CITY OF PLYMOUTH
AGENDA
SPECIAL COUNCIL MEETING
November 8, 2011
Immediately Following Regular Council Meeting
MEDICINE LAKE CONFERENCE ROOM

1. **CALL TO ORDER**

2. **TOPICS**

   A. 2012 Budget

3. **ADJOURN**

City of Plymouth
Adding Quality to Life

Agenda Number: A

SPECIAL COUNCIL MEETING

November 8, 2011

To: Laurie Ahrens, City Manager

Prepared by: Jodi Bursheim, Finance Manager

Item: **Budget Meeting #6**

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1. ACTION REQUESTED:

Review budget changes to finalize the proposed 2012 budget and provide staff direction on the 2013 budget.

2. BACKGROUND:

The Council has held five scheduled budget meetings:

June 14, 2011
July 26, 2011
August 16, 2011
September 6, 2011
September 13, 2011

Information from each of these meetings is available on the city website.

The City Council adopted the preliminary 2012 budget and tax levy with a 1% increase over 2011 at the September 13, 2011 meeting. The final levy may be reduced but not increased before final certification to Hennepin County on December 15, 2011.

The Council scheduled a work session for November 8, 2011 to consider reducing the 1% tax levy increase to 0% before final adoption which would occur after the public hearing on December 13, 2011.

The following changes have been reflected in the updated 2012 printed budget materials:

General Fund Changes:

Revenue changes:	Increase (Decrease)
Tax levy reduction to zero percent	(288,710)
Park & Recreation field maintenance fees	(15,000)
Tax abatements	(30,000)
Community Development permit revenues	116,000
Police grant revenues were adjusted to awarded amounts	2,967

Expenditure changes:	Increase (Decrease)
Contingency	(192,540)
Risk Management allocations	(45,049)
Public Facilities allocations	(22,854)
Salary and benefits were adjusted for contract settlements	44,917

All other funds:

Revenue changes:	Increase (Decrease)
Transit – MVST revenue	(981,000)

Expenditure changes:	Increase (Decrease)
Park & Recreation – donation increase to Music in Plymouth	20,000
Risk Management allocations	(15,137)
Public Facilities allocations	22,857
Salary and benefits were adjusted for contract settlements	18,848
Water - debt service principal payment eliminated	(830,000)

It is difficult to project the tax impact to city properties. Several factors contribute to the complexity of identifying the impact to residents:

- Legislation repealed the market value homestead credit and enacted the market value homestead exclusion
- Volatile real estate market with values changing at inconsistent rates
- Shifting of the tax burden from commercial to residential due to commercial – industrial values declining at a faster rate than residential
- The effect fiscal disparities will have on Plymouth's tax base
- The shift of the tax burden from other taxing jurisdictions

In the attached document, staff has estimated tax impacts based on the best information available.

The total of all properties in Plymouth will experience a tax increase of approximately 1.8% due to the legislative change in the market value homestead program.

The 2013 budget is currently balanced reflecting a 2.14% levy increase over a 0% levy increase in 2012. Staff originally proposed a levy increase of 1% in 2012 and 1% in 2013. Reducing the 2012 levy to 0% would result in a larger percentage increase to 2013. The City Council has spent a significant amount of time reviewing the 2012 budget. The 2013 concept budget has not been thoroughly reviewed or discussed by the Council. Therefore, we anticipate material changes will be made next year when considering the 2013 budget for adoption.

3. ATTACHMENTS:

City and HRA levies
Tax impacts
MN Department of Revenue – Understanding Recent Changes in Homestead Benefits
Hennepin County – Homestead Market Value Exclusion
Percent change in tax due to Homestead Credit Elimination and Value Exclusion
League of MN Cities – Market Value Exclusion 101
2012 budget impacts

