



City of Otsego

Truth in Taxation
2016 Budget & Property Tax Levy

Presentation & Public Input

December 14, 2015

Before We Start

○ Property Valuation Questions

- That is not the focus of this meeting.
- The Board of Equalization meeting for those questions is held annually between April 1 – May 31.

Truth in Taxation

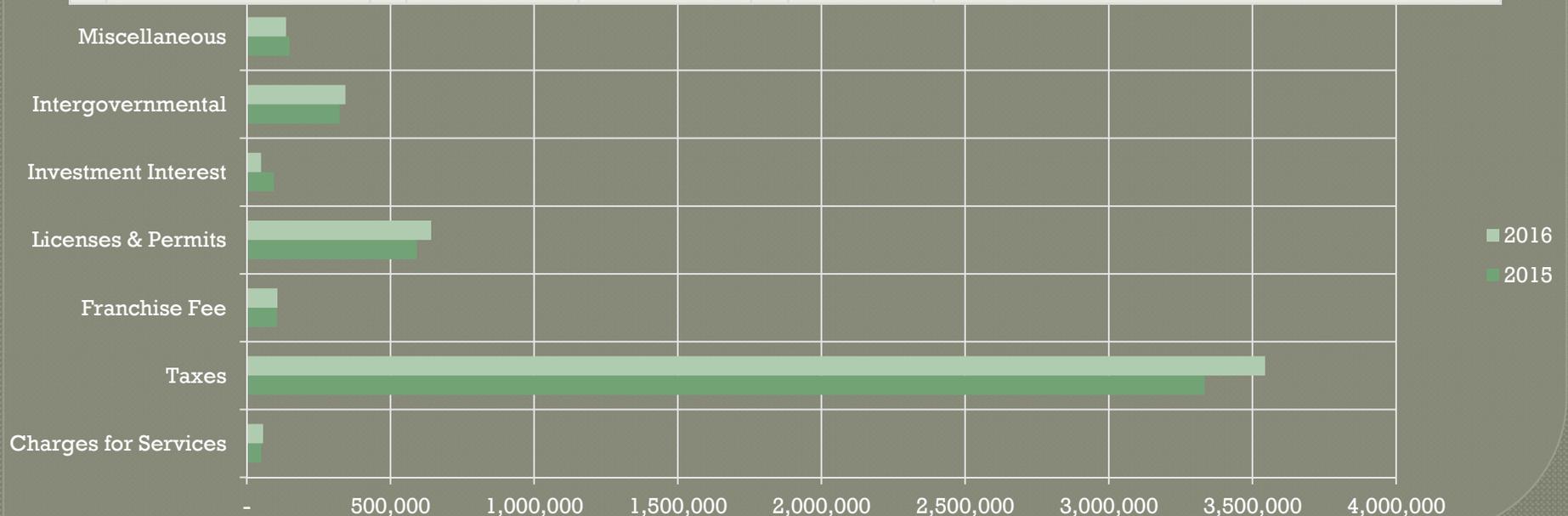
- Required by Statute 275.065, subd. 7
- Purpose
 - Discussion of 2016 Budgets
 - Discussion of Levy for Taxes Payable in 2016
 - Public Input

Budget Process – General Fund

- Staff prepare Proposed Budgets
- Proposed Budgets Reviewed
 - City Council & Staff
 - 5 Special Meetings (open to public)
- Preliminary Tax Levy & Budget
 - Certified September 28, 2015
- Additional Budget Review
 - 1 Special Meeting (open to public)
- Final Budget Adoption

