



Truth in Taxation 2021 Budget & Property Tax Levy

December 7, 2020

Truth in Taxation

- ▶ Required by MN Statute 275.065, subd. 7
- ▶ Purpose
 - ▶ Overview of 2021 Budget
 - ▶ Discussion of Levy for Taxes Payable in 2021
 - ▶ Impact to properties in Buffalo
 - ▶ Public Input

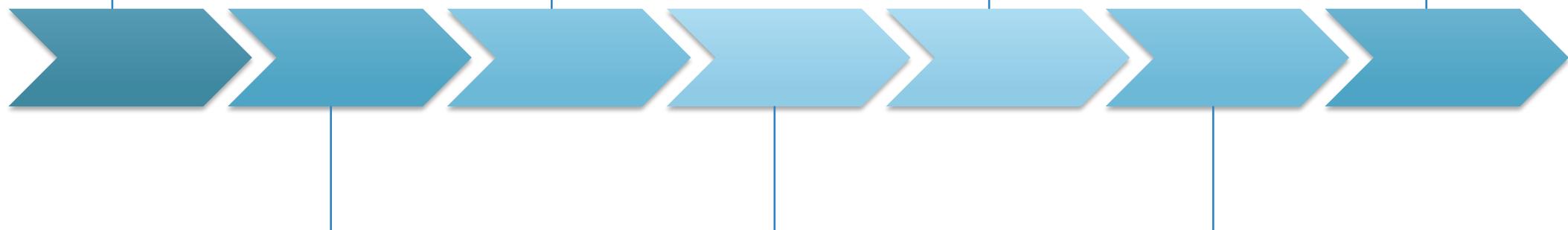
Timeline: Budget Process

June 2020
CIP* & budget worksheets
Distributed to staff.

September 2020
Council adopts preliminary
HRA & property tax levy

November 2020
Wright County mails Truth in
Taxation Statements to residents

January 2021
New Fiscal year begins



August 2020
City Administration & Finance
departments review, compile
& draft preliminary budgets
and CIP*

October 2020
City Council workshops with
staff to review draft budgets
and CIP*

1. Public Hearing, Council adopts
2021 property tax levy & budget
2. City certifies final 2021 tax
levy with Wright County & files
with MN Dept. of Revenue

*CIP = Capital Improvement Plan

Looking to 2021 - Budget Objectives

- ▶ Deliver on Council priorities
- ▶ Balanced General Fund budget
- ▶ Maintain existing services and programs
- ▶ Meet Debt Obligations
- ▶ Recover utility operating costs
- ▶ Fund infrastructure replacements
- ▶ Meet Federal, State & Other Contractual agreements
- ▶ Foster Citizen involvement
- ▶ Position the City to address future challenges and opportunities
 - ▶ Long-term Financial Planning
 - ▶ Maintain & revitalize neighborhoods
 - ▶ Encourage business expansion & reinvestment

Looking to 2021 - Budget Impacts

- ▶ Buffalo Vision + Plan: Update to the Comprehensive Plan
- ▶ Wages, benefits & staffing
- ▶ Increased Management Information Systems (MIS) technology security
- ▶ Potential economic impact from COVID-19



2021 Budget & Levy Summary

	PAY 2021	(%) Change
Total City Budget	\$49,244,932	1.8%
General Fund Budget	\$10,359,937	-5.6%
City Tax Levy	\$8,859,177	5.0%
City Tax Rate	54.276	-2.8%
HRA Tax Levy	\$282,578	7.9%

The levy percentage increase is not the same as the property tax percentage increase.

