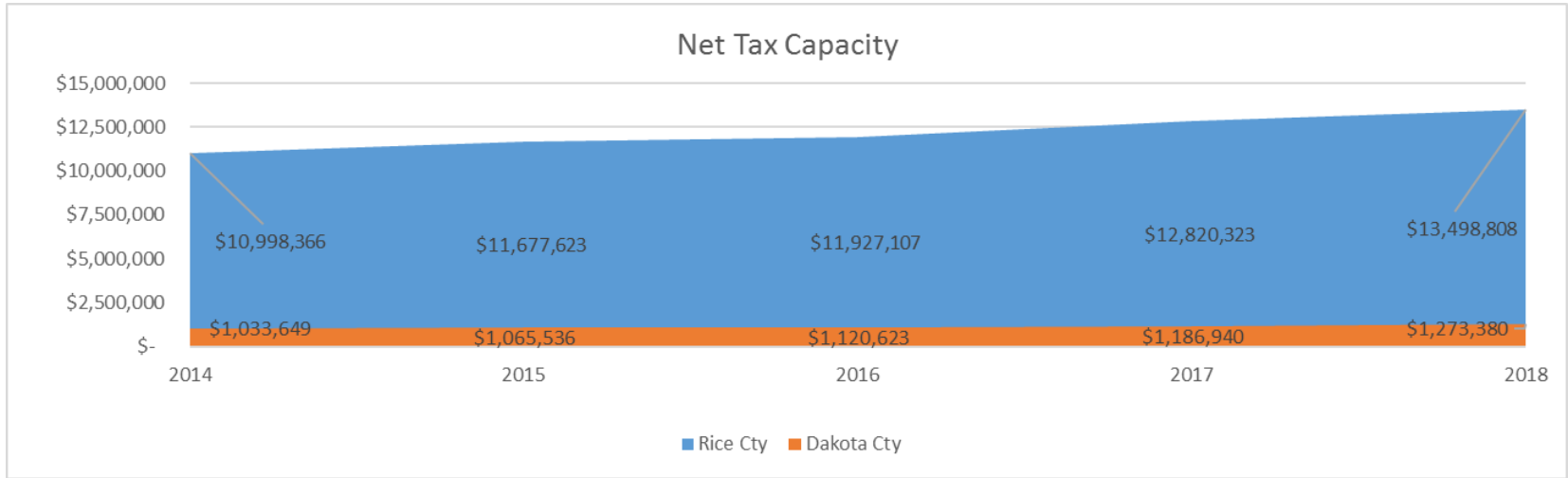
# Proposed Levy

- Certified Preliminary 2018 Levy \$8,963,117
- Certified 2017 Levy \$8,260,937
- 2018 Proposed Increase \$702,180, or 8.5%

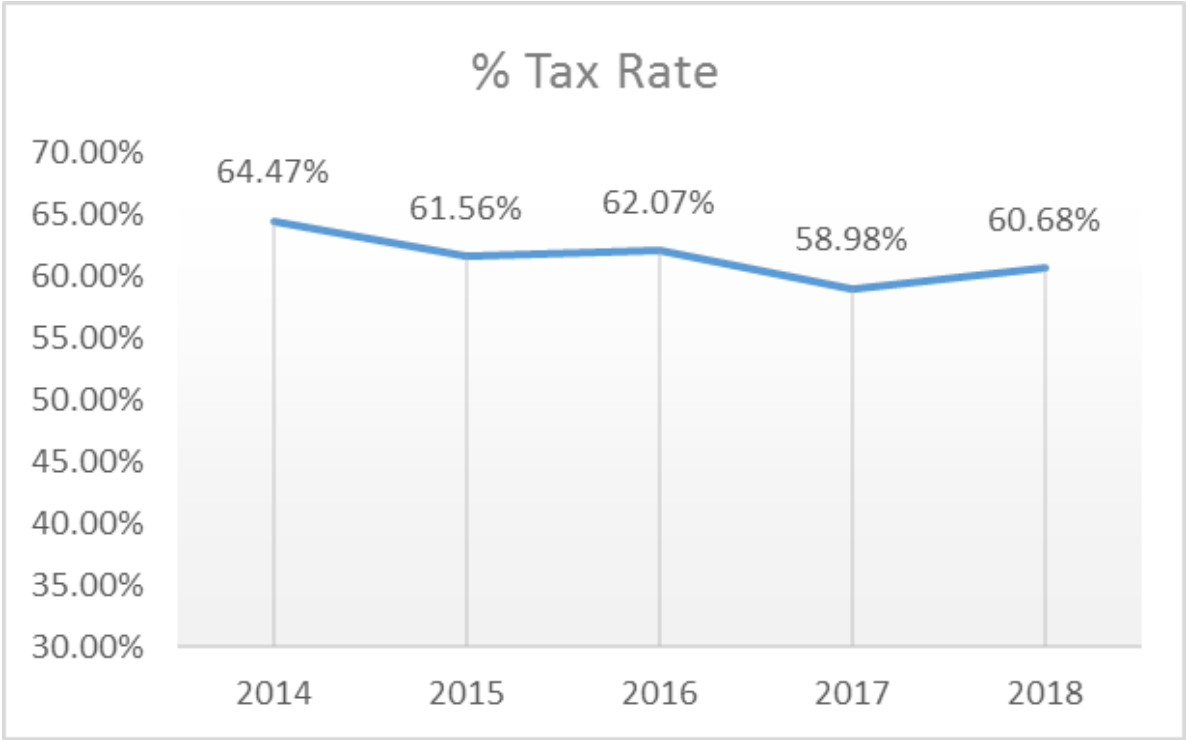


\* The 2017 certified property tax levies for all cities increased 5.5% from 2016 to 2017 vs Northfield's increase of 2.0% (Source: League of Minnesota Cities)