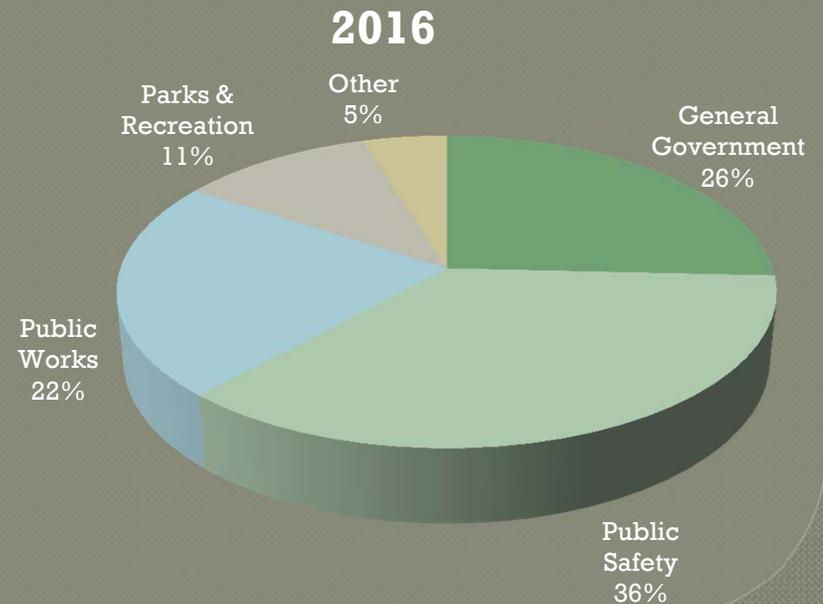
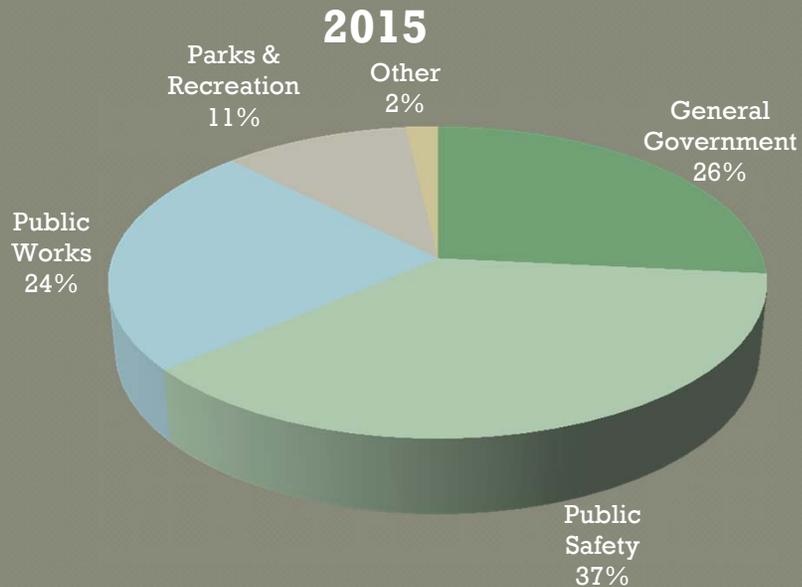
2016 General Fund - Revenues

Revenue Source	2015 Budget	2016 Budget	(\$) Change	Why?
Taxes	\$ 3,334,000	\$ 3,544,352	\$ 210,352	Taxes are the primary funding mechanism
Cable Franchise Fee	105,000	107,000	2,000	
Licenses & Permits	592,000	641,565	49,565	City expects to issue more building permits
Intergovernmental	323,122	343,590	20,468	Changes in State-Aid formulas
Charges for Services	50,700	57,000	6,300	Increased participation in Recreation programs
Investment Interest	95,000	50,000	(45,000)	Current interest rates are not favorable
Miscellaneous	149,047	136,755	(12,292)	No reimbursement for City Projects / Storm Water
Total	\$ 4,648,869	\$ 4,880,262	\$ 231,393	
Per Capita	\$ 322	\$ 326		LMC Estimates (2015 = 14,457 / 2016 = 14,968)



2016 General Fund - Expenditures

	2015	2016	(\$)
	Budget	Budget	Change
Expenditure Function			
General Government	\$ 1,181,723	\$ 1,255,768	\$ 74,045
Public Safety	1,646,083	1,757,000	110,917
Public Works	1,067,483	1,098,952	31,469
Parks & Recreation	472,013	535,652	63,639
Economic Development	81,350	105,300	23,950
Interfund Transfers	-	127,590	127,590
Total	\$ 4,448,652	\$ 4,880,262	\$ 431,610
Per Capita	\$ 308	\$ 326	



