



Public Hearing 2018 Budget & Tax Levy
December 4th, 2018

Agenda

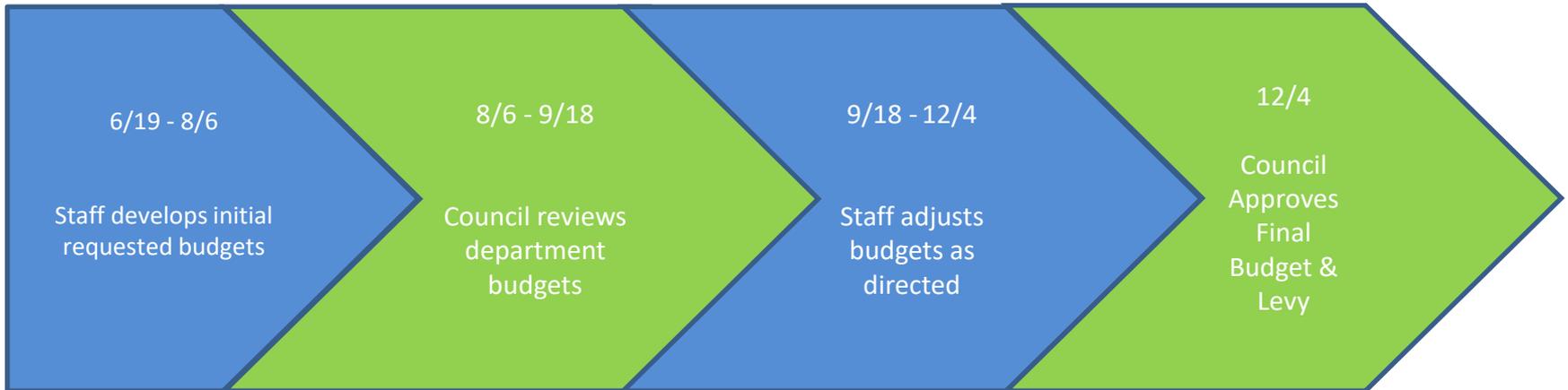
City of Northfield
2019 Budget & Levy Public Hearing
Tuesday, December 4, 2018 6:00 pm
Council Chambers, 801 Washington St

1. Public Hearing on 2019 Budget and Levy
 - Staff Presentation
 - Public Comment
2. Adoption of 2018 Property Tax Levy/Budget

Alternative Action: Adoption at December 11, 2018 meeting

Budget Timeline

- The City budget is a 6 month planning process



- Key Dates in the planning process



Property Tax Rate

- How is Property Tax Calculated?

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

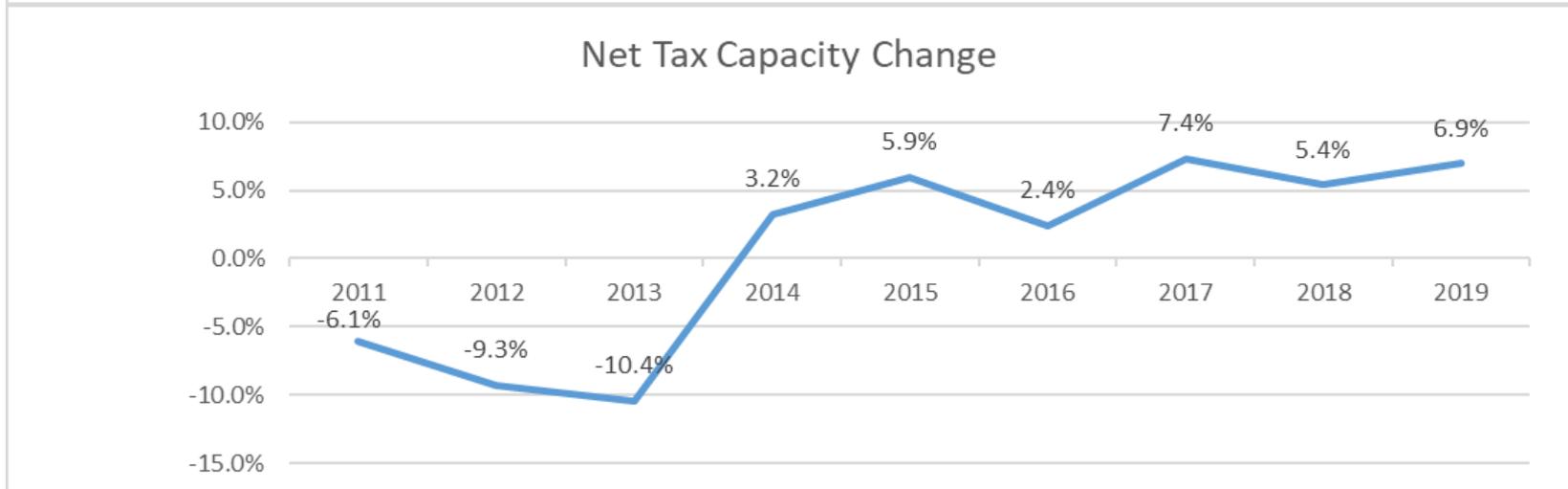
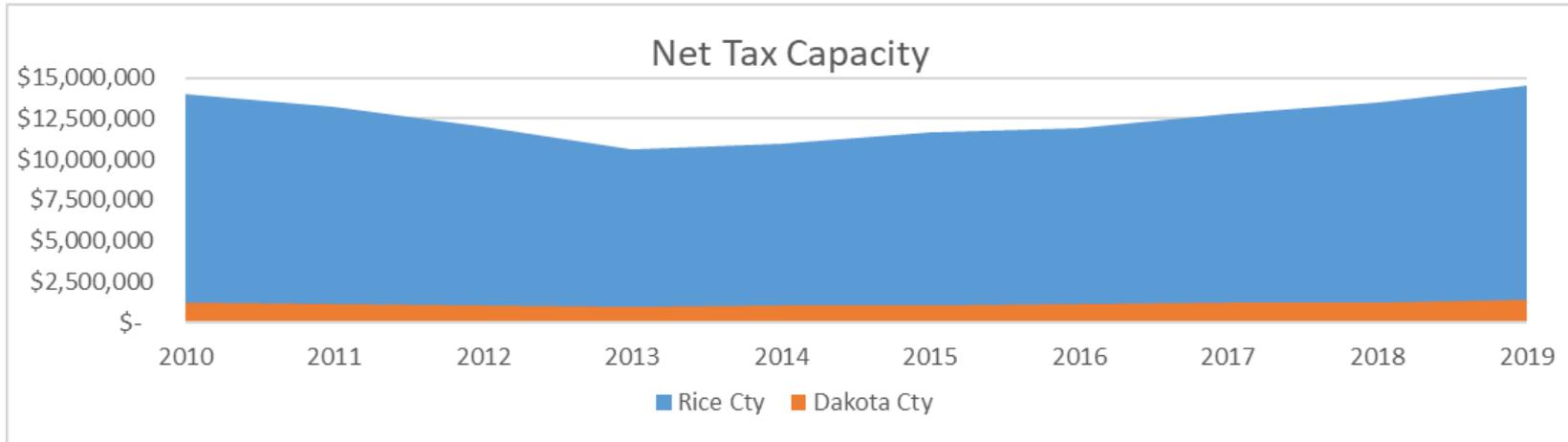
$$\text{Individual Tax Bill} = \text{Parcel Tax Capacity} * \text{City Tax Rate}$$

- Total \$ City Levy = City Budget – Non-Property Tax Revenue
- Tax Calculation with 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)

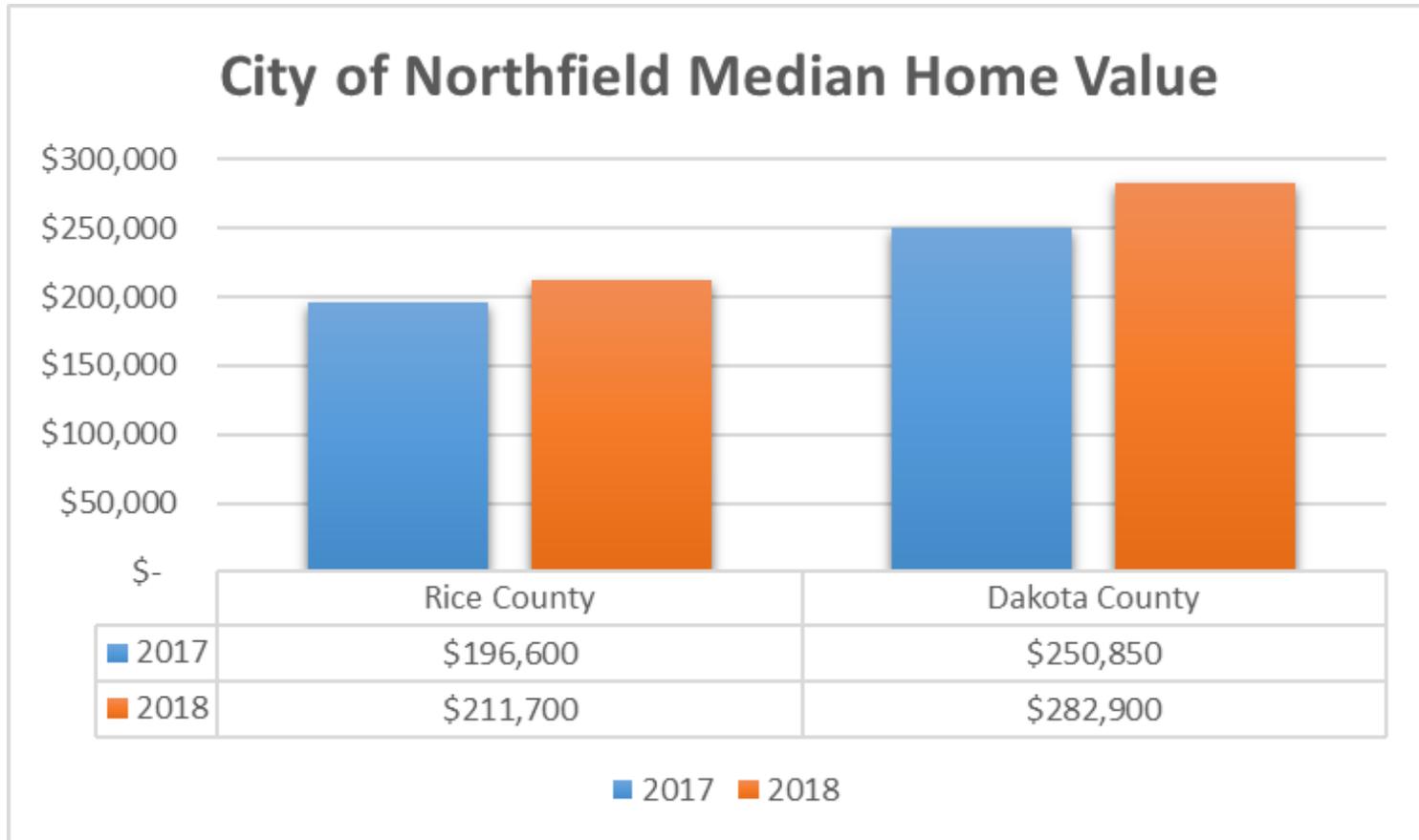
Estimated Market Value Changes

- Estimated Market Value (EMV) increased 6.4%
 - 2018 valuation payable in 2019 \$1,476,302,700
 - 2017 valuation payable in 2018 \$1,387,176,300
- Northfield includes properties in both Rice & Dakota County
 - Rice County EMV represents 91% of total and increased 6.3%
 - Dakota County EMV represents 9% of total and increased 7.7%
- Net Tax Capacity increased 6.9% (Estimated Market Value adjusted for homestead exclusion and class rate)
 - 2018 valuation payable in 2019 \$15,785,634
 - 2017 valuation payable in 2018 \$14,760,814

