City of Lake Elmo

Subcommittee/Staff Report: 2011 Budget and Property Tax Scenarios

September 7, 2010

Using Scenario C (see below), the preliminary General Fund budget for 2011 is balanced with $2,919,325 revenues and $2,919,473 expenditures and transfers out. A General Fund property tax levy of $2,409,867 is included in the 2011 revenues budget, as well as estimated levies for the Market Value Homestead Credit (MVHC) cuts of 2010 and 2011.

Various taxing scenarios were developed as part of the 2011 budget process and are described below (also, see attachments). A 5% decrease in overall property tax capacity was assumed in all scenario projections.

SCENARIO A: Levy to Levy Limit; Levy Back 2010 & 2011 Cuts; 2010 Bonds Over 10 Years

This scenario increases the General Fund property tax levy from $2,360,790 in 2010 to $2,409,867 in 2011. This increase of $49,077 includes an implicit price deflator of 1.68% contained in the State's levy limit calculation, as well as increases for the number of homes in the City and increases for new commercial/industrial valuation. Additionally, allowable special levies to recover the City's 2010 MVHC ratified unallotment cut of approximately $37,518 and the 2011 MVHC cut of approximately $37,518 are included.

A new special debt service levy of an estimated $57,994 for first year payments on forthcoming 2010 general obligation (G.O.) street improvement bonds was also included, using a 10 year repayment schedule.

The overall tax rate would increase from 20.479% in 2010 to 22.583% in 2011, or 10.3%. Property owners with no market value change from 2010 to 2011 would experience a 10.3% increase in City property taxes, while property owners with a 5% decline in market value would experience a 4.8% increase in City property taxes.

SCENARIO B: Levy to Levy Limit; Levy Back 2010 Cuts Only; 2010 Bonds Over 10 Years

This scenario is the same as Scenario A, but excludes the approximate 2011 MVHC cut of $37,518.

The overall tax rate would increase from 20.479% in 2010 to 22.269% in 2011, or 8.7%. Property owners with no market value change from 2010 to 2011 would experience an 8.7% increase in City property taxes, while property owners with a 5% decline in market value would experience a 3.3% increase in City property taxes.

SCENARIO C: Levy to Levy Limit; Levy Back 2010 & 2011 Cuts; 2010 Bonds Over 10 Years; Reduce 2004A Bonds Levy

This scenario initially reverts back to Scenario A by reinstating the levy for the estimated 2011 MVHC cut of $37,518.

Additionally, in this scenario the 2004 G.O. Capital Improvement Plan Bonds property tax levy for 2011 is reduced from $220,000 to $140,000, or a decrease of $80,000. This reduction would be contingent upon Council approval of the transfer of $200,000 of unspent bond proceeds from the City Facilities capital projects fund to the associated 2004 G.O. Capital Improvement Plan Bonds debt service fund. The $200,000 transfer would reduce the 2004 bonds previously scheduled levy over the next 5 years as follows (not including the impacts of a potential refunding of the bonds):

	Previously Scheduled Levy	Revised Levy	Levy Reduction/ Transfer
2011	$220,000	$140,000	$80,000
2012	$220,000	$160,000	$60,000
2013	$220,000	$180,000	$40,000
2014	$220,000	$200,000	$20,000
2015	$220,000	$220,000	$0

Under this scenario, the overall tax rate would increase from 20.479% in 2010 to 21.914% in 2011, or 7.0%. The debt levy reduction of $80,000 would not affect the General Fund, but would simply reduce the overall property tax levy.

Property owners with no market value change from 2010 to 2011 would experience a 7.0% increase in City property taxes, while property owners with a 5% decline in market value would experience a 1.7% increase in City property taxes.