2016 General Fund – General Government

	2015 Budget	2016 Budget	(\$) Change	Why?
General Government				
City Council	\$ 82,317	\$ 116,276	\$ 33,959	Increased Contingency for General Fund
Administration	415,273	469,467	54,194	Net with Finance - Staff Reorganization
Elections	745	29,825	29,080	Presidential Election in 2016
Assessing	74,700	76,941	2,241	
Finance	342,703	288,531	(54,172)	Net with Administration - Staff Reorganization
Information Technology	66,300	72,000	5,700	
Legal	82,000	86,000	4,000	
Prairie Center	35,622	33,877	(1,745)	
City Hall & PW Building	79,063	82,351	3,288	
Old Town Hall	3,000	500	(2,500)	
Total	\$ 1,181,723	\$ 1,255,768	\$ 74,045	
Per Capita	\$ 82	\$ 84		

2016 General Fund – Public Safety

	2015	2016	(\$)	
	Budget	Budget	Change	Why?
Public Safety				
Police Services	\$ 941,700	\$ 978,200	\$ 36,500	Hourly rate increase in Wright County Contract
Public Safety Commission	1,350	2,850	1,500	Added training for Commissioners
Fire Protection	454,560	497,462	42,902	Contract with 3 Cities - Increased Contract Costs
Building Inspection	229,723	250,588	20,865	Addition of Part-Time Receptionist
Emergency Management	7,450	14,400	6,950	Purchase of three 800mhz radios
Animal Control	11,300	13,500	2,200	Based on volume - estimate of actuals
Total	\$ 1,646,083	\$ 1,757,000	\$ 110,917	
Per Capita	\$ 114	\$ 117		

2016 General Fund – Public Works

	2015 Budget	2016 Budget	(\$) Change	Why?
Public Works				
Streets	\$ 681,123	\$ 689,681	\$ 8,558	Road Materials (Gravel, Sand, Salt) / Insurance
Engineering	85,000	85,000	-	
Street Lighting	114,100	115,968	1,868	
Fleet Maintenance	187,260	208,303	21,043	Operating Supplies - Tires, Snow/Grading Blades
Total	<u>\$ 1,067,483</u>	<u>\$ 1,098,952</u>	<u>\$ 31,469</u>	
Per Capita	\$ 74	\$ 73		

2016 General Fund – Culture & Recreation

	2015	2016	(\$)	
	Budget	Budget	Change	Why?
Culture & Recreation				
Park Maintenance	\$ 343,851	\$ 381,806	\$ 37,955	Conversion of 2 Seasonal Staff to 1 FT
Recreation	126,912	151,396	24,484	PT Staff Increased from 20 to 30 Hours Weekly
Heritage Preservation Commission	1,250	2,450	1,200	Added training for Commissioners
Total	\$ 472,013	\$ 535,652	\$ 63,639	
Per Capita	\$ 33	\$ 36		

2016 General Fund – Other

	2015 Budget	2016 Budget	(\$) Change	Why?
Economic Development				
Planning Commission	\$ 2,250	\$ 3,000	\$ 750	Added training for Commissioners
Planning	65,000	88,000	23,000	Contract - Estimate of Actual
Economic Development	14,100	14,300	200	
Transfers				
Interfund Transfers	-	127,590	127,590	The City is not reliant upon LGA for Operations
Total	<u>\$ 81,350</u>	<u>\$ 232,890</u>	<u>\$ 151,540</u>	
Per Capita	\$ 6	\$ 16		

2016 Tax Levy - Factors

● Market Value

- Current environment has an increasing trend
- County is responsible for values
- Total value within City increased over 14%

● Tax Capacity

- No legislative changes in class rate system
- Change dependent upon market value
- New Construction
 - Gateway North / Waterfront East
 - Residential Permits: 2014 = 188 / 2015 = 197 to date

2016 Tax Levy - Factors

● Tax Levy

- City Increase of \$340,206
 - Growing City = Growing Needs (General Revenues)
 - Planning for the Future (Capital Reserves)
 - Debt Service
 - Economic Development (Tax Abatements)