# Net Tax Capacity & Rate Trend



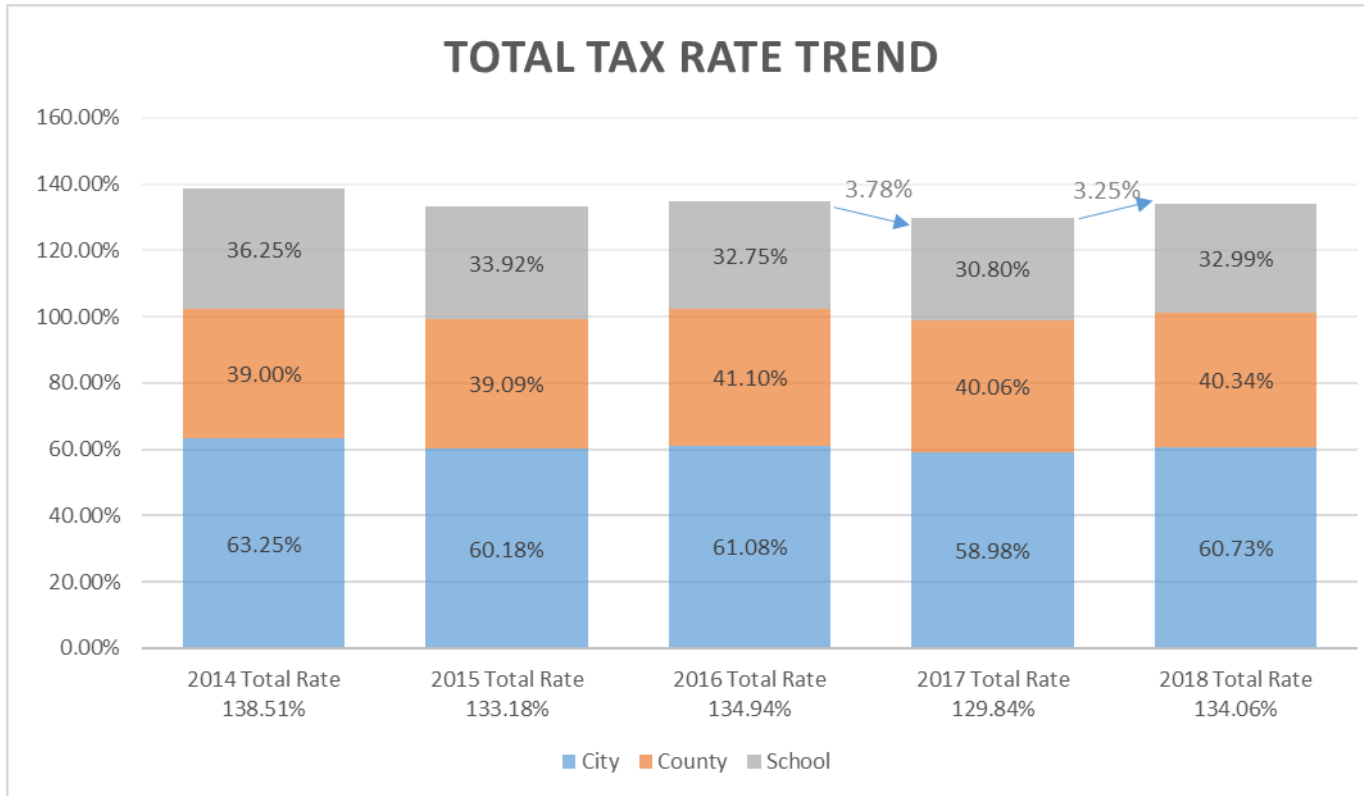
# City Tax Rate Trend



# Property Taxes

- Who levies property taxes?
  - City
  - County
  - School
  - State
  - Special taxing jurisdictions

# Total Tax Rate Trend



\* Rice County data only, does not include 2018 Northfield School Referendum

# Proposed Tax Rates for 2018

- 2018 TNT Total Tax Rates (Rice County only)\*
  - City 60.725%
  - County 40.341%
  - School 32.989%
  - Total Proposed Rate 134.055%
  
- Historical Rates:
  - 2017: 129.84%
  - 2016: 134.94%
  - 2015: 133.18%
  - 2014: 138.51%

\*Source: Rice County Assessor's office

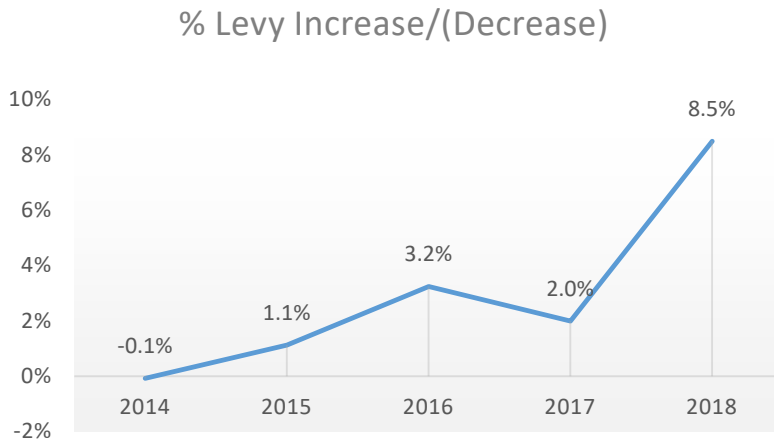
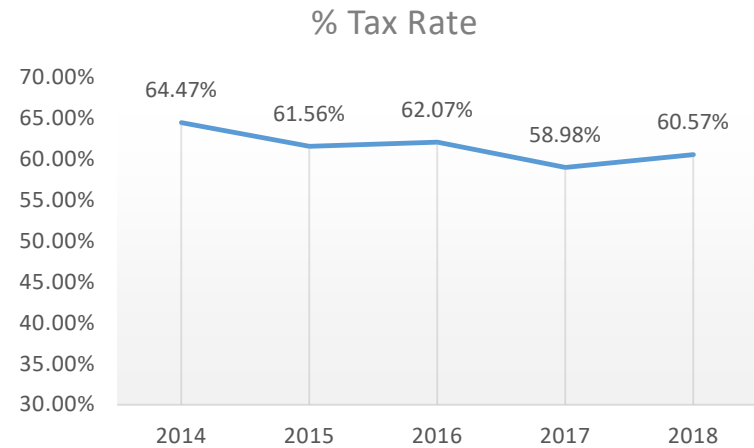


