

The Community Planner

July 28, 2011

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Planning, Financing, and Administration News

Budgets - Part 1

Since many cities have started to put together their preliminary 2012 budgets, we are dedicating the next two issue of the Community Planner to provide information to help cities assemble their budgets. This installment of the Planner will address the revenue budget.

Revenue Budget

2012 LGA AND MVHC PAYMENTS

A majority of cities with a population under 5,000 rely heavily on Local Government Aid (LGA) as a main revenue stream to help pay for General Fund expenditures. With the end of the state government shutdown, cities now know the amount of LGA they will receive in 2012. The agreement Governor Dayton and the Legislature made was each city will receive the lesser of either their final 2010 LGA amount or their original 2011 certified LGA amount. The following link will show your city's 2012 LGA payment, <http://www.house.leg.state.mn.us/hrd/issinfo/ss11-12.pdf>.

Historically, most cities relied on the Market Value Homestead Credit (MVHC) to help pay for General Fund expenditures. For 2012 the MVHC payment to local governments has been eliminated as part of the agreement to end the state shutdown.

2012 MISCELLANEOUS REVENUE SOURCES

A marginal amount of revenue is collected through miscellaneous sources, some include:

- » State credits such as PERA, Police and Fire
- » Local, State and Federal grants
- » Charges for certain city services
- » License and permit fees

The annual budget process is the perfect time to review what the city charges for non-routine services and license and permit fees.

2012 PROPERTY TAX LEVY

Normally, most cities largest revenue stream comes from the property tax levy. Many cities we talk to have told us their City Councils are considering higher the normal increases in their tax levy to offset the reductions to LGA and MVHC. Although a higher levy may be warranted, communication to a concerned taxpayer is potentially challenging.

Our Community Resource Planning team has created a tool to help cities determine how the levy increase would affect the residential and commercial/ industrial property owner based on the valuation of their property. Refer to the second page of The Planner for an example. We would be more than happy to run a few levy increase scenarios for those of you that are interested. All



we would need from you is your city's 2010 and 2011 certified levy amount and your city's tax capacity (the tax capacity amount can be obtained by contacting your County Auditor's office.

At Your Service

Please feel free to contact us with any questions.

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Levy Increase Summary Example



Tax Capacity

Year	Levy	Levy Increase	Tax Capacity	Increase %
2010	\$436,331	NA	995,719	NA
2011	\$447,239	2.5%	995,719	0.0%
2012	\$503,144	12.5%	995,719	0.0%

Residential Property Taxes

Assessed Value	2010	2011	2012
\$50,000	\$219	\$225	\$253
\$75,000	\$329	\$337	\$379
\$100,000	\$438	\$449	\$505
\$125,000	\$548	\$561	\$632
\$150,000	\$657	\$674	\$758
\$175,000	\$767	\$786	\$884
\$200,000	\$876	\$898	\$1,011

Commercial Industrial Property Taxes

Assessed Value	2010	2011	2012
\$100,000	\$657	\$674	\$758
\$250,000	\$2,191	\$2,246	\$2,527
\$500,000	\$4,382	\$4,492	\$5,053
\$750,000	\$6,573	\$6,737	\$7,580
\$1,500,000	\$13,146	\$13,475	\$15,159
\$2,000,000	\$17,528	\$17,966	\$20,212