● Other Districts

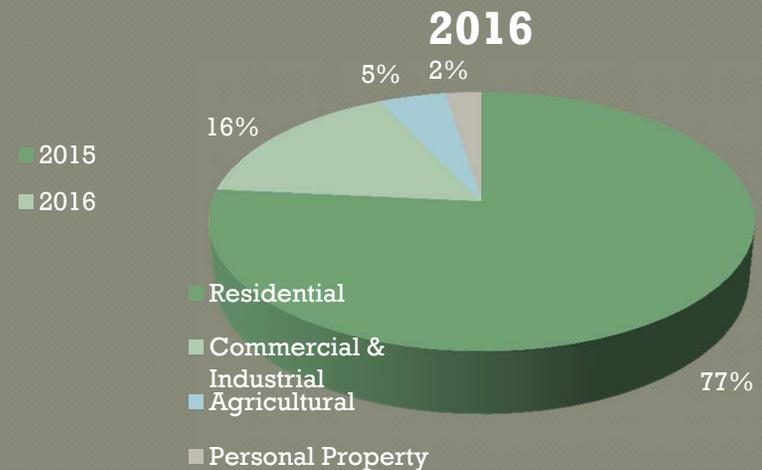
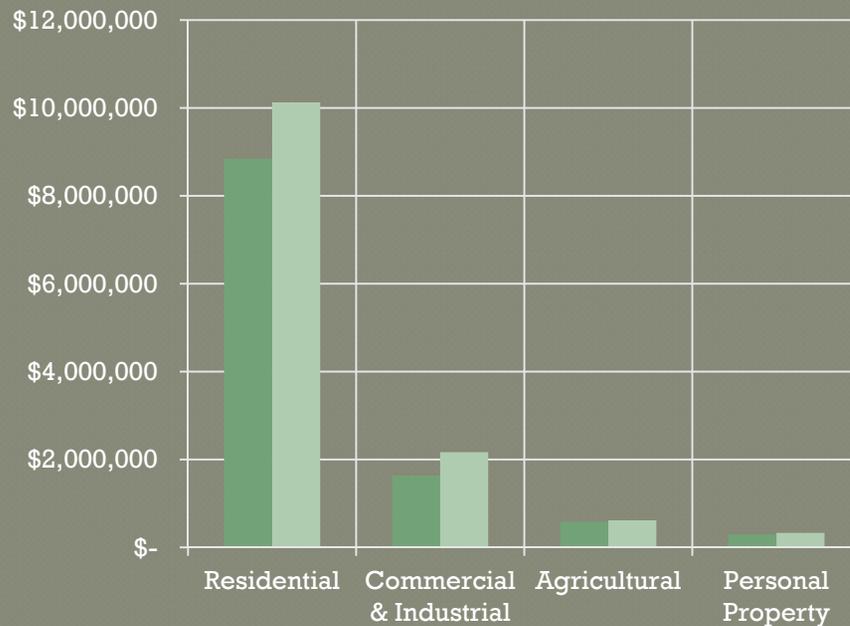
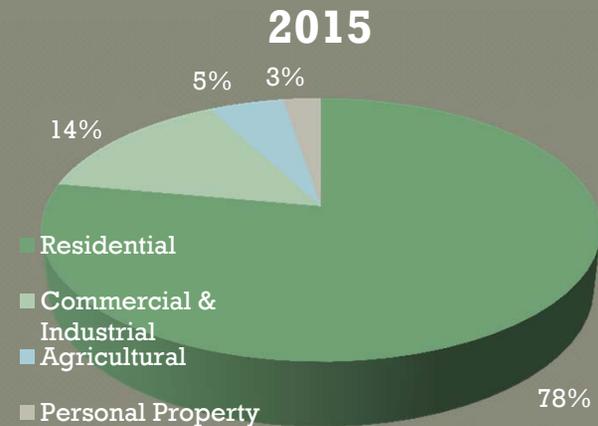
- Wright County
- School Districts
 - Elk River (#728), STMA (#885) & Monticello (#882)

