



# Truth in Taxation 2021 Budget & Property Tax Levy

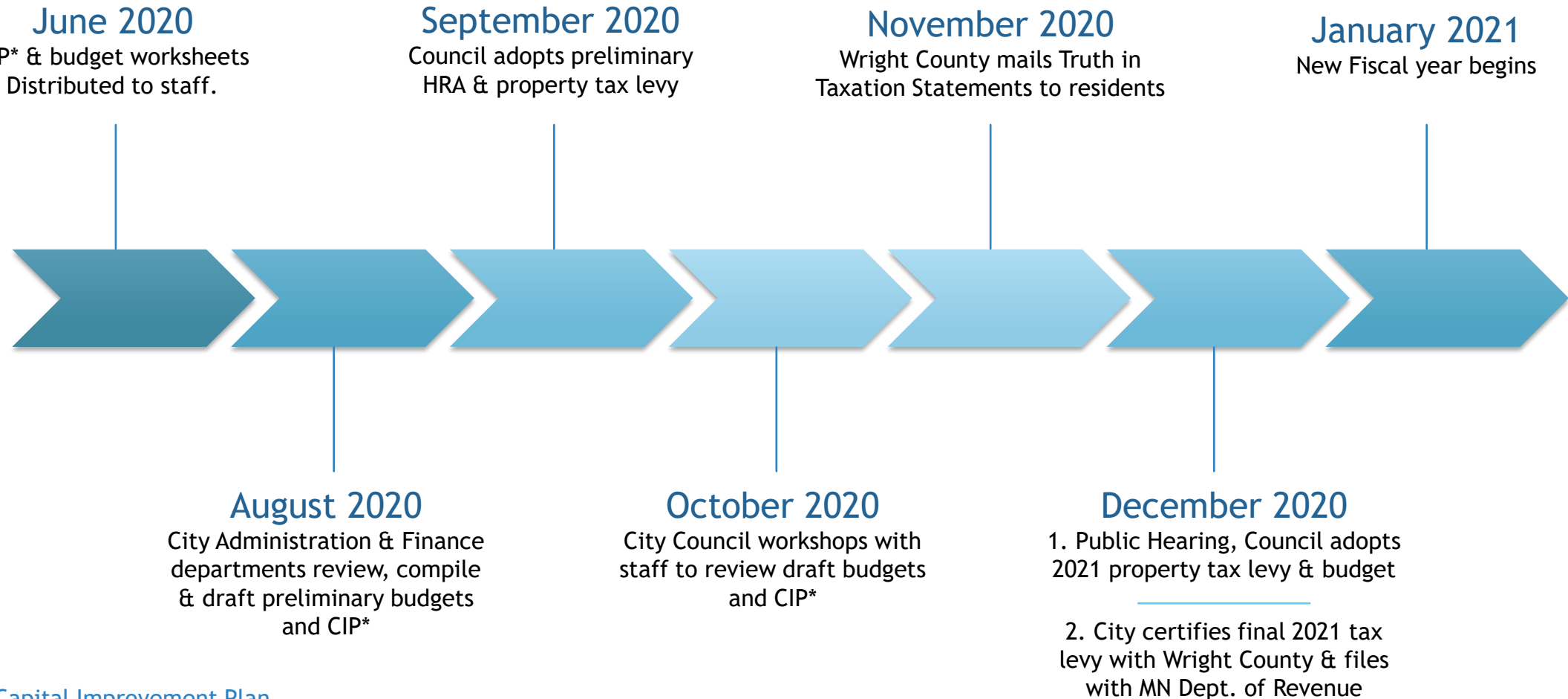
---

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



\*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	
	General Fund (100)	Park Fund (200)	Combined				
<b>Revenues &amp; Other Sources</b>							
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.
<b>Total Revenues &amp; Other Sources</b>	<b>\$ 8,913,645</b>	<b>\$ 1,445,752</b>	<b>\$ 10,359,397</b>	<b>\$ 10,908,849</b>	<b>(549,452)</b>	<b>-5.0%</b>	
<b>Expenditures &amp; Other Uses</b>							
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.
<b>Total Expenditures &amp; Other Uses</b>	<b>\$ 8,913,645</b>	<b>\$ 1,445,752</b>	<b>10,359,397</b>	<b>\$ 10,971,030</b>	<b>(611,633)</b>	<b>-5.6%</b>	
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (62,181)</b>	<b>\$ 62,181</b>		