Net Tax Capacity Trend

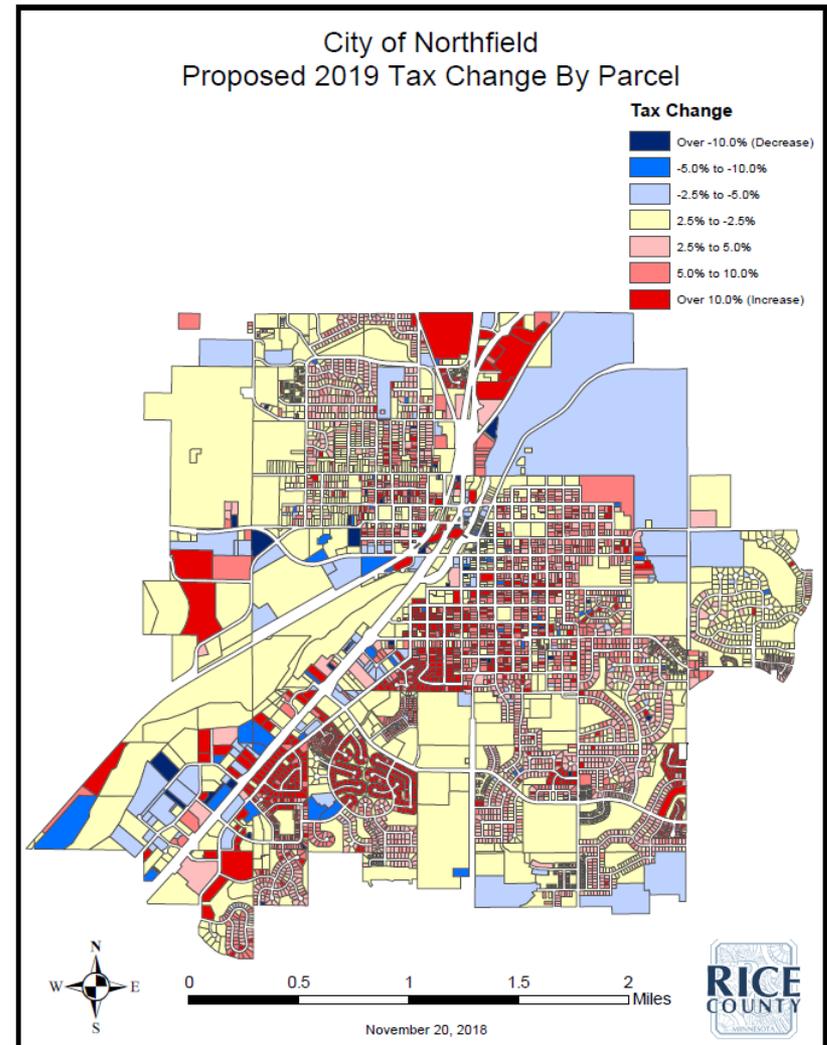


City of Northfield Median Home Value



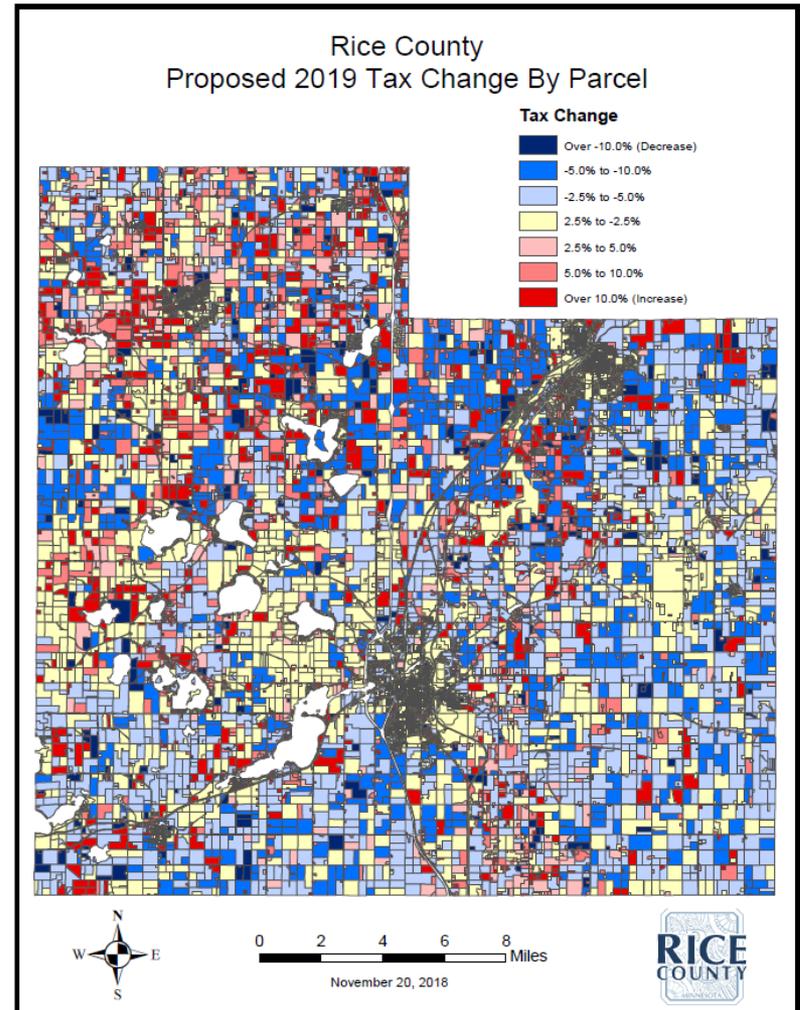
Tax Change by Parcel Map

- 2019 Net Tax Capacity for Northfield increased 6.9%
 - Rice County increased 6.8%
 - Dakota County increased 8.3%
- Individual parcel tax changes vary according to the map
- Rice and Dakota County Auditors parcel specific notices have been sent



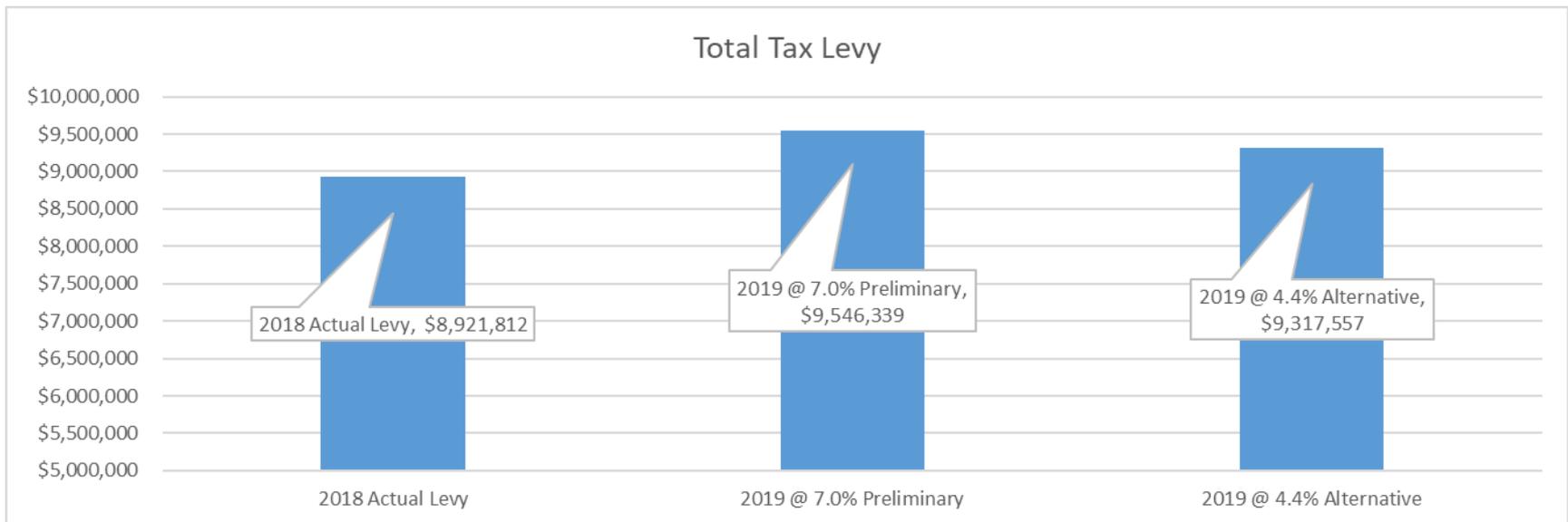
Tax Change by Parcel Map

- 2019 Net Tax Capacity changes for Rice County
- Individual parcel tax changes vary according to the map
- Ag land valuations in general remained flat, however, saw decreases in taxes based on lower tax rates

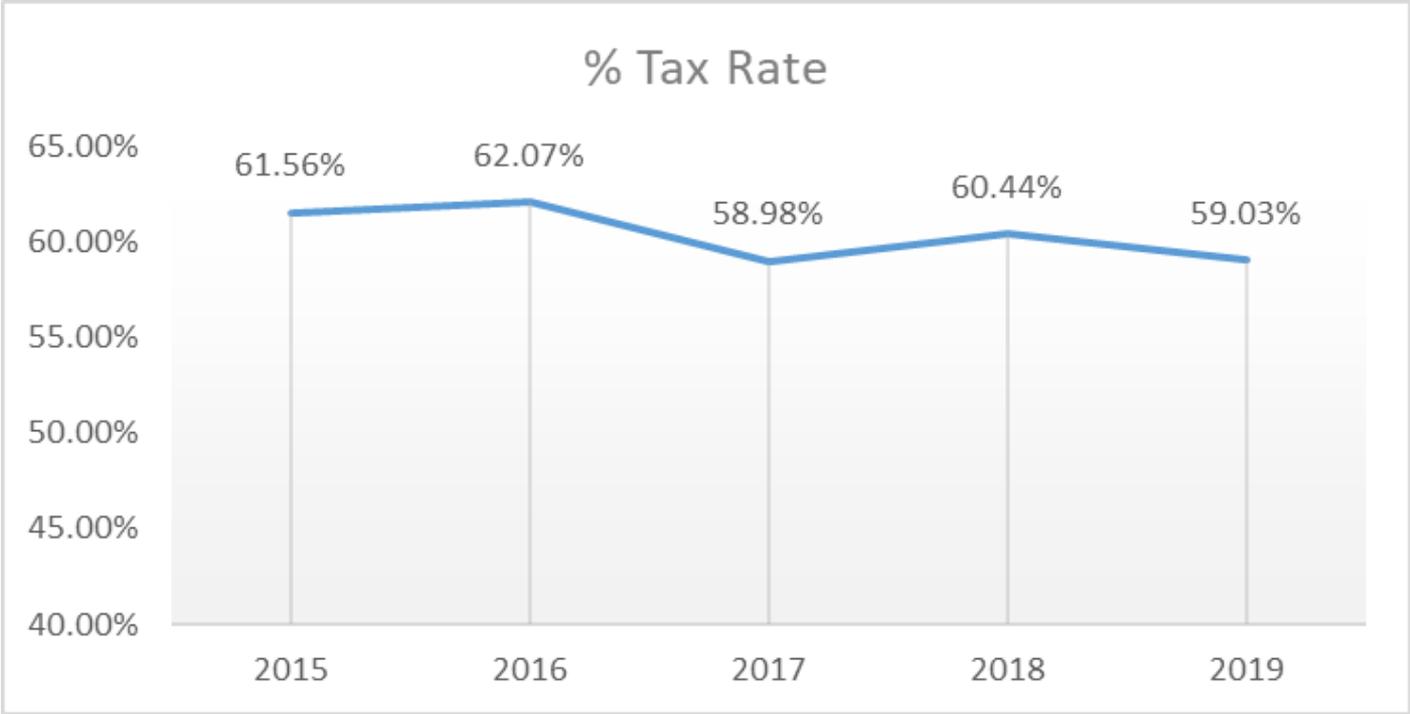


Proposed Levy

- Certified 2018 Levy \$8,921,812
- Certified Preliminary 2019 Levy \$9,546,339, 7.0% increase
- Alternative 2019 Levy \$9,317,557, 4.4% increase
 - All future schedules use the 4.4% increase alternative