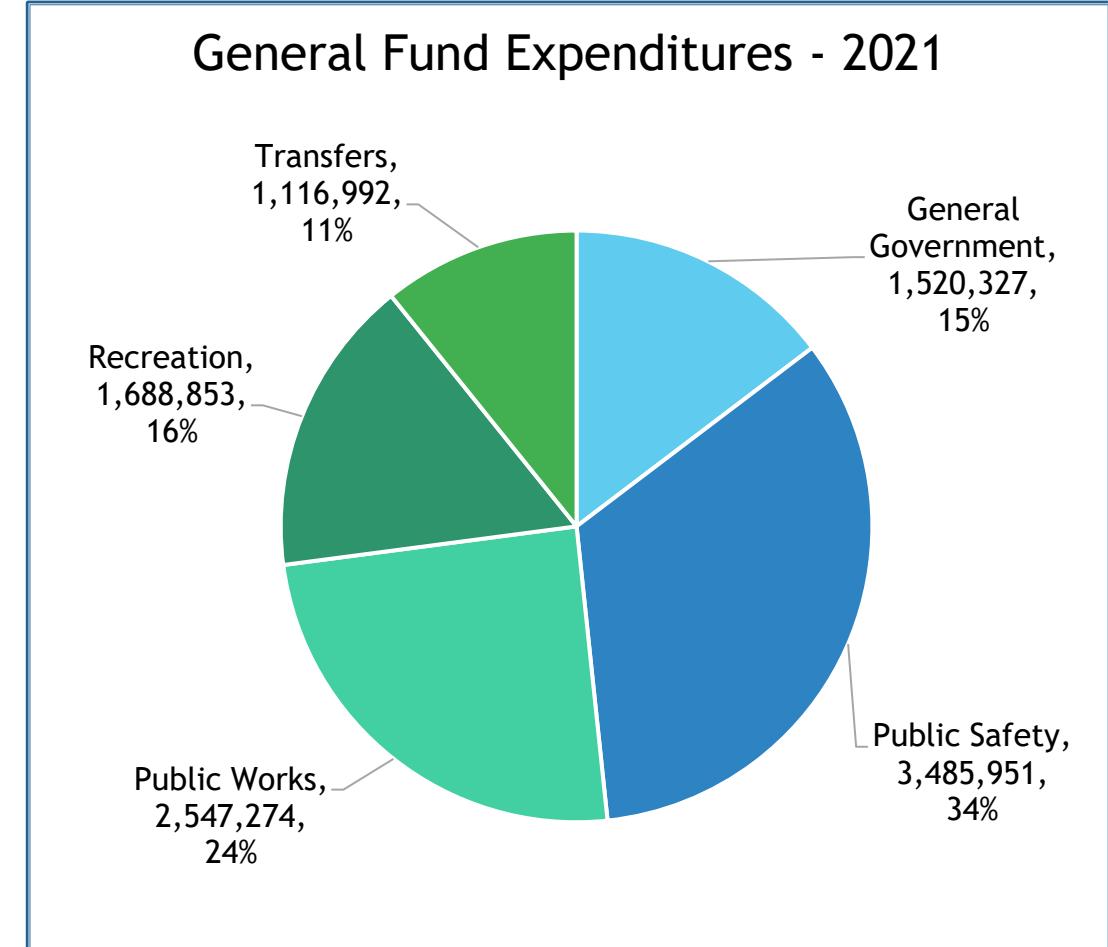
The levy's increase only compares the current year's levy amount to the upcoming levy amount; several additional factors impact your property tax increase.