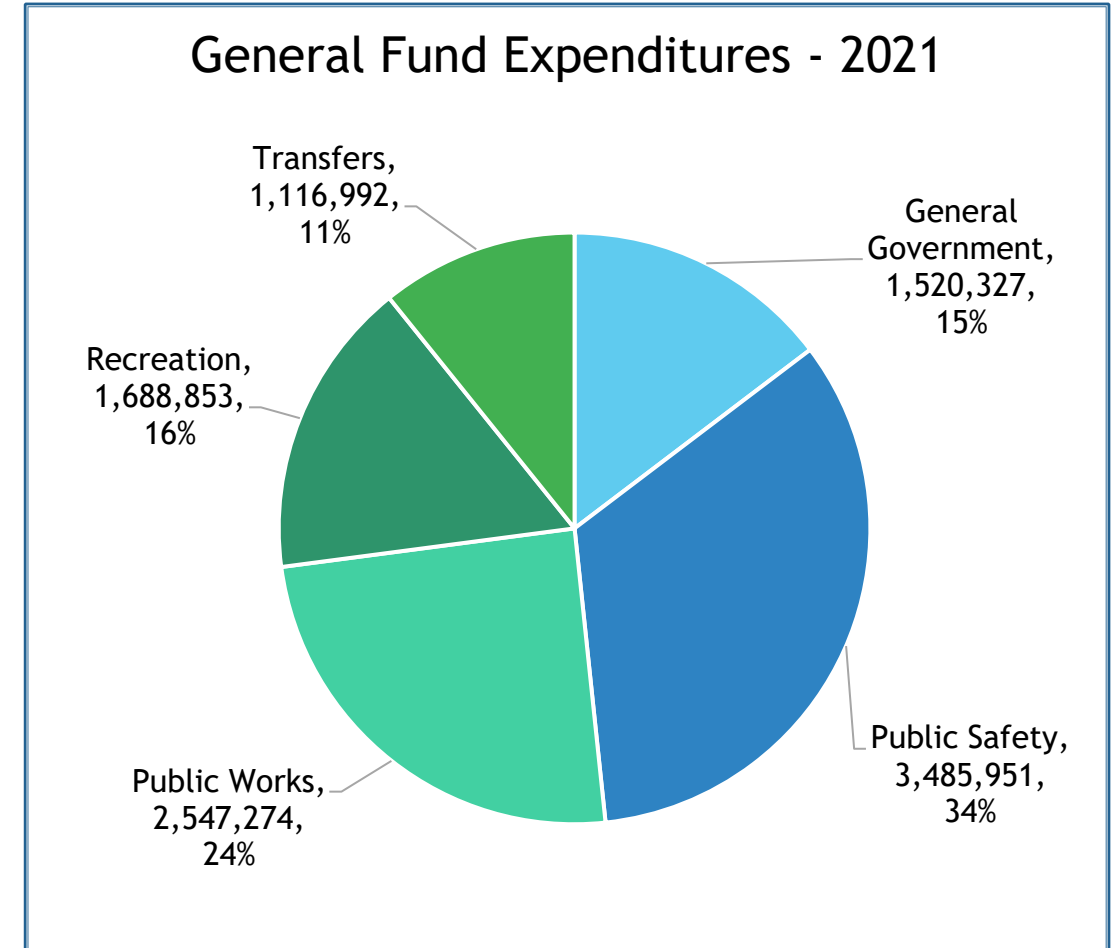
## Notes

A. Eliminate \$425,000 General to Park transfer & Record taxes directly in Park Fund