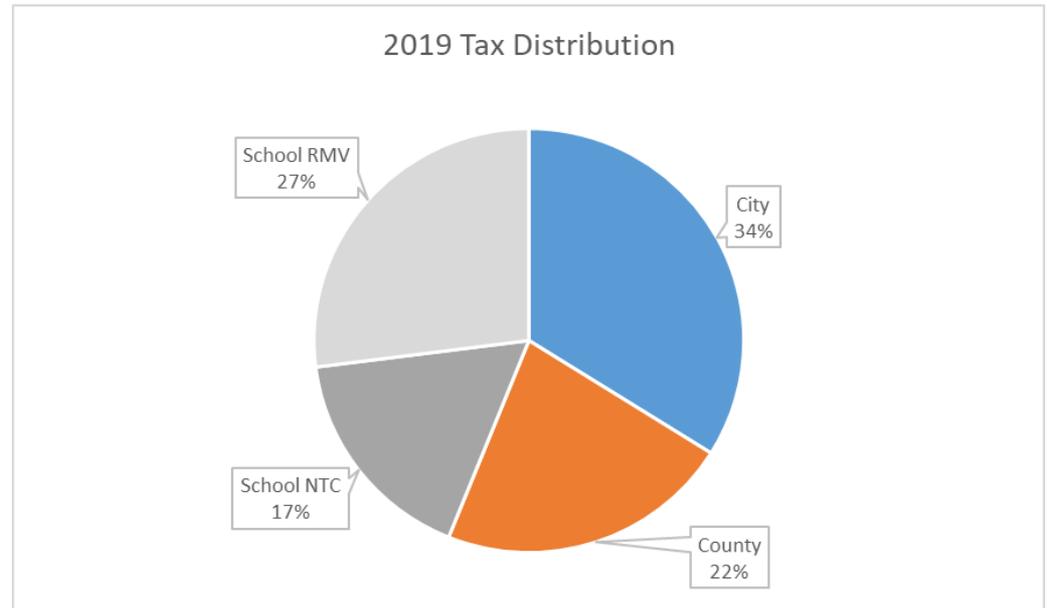
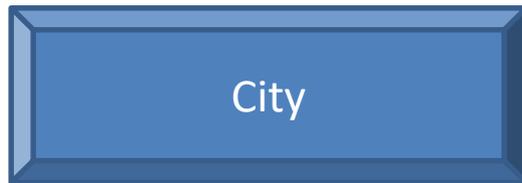
City Tax Rate Trend



* Combined Tax Rate for both Dakota and Rice Counties; 4.4% levy increase

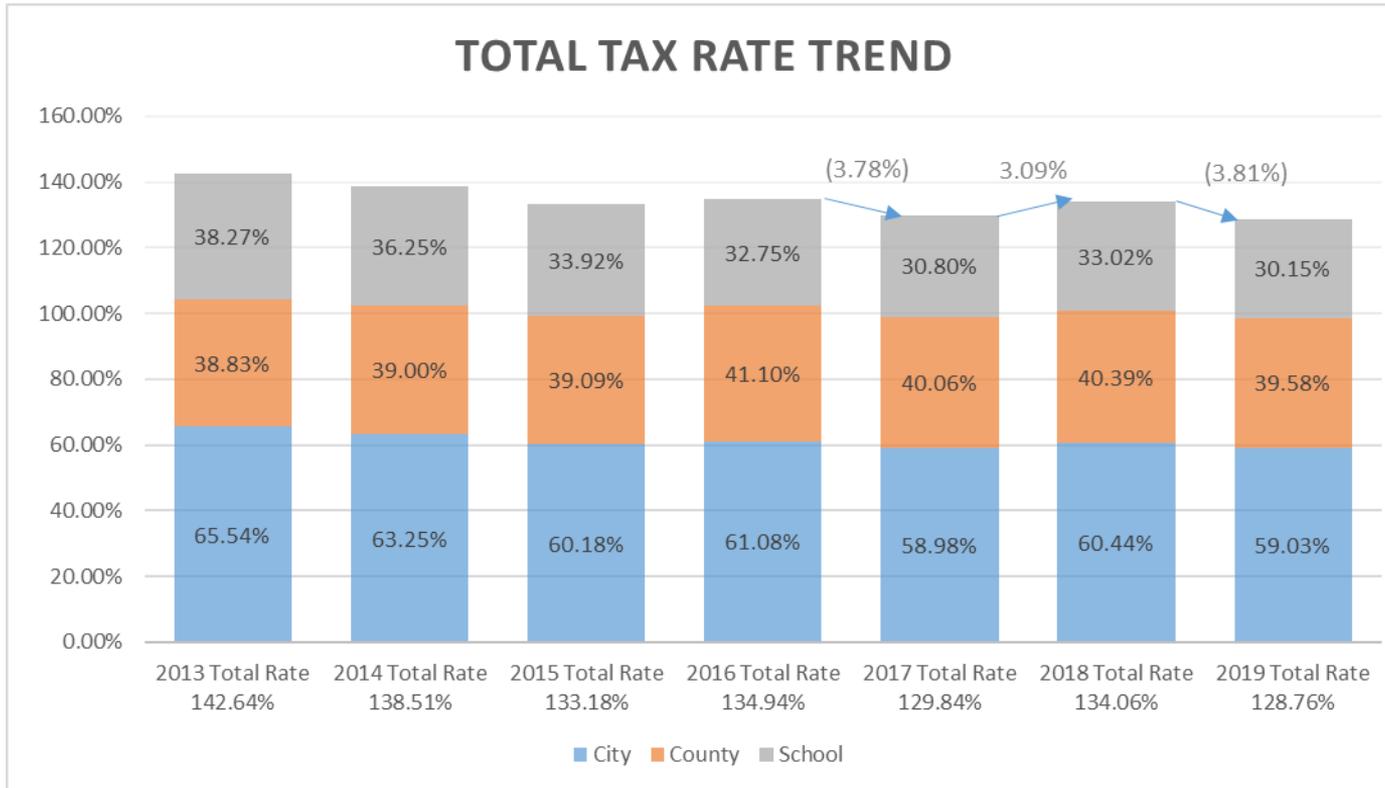
Property Taxes

- Who levies property taxes?



- Percentages based on current Rice County example at median home value
- Net Tax Capacity (NTC) and Referendum Market Value (RMV)

Total NTC Tax Rate Trend



- Tax Rate based on Net Tax Capacity (NTC), does not include the portion of school tax based on Referendum Market Value
- Source: Rice County Assessors Office

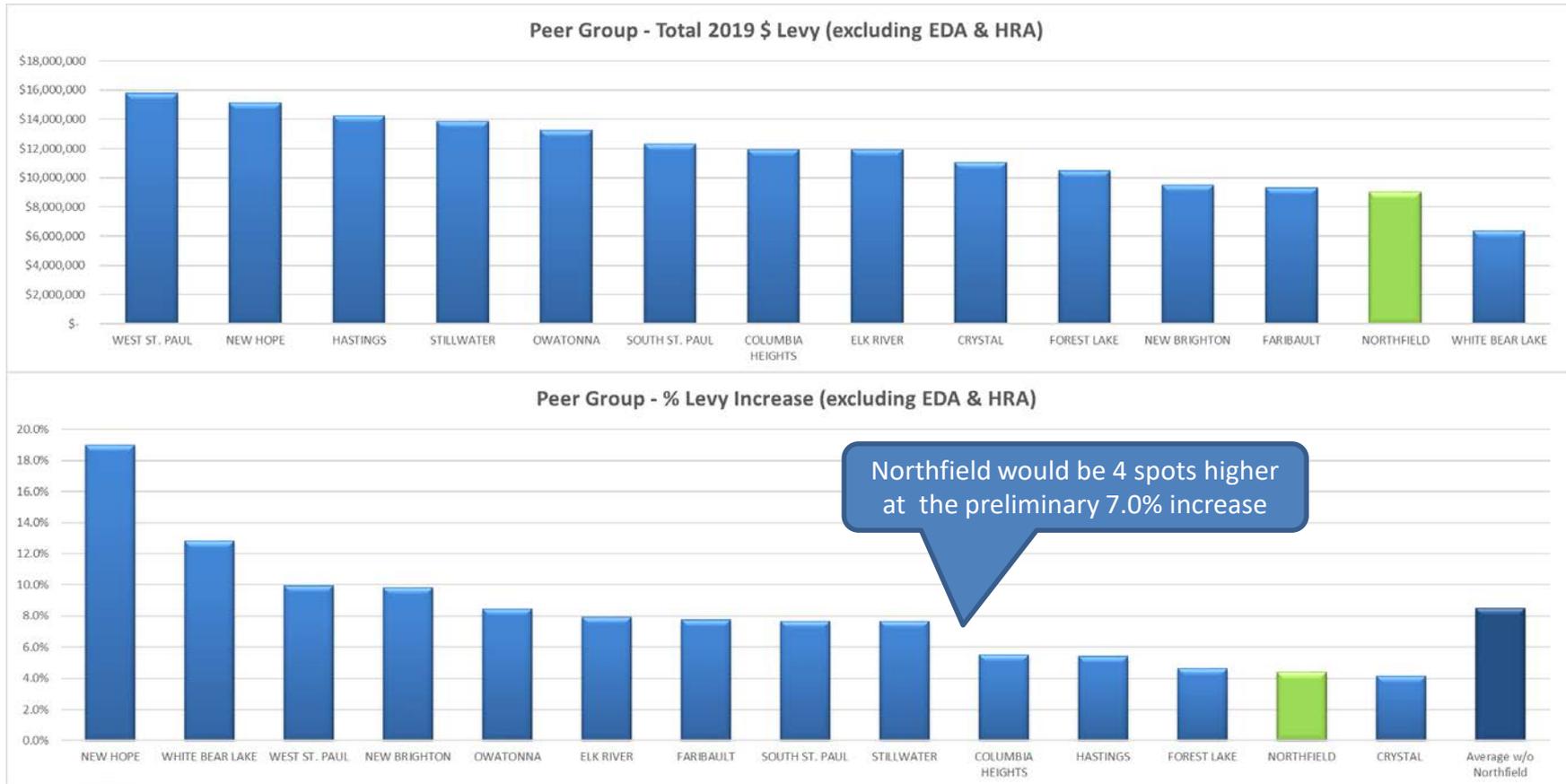
Total Tax Rate Comparisons

- 2019 Rate comparison
 - Northfield 128.76%
- 2016 Rate comparison (most recent available data)
 - 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%)