General Fund Budget

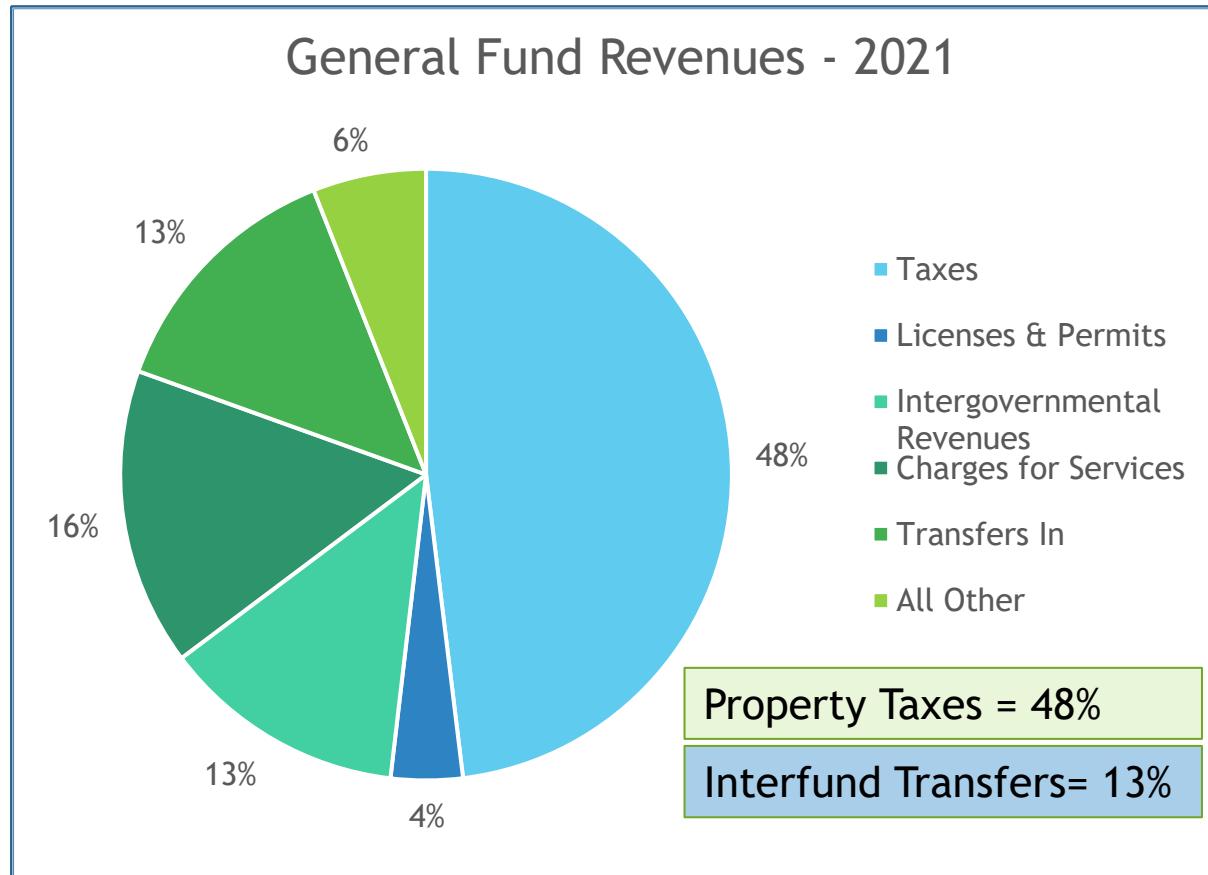
	2021 Proposed Budget			2020 Adopted Budget	\$ Change vs prior year	% Change vs prior	Notes
	General Fund (100)	Park Fund (200)	Combined				
Revenues & Other Sources							
Taxes	4,414,056	565,502	4,979,558	4,798,200	181,358	3.8%	A.
Licenses & Permits	392,950	-	392,950	375,250	17,700	4.7%	
Intergovernmental	1,335,639	-	1,335,639	1,335,639	-	0.0%	
Charges for Services	1,575,000	55,500	1,630,500	1,633,430	(2,930)	-0.2%	
Transfers In	900,000	500,000	1,400,000	1,825,000	(425,000)	-23.3%	A.
All Other	296,000	324,750	620,750	941,330	(320,580)	-34.1%	B.
Total Revenues & Other Sources	\$ 8,913,645	\$ 1,445,752	\$ 10,359,397	\$ 10,908,849	(549,452)	-5.0%	
Expenditures & Other Uses							
Personal Services	3,833,412	549,843	4,383,255	4,077,427	305,828	7.5%	
Supplies	652,745	318,050	970,795	1,004,290	(33,495)	-3.3%	
Other Services & Charges	3,126,824	233,787	3,360,611	3,225,387	135,224	4.2%	
Capital Outlay	26,500	305,500	332,000	696,080	(364,080)	-52.3%	B.
Debt Services	157,172	38,572	195,744	183,648	12,096	6.6%	
Transfer to Other funds	1,116,992	-	1,116,992	1,784,198	(667,206)	-37.4%	A.
Total Expenditures & Other Uses	\$ 8,913,645	\$ 1,445,752	\$ 10,359,397	\$ 10,971,030	(611,633)	-5.6%	
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ (62,181)	\$ 62,181		

What is the General Fund used for?