# Total Tax Rate Comparisons

- 2018 Rate comparison
  - Northfield 134.055%
- 2016 Rate comparison
  - Average All MN Cities 125.06%
  - Region 10 (SE MN) 131.81%
  - Greater MN, 10,000-24,999 129.71%
  - Peer Group Comparable Cities (mean) 130.79%
  - Peer Group Comparable Cities (median) 132.29%

\* Peer Group Comparable Cities (Population range 19,754-25,782, average total tax range 106.91%-152.54%)

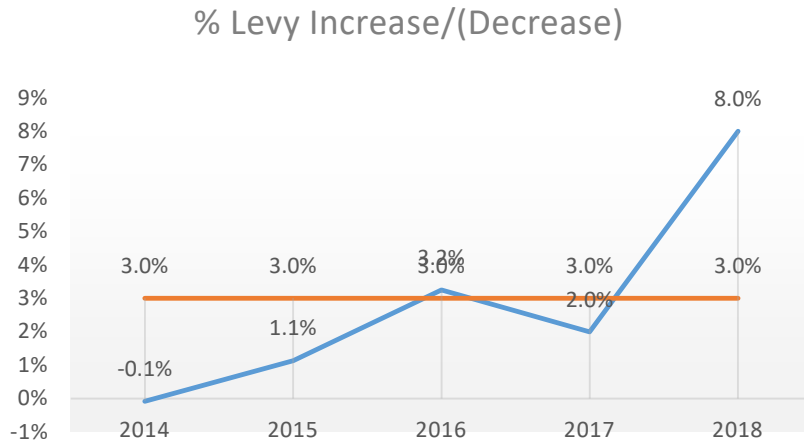
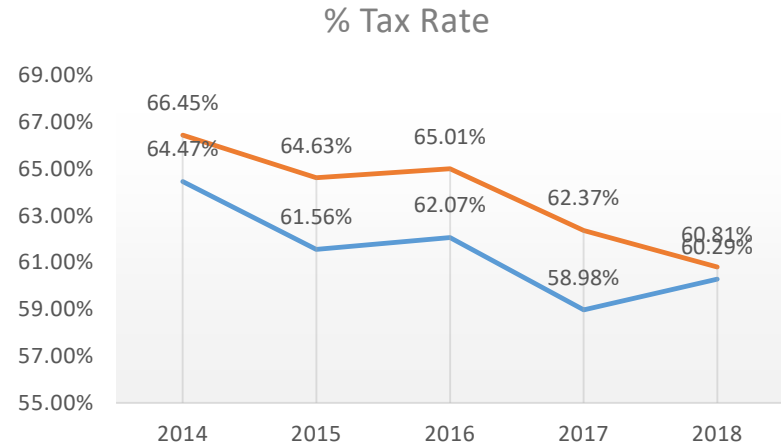
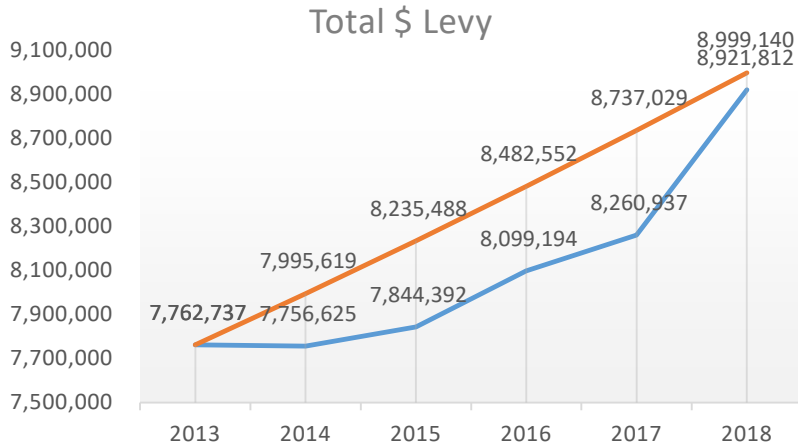
# 8.5% Levy Increase