B. Account for Capital Equipment & Funding Sources in New Capital Equipment Fund

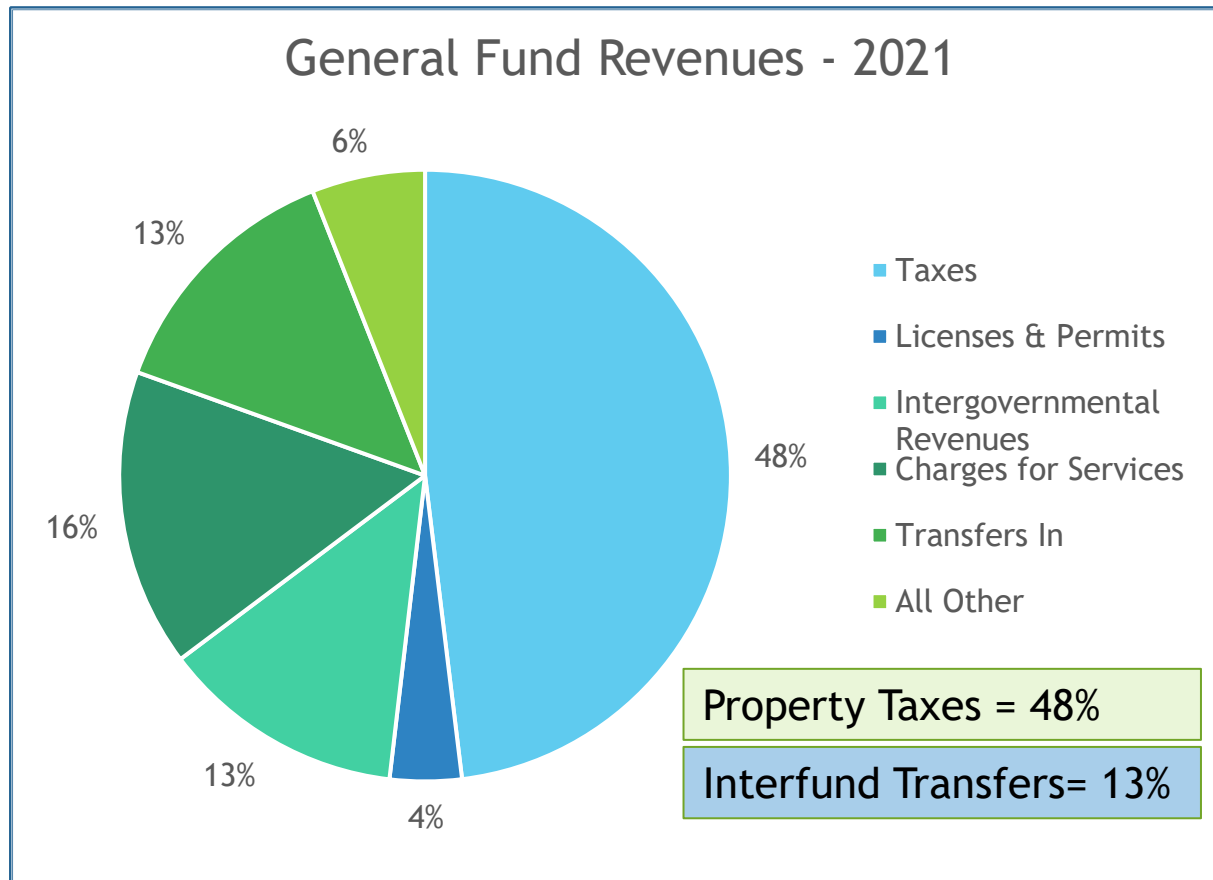
# What is the General Fund used for?