Public Safety	<ul style="list-style-type: none">• Police department• Fire protection• Building inspection• Emergency management
Public Works	<ul style="list-style-type: none">• Street maintenance• Storm Sewer maintenance• Snow & ice removal• Compost• Sanitation
General Government	<ul style="list-style-type: none">• Mayor & Council• Administration• Planning, Zoning & Community development• Geographic Information Systems (GIS)• Finance• Human Resources
Culture & Recreation	<ul style="list-style-type: none">• Parks & Trails• Community center.
Transfers	<ul style="list-style-type: none">• Pavement management• Debt service (Storm Sewer)• Airport• Civic center• Golf course



Other than property taxes, how does the city fund projects & services?



The City is committed to using diverse sources of revenue, including fees for licenses & permits, charges for services, etc.

- Liquor License Fees reduced by 50% to help Buffalo businesses to offset COVID-19 impacts

However, about 1/2 of the revenue for Buffalo's General Fund comes from property taxes.

Enterprise Fund Contributions:
\$900,000 - Electric Utility
\$500,000 - Liquor Funds
\$1,400,000 Total

Components of City's Levy

C
I
T
Y

Program or Service	2020 Levy	2021 Levy	\$ Increase (Decrease)	% Increase (Decrease)
General Fund	\$4,602,952	\$4,727,035	\$124,083	2.7%
Debt Service	3,592,038	3,606,099	14,061	0.4%
Library	80,628	84,659	4,031	5.0%
Lease Purchase	143,756	421,593	277,837	193.3%
Tax Abatement (EDA)	19,791	19,791	-	0.0%
Total	\$8,439,165	\$8,859,177	\$420,012	5.0%

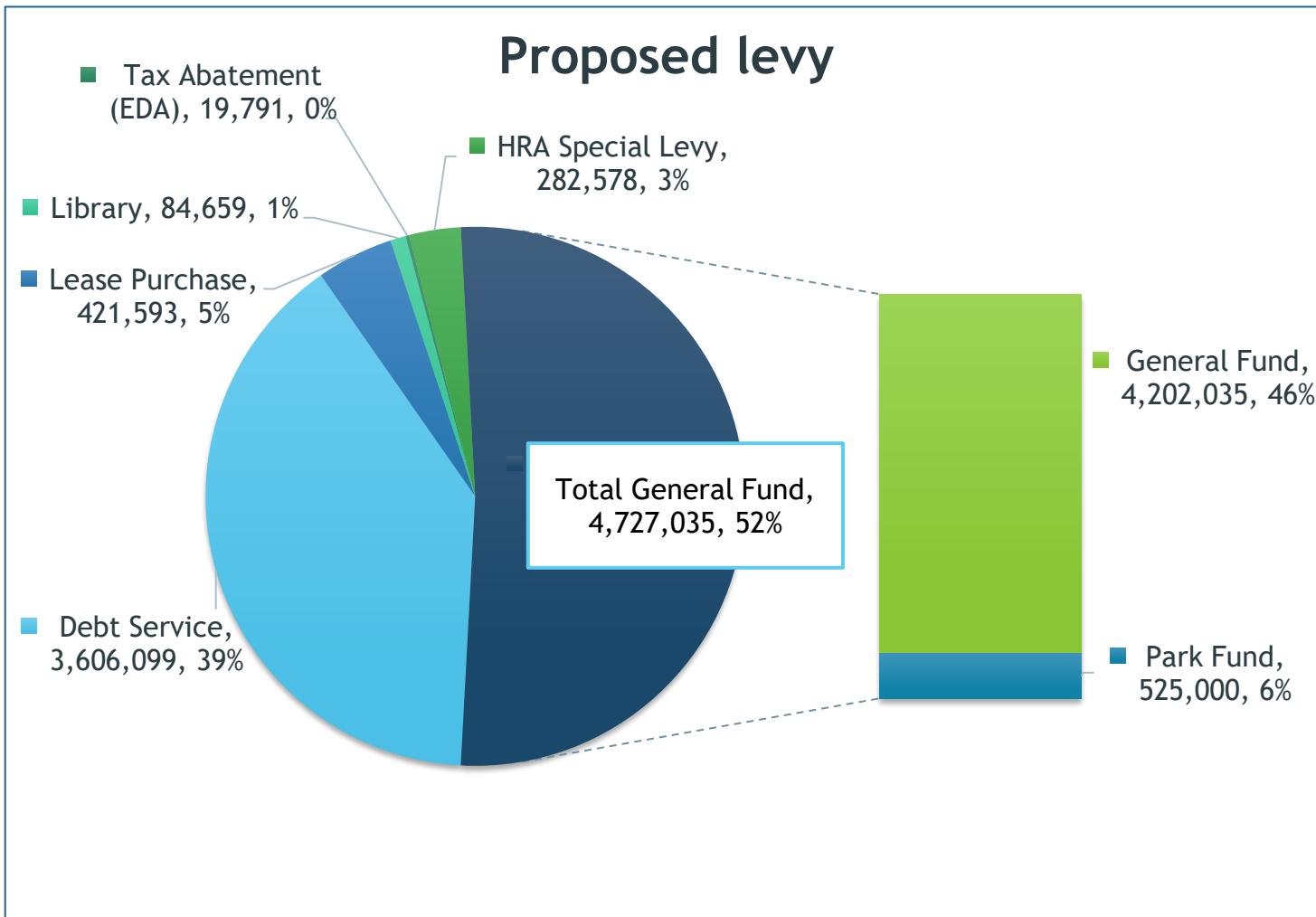
Reduced Debt Service Levy by \$250,000 for cash on hand