Levy Comparison

- Northfield's Preliminary 2019 levy is lower than most peers



- Based on 2019 Preliminary Levy Data from Peer Group Cities, Northfield included at 4.4% levy increase

Residential Total Tax Rate Impact

Assumes a 4.4% levy increase and no EMV increase

Homestead Residential Property									
Entity		2016		2017		2018		2019	
		Tax Rate	Tax Paid						
County	\$ 150,000	41.101%	\$ 519	40.059%	\$ 506	40.388%	\$ 510	39.580%	\$ 500
City	\$ 150,000	61.083%	\$ 771	58.975%	\$ 745	60.443%	\$ 763	59.026%	\$ 745
School	\$ 150,000	32.753%	\$ 955	30.803%	\$ 903	33.023%	\$ 1,080	30.148%	\$ 1,043
Total	\$ 150,000	134.937%	\$ 2,245	129.837%	\$ 2,154	133.854%	\$ 2,353	128.754%	\$ 2,288
County	\$ 175,000	41.101%	\$ 631	40.059%	\$ 615	40.388%	\$ 620	39.580%	\$ 608
City	\$ 175,000	61.083%	\$ 938	58.975%	\$ 905	60.443%	\$ 928	59.026%	\$ 906
School	\$ 175,000	32.753%	\$ 1,134	30.803%	\$ 1,073	33.023%	\$ 1,280	30.148%	\$ 1,235
Total	\$ 175,000	134.937%	\$ 2,703	129.837%	\$ 2,593	133.854%	\$ 2,828	128.754%	\$ 2,749
County	\$ 200,000	41.101%	\$ 743	40.059%	\$ 724	40.388%	\$ 730	39.580%	\$ 716
City	\$ 200,000	61.083%	\$ 1,104	58.975%	\$ 1,066	60.443%	\$ 1,093	59.026%	\$ 1,067
School	\$ 200,000	32.753%	\$ 1,314	30.803%	\$ 1,242	33.023%	\$ 1,481	30.148%	\$ 1,428
Total	\$ 200,000	134.937%	\$ 3,161	129.837%	\$ 3,033	133.854%	\$ 3,304	128.754%	\$ 3,211
County	\$ 250,000	41.101%	\$ 967	40.059%	\$ 943	40.388%	\$ 950	39.580%	\$ 931
City	\$ 250,000	61.083%	\$ 1,437	58.975%	\$ 1,388	60.443%	\$ 1,422	59.026%	\$ 1,389
School	\$ 250,000	32.753%	\$ 1,673	30.803%	\$ 1,582	33.023%	\$ 1,881	30.148%	\$ 1,813
Total	\$ 250,000	134.937%	\$ 4,077	129.837%	\$ 3,912	133.854%	\$ 4,254	128.754%	\$ 4,133
County	\$ 300,000	41.101%	\$ 1,191	40.059%	\$ 1,161	40.388%	\$ 1,170	39.580%	\$ 1,147
City	\$ 300,000	61.083%	\$ 1,770	58.975%	\$ 1,709	60.443%	\$ 1,752	59.026%	\$ 1,711
School	\$ 300,000	32.753%	\$ 2,031	30.803%	\$ 1,921	33.023%	\$ 2,282	30.148%	\$ 2,198
Total	\$ 300,000	134.937%	\$ 4,993	129.837%	\$ 4,791	133.854%	\$ 5,204	128.754%	\$ 5,056

City portion is a decrease of (\$18)/year, (2.3%)

City portion is a decrease of (\$26)/year, (2.3%) or (\$2)/month

City portion is a decrease of (\$41)/year, (2.3%)

Impact analysis based on Rice County rates
 Tax rate shown is of Net Tax Capacity (NTC)
 School Tax Paid includes taxes on referendum market value

Residential Total Tax Rate Impact

- 2019 vs 2018 Total Tax Rate comparison
 - Scenario of Estimated Market Value increasing 6.4%
 - 6.4% average increase for Northfield
 - Total tax change impact is approximately (2.8%)
 - Remaining increase is due to valuation changes

Homestead Residential Property					
2018 Value	2019 Value	2018 Tax Paid	2019 Tax Paid	19v18 Change	% Change
\$ 150,000	\$ 150,000	\$ 2,353	\$ 2,288	\$ (65)	-2.76%
\$ 150,000	\$ 159,600	\$ 2,353	\$ 2,465	\$ 111	4.74%
\$ 175,000	\$ 175,000	\$ 2,828	\$ 2,749	\$ (79)	-2.79%
\$ 175,000	\$ 186,200	\$ 2,828	\$ 2,955	\$ 128	4.52%
\$ 200,000	\$ 200,000	\$ 3,304	\$ 3,211	\$ (93)	-2.81%
\$ 200,000	\$ 212,800	\$ 3,304	\$ 3,446	\$ 143	4.32%
\$ 250,000	\$ 250,000	\$ 4,254	\$ 4,133	\$ (121)	-2.84%
\$ 250,000	\$ 266,000	\$ 4,254	\$ 4,428	\$ 174	4.09%
\$ 300,000	\$ 300,000	\$ 5,204	\$ 5,056	\$ (149)	-2.86%
\$ 300,000	\$ 319,200	\$ 5,204	\$ 5,409	\$ 205	3.94%

(2.81%) (\$93) Tax Change Impact

7.13% \$236 Valuation Impact

4.32% \$143 Total Impact or \$12/month increase, City portion only is an increase of \$4.5/month

Residential Total Tax Rate Impact

- \$211,700 Estimated Market Value 2018 – Residential Homestead, with a 5.6% Market Value Increase
- \$144 Total Tax increase, a 4.4% increase
 - \$72 City Tax increase, 7.0%
 - TNT Statements show the preliminary 7.0% levy increase
- Note: The school district's voter approved property tax for 2019 may be higher than the proposed amount shown on this notice based on the recently approved referendum.



RICE COUNTY
PROPERTY TAX & ELECTIONS
320 Third Street NW
Faribault, MN 55021
(507) 332-6104
www.co.rice.mn.us

PROPOSED TAXES 2019

THIS IS NOT A BILL. DO NOT PAY.
VALUES AND CLASSIFICATION

Taxes Payable Year	2018	2019
Step 1 Estimated Market Value	200,400	211,700
Homestead Exclusion	19,200	18,200
Taxable Market Value	181,200	193,500
Property Classification	Res Hstd	Res Hstd

PROPOSED TAX	
Step 2 Property Taxes before credits	3,454.00
School building bond credit	0.00
Agricultural market value credit	0.00
Other Credits	0.00
Property Taxes after credits	3,454.00

PROPERTY TAX STATEMENT
Coming in March 2019

The time to provide feedback on
PROPOSED LEVIES IS NOW

It is too late to appeal your value without going to Tax Court.

Residential Homestead
with 5.6% Market
Value Increase
Example

Legal Description:

Proposed Property Taxes and Meetings by Jurisdiction for Your Property			
Contact Information	Actual 2018	Proposed 2019	Meeting Information
RICE COUNTY 320 3RD ST NW FARIBAULT MN 55021 Tel.: 507-332-6104	728.94	761.68	Thursday, Dec 6th, 2018, 7:00 pm Rice County Gvt Serv Building Board Room 320 Third Street NW Faribault, MN 55021
CITY OF NORTHFIELD 801 WASHINGTON ST NORTHFIELD MN 55057 Tel.: 507-645-8833	1,035.81	1,107.91	Tuesday, Dec 4th, 2018, 6:00 pm City Council Chambers 801 Washington Street Northfield, MN 55057
State General Tax	0.00	0.00	NO MEETING REQUIRED
SD 0659 NORTHFIELD 1400 DIVISION ST S NORTHFIELD MN 55057 Tel.: 507-663-0620	Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school districts voter approved property tax for 2019 may be higher than the proposed amount shown on this notice.		Monday, Dec 10th, 2018, 7:00 pm Northfield High School Media Center 1400 Division Street S Northfield, MN 55057
	Voter Approved 1,043.39	1,078.07	
	Other 440.21	439.86	
Special Taxing Districts	61.65	66.48	
Tax Increment Tax	0.00	0.00	NO MEETING REQUIRED
Fiscal Disparity Tax	0.00	0.00	NO MEETING REQUIRED
TOTAL Excluding Special Assessments	\$ 3,310.00	\$ 3,454.00	4.4%

IMPORTANT INFORMATION IS PRINTED ON THE BACK OF THIS FORM.

Commercial Total Tax Rate Impact

- 2019 vs 2018 Total Tax Rate comparison
 - Scenario of Valuations increasing 6.4%
 - Rice County average for Northfield
- Tax change impact is (3.6%)-(3.9%)
- Remaining increase is due to valuation changes

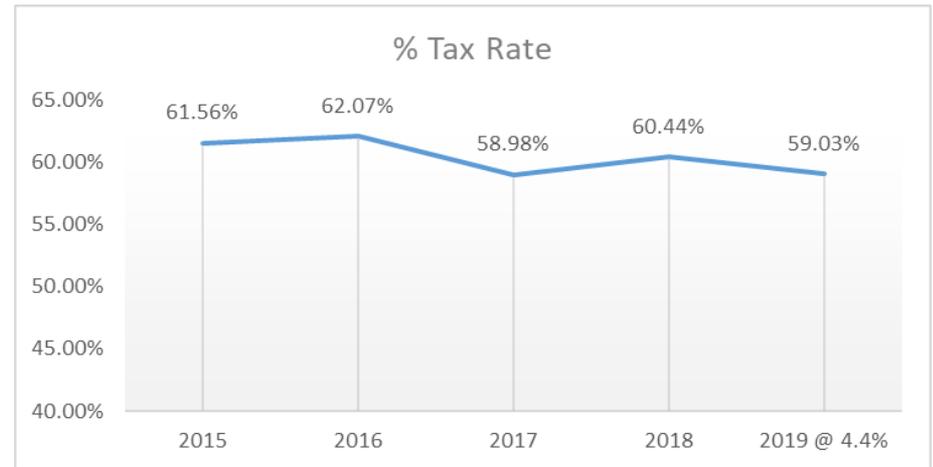
Commercial Property					
2018 Value	2019 Value	2018 Tax Paid	2019 Tax Paid	19v18 Change	19v18 % Change
\$ 200,000	\$ 200,000	\$ 6,001	\$ 5,785	\$ (216)	-3.61%
\$ 200,000	\$ 212,800	\$ 6,001	\$ 6,276	\$ 275	4.58%
\$ 500,000	\$ 500,000	\$ 17,990	\$ 17,294	\$ (695)	-3.86%
\$ 500,000	\$ 532,000	\$ 17,990	\$ 18,522	\$ 533	2.96%