| <b>Estimated Tax Impact on Residential Home (no change in property tax valuation)</b> |                    |                    |                       |                    |                 |                    |                 |
|---|--------------------|--------------------|-----------------------|--------------------|-----------------|--------------------|-----------------|
| <b>8.5% Levy Increase</b>   |                    |                    |                       |                    |                 |                    |                 |
| <b>Residential</b>  |                    |                    |                       | <b>2018 v 2017</b> |                 | <b>2018 v 2016</b> |                 |
| <b>Value of Home</b>  | <b>2016 Actual</b> | <b>2017 Actual</b> | <b>2018 Estimated</b> | <b>\$ Impact</b>   | <b>% Impact</b> | <b>\$ Impact</b>   | <b>% Impact</b> |
| \$150,000   | \$783.94           | \$744.92           | \$764.95              | \$20.04            | 2.69%           | (\$18.99)          | -2.42%          |
| 175,000   | \$952.77           | \$905.34           | \$929.69              | \$24.35            | 2.69%           | (\$23.08)          | -2.42%          |
| 200,000   | \$1,122.23         | \$1,066.36         | \$1,095.04            | \$28.68            | 2.69%           | (\$27.18)          | -2.42%          |
| 250,000   | \$1,460.51         | \$1,387.80         | \$1,425.13            | \$37.33            | 2.69%           | (\$35.38)          | -2.42%          |
| 300,000   | \$1,798.79         | \$1,709.24         | \$1,755.21            | \$45.97            | 2.69%           | (\$43.57)          | -2.42%          |

# 8.0% Levy Increase

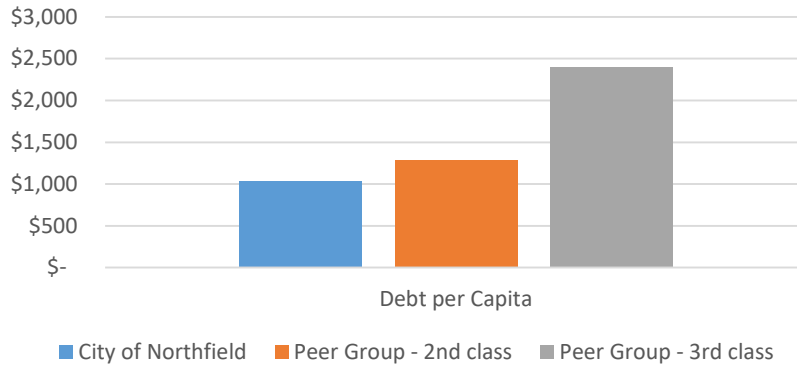
(with 3% steady growth scenario – orange line)



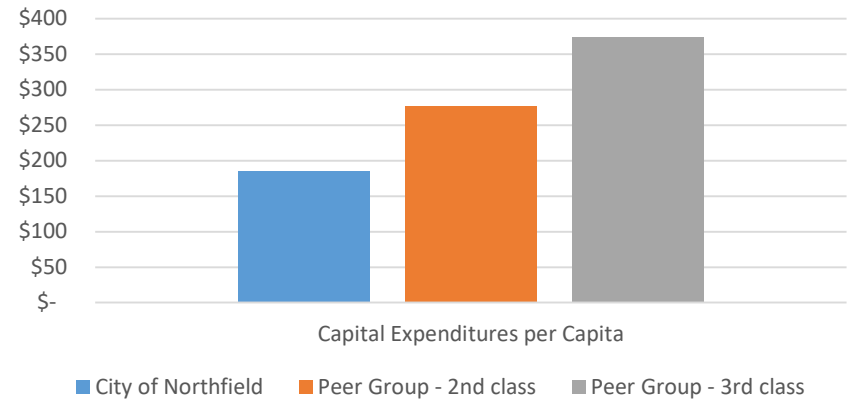
- An 8% increase in the levy for 2018 yields similar results as a 5 year average 3% growth rate