H
R
A

Program or Service	2020 Levy	2021 Levy	\$ Increase (Decrease)	% Increase (Decrease)
General Fund	\$261,735	\$282,578	\$20,843	8.0%
Total	\$261,735	\$282,578	\$20,843	8.0%

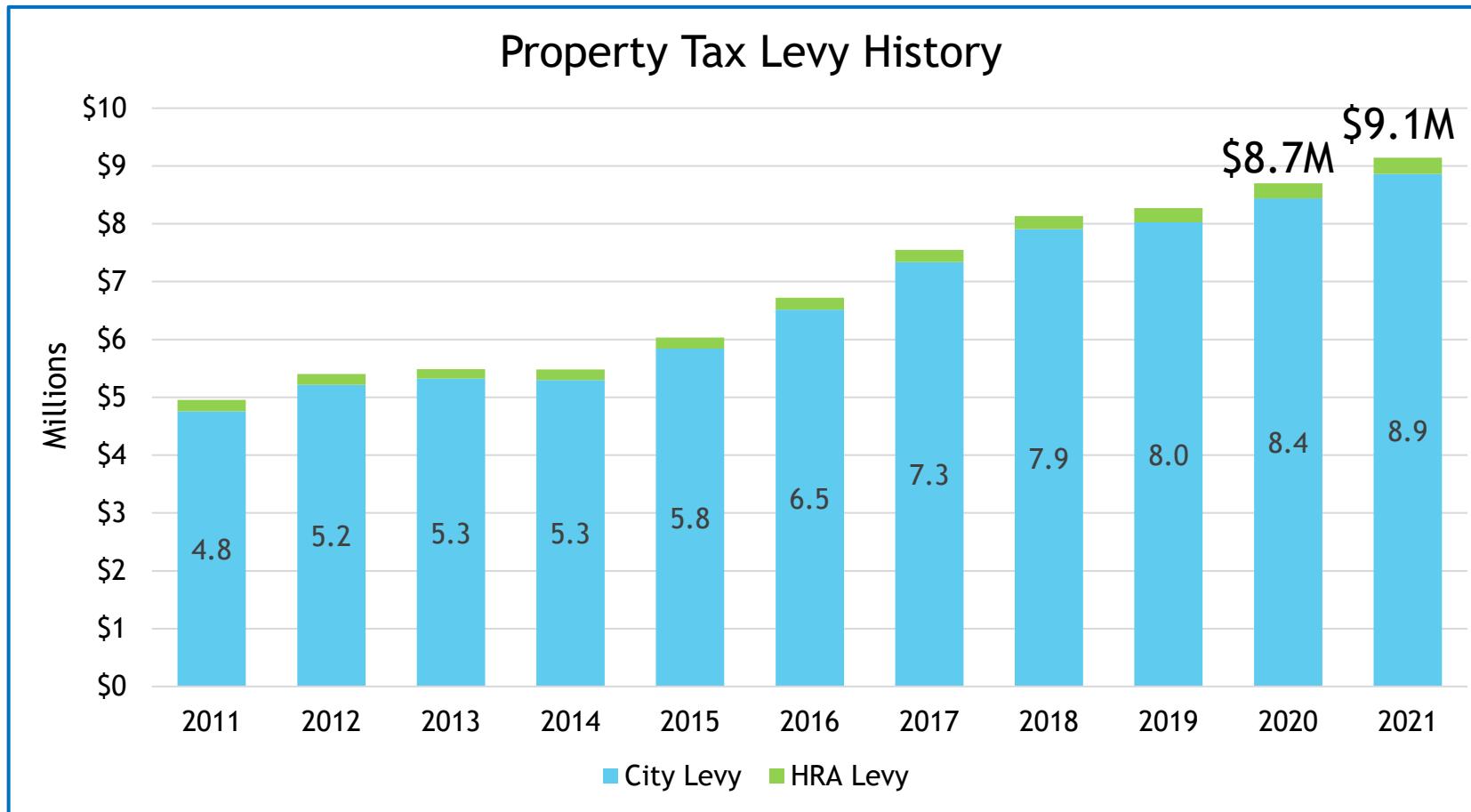
Not to exceed 0.0185% of EMV
MN Statute 469.033