(3.86%) (\$695)/year Tax Change Impact

6.82% \$1,228/year Valuation Impact

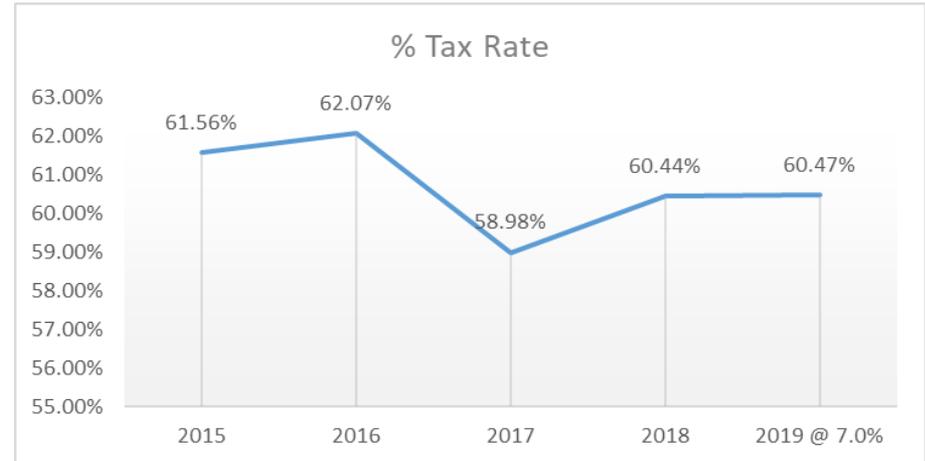
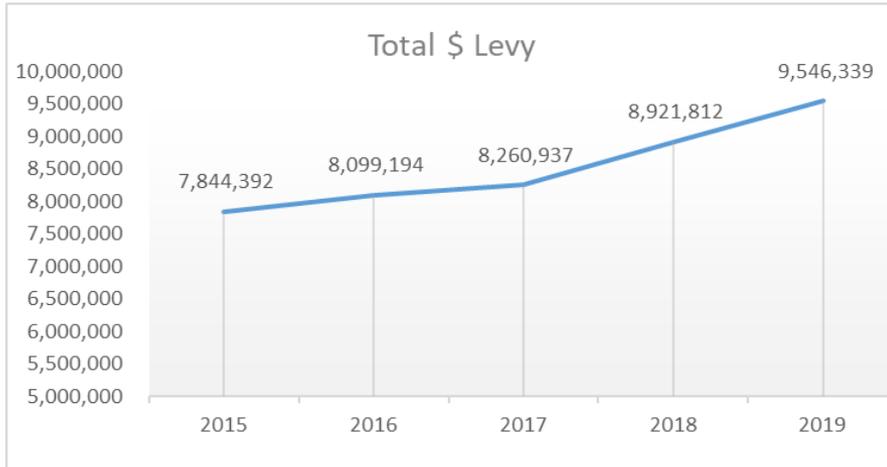
2.96% \$533/year Total Impact
\$44/month

4.4% Levy increase



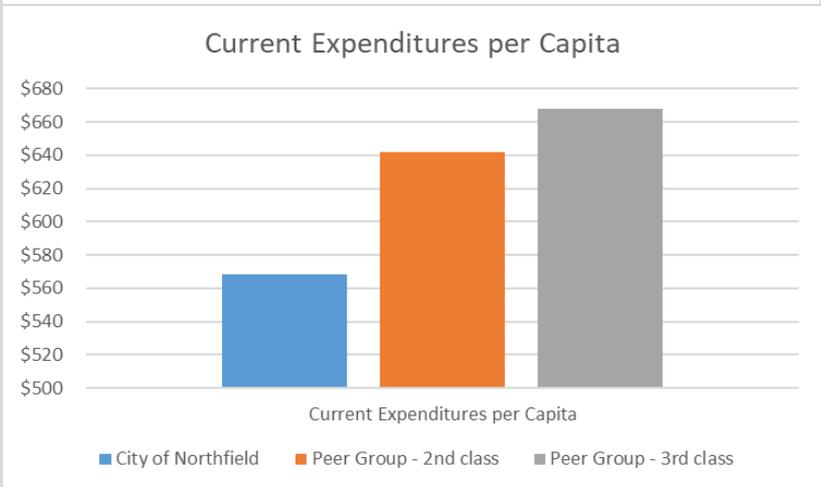
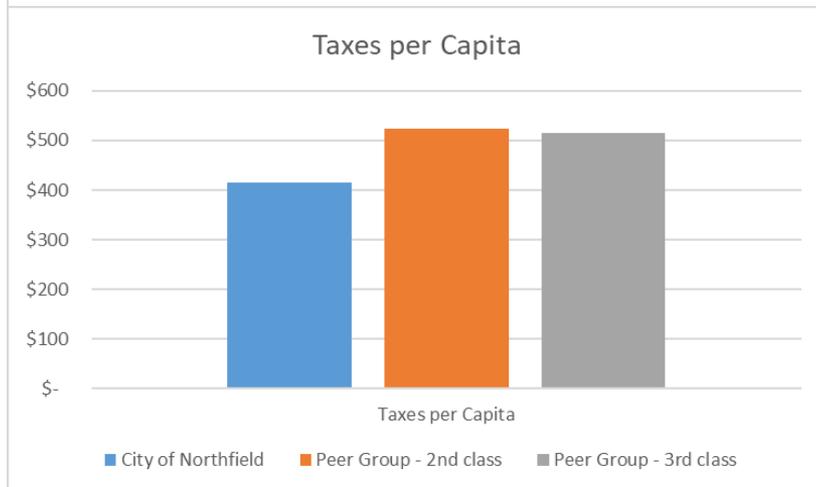
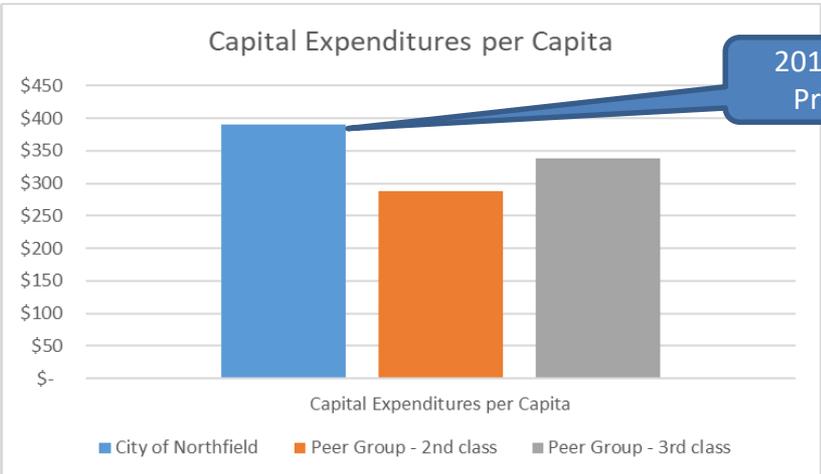
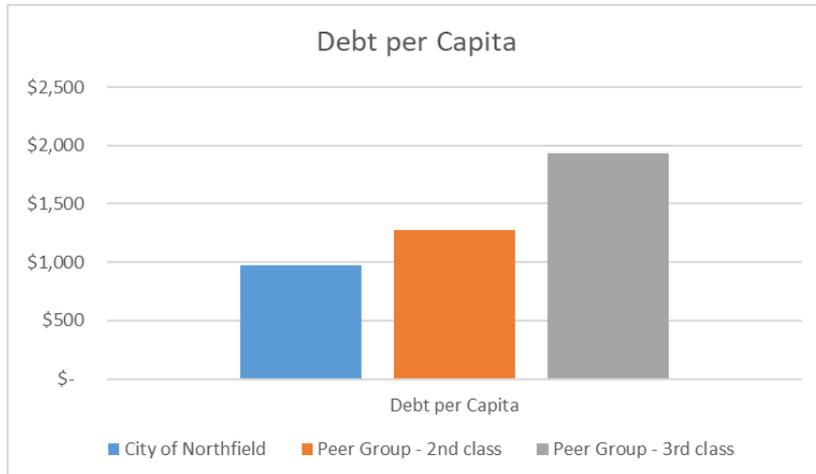
- At a 4.4% levy increase, the city-wide tax rate decreases from 60.44% to 59.03%
- City tax on an average \$200,000 house, with a 6.4% increase in Estimated Market Value, will increase \$56/year or \$5/month.

7.0% Levy increase



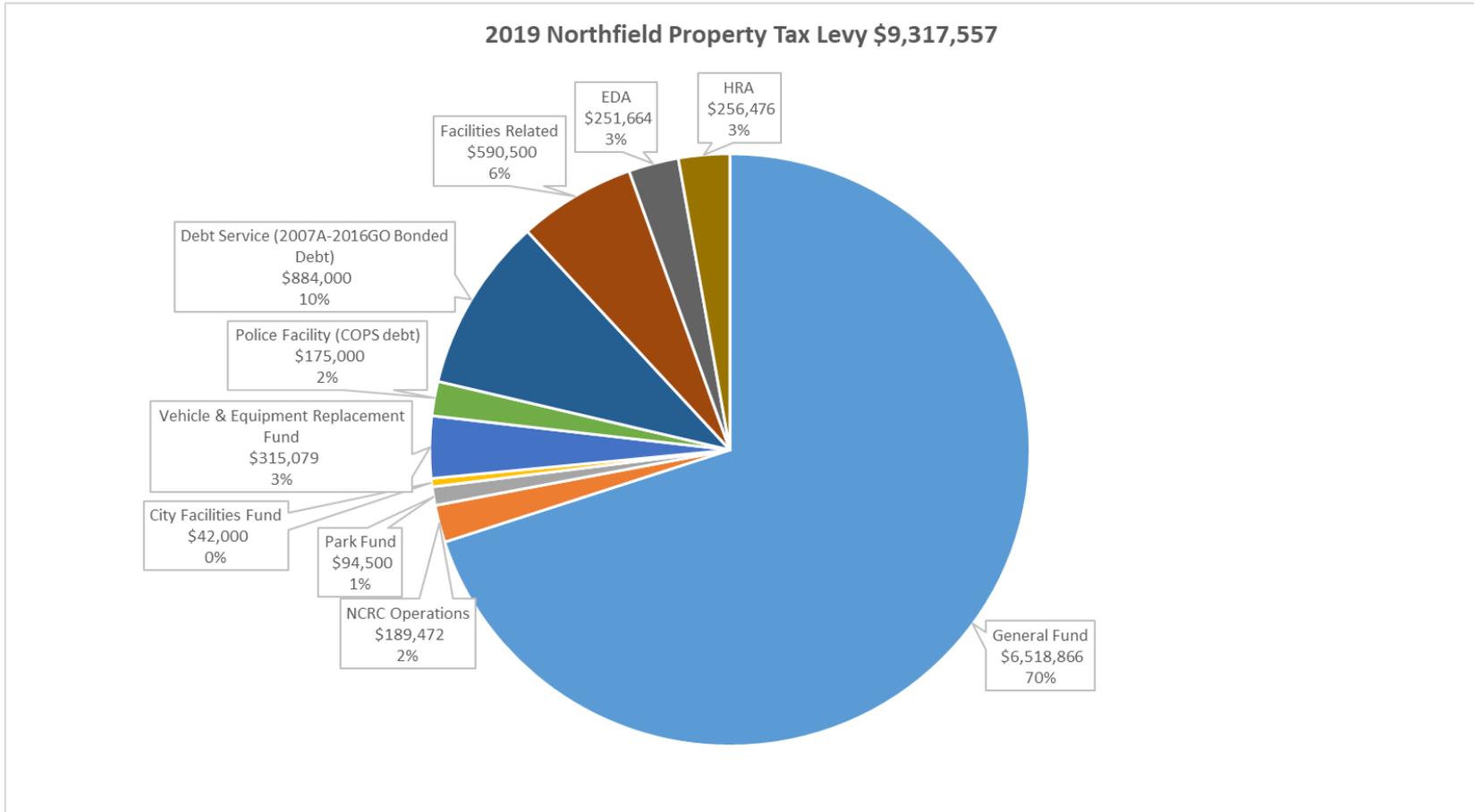
- Preliminary 7.0% increase levy approved in September keeps city wide tax rate flat
- City tax on an average \$200,000 house, with a 6.4% increase in Estimated Market Value, will increase \$85/year or \$7/month
 - This alternative is \$2/month more than the 4.4% increase