# Ratio Comparison to Peer Groups

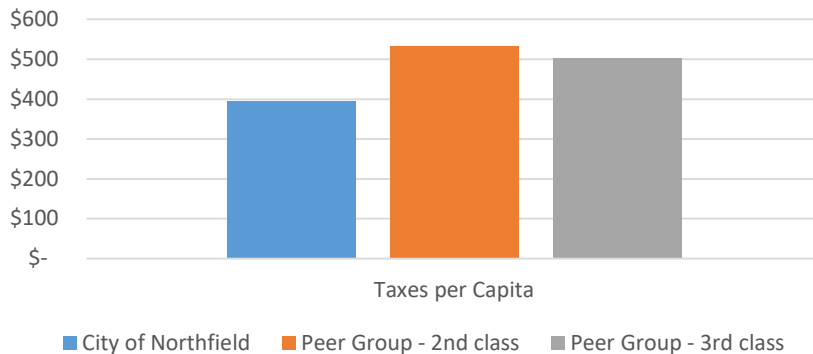
## Debt per Capita



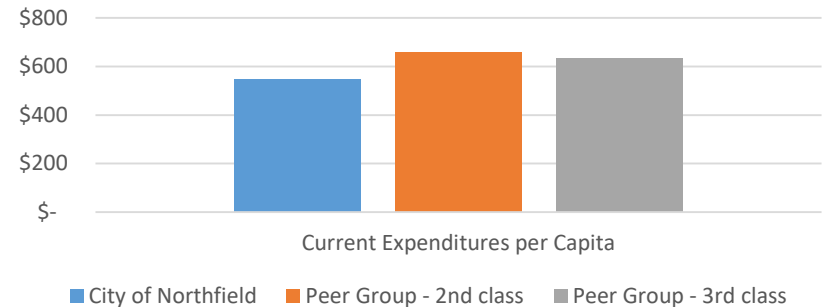
## Capital Expenditures per Capita



## Taxes per Capita



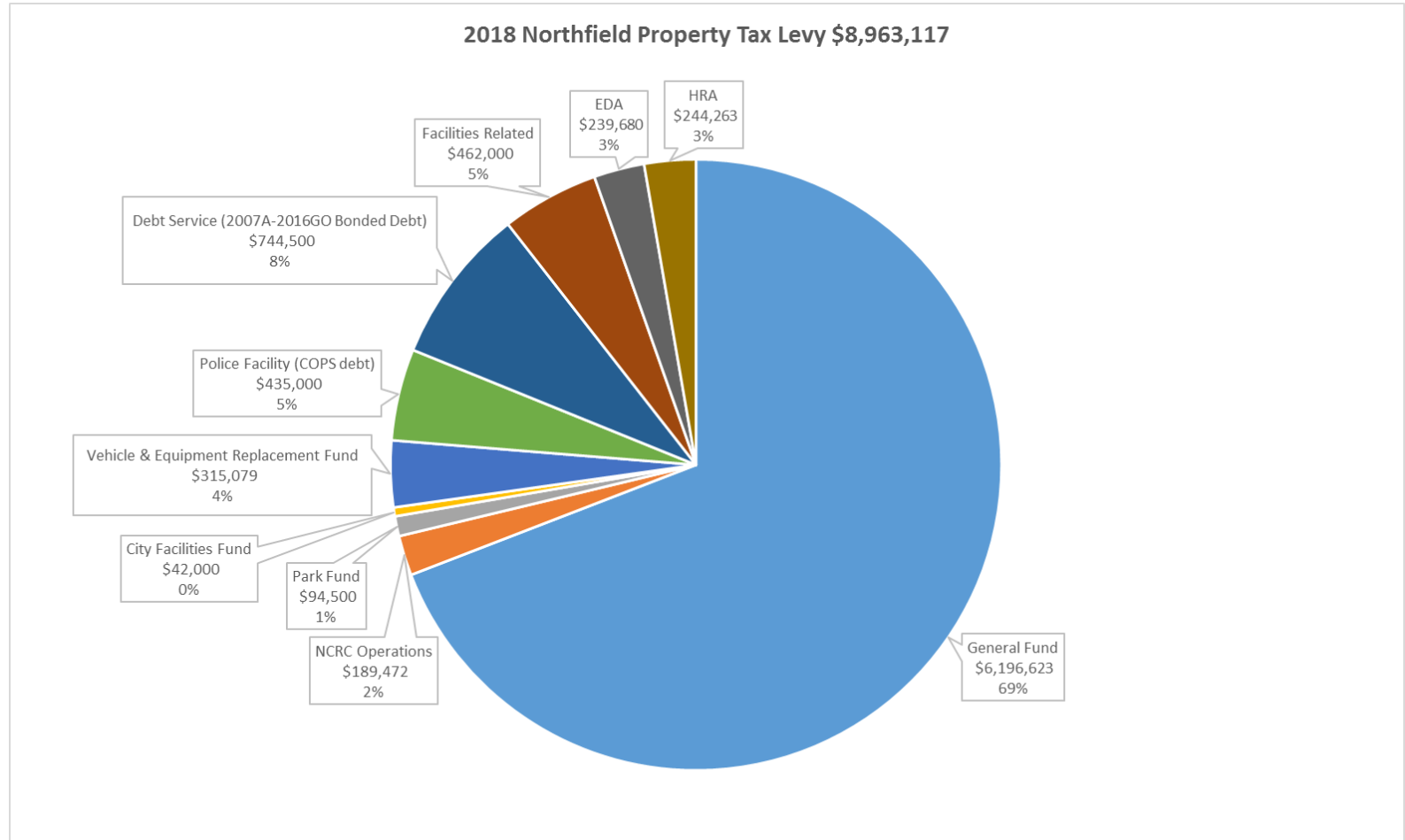
## Current Expenditures per Capita



Source: 2016 Abdo Eick & Meyers Audit Management Letter, page 20, (2015 comparisons)

Peer Group 2<sup>nd</sup> class – City populations of 20,000-100,000, Peer Group 3<sup>rd</sup> class – City populations of 10,000-20,000