What is the Tax Levy used for?



- Most of the levy goes into the city's General Fund.
- A portion goes to pay back the debt the city used to fund large projects.
 - Bonds – 39%
 - Lease Purchases – 5%
- A small amount is used to fund operations at the Buffalo Library.
- A small amount is used encourage private development of the Allina Crossroads Clinic.
- The HRA Levy is used to fund specific activities of the HRA.

Buffalo Property Tax History



- Total Proposed City Levy - \$8,859,177
- \$420,012 more than 2020 Levy
- Increase primarily due to debt obligations

Property taxes at work in our community



Who gets your property tax dollar?



City of Buffalo \$0.41



Wright County \$0.39



School District \$0.20

Factors that impact Property Taxes for Buffalo Residents

- ▶ Market Value & Tax Capacity
- ▶ Property Classifications
 - ▶ Residential: Homestead or Non-Homestead
 - ▶ Agricultural
 - ▶ Commercial/Industrial
- ▶ Taxing Jurisdictions
 - ▶ State
 - ▶ County
 - ▶ **City - Levy & Special Assessments**
 - ▶ School
 - ▶ Other Special Taxing Districts



Changes to the local tax base



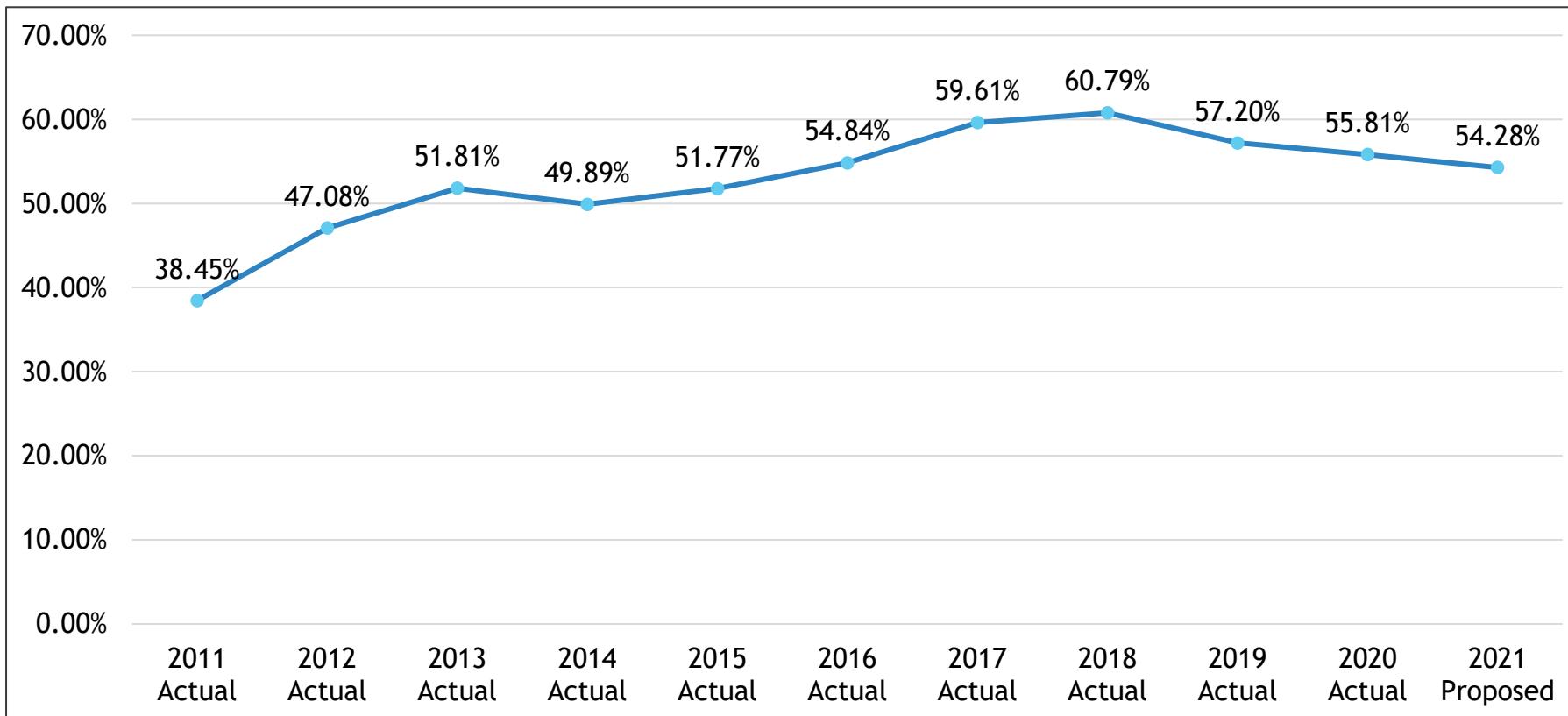
*EMV = Estimated Market Value

Class	EMV* Change
Residential	+8.2%
Commercial	+2.5%
Industrial	+6.8%
Agricultural	-3.2%

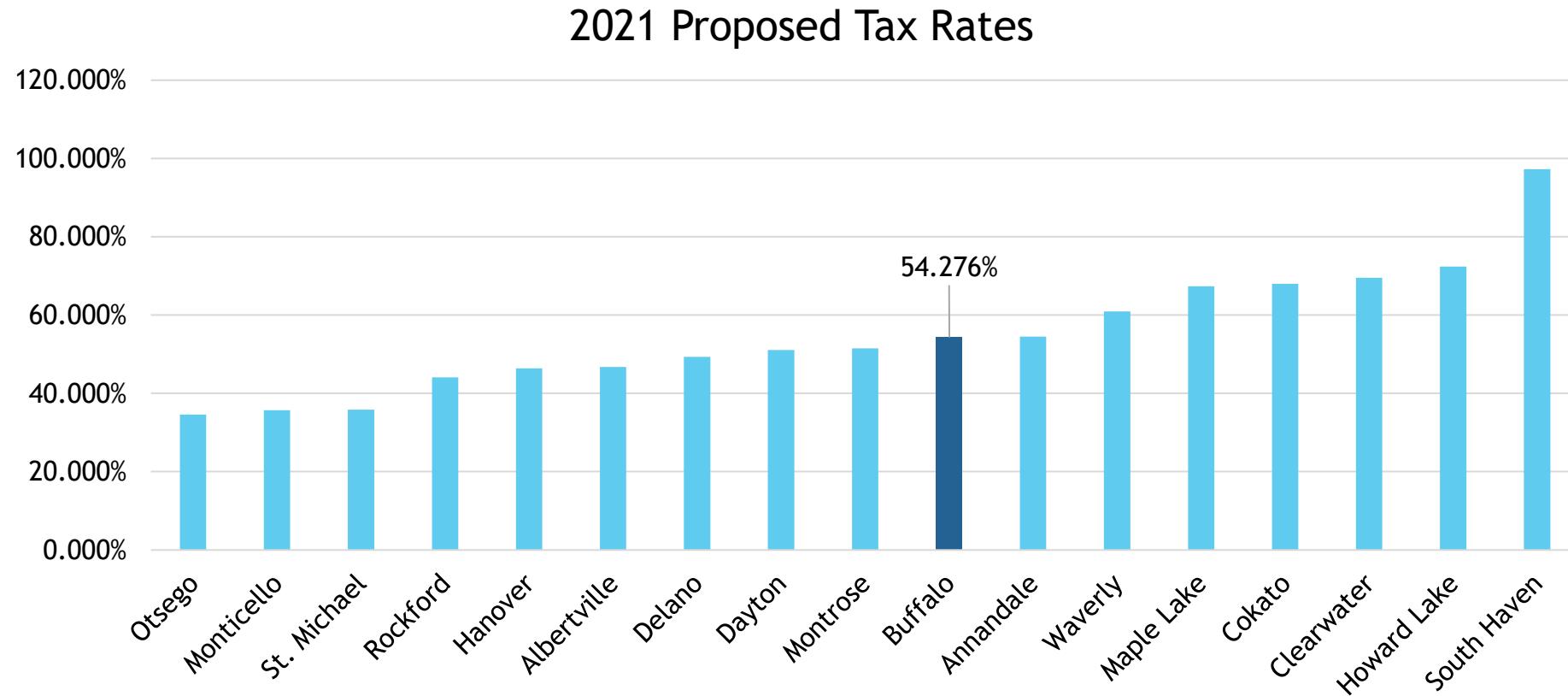
- ▶ New residential & commercial properties
- ▶ Increased valuation of existing residential & commercial properties