City and HRA Levies

		CITY and HRA TAX LEVIES									Updated Scenario			
	Levy Type	2009	2010	% Increase/	2011	% Increase/	2012	% Increase/	2013	% Increase/	2012	% Increase/	2013	% Increase/
	Levy Limit Base													
	General Fund Base	12,856,138	13,050,115		12,560,323		22,989,710		23,343,010		22,701,000		23,343,010	
	Market Value Homestead Credit	510,000	589,795		552,502		0		0		0		0	
	Street Reconstruction	2,458,092	2,531,835		2,607,790		2,686,024		2,686,024		2,686,024		2,686,024	
	Recreation Fund	678,497	618,497		618,497		559,480		559,480		559,480		559,480	
	Park Replacement						130,000		100,000		130,000		100,000	
	Capital Improvement Fund	358,216	368,962		380,031		391,432		391,432		391,432		391,432	
	Total Levy Limit Base	**16,860,943**	**17,159,204**	**1.77%**	**16,719,143**	**-2.56%**	**26,756,646**	**60.04%**	**27,079,946**	**1.21%**	**26,467,936**	**58.31%**	**27,079,946**	**2.31%**
	Special Levies													
	PERA	101,012	108,728		157,588		0		0		0		0	
	Public Safety	9,231,614	9,183,835		9,593,124		0		0		0		0	
	GO 2003B Street Recon Bonds	178,355	179,038		179,563		179,524		179,314		179,524		179,314	
	GO 2003C Street Recon Bonds	424,531												
	2003D Open Space Refunding	267,257	281,326											
	GO 2004A Public Safety	596,354	596,958		601,683		598,953		601,053		598,953		601,053	
MV	GO 2007A Open Space	255,486	255,223		254,764		254,108		253,255		254,108		253,255	
MV	2009B Activity Center Bonds	432,016	410,989		407,558		412,125		410,970		412,125		410,970	
MV	GO 2010A Open Space				263,259		264,036		265,716		264,036		265,716	
	Total Special Levies	**11,486,625**	**11,016,097**	**-4.10%**	**11,457,539**	**4.01%**	**1,708,746**	**-85.09%**	**1,710,308**	**0.09%**	**1,708,746**	**-85.09%**	**1,710,308**	**0.09%**
	TOTAL CITY LEVY	**28,347,568**	**28,175,301**	**-0.61%**	**28,176,682**	**0.00%**	**28,465,392**	**1.02%**	**28,790,254**	**1.14%**	**28,176,682**	**0.00%**	**28,790,254**	**2.18%**
	HRA Levy	551,277	551,277		551,277		551,277		551,277		551,277		551,277	
	TOTAL LEVY	**$28,898,845**	**$28,726,578**	**-0.60%**	**$28,727,959**	**0.00%**	**$29,016,669**	**1.00%**	**$29,341,531**	**1.12%**	**$28,727,959**	**0.00%**	**$29,341,531**	**2.14%**

Tax Impact for Proposed Tax Levy

Residential Property

Market Value Exclusion: $76,000

No exclusion for properties over $413,800

	2011	Estimated 2012	Estimated Increase	Percentage Increase
Lower Value Concentration to Median Value	162,100	160,300		
Initial/ Max Exclusion		30,400		
Final Exclusion Amount		22,813		
Adjusted Taxable Value	162,100	137,487		
Tax Capacity at 1%	1,621	1,375		
Tax Capacity Rate	26.791%	28.057%		
Tax based on tax capacity	$434.28	$385.75		
Market Value Rate	0.010%	0.011%		
Tax based on market value	$16.60	$16.91		
Total City & Market Value Property Tax	$450.88	$402.66		
HRA Tax Capacity Rate	0.540%	0.566%		
HRA Property Tax	$8.75	$7.78		
Total Property Tax	**$459.63**	**$410.44**		
Market Value Credit	($59.46)			
Total Net Property Tax	**$400.18**	**$410.44**	$10.27	2.57%

	2011	Estimated 2012	Estimated Increase	Percentage Increase
Median Value	261,600	260,300		
Initial/ Max Exclusion		30,400		
Final Exclusion Amount		13,813		
Adjusted Taxable Value	261,600	246,487		
Tax Capacity at 1%	2,616	2,465		
Tax Capacity Rate	26.791%	28.057%		
Tax based on tax capacity	$700.86	$691.57		
Market Value Rate	0.010%	0.011%		
Tax based on market value	$26.78	$27.46		
Total City & Market Value Property Tax	$727.64	$719.03		
HRA Tax Capacity Rate	0.540%	0.566%		
HRA Property Tax	$14.13	$13.95		
Total Property Tax	**$741.77**	**$732.98**		
Market Value Credit	($35.95)			
Total Net Property Tax	**$705.81**	**$732.98**	$27.17	3.85%