2016 Tax Levy - Summary

	2015	2016	(\$)
	Levy	Levy	Change
Components of Tax Levy			
General Revenue	\$ 3,319,000	\$ 3,529,352	\$ 210,352
Capital Reserves	728,000	762,040	34,040
Debt Service	610,000	640,000	30,000
Tax Abatements	23,000	88,814	65,814
Total	<u>\$ 4,680,000</u>	<u>\$ 5,020,206</u>	<u>\$ 340,206</u>
Quick Data			
Taxable Market Value	\$ 1,054,531,800	\$ 1,212,081,400	14.94%
Tax Capacity	\$ 11,358,615	\$ 13,238,362	16.55%
Tax Rate	41.202	37.922	-7.96%
Per Capita Comparisons			
City of Otsego	\$ 324	\$ 335	
Statewide	\$ 446	n/a	
Region 7W	\$ 379	n/a	
Metro Cities (10-25k)	\$ 444	n/a	

2016 Tax Levy – Tax Capacity

Property Type	2015 Levy	2016 Levy	(\$) Change
Residential	\$ 8,843,617	\$ 10,128,207	\$ 1,284,590
Commercial & Industrial	1,633,988	2,166,341	532,353
Agricultural	582,530	614,866	32,336
Personal Property	298,480	328,948	30,468
Total	\$ 11,358,615	\$ 13,238,362	\$ 1,879,747

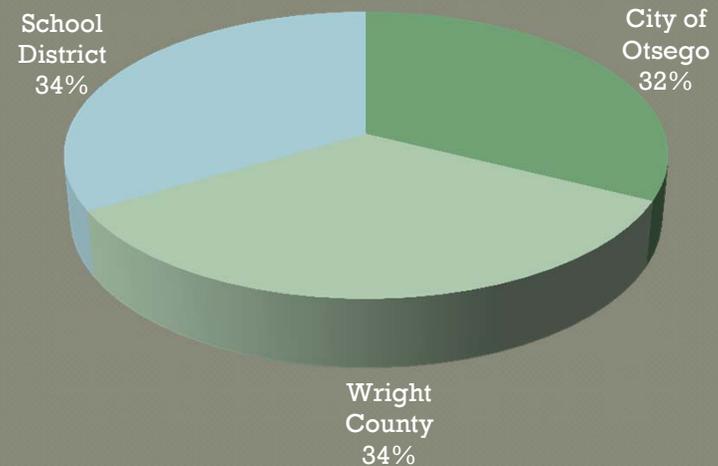
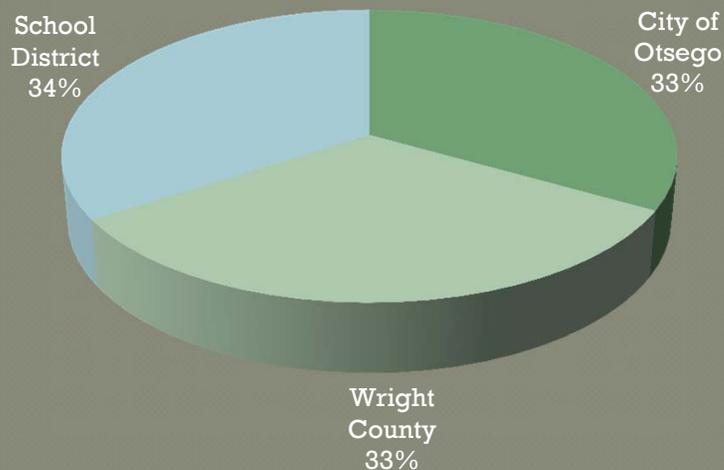


2016 Tax Levy - Illustrations

	2015 Levy	2016 Levy	(%) Change	Comments
Residential				
Median Value	\$ 185,000	\$ 191,500	3.51%	Reliable - Provided by Wright County
Less: Market Value Exclusion	(20,590)	(20,005)		Max Benefit = \$30,400 / Phase Out = \$413,778
Taxable Market Value	164,410	171,495		Subtract MV Exclusion from Estimated MV
Class Rate	1.00%	1.00%		Set by Legislature (Over \$500k is 1.25%)
Tax Capacity	1,644	1,715		Taxable MV Multiplied by Class Rate
City of Otsego - Tax Rate	41.202	37.922	-7.96%	Tax Levy Divided by Tax Capacity * 100
City of Otsego - Estimated Taxes	\$ 677	\$ 650	-4.00%	Tax Capacity Multiplied by Tax Rate
Commercial				
Arbitrary Example	\$ 700,000	\$ 700,000	0.00%	No change so that tax rate changes are evident
Tax Capacity	13,250	13,250		Class Rates are 1.50% - 2.00%
City of Otsego - Tax Rate	41.202	37.922		
City of Otsego - Estimated Taxes	\$ 5,459	\$ 5,025	-7.96%	Tax Capacity Multiplied by Tax Rate