# 2018 Tax Levy

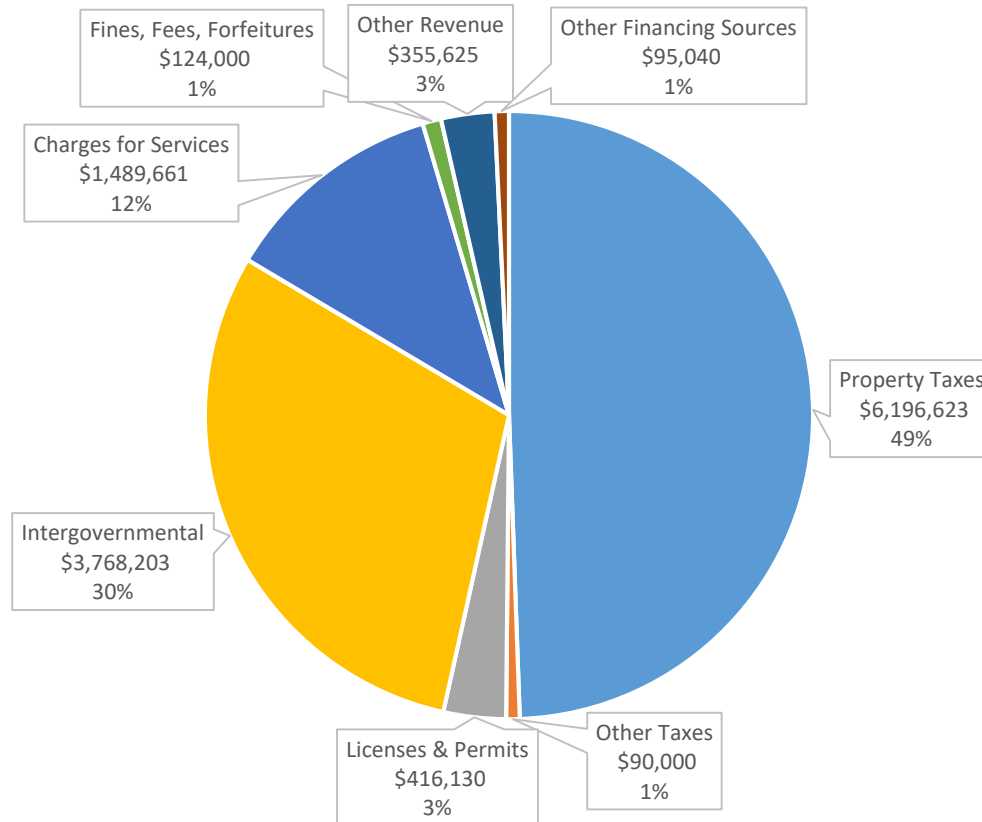


# 2018 Tax Levy

| City of Northfield Property Tax Levy    | Levy                |                     | \$ Change         | % Change    |
|---|---------------------|---------------------|-------------------|-------------|
|   | Actual<br>2017      | Proposed<br>2018    |                   |             |
| General Fund                            | \$ 5,512,070        | \$ 6,196,623        | \$ 684,553        | 12.4%       |
| NCRC Operations                         | \$ 189,472          | \$ 189,472          | \$ -              | 0.0%        |
| Park Fund                               | \$ 94,500           | \$ 94,500           | \$ -              | 0.0%        |
| City Facilities Fund                    | \$ 42,000           | \$ 42,000           | \$ -              | 0.0%        |
| Vehicle & Equipment Replacement Fund    | \$ 315,079          | \$ 315,079          | \$ -              | 0.0%        |
| Police Facility (COPS debt)             | \$ 420,160          | \$ 435,000          | \$ 14,840         | 3.5%        |
| Debt Service (2007A-2016GO Bonded Debt) | \$ 725,000          | \$ 744,500          | \$ 19,500         | 2.7%        |
| Facilities Related                      | \$ 499,200          | \$ 462,000          | \$ (37,200)       | -7.5%       |
| EDA                                     | \$ 229,488          | \$ 239,680          | \$ 10,192         | 4.4%        |
| HRA                                     | \$ 233,968          | \$ 244,263          | \$ 10,295         | 4.4%        |
| <b>Total City Levy</b>                  | <b>\$ 8,260,937</b> | <b>\$ 8,963,117</b> | <b>\$ 702,180</b> | <b>8.5%</b> |

