



## MAYOR & COUNCIL COMMUNICATION

DATE: 12/07/2010  
**REGULAR** *Public Hearing*  
ITEM #: 11  
**MOTION** *Resolution No. 2010-068A*  
*Resolution No. 2010-068B*

**AGENDA ITEM:** *Public Hearing* - 2011 Final Property Tax Levy & 2011 General Fund Budget

**SUBMITTED BY:** Tom Bouthilet, Finance Director

**THROUGH:** Bruce Messelt, City Administrator

**REVIEWED BY:** Joe Rigdon, KDV

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**SUMMARY AND ACTION REQUESTED:** The City Council is respectfully requested to convene a Public Hearing on the Proposed 2011 Property Tax Levy & 2011 General Fund Budget. Following receipt and consideration of public comment, the City council is requested to affirmatively consider approval of Resolution 2010-068A, adopting the 2011 final property tax levy, and Resolution 2010-068B, adopting the 2011 General Fund budget. The recommended motions to act on this are as follows:

***SUGGESTED*** *“Move to approve Resolution 2010-068A, adopting the 2011 final property*  
***MOTIONS:*** *tax levy”*

*“Move to approve Resolution 2010-068B, adopting the 2011 General*  
*Fund budget”*

**BACKGROUND INFORMATION:** Under Minnesota law, the City is required to adopt and certify to the County its annual tax levy, this year by December 28th, 2010. In addition, the City adopts at the same time its annual Operating and Capital budgets, all of which become effective January 1st, 2011.

While State statutory requirements to hold a public hearing have been repealed, the City is still required to hold an advertised meeting at which the public is allowed to speak and the annual budget and property tax levy are discussed. Tonight's public meeting was duly advertised on December 1st in the Oakdale/Lake Elmo Review and no public comments have been received, to date.

Subsequent to the public meeting but no later than December 28th, the City must adopt a final property tax levy and final budget. The final property tax levy can not exceed the proposed levy

certified to Washington County in September. Of note - the attached *proposed* Final 2011 Budget is a consolidated budget which includes all funds of the City. However only the General Fund is legally required to be adopted.

**STAFF REPORT:** On September 7th, 2010, the City Council reviewed and approved the *proposed* Preliminary 2011 General Fund Budget. In addition, the City Council adopted the “2011 Proposed Levy Certification” for submission to the Washington County Auditor, shown below in Table 1.

	<b>General Fund Levy</b>	<b>\$2,409,867</b>
	2010 MVHC Ratified Unallotment Recovery	37,518
	2011 MVHC Cut Recovery	37,518
	2004 G.O. Capital Improvement Plan Bonds	140,000
	2006 G.O. Equipment Certificates of Indebtedness	56,118
	2009B G.O. Improvement Bonds	50,544
	2010A G.O. Improvement Bonds	<u>57,994</u>
<b>Total:</b>		<b>\$2,789,559</b>

(Table 1 – 2011 Proposed Levy Certification)

The 2011 General Fund expenditures and transfers out are budgeted at \$2,919,223, or a 2.5% increase from the 2010 General Fund budget. The 2011 General Fund budget is considered “balanced”, with overall General Fund budgeted revenues also at \$2,919,223, or a 2.5% increase.

The overall 2011 property tax levy of \$2,789,559 is 1.7% higher than the 2010 total levy of \$2,743,346. The General Fund levy of \$2,484,903 for 2011 (including market value homestead credit unallotment/cut recovery levies) is 2.9% higher than the 2010 General Fund levy of \$2,415,630.

While maintaining levels of government services, the City is proposing to increase the payable 2010 city tax rate by 6.6%, from 20.479% in 2010 to 21.826% in 2011. In other words, property owners with no change in market values from payable 2010 to payable 2011 should experience a 6.6% increase in the City portion of their overall property tax bill.

In the event of a market value decrease or increase from payable 2010 to payable 2011, City property taxes would change proportionately. Per Washington County, the median value change of a homestead’s property value in Lake Elmo is a decrease of 6.2% from 2010 to 2011; meaning the median value home in Lake Elmo will likely see ***little or no increase*** in the City’s portion of their property tax bill. Table 2 on the following page shows the anticipated impact on sample Lake Elmo residential properties.

