

WATERFORD TOWNSHIP



"where the path from the past and the future meets"

August 9, 2017

Ms. Rhonda Pownell, Mayor
Mr. Ben Martiq, City Administrator
City of Northfield
801 Washington Street
Northfield, MN 55057

RE: 1980 Annexation Tax Reimbursement Amounts due Waterford Township

Dear Ms. Pownell & Mr. Martiq:

Thank you for your patience in this matter, given the amount of information to be gathered and analyzed it took the Township some time to prepare this letter in support of our continuing discussions regarding the City's continuing default under the terms of the April 21, 1980 Joint Resolution for Orderly Annexation between the City and Township (the "1980 Joint Resolution").

The 1980 Joint Resolution memorialized the agreement between Waterford Township and the City of Northfield concerning annexation of the Sheldahl Industrial Park property within the Township, tax reimbursement payments to the Township, and the City's promise not to further annex land within the Township unless jointly agreed to by the City and the Town Board. For approximately 30 years both the City and the Township complied with the terms of the 1980 Joint Resolution until January 11, 2011 when the City advised the Township that the City would no longer continue to make tax reimbursement payments to the Township pursuant to section III (c) of the 1980 Joint Resolution which states:

It is the intent of both the parties to provide payment of \$675 to Waterford Township for a variable amount set forth in the following paragraph:

The City of Northfield will reimburse the Township of Waterford on an amount based on a mill rate of 1.902 for twenty acres which yields an amount of \$675 per year which is agreed upon by both parties. This amount is based on the amount of taxes paid in 1980 on an adjacent piece of property. If the Waterford Township mill rate increases, then the amount that the Township will receive will be in direct proportion to the increase in the mill rate. Example: If the mill rate increases to four (4) mills then the formula for the amount paid would be 1.902 mill rate is to \$675 as four (4) mills to X for the amount to be paid. In the event that the Minnesota legislature fails to enact legislation which would allow Northfield to make these payments, the parties hereto agree that they will seek other methods to make these payments.

WATERFORD TOWNSHIP

Per the discussion between City and Township representatives last May, the Township has compiled what the Township believes is the current amount due and owing from the City regarding section III (c) of the 1980 Joint Resolution. Below is a summary of the amount due for the annexed Sheldahl Industrial property for each of the succeeding years (2010, 2011, 2012, 2013, 2014, 2015, 2016).

In 1988 the State of Minnesota converted from the "mill rate" to the "tax capacity" formula for determining property taxes. The Department of Revenue generated the enclosed worksheet for aiding cities and towns in converting to this new system. The conversion of mill rate to tax capacity, as per the Department of Revenue worksheet is 1 mill = 1.02 tax capacity. As per the formula we have used since 1980, the following amount is owed to Waterford Township:

$$\frac{\text{Current Tax Capacity} \times 1.02}{X} = \frac{1.902}{\$675}$$

X = Amount Owed

The Township was able to obtain from Dakota County the tax capacity rates for the Township for the years 2010-2016. Applying this same formula above to the information supplied by Dakota County yields the following amounts owed by the City to Waterford Township:

Payments due from Northfield per 1980 Orderly Annexation Agreement Conversion from mill rates to tax capacity

A	B	C	D	E	F	G	H
Tax Year	Township Tax Capacity Rate	Tax Capacity to Mills Conversion	Mill Rate Equivalent (Col B *C)	Original Base Tax	Original Mill Rate	Ratio of Mill Rate to Base Tax (Col. F/E)	Amount due from City per OAA (Col. D/G)
2010	9.456	1.02	9.645	\$675.00	1.902	0.0028178	\$3,422.95
2011	11.311	1.02	11.537	\$675.00	1.902	0.0028178	\$4,094.44
2012	13.769	1.02	14.044	\$675.00	1.902	0.0028178	\$4,984.20
2013	13.640	1.02	13.913	\$675.00	1.902	0.0028178	\$4,937.51
2014	13.493	1.02	13.763	\$675.00	1.902	0.0028178	\$4,884.30
2015	11.909	1.02	12.147	\$675.00	1.902	0.0028178	\$4,310.91
2016	16.816	1.02	17.152	\$675.00	1.902	0.0028178	\$6,087.18
Total due to Township from City, 2010-2016							\$32,721.49

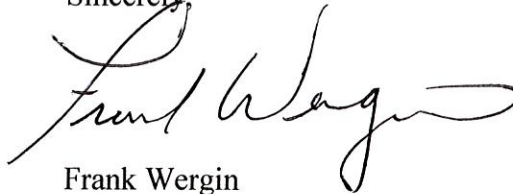
The Township remains hopeful that the City will reverse its position and cure its default and pay the \$32,721.49 owed to the Township. The Township prefers to work cooperatively with the City rather than seek court intervention, but will consider such action should the City choose to continue defaulting on the 1980 Joint Resolution. In the spirit of cooperation, the Township is not seeking interest from the City, even though the Township has borrowed money and paid interest on this borrowed money that it would not have had to pay had the City honored the terms of the 1980 Joint Resolution. The Township requests that the City immediately contact Township Clerk Elizabeth Wheeler to arrange for payment of the amounts owed as a result of the City's default on the terms of the 1980 Joint Resolution.

WATERFORD TOWNSHIP

Your prompt response before September 11th would be appreciated as this issue is on the Township's September 11th meeting agenda.

If you have questions or concerns regarding this summary, please do not hesitate to contact Township Clerk Elizabeth Wheeler at the address or e-mail below or her cell phone number 507-261-3235.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Frank Wergin', written in a cursive style.

Frank Wergin
Waterford Township Chairperson

Enclosure: MN Dept Of Revenue Tax Capacity & Assessed Value

Cc: Northfield City Councilor Greg Colby
Northfield City Councilor David Delong
Northfield City Councilor Suzie Nakasian
Northfield City Councilor Brad Ness
Northfield City Councilor Jessica Peterson White
Northfield City Councilor Erica Zweifel

**Tax Capacity And Assessed Value
State Total Comparlsons
Taxes Payable 1988**

Assessed Value	\$29,894,974,131
Gross Tax Capacity	\$ 3,654,527,750
Net Tax Capacity	\$ 2,918,109,880
Gross Tax Capacity/Assessed Value*	12.2%
Net Tax Capacity/Assessed Value**	9.8%
Assessed Value/Gross Tax Capacity***	8.2
Assessed Value/Net Tax Capacity****	10.2

* The average ratio of gross tax capacity to assessed value of 12.2% means that a taxing district with an assessed value of \$10,000,000 would have a gross tax capacity of approximately \$1,220,000.

** The average ratio of net tax capacity to assessed value of 9.8% means that a taxing district with an assessed value of \$10,000,000 would have a net tax capacity of approximately \$980,000.

*** The average ratio of assessed value to gross tax capacity of 8.2 means that for a given levy amount the tax rate based on gross tax capacity is 8.2 times the tax rate based on assessed value. For example, an assessed value tax rate of 0.100 (100 mills) converts to a gross tax capacity rate of 0.820 (82%).

**** The average ratio of assessed value to net tax capacity of 10.2 means that for a given levy amount the tax rate based on net tax capacity is 10.2 times the tax rate based on assessed value. For example, an assessed value tax rate of 0.100 (100 mills) converts to a net tax capacity rate of 1.020 (102%).

Prepared by: Local Government Services
MN Dept of Revenue
September 23, 1988