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





# 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
<hr/>
\$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

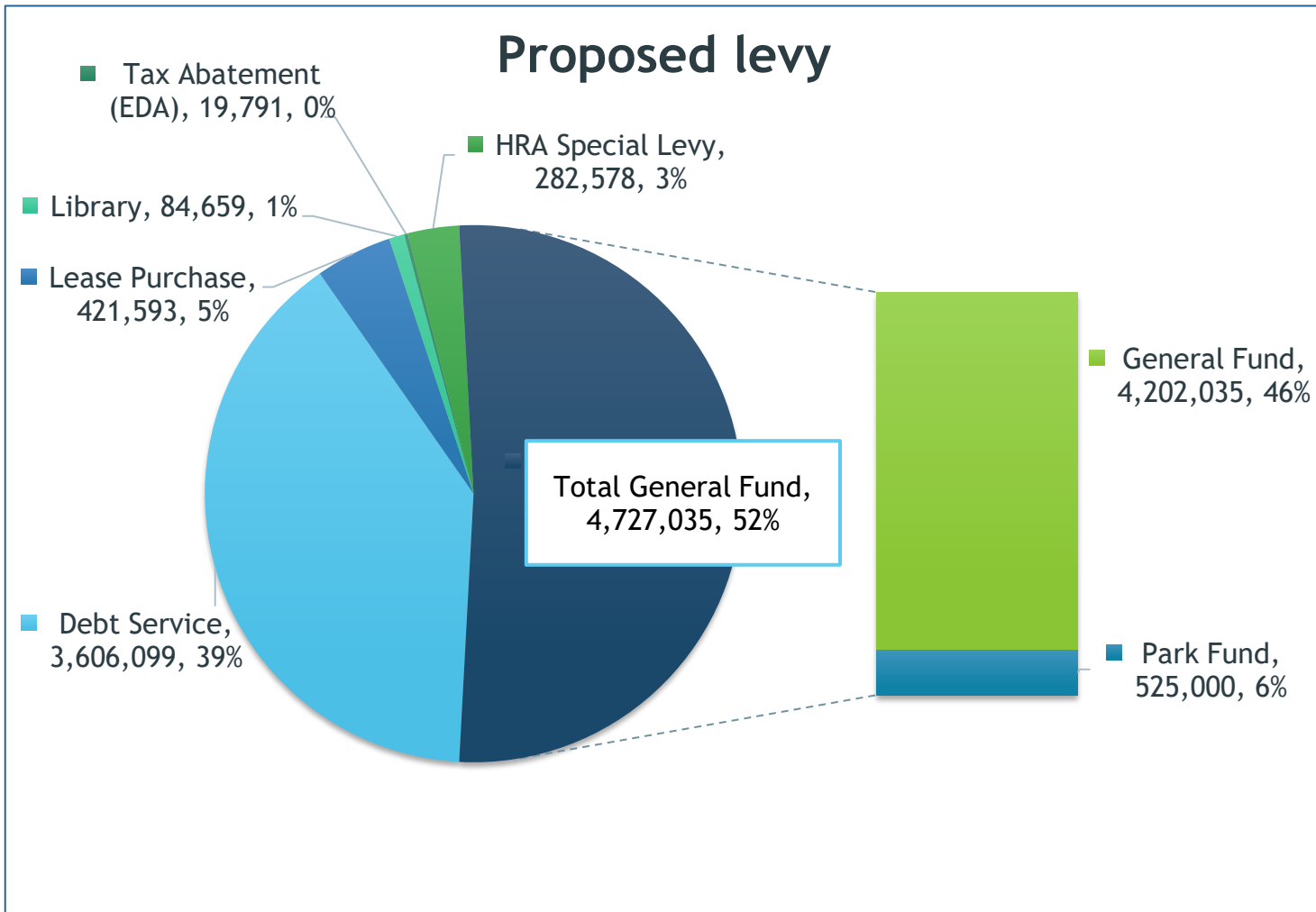
H  
R  
A

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.