# 2018 General Fund Revenue

General Fund 2018 Revenue \$12,535,282



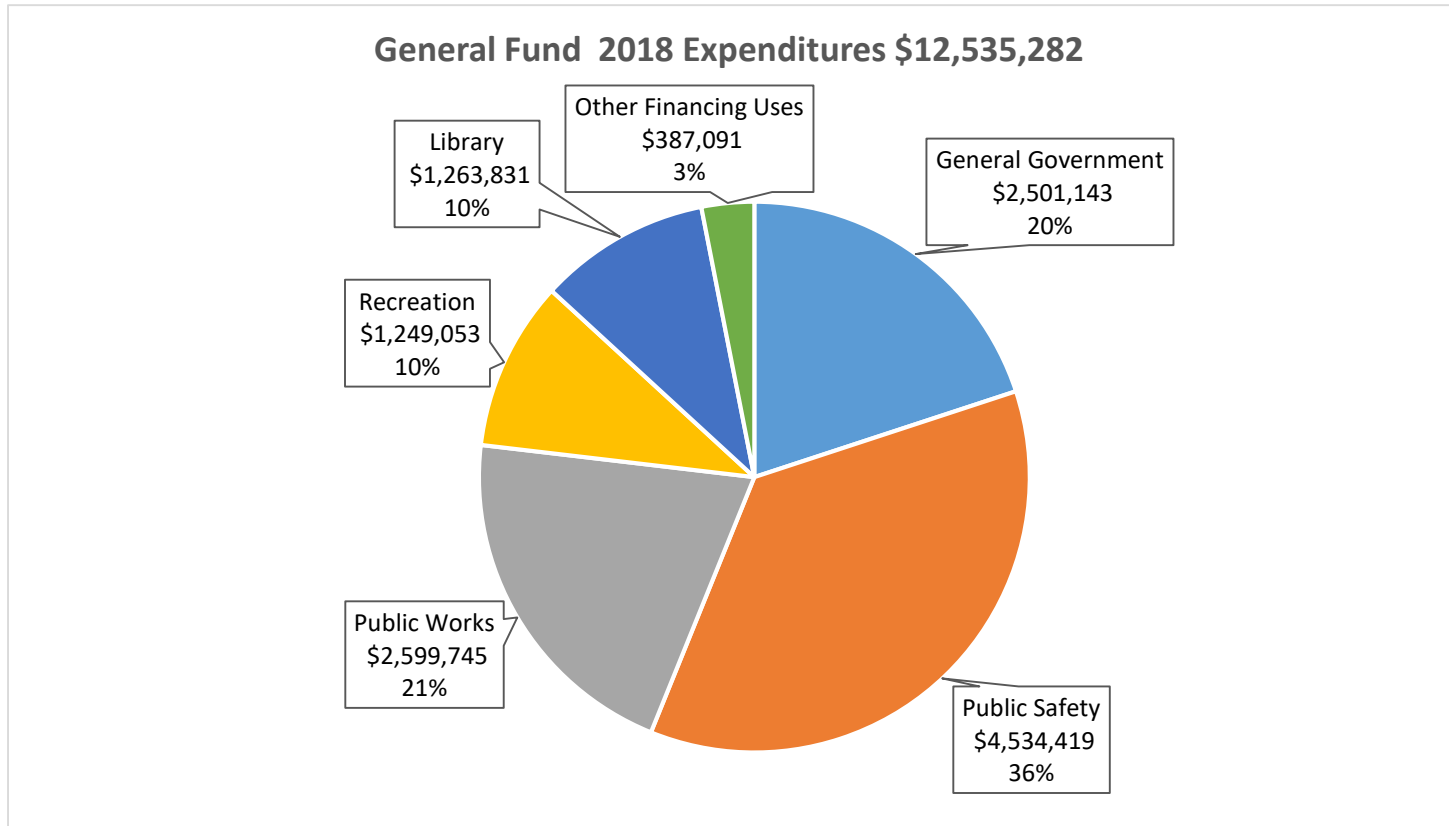
# 2018 General Fund Revenue

## GENERAL FUND SUMMARY

| REVENUES BY MAJOR CATEGORY | 2017 Adopted      |               | 2018 Proposed     |               | Difference     |
|----------------------------|-------------------|---------------|-------------------|---------------|----------------|
| Property Taxes             | 5,512,070         | 46.6%         | 6,196,623         | 49.4%         | 684,553        |
| Other Taxes                | 85,300            | 0.7%          | 90,000            | 0.7%          | 4,700          |
| Licenses & Permits         | 412,630           | 3.5%          | 416,130           | 3.3%          | 3,500          |
| Intergovernmental          | 3,617,301         | 30.6%         | 3,768,203         | 30.1%         | 150,902        |
| Charges for Service        | 1,544,308         | 13.1%         | 1,489,661         | 11.9%         | (54,647)       |
| Fines & Forfeitures        | 147,000           | 1.2%          | 124,000           | 1.0%          | (23,000)       |
| Other Revenue              | 351,000           | 3.0%          | 355,625           | 2.8%          | 4,625          |
| Other Financing Sources    | 156,000           | 1.3%          | 95,040            | 0.8%          | (60,960)       |
| <b>TOTAL REVENUES</b>      | <b>11,825,609</b> | <b>100.0%</b> | <b>12,535,282</b> | <b>100.0%</b> | <b>709,673</b> |



# 2018 General Fund Expenditures



# 2018 General Fund Expenditures

## GENERAL FUND SUMMARY

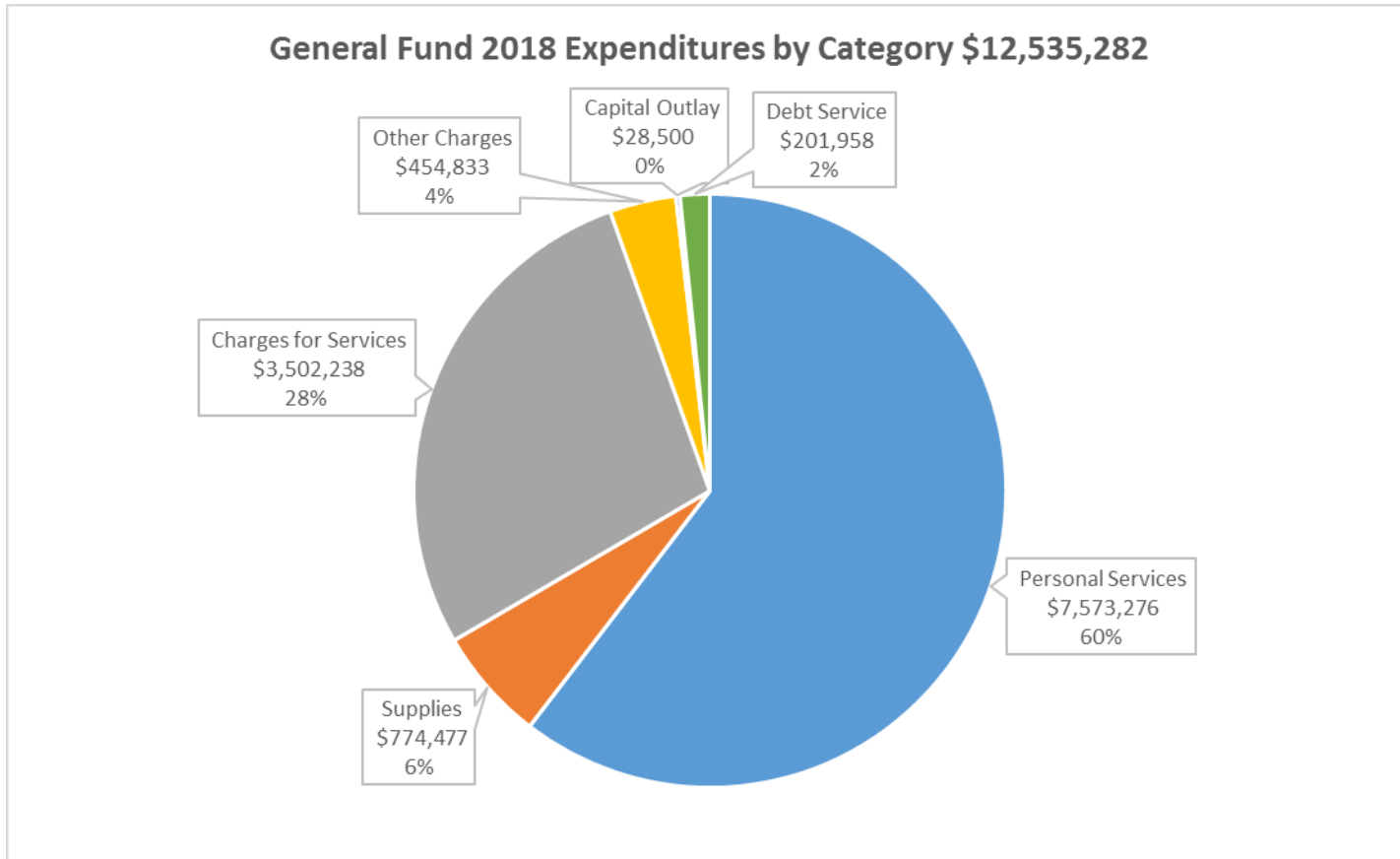
| EXPENDITURES BY MAJOR FUNCTION  | 2017 Adopted     |              | 2018 Proposed    |              | Difference     |
|---------------------------------|------------------|--------------|------------------|--------------|----------------|
| <b>GENERAL GOVERNMENT</b>       |                  |              |                  |              |                |
| Mayor & Council                 | 266,568          | 2.2%         | 367,159          | 2.9%         | 100,591        |
| Administration                  | 406,043          | 3.4%         | 456,429          | 3.6%         | 50,386         |
| City Clerk                      | 190,753          | 1.6%         | 198,698          | 1.6%         | 7,945          |
| Elections                       | 35,100           | 0.3%         | 57,667           | 0.5%         | 22,567         |
| Finance                         | 452,310          | 3.8%         | 503,584          | 4.0%         | 51,274         |
| Human Resources                 | 400,605          | 3.4%         | 469,979          | 3.7%         | 69,374         |
| Community Development           | 127,873          | 1.1%         | 134,719          | 1.1%         | 6,846          |
| Planning                        | 164,347          | 1.4%         | 173,547          | 1.4%         | 9,200          |
| City Hall Operations            | 118,348          | 1.0%         | 139,361          | 1.1%         | 21,013         |
| <b>Total General Government</b> | <b>2,161,947</b> | <b>18.1%</b> | <b>2,501,143</b> | <b>20.0%</b> | <b>339,196</b> |
| <b>PUBLIC SAFETY</b>            |                  |              |                  |              |                |
| Police                          | 3,481,330        | 29.2%        | 3,688,587        | 29.4%        | 207,257        |
| Fire                            | 531,000          | 4.5%         | 545,350          | 4.4%         | 14,350         |
| Building Inspections            | 281,349          | 2.4%         | 300,482          | 2.4%         | 19,133         |
| <b>Total Public Safety</b>      | <b>4,293,679</b> | <b>36.0%</b> | <b>4,534,419</b> | <b>36.2%</b> | <b>240,740</b> |