2016 Tax Levy - Distribution

	2015 Levy	2016 Levy	(%) Change
Tax Rates			
City of Otsego	41.202	37.922	-7.96%
Wright County	40.593	39.945	-1.60%
School District	42.483	39.233	-7.65%
Total Tax Rate	124.278	117.100	-5.78%
Estimated Taxes of Median Value Residential			
City of Otsego	\$ 677	\$ 650	-4.00%
Wright County	667	685	2.64%
School District	698	673	-3.67%
Total Estimated Property Taxes	\$ 2,043	\$ 2,008	-1.72%



Capital Improvement Plan (CIP)

- 5 Year Plan (2016-2020)
- The CIP does not provide final authority
 - City Council approves each item specifically before expenditures incurred
- Estimated 2016 Investment = \$4,838,329
 - Proposed items have feasible funding sources

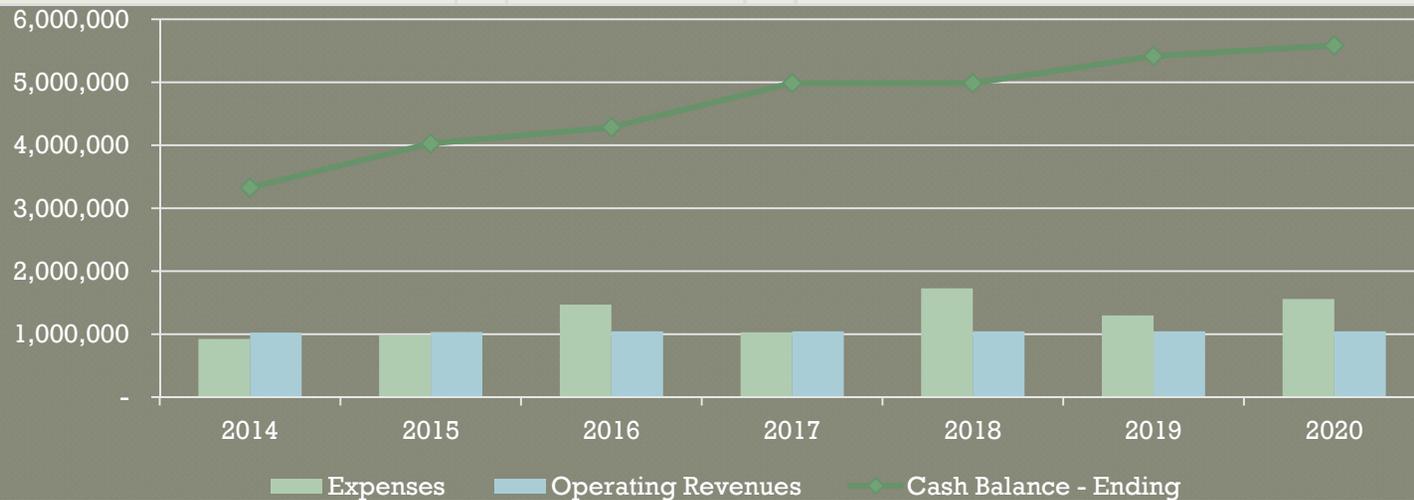
Capital Improvement Plan (CIP)

• Significant 2016 Items

- Public Utility Systems
 - West WWTF Digester Expansion - \$2M
 - Rehabilitation of Water Tower #1 - \$429k
- Streets - \$663k
- Northwoods Park - \$792k
- Vehicle Fleet - \$363k