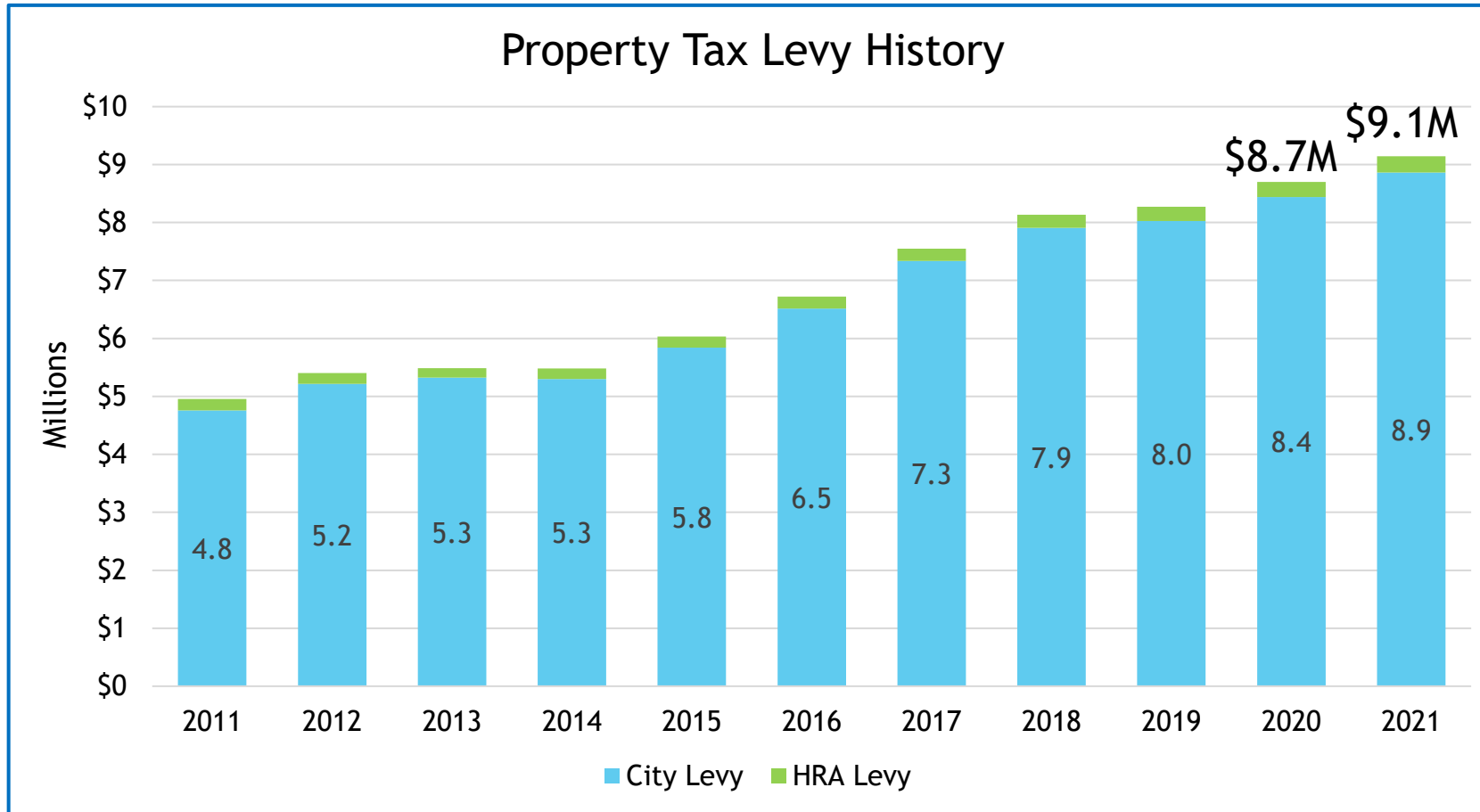
- Bonds – 39%
- Lease Purchases – 5%

- A small amount is used to fund operations at the Buffalo Library.