Ratio Comparison to Peer Groups

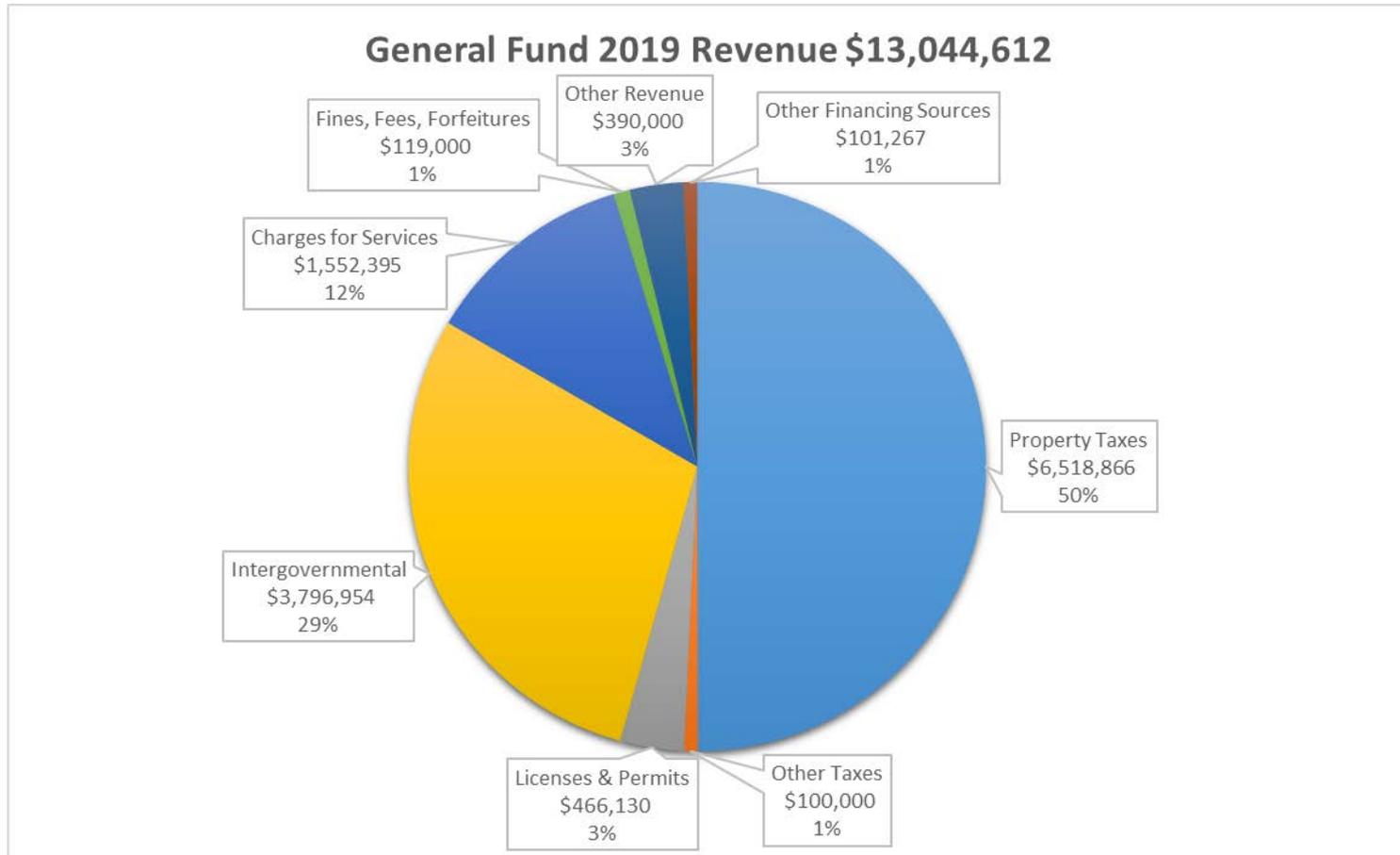


Source: 2017 Abdo Eick & Meyers Audit Management Letter, page 20, (2016 comparisons)
 Peer Group 2nd class – City populations of 20,000-100,000, Peer Group 3rd class – City populations of 10,000-20,000