# 2018 General Fund Expenditures

## GENERAL FUND SUMMARY

| EXPENDITURES BY MAJOR FUNCTION        | 2017 Adopted |        | 2018 Proposed |        | Difference |
|---------------------------------------|--------------|--------|---------------|--------|------------|
| <b>PUBLIC WORKS</b>                   |              |        |               |        |            |
| Engineering                           | 529,235      | 4.4%   | 555,536       | 4.4%   | 26,301     |
| Streets                               | 1,409,670    | 11.8%  | 1,464,621     | 11.7%  | 54,951     |
| Street Lighting                       | 300,000      | 2.5%   | 300,000       | 2.4%   | -          |
| Facilities                            | 252,916      | 2.1%   | 279,588       | 2.2%   | 26,672     |
| <b>Total Public Works</b>             | 2,491,821    | 20.9%  | 2,599,745     | 20.7%  | 107,924    |
| <b>CULTURE &amp; RECREATION</b>       |              |        |               |        |            |
| Ice Arena                             | 308,784      | 2.6%   | 350,793       | 2.8%   | 42,009     |
| General Parks                         | 267,430      | 2.2%   | 307,366       | 2.5%   | 39,936     |
| Athletic Facilities                   | 129,092      | 1.1%   | 134,800       | 1.1%   | 5,708      |
| Recreation Administration             | 216,875      | 1.8%   | 219,226       | 1.7%   | 2,351      |
| Outdoor Pool                          | 237,034      | 2.0%   | 236,868       | 1.9%   | (166)      |
| Library                               | 1,242,793    | 10.4%  | 1,263,831     | 10.1%  | 21,038     |
| <b>Total Culture &amp; Recreation</b> | 2,402,008    | 20.2%  | 2,512,884     | 20.0%  | 110,876    |
| <b>OTHER FINANCING USES</b>           | 476,154      | 4.0%   | 387,091       | 3.1%   | (89,063)   |
| <b>TRANSFERS OUT</b>                  | 90,000       | 0.8%   | -             | 0.0%   | (90,000)   |
| <b>TOTAL EXPENDITURES</b>             | 11,915,609   | 100.0% | 12,535,282    | 100.0% | 619,673    |

# 2018 General Fund Expenditures



# Summary

- Staff has identified adjustments to revenue and expenses to meet 8.5% target
  - The 8.5% target includes the following position additions
    - \$40K to increase Communications position from part-time to full-time
    - \$10K intern programs
      - Administrative & Youth
- An 8.0% target can be achieved by removing these positions
  - \$5 estimated property tax reduction on a \$150,000 value house

# Next Steps

- Continued budget/levy discussion
  - November 21<sup>st</sup> Council Meeting
- 2018 Budget/Tax Levy Hearing
  - December 5, 2017
    - Public Hearing
    - Adoption at Council Meeting

# Discussion

- Resolutions are attached representing both an 8.5% and an 8.0% increase
  - Discuss any suggested amendments or clarifications regarding the 2018 Levy, Budget, Capital Improvement Plan or Capital Equipment Plan at this meeting