- A small amount is used to 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



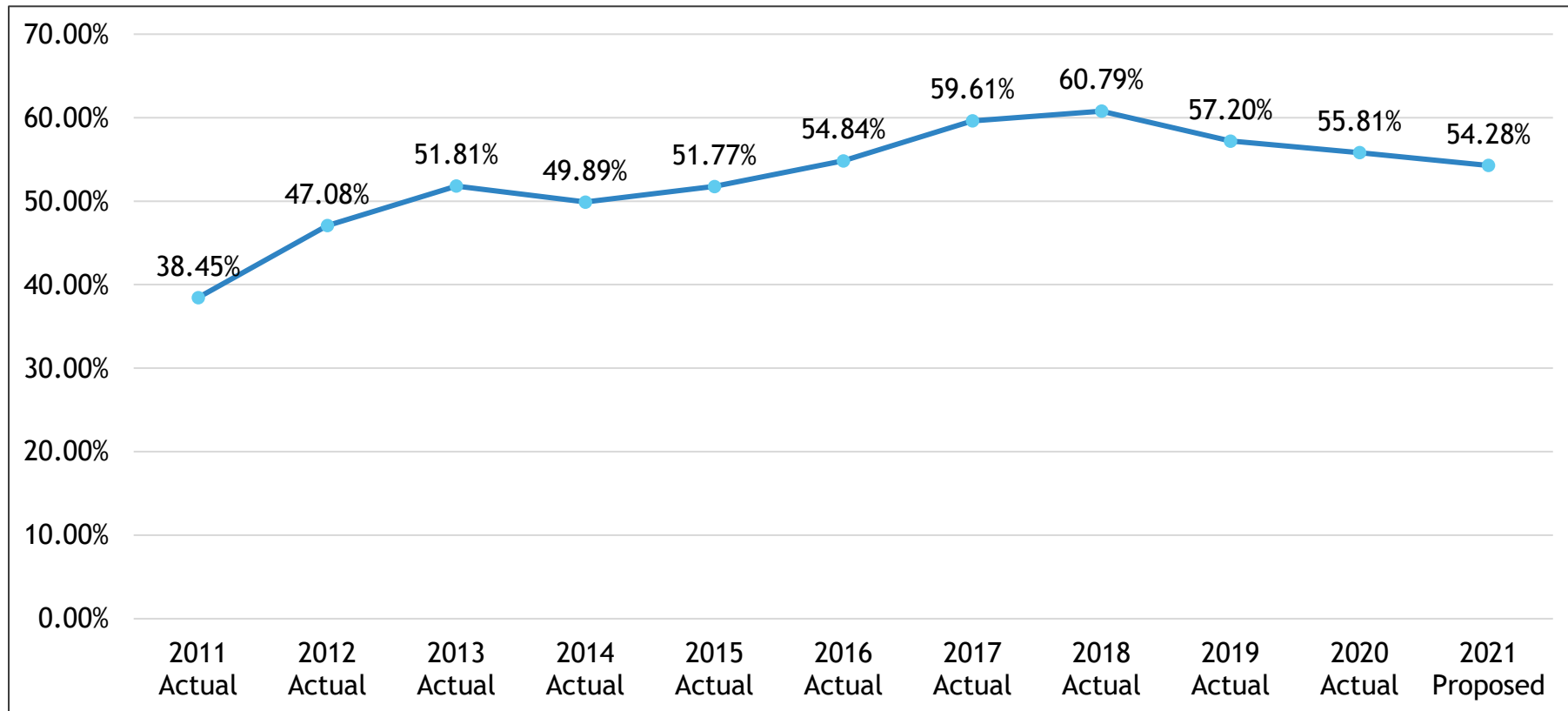
- ▶ New residential & commercial properties
- ▶ Increased valuation of existing residential & commercial properties