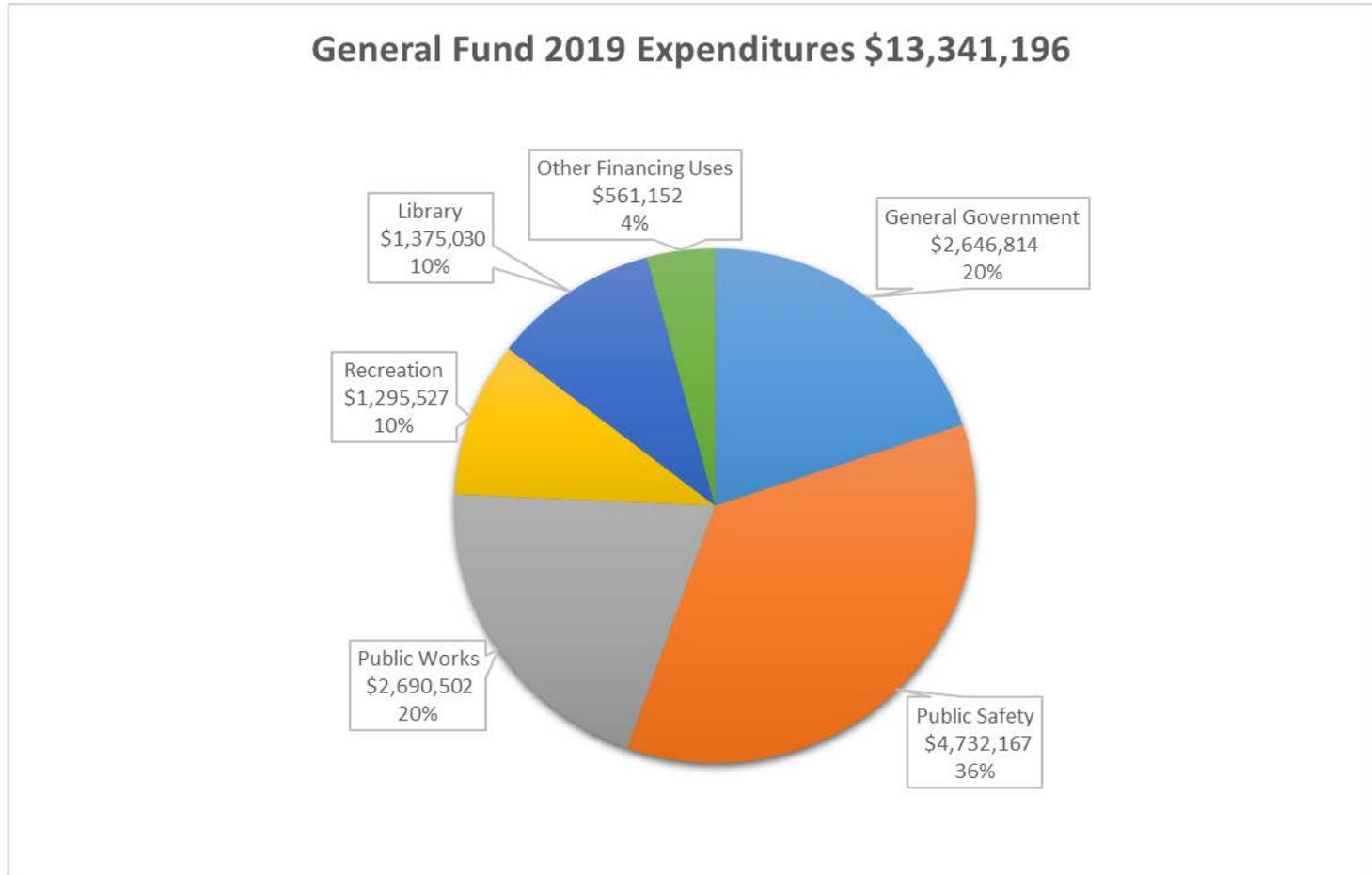
2019 Tax Levy



2019 General Fund Revenue



2019 General Fund Expenditures



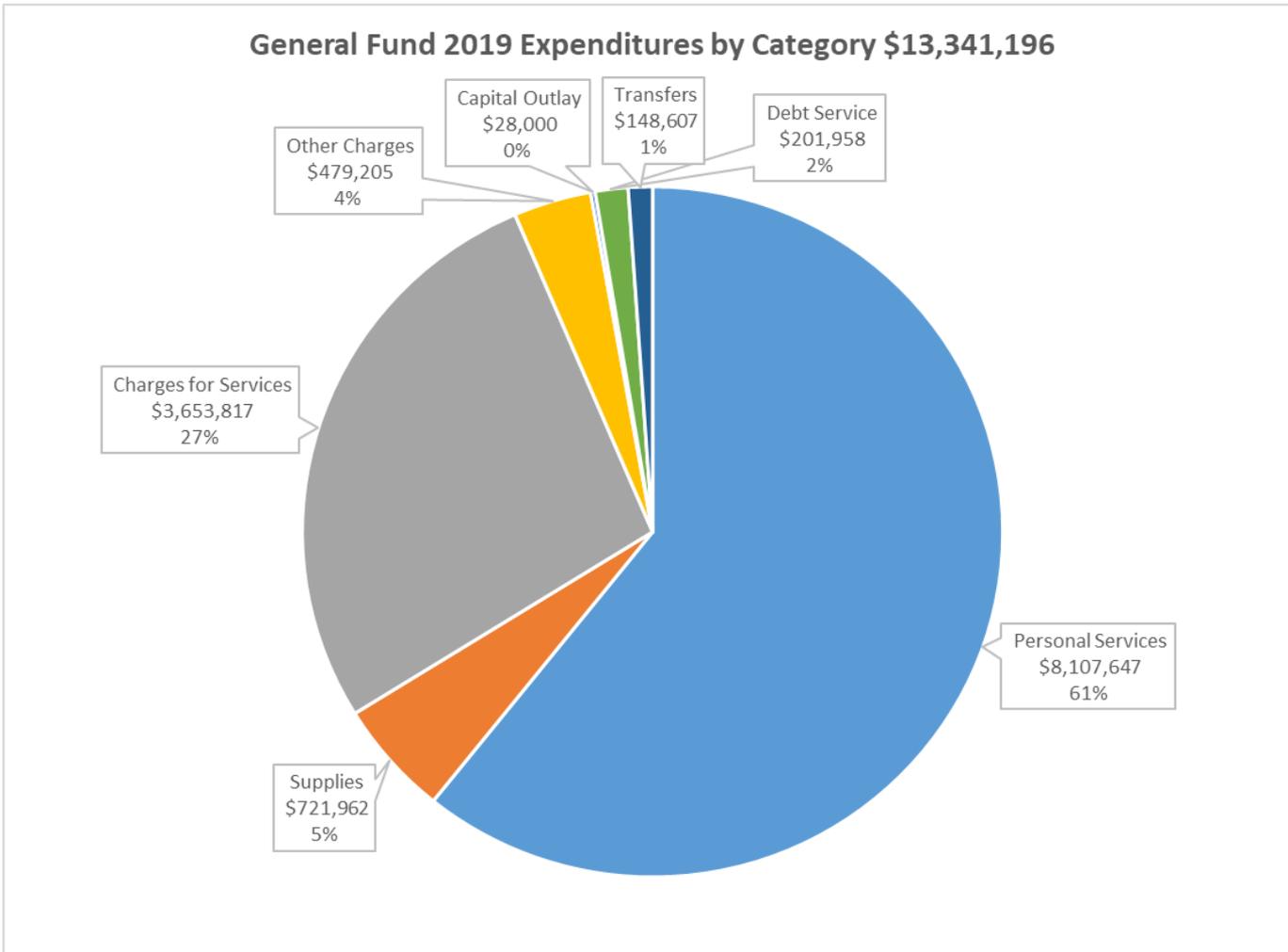
2019 General Fund Expenditures

EXPENDITURES BY MAJOR FUNCTION	2018 Budget Adopted	% of Total	2019 Budget Proposed	% of Total	Difference
GENERAL GOVERNMENT					
Mayor & Council	\$ 367,159	2.9%	\$ 385,358	2.9%	\$ 18,199
Administration	\$ 456,429	3.7%	\$ 465,867	3.5%	\$ 9,438
City Clerk	\$ 198,698	1.6%	\$ 199,788	1.5%	\$ 1,090
Elections	\$ 57,667	0.5%	\$ 38,052	0.3%	\$ (19,615)
Finance	\$ 503,584	4.0%	\$ 575,620	4.3%	\$ 72,036
Human Resources	\$ 428,673	3.4%	\$ 478,864	3.6%	\$ 50,191
Community Development	\$ 134,719	1.1%	\$ 244,807	1.8%	\$ 110,088
Planning	\$ 173,547	1.4%	\$ 180,208	1.4%	\$ 6,661
General Government Building	\$ 139,361	1.1%	\$ 118,254	0.9%	\$ (21,107)
Total General Government	\$ 2,459,837	19.7%	\$ 2,686,818	20.1%	\$ 226,981
PUBLIC SAFETY					
Police Administration	\$ 3,682,587	29.5%	\$ 3,857,092	28.9%	\$ 174,505
Fire	\$ 545,350	4.4%	\$ 526,742	3.9%	\$ (18,608)
Building Inspection	\$ 300,482	2.4%	\$ 348,333	2.6%	\$ 47,851
Total Public Safety	\$ 4,528,419	36.2%	\$ 4,732,167	35.5%	\$ 526,371

2019 General Fund Expenditures

EXPENDITURES BY MAJOR FUNCTION	2018 Budget Adopted	% of Total	2019 Budget Proposed	% of Total	Difference
PUBLIC WORKS					
Engineering	\$ 555,536	4.4%	\$ 550,273	4.1%	\$ (5,263)
Streets	\$ 1,464,621	11.7%	\$ 1,551,272	11.6%	\$ 86,651
Street Lighting	\$ 300,000	2.4%	\$ 300,000	2.2%	\$ -
Facilities	\$ 279,588	2.2%	\$ 288,957	2.2%	\$ 9,369
Total Public Works	\$ 2,599,745	20.8%	\$ 2,690,502	20.2%	\$ 646,371
CULTURE & RECREATION					
Ice Arena	\$ 350,793	2.8%	\$ 379,061	2.8%	\$ 28,268
General Parks	\$ 307,366	2.5%	\$ 329,020	2.5%	\$ 21,654
Athletic Facilities	\$ 134,800	1.1%	\$ 143,891	1.1%	\$ 9,091
Outdoor Pool	\$ 236,868	1.9%	\$ 216,663	1.6%	\$ (20,205)
Recreation Administration	\$ 219,226	1.8%	\$ 226,892	1.7%	\$ 7,666
Total Culture & Recreation	\$ 1,249,053	10.0%	\$ 1,295,527	9.7%	\$ 702,214
LIBRARY	\$ 1,263,831	10.1%	\$ 1,375,030	10.3%	\$ 111,199
OTHER FINANCING USES	\$ 393,091	3.1%	\$ 561,152	4.2%	\$ 168,061
TOTAL EXPENDITURES	\$ 12,493,976	100.0%	\$ 13,341,196	100.0%	\$ 847,220

2019 General Fund Expenditures



2019 General Fund Expenditures

4.4% levy increase includes the following additional staffing requests:

- Police Officers
 - \$102,000 Investigator
- Streets and Parks Operators
 - \$90,350 for one
- Communication Specialist PT to FT
 - \$40,000 Benefits & additional hours
- Building Permit Technician PT
 - \$23,000
- Paid Parental \$ Family Leave Policy
 - \$23,000 (2 weeks)

Increase funded from
the Communications
Fund

Funded by offset of
increased revenue

2019 General Fund Expenditures

Additional Items for consideration:

- Police Officers
 - \$122,000 Sergeant (1.4% levy increase)
- Streets and Parks Operators
 - \$90,350 for one (1.0% levy increase)
- Paid Family & Parental Leave Policy
 - \$23,000 Option 1 (2 weeks) included in budget
 - \$39,700 Incremental Option 2 (additional 6 wks)
 - The amount of leave that will be used under this policy is an unknown and cost estimates will vary greatly depending upon amount of usage from year to year

2019 One-Time Use of General Fund Reserves

- \$149K NAFRS Fire Truck
 (\$286K initial portion authorized in 2018)
- \$ 50K Accounting Software Upgrade
- \$ 10K Northfield Historical Society
 Bank Raid Exhibit update
- \$100K Temporary Project Manager - Strategic
 Initiatives (\$200K total over 2 years)

New from staff proposed

- \$20K Riverfront Initiative Additional Funding
- \$30K Employee Accruals & Benefits Analysis

Note: These items (\$359K) included in preliminary budget and levy, utilizing general fund reserves above target, will look like an unbalanced budget

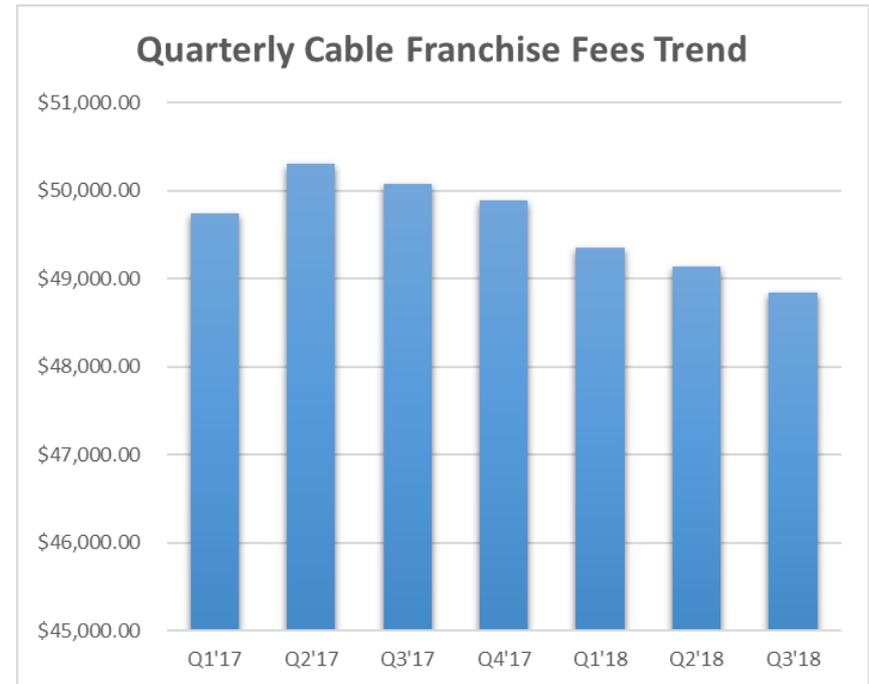
2019 One-Time Use of General Fund Reserves

One-time Use of Reserves - 2018-2020 Budget

	2018	2019	2020	Total
NAFRS Pumper Truck	\$ 286,280	\$ 148,607		\$ 434,887
Accounting Software		\$ 50,000		\$ 50,000
Temp Project Mgr		\$ 97,977	\$100,916	\$ 198,893
Northfield Historical Society		\$ 10,000		\$ 10,000
Riverfront Initiative Additional		\$ 20,000		\$ 20,000
Employee Benefits Analysis		\$ 30,000		\$ 30,000
	\$ 286,280	\$ 356,584	\$100,916	\$ 743,780
		Estimate over Target		\$ 900,000
		Total Allocated		\$ (743,780)
		Remaining Available		\$ 156,220

2019 Communications Fund

- Revenue \$241,000
 - Increased PEG fees from \$0.75 to \$1.00, generates \$10K annually
 - Caution regarding Franchise Fee stability as households cut the cord and concerns regarding recent legislative challenges
- Expense \$237,945
 - New 50% of the FT Communication Position will be funded here (\$38K)
 - Capital Expenditures – (PEG Fee funded) Communications Equipment update
- Net Revenue/(Expense) \$3K
- Fund Balance \$600K (12/31/17)



2019 NCRC Fund

- Revenue \$247,078
- Expense \$256,502
- Net Revenue/(Expense) (9,424)
- Current subsidy partially relates to the Senior Center
- Fund Balance \$393K (12/31/17)
 - Roof repair in 2018 to reduce balance
- NCRC CIP – 2019 Carpet Replacement \$50,000 (City is the financing conduit and will be paid back over life of improvement from NCRC Corp)