Tax Impact for Proposed Tax Levy

Residential Property

	2011	Estimated 2012	Estimated Increase	Percentage Increase
Higher Value Concentration to Median Value	311,700	310,300		
Initial/ Max Exclusion		30,400		
Final Exclusion Amount		9,313		
Adjusted Taxable Value	311,700	300,987		
Tax Capacity at 1%	3,117	3,010		
Tax Capacity Rate	26.791%	28.057%		
Tax based on tax capacity	$835.08	$844.48		
Market Value Rate	0.010%	0.011%		
Tax based on market value	$31.91	$32.73		
Total City & Market Value Property Tax	$866.99	$877.21		
HRA Tax Capacity Rate	0.540%	0.566%		
HRA Property Tax	$16.83	$17.04		
Total Property Tax	**$883.82**	**$894.25**		
Market Value Credit	($24.12)			
Total Net Property Tax	**$859.71**	**$894.25**	$34.54	4.02%

Commercial Property

	2011	Estimated 2012	Estimated Increase	Percentage Increase
Tax Capacity Rate	26.791%	28.057%		
Market Value Rate	0.01%	0.01%		
On a $1,000,000 Property	$1,000,000	$1,000,000		
Tax Capacity	19,250	19,250		
less: Fiscal Disparity contribution rate	0.371552	0.392500		
Net Tax Capacity	12,098	11,694		
Tax based on tax capacity	$3,241.09	$3,281.09		
Tax based on market value	$102.38	$105.49		
Total Property Tax	**$3,343**	**$3,387**	$43.11	1.29%

Understanding Recent Changes in Homestead Benefits

For Property Tax Purposes

What Changed?

The 2011 Legislature repealed the **Homestead Market Value Credit**, (the homestead credit), and replaced it with a new **Homestead Market Value Exclusion**. The last year of the credit is for property taxes paid in 2011 and the exclusion begins for property taxes payable in 2012.

What is a credit?	→	What is an exclusion?
A **credit** is a reduction in the amount of taxes due.		An **exclusion** is a reduction in the amount of value subject to tax.

The old law with the credit was as simple as: $X - Y = Z$

If your initial tax was X, and your credit was Y, then the tax you had to pay was Z.

Under the new law, an exclusion changes the initial tax amount (X), and with the credit gone, the new initial tax becomes the final tax ($X = Z$).

HOW DO HOMESTEAD BENEFITS CHANGE?

Under the old law, the credit itself equaled the homestead benefit, and its calculation **depended only on the value of the homestead**. Because the credit was subtracted from the initial tax amount, the credit **affected each taxpayer independently**.

Under the new law, the exclusion is still calculated using the value of the homestead, but the tax benefit **depends on a variety of factors other than homestead value**. Because the exclusion is a reduction in the value subject to tax, it also **affects tax rates and the taxes of all properties**.

WHY IS THIS CHANGE COMMONLY RESULTING IN TAX INCREASES?

There are four reasons why the change commonly results in increases:

1) **State money is no longer reducing total taxes.** For 2012, the state was projected to pay approximately $260 million of local taxes through the credit program. With the change, there will be no state paid credit and the entire local property tax levy will be paid by taxpayers.
2) **The reduction in taxable value increases tax rates.** With the total taxable value being reduced by the exclusion, raising the same total levy as the prior year requires a higher rate.
3) **The reduction in taxable value shifts the relative burdens of who pays.** With homestead values reduced, other property types (and homes with higher values) pay a larger share of the tax.
4) **The exclusion provides less benefit in low tax rate areas than the credit.** The computation of the exclusion and credit amounts are roughly comparable where the tax rate is close to the state average, but in lower tax rate areas the excluded value provides less benefit. High rate areas may see greater benefit.

COMPUTATION OF CREDIT AND EXCLUSION AMOUNTS

Even though the tax benefits of the credit and the exclusion are not equal, the calculation of the exclusion amount is similar to the calculation of the former credit. Both reach their maximum at $76,000 of market value ($304 for the credit; $30,400 for the exclusion). Both reduce to $0 at about $414,000 of market value.