\*EMV = Estimated Market Value

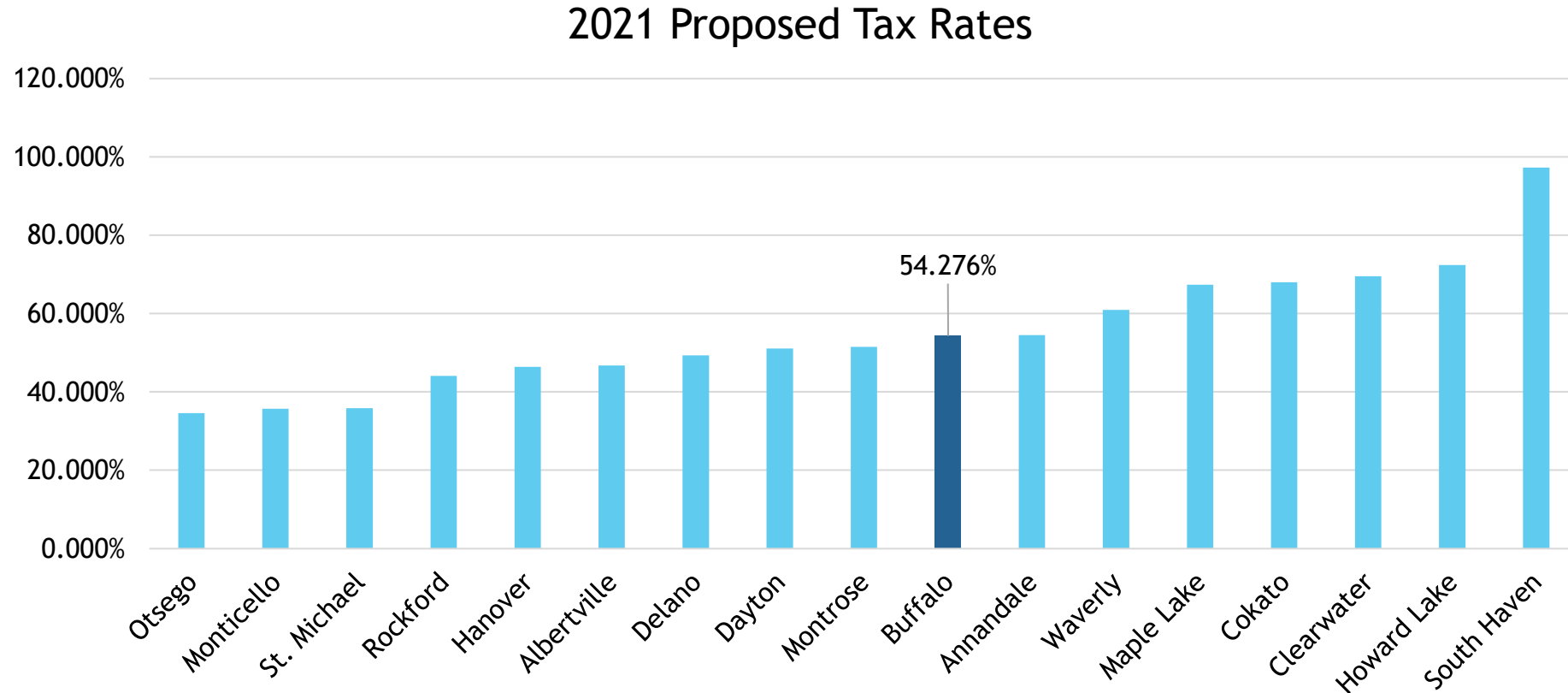
Class	EMV* Change
Residential	+8.2%
Commercial	+2.5%
Industrial	+6.8%
Agricultural	-3.2%

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			
	Payable 2020	Payable 2021	(%) Change		Payable 2020	Payable 2021	(%) Change	Comments
<b>Residential</b>								
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](mailto: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?