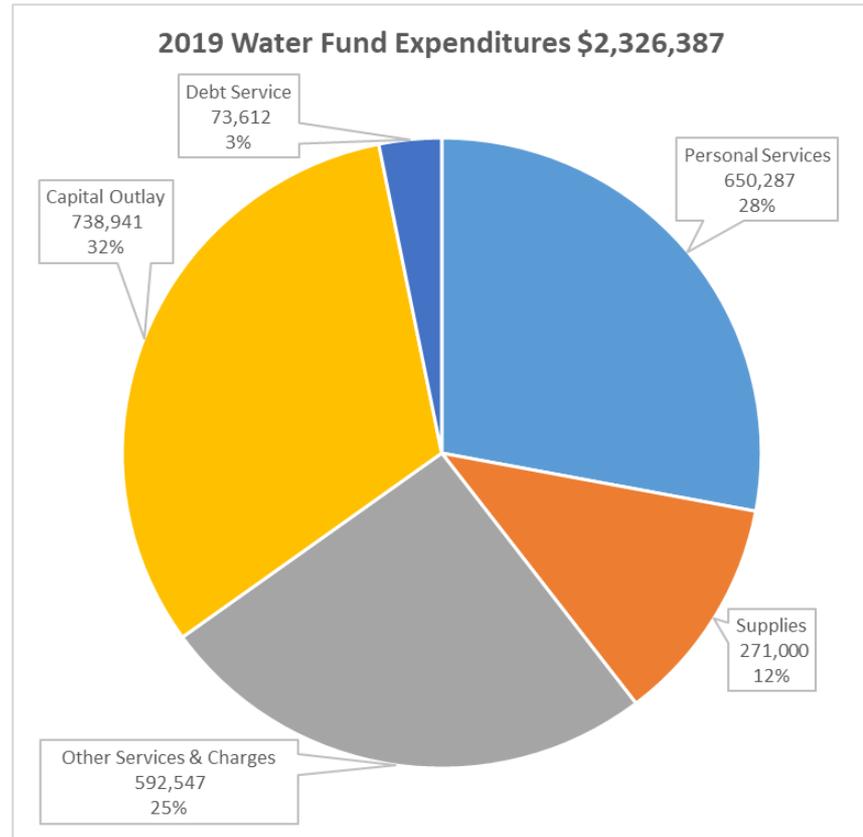
2019 Utility Funds

- City completed a new Utility Rate Study in 2018
 - Projects rates from 2019-2028
- All 2019 increases adopted were recommended by the 2018 Utility Rate Study
 - Water 1.0% increase
 - Waste Water 1.75% increase
 - Storm Water 5.0% increase
 - Garbage no change
- Estimated impact per average user is \$1.08/month
 - Average bill will increase from \$67.68/month to \$68.76/month



2019 Water Fund

- 1% increase in 2019
 - per 2018 rate study
- Revenue \$2,086,645
- Net Revenue/(Expense) (\$239,742) excludes depreciation
- Fund Balance \$6.4 million
 - 2019 Street Projects utilizing \$733,941 of fund balance
 - 2019 will also make a \$1.7M interfund loan to WasteWater fund.

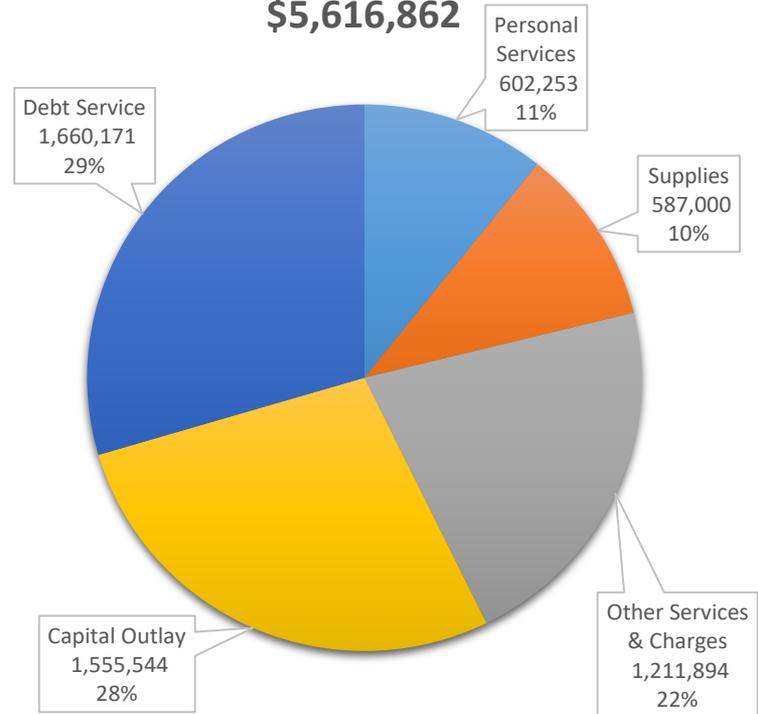


2019 Waste Water Fund

- 1.75% increase in 2019
 - per 2018 rate study
- Revenue \$4,503,949
- Net Revenue/(Expenses) (\$1,112,913) excludes depreciation
- Fund Balance \$3.2 million
 - 2019 Street Projects & Plant upgrades utilizing \$1,555,544 of fund balance
 - 2019 will also receive a \$1.7M interfund loan from Water fund

2019 Waste Water Fund Expenditures

\$5,616,862

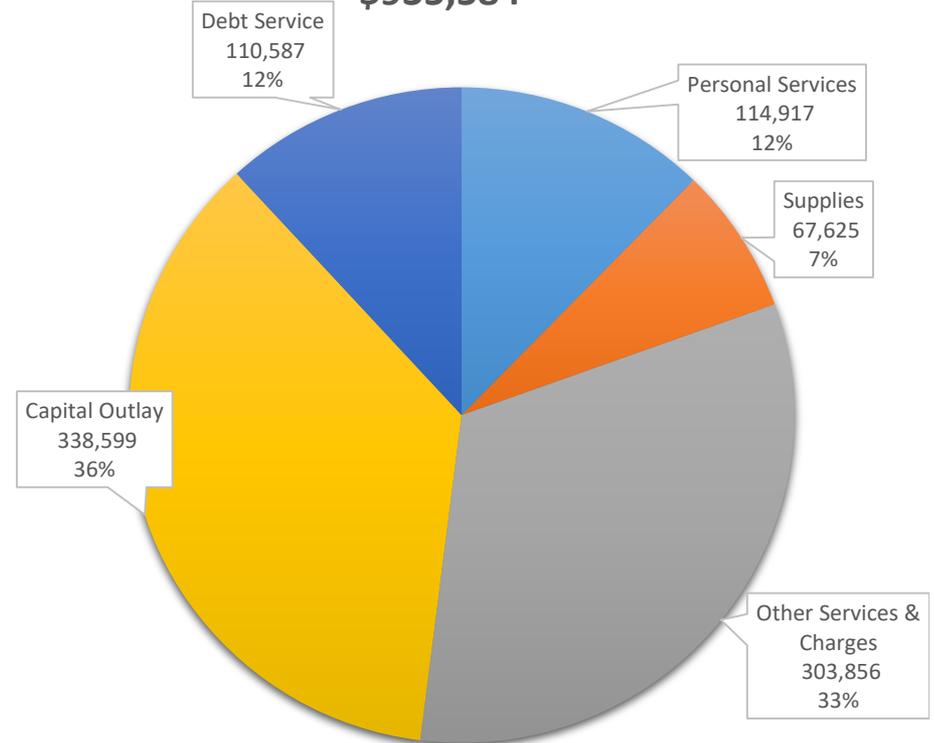


2019 Storm Water Fund

- 5% increase in 2019
 - per 2018 rate study
- Revenue \$924,384
- Net Revenue/(Expense) (\$11,200) excluding depreciation
- Fund Balance \$417K
 - 2019 Street Projects utilizing \$338,599 of fund balance

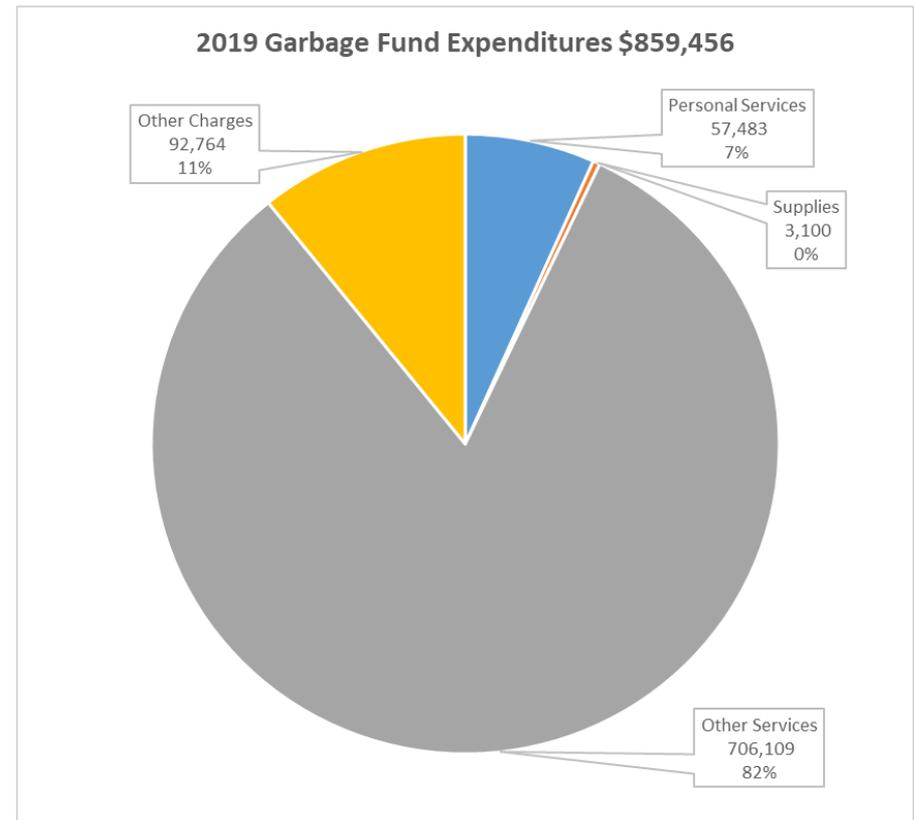
2019 Storm Water Fund Expenditures

\$935,584



2019 Garbage Fund

- 0% increase in 2019
 - per 2018 rate study
- Revenue \$911,043
- Net Revenue/(Expense) \$51,587
- Fund Balance \$1.1 million
 - The garbage hauling contract and landfill charges make up 82% of the expenditures
 - 54% contract with DSI and 21% landfill charges
 - Currently negotiating new contract with DSI



2019 Project Highlights (CIP)

- **3 Street Projects**

- TH 246 & Jefferson Pkwy Roundabout (2019 Design, 2020 Construction)
- NW Area Street Reclamation
- Spring Creek Road Reconstruction



Summary

- Resolutions are attached representing the alternative 4.4% increase and a 4.9% increase
 - 7.0% target was the preliminary levy approved
 - A 4.4% target can be achieved based on modifications and the resulting tax reduction is noted below
 - Includes Administrative Charge adjustment from Utility Funds
 - Includes added Positions described earlier
 - Includes 2 year Temporary Project Manager for Strategic Initiatives
 - Does not include the Police Sergeant or the 2nd Streets and Parks Operator
 - \$4 estimated property tax increase on a \$200,000 value house
 - A 4.9% increase would incrementally include Option 2 of the Paid Family and Parental Leave Policy

Public Comment