Credit = 0.4% of the first $76,000, minus 0.09% of the value over $76,000.

Exclusion = 40% of the first $76,000, minus 9% of the value over $76,000.

Example: A house valued at $116,000.

Credit = (0.4% x $76,000) – ($40,000 x 0.09%)
= $304 – $36
= $268

Exclusion = (40% x $76,000) – ($40,000 x 9%)
= $30,400 – $3,600
= $26,800

WANT MORE DETAILS? CONSIDER THIS THEORETICAL ILLUSTRATION

Similarly computed amounts do not yield equal benefits:

AVERAGE TAX RATE ILLUSTRATION

	Old Law: Credit	New Law: Exclusion
Estimated Market Value	$116,000	$116,000
Exclusion	$0	**$26,800**
Taxable Market Value	$116,000	$89,200
Class Rate	1%	1%
Net Tax Capacity	$1,160	$892
Tax Rate	105.810%	110.920%
Gross Tax	$1,227	$989
Credit	**$268**	$0
Net Tax	$959	$989

LOW TAX RATE ILLUSTRATION

Tax Rate	63.486%	66.552%
Gross Tax	$736	$594
Credit	**$268**	$0
Net Tax	$468	$594

NOTE: This illustration does not reflect an actual location.

Let's say you live in a house valued at $116,000.

Under the old law the full value was taxed, but the new exclusion lowers the taxable value.

Different classes of property are taxed at different levels. The first $500,000 of homestead value has a rate of 1%. (Higher value has a rate of 1.25%.)

"Net tax capacity" is a term describing the taxable value after class rates are applied. Again, this is lower under the new law due to the exclusion.

Tax rates increase because the exclusion shrinks the taxable value. This illustration shows statewide average rates before and after the change.

The gross tax under the old law was higher because there was no exclusion, but the credit reduced the net tax. Under the new law the gross and net are the same. Here the increase is modest, but…

Tax rates affect the relative strength of the exclusion because multiplying excluded value by a low rate is less beneficial than multiplying it by a high rate. So, under a "low tax rate" example, the increase in tax is more extreme.

WHAT ELSE AFFECTS MY TAXES (IN ADDITION TO THE HOMESTEAD BENEFIT)?

Local levy decisions, including the effects of changes in state aid and local budget priorities.

Market forces can affect property taxes in two ways:

- The **value of your property** may increase or decrease.
- The **value of other properties** may increase or decrease and change the share that your property is of the total tax base, whether your property's value changed or not.

Various other changes (the **classification** or your property, eligibility for **other benefits**, and miscellaneous **law changes**) may also affect property taxes.

Homestead Market Value Exclusion

Background

- Legislation (2011 omnibus tax act) repealed the market value homestead credit and enacted the market value homestead exclusion.

- The homestead market value exclusion provides a tax reduction to homesteads valued below $413,800 by shifting a portion of the tax burden that would otherwise fall on the homestead. (The amount of the shift depends on the mix of properties within the taxing district – percent of residential homestead properties)

- The market value exclusion will shift the tax burden within the taxing district rather than being paid through a state credit.

Why the Change

- The main reason for replacement of the credit with the exclusion is the state budget situation. By repealing the credit, the state has cut approximately $261 million per year from their appropriations (from house research Chapter 7 fiscal notes for FY 2012 – 2013).

- In seven of the last eight years the state did not pay a full reimbursement to all local governments.

Calculation

- The repealed market value homestead credit was calculated by multiplying the first $76,000 of Estimated Market Value times .4%, and then subtracts any Estimated Market Value over $76,000 times .09%, reducing the amount of credit to zero when the Estimated Market Value reached $413,800.

- The new law calculates market value homestead exclusion by multiplying the first $76,000 of Estimated Market Value times 40%, and then subtracts any Estimated Market Value over $76,000 times 9%, reducing the amount of the exclusion to zero when the Estimated Market Value reaches $413,800.

Impact

- The homestead market value exclusion may provide some property tax relief to homesteads valued below $413,800 depending on the mix of properties within the specific taxing district.

- Shifts the funding for homestead property tax relief from the state to all local property taxpayers in the amount of approximately $288 million state wide. (Report from Minnesota Department of Revenue average state wide tax rate of 110.92%).