- **Revenue Notes:** Other than the proposed modest levy increase, the City is again forecasting a conservative increase or no increase in other revenues, especially including local fees. This is reflective of the current state of the local and national economy.

- **Expenditure Notes:** The 2011 budget continues existing hiring freezes and makes permanent recent staffing and program reductions. On the operations side, the budget does include a 2% salary increase for employees, though it now appears this will almost all be consumed by higher health care costs.
- Other increases in operating expenditures are reflected in inflation and use of consumables, as well as street maintenance. Major capital spending increases reflect City Council priorities relating to street and parks improvements.

**2010 CITY PROPERTY TAXES**

Market Value 2010	Tax Capacity 2010	City Local Tax Capacity Rate Pay 2010	City Property Taxes 2010
\$100,000	\$1,000	20.479%	\$205
\$300,000	\$3,000	20.479%	\$614
\$500,000	\$5,000	20.479%	\$1,024
\$700,000	\$7,500	20.479%	\$1,536

**2011 CITY PROPERTY TAXES (WITH NO MARKET VALUE CHANGE)**

Market Value 2011 <i>NO CHANGE</i>	Tax Capacity 2011	City Local Tax Capacity Rate Pay 2011	City Property Taxes 2011	Property Taxes Increase (Decrease)	Percentage Tax Increase (Decrease)
\$100,000	\$1,000	21.826%	\$218	\$13	6.6%
\$300,000	\$3,000	21.826%	\$655	\$40	6.6%
\$500,000	\$5,000	21.826%	\$1,091	\$67	6.6%
\$700,000	\$7,500	21.826%	\$1,637	\$101	6.6%

**2011 CITY PROPERTY TAXES (WITH 6.2% MARKET VALUE DECREASE)**

Market Value 2011 <i>DECREASE OF -6.2%</i>	Tax Capacity 2011	City Local Tax Capacity Rate Pay 2011	City Property Taxes 2011	Property Taxes Increase (Decrease)	Percentage Tax Increase (Decrease)
\$93,800	\$938	21.826%	\$205	(\$0)	0.0%
\$281,400	\$2,814	21.826%	\$614	(\$0)	0.0%
\$469,000	\$4,690	21.826%	\$1,024	(\$0)	0.0%
\$656,600	\$6,958	21.826%	\$1,519	(\$17)	-1.1%

(Table 2 – Impact of Proposed 2011 Levy Increase)

**RECOMMENDATION:** Based upon the above background information and staff report, it is respectfully recommended that, upon completion of the Public Hearing and due consideration of public comment, the City Council affirmatively consider adoption of Resolution 2010-068A, adopting the 2011 final property tax levy, and Resolution 2010-068B, adopting the 2011 General Fund budget. The suggested motions to do so are as follows:

**SUGGESTED  
MOTIONS:**

***“Move to approve Resolution 2010-068A, adopting the 2011 final property tax levy”***

***“Move to approve Resolution 2010-068B, adopting the 2011 General Fund budget”***

Alternatively, the City Council does have the authority to table this item for consideration on December 14th, but must take action then in order to complete the certification process with Washington County by December 28th, 2010. The Council may also further discuss, deliberate and/or, if appropriate, amend the recommended levy and/or budget as deemed appropriate. If the Council elects to revise the proposed levy and/or budget, the appropriate motion of the Council following such would be:

***“Move to approve Resolution 2010-068A, adopting the 2011 final property tax levy [as amended]”***  
***And***

***“Move to approve Resolution 2010-068B, adopting the 2011 General Fund budget [as amended]”***

**ATTACHMENTS:**

1. Resolution 2010-068A
2. Resolution 2010-068B
3. 2011 Budget

**SUGGESTED ORDER OF BUSINESS:**

- Introduction of Item ..... City Administrator
- Report/Presentation of Item .....Finance Director
- Questions from Council to Staff ..... Mayor & City Council
- Opening and Conduct of Public Hearing ..... Mayor Facilitates
- Closing of Public Hearing ..... Mayor Facilitates
- Call for Motion ..... Mayor & City Council
- Discussion/Comments..... Mayor Facilitates
- Action on Motion..... Mayor & City Council