Tax Capacity Growth Estimated at +7.9%

Buffalo Tax Rate = City Levy/Tax Capacity



Comparison - Cities in Wright County



*Data from Wright County

2021 Tax Impacts



A residential property with a taxable market value of \$212,300 would see an increase of approximately \$64

\$5 per month



A commercial property with a taxable market value of \$1,000,000 would see a decrease of approximately \$24



This addresses the city's portion of the property's taxes; the county and school district also receive a portion of the total taxed amount. In addition, the tax impact may vary due to valuation or class changes.

Sample 2021 Tax Calculation

- ▶ Hypothetical - No Change in Assessed Value
- ▶ Reality - Median Assessed Value Increased 7.41%

	HYPOTHETICAL			REALITY			Comments
	Payable 2020	Payable 2021	(%) Change	Payable 2020	Payable 2021	(%) Change	
	Residential						
Median Appraised Value	228,900	228,900	0.00%	213,100	228,900	7.41%	
Less: Market Value Exclusion	(16,600)	(16,600)		(18,100)	(16,600)		Max Benefit = \$30,400 / Phase Out = \$413,800
Taxable Market Value	212,300	212,300		195,000	212,300		Subtract MV Exclusion from Estimated MV
Class Rate	1.00%	1.00%		1.00%	1.00%		Set by Legislature (Over \$500k is 1.25%)
Tax Capacity	2,123	2,123		1,950	2,123		Taxable MV Multiplied by Class Rate
City of Buffalo - Tax Rate	55.811	54.276	-2.75%	55.811	54.276	-2.75%	Tax Levy Divided by Tax Capacity * 100
City of Buffalo Estimated Taxes	\$ 1,185	\$ 1,152	-2.75%	\$ 1,088	\$ 1,152	5.88%	Tax Capacity Multiplied by Tax Rate

\$64 increase or \$5.33/month

*Data from Wright County

Property Tax Relief Programs



- ▶ Homestead Market Value Exclusion - Values up to \$413,800
- ▶ Disabled Veteran Homestead Value Exclusion
- ▶ Senior Citizen Property Tax Deferral Program
- ▶ Property Tax Refund - State of MN
- ▶ Targeting Property Tax Refund (aka Special Property Tax Refund)
 - ▶ Property Tax Increase of over 12% and \$100

More information found on MN Department of Revenue Website

Visit: <https://www.revenue.state.mn.us/property-tax-relief>

Next Steps

1. Leave the Public Hearing Open until December 21, 2020



City Council to accept Public Input

2. Future Council Action - December 21, 2020:



- Adopt the 2021 Annual Operating Budgets
- Set the Final Tax Levy for Payable 2021
- Adopt the 2021-2025 Capital Improvement Plan (CIP)
- Adopt the 2021 Utility rates
- Adopt the 2021 Master Fee Schedule

Ways to Comment:

1. Reach out to City Council members
2. Email Comments to cityadministrator@ci.buffalo.mn.us
3. Drop off at City Center:

212 Central Ave
Buffalo, MN 55313

The Proposed 2021 Budget will be available on the City's Website.

<https://www.ci.buffalo.mn.us/>

Questions or Comments?