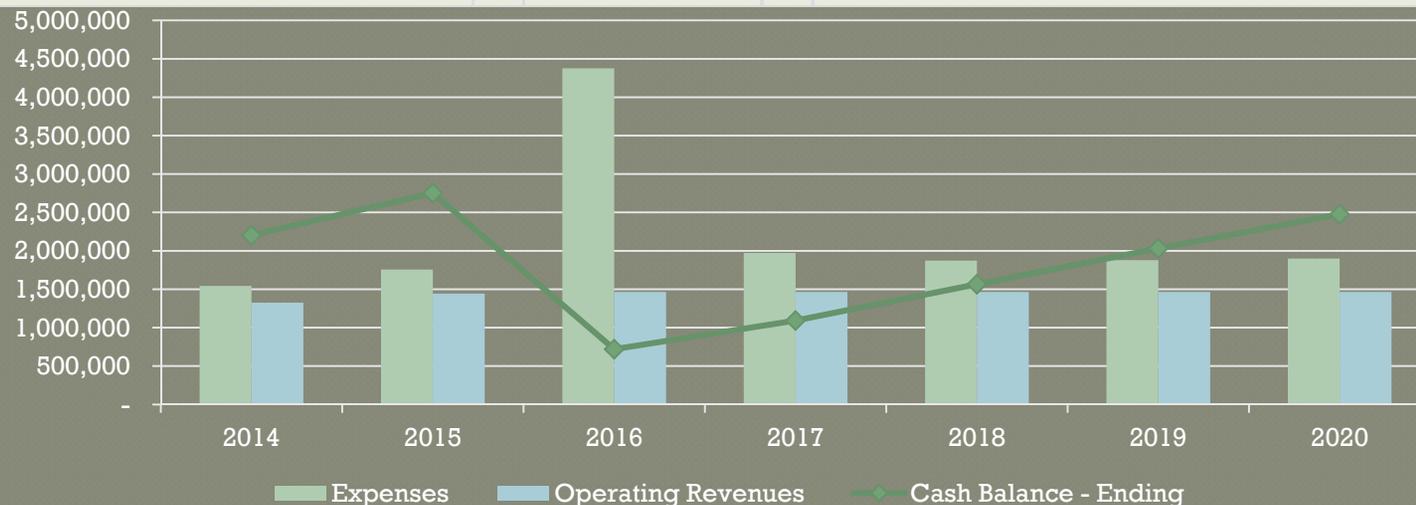
Water Utility Fund

	2016 Budget	Comments
Water Utility Fund		
Charges for Water	\$ 1,045,000	2016 rates to be determined
Nonoperating Revenues	173,480	Antenna Lease / Water Meters / Interest
Total Revenues	1,218,480	
Operating Expenses	460,596	Staffing / System Supplies & Maintenance
Depreciation	510,000	These expenses do not effect cash
Capital Outlay	456,950	Water Tower #1 Rehabilitation
Interfund Transfers	43,439	Administrative Support / Debt Service
Total Expenses	1,470,985	
Net Income / (Loss)	\$ (252,505)	
Projected Beginning Cash	\$ 4,028,111	
Estimated Net Cash Flows	257,495	
Projected Ending Cash	\$ 4,285,606	



Sanitary Sewer Utility Fund

	2016 Budget	Comments
Sanitary Sewer Utility Fund		
Charges for Sanitary Sewer	\$ 1,464,940	2016 rates to be determined
Nonoperating Revenues	-	
Total Revenues	1,464,940	
Operating Expenses	932,868	Staffing / System Supplies & Maintenance
Depreciation	880,000	These expenses do not effect cash
Capital Outlay	2,424,550	Digester Expansion at West WWTF
Interfund Transfers	140,316	Administrative Support / Debt Service
Total Expenses	4,377,734	
Net Income / (Loss)	\$ (2,912,794)	
Projected Beginning Cash	\$ 2,751,636	
Estimated Net Cash Flows	(2,032,794)	Using cash reserves to pay for one-time capital
Projected Ending Cash	\$ 718,842	



Remaining Steps

- City Council to take Public Input
- Consideration of Resolutions
 - Adopting the 2016 Annual Operating Budgets
 - Setting the Final Tax Levy for Payable 2016
 - Adopting the 2016-2020 CIP

Questions

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