- This change results in a reduction to the property tax base and an increase in the local tax rate.

If you have any questions, please call 612-348-3011 or email at taxinfo@co.hennepin.mn.us

Name of City/Town (Amount in parentheses represents percent of city population within the legislative district based on 2000 Census)	Type (C=City, T=Town)	2010 Population	Percent Change in Tax Due to Homestead Credit Elimination and Value Exclusion (see final page for explanation of property types)								
			Total Res. Homestead	Avg. Value Homestead	Total Res. Non-Homestead	Total Apartment	Total Seasonal Recreational	Total Business	Total Agricultural	Total Miscellaneous	**TOTAL ALL PROPERTIES**
1. Apple Valley	C	49,084	2.5%	2.5%	2.8%	2.9%	3.0%	1.2%	3.5%	2.9%	2.2%
2. Bloomington	C	82,893	1.5%	1.5%	2.6%	2.6%	2.7%	1.0%	1.9%	2.6%	1.3%
3. Burnsville	C	60,306	2.6%	2.6%	2.7%	2.8%	2.7%	1.2%		2.8%	1.9%
4. Eagan	C	64,206	3.2%	3.1%	2.7%	2.8%	2.8%	1.0%	3.7%	2.5%	2.1%
5. Eden Prairie	C	60,797	2.0%	1.8%	2.0%	2.1%	2.0%	0.9%	2.2%	2.1%	1.5%
6. Edina	C	47,941	2.2%	1.9%	2.0%	2.4%	2.1%	1.1%			1.8%
7. Inver Grove Heights	C	33,880	2.9%	2.9%	3.0%	3.2%	3.2%	1.3%	3.8%	3.0%	2.3%
8. Lakeville	C	55,954	2.5%	2.5%	2.8%	2.6%	2.6%	1.1%	3.5%	4.1%	2.1%
9. Maple Grove	C	61,567	2.1%	2.0%	2.6%	2.7%	2.7%	1.2%	3.1%		1.8%
10. Maplewood	C	38,018	1.9%	2.1%	3.9%	4.0%	4.1%	2.0%	4.5%	4.1%	2.1%
11. Minnetonka	C	49,734	1.9%	1.8%	2.0%	2.1%	2.1%	0.9%	2.1%	2.3%	1.5%
12.Plymouth	C	70,576	2.3%	2.1%	2.3%	2.6%	2.3%	1.0%	2.3%	2.0%	1.8%
13. Savage (6%)	C	26,911	1.6%	1.6%	2.3%	2.4%	2.1%	1.1%	2.8%		1.5%
14. Shakopee	C	37,076	2.4%	2.3%	2.8%	2.8%	2.8%	1.2%	3.1%	2.8%	1.8%
15.Shoreview	C	25,043	2.8%	2.9%	3.6%	3.7%	3.7%	1.6%	3.8%	3.7%	2.5%
16. Woodbury	C	61,961	2.8%	2.7%	2.8%	3.0%	3.1%	1.1%	3.3%	3.0%	2.2%

Market Value Exclusion 101

October 2011

The Market Value Exclusion (MVE) program (hereafter referred to as "the exclusion") replaced the Market Value Homestead Credit (MVHC) program for taxes payable in 2012 and beyond. This guide describes how the exclusion works and highlights some of the issues that cities should keep in mind when examining the effects of the new program on their communities. Many of the issues relate to the ways that different aspects of the property tax system interact. A detailed description of the overall property tax system can be found in the "Property Taxation 101" guide. An overview of the new exclusion program and will be available on the League's site.

Background

During the 2011 special session, legislators eliminated the MVHC program, creating a savings of more than $260 million for the state budget. Cities had experienced years of cuts to the reimbursement payments from the state, leaving them with shortfalls in their property tax levies at the end of the year. The table below shows the amount cities expected to receive in reimbursement and the actual amount paid by the state for each year of the program (2002 through 2011). The state fully reimbursed cities for the amount of credit going to homeowners in only two years since the program's inception (2002 and 2007). The elimination of the program means that cities will no longer have to deal with the unpredictability and in consistency of reimbursement payment amounts. The new exclusion program, however, has created a lot of questions for local officials and property owners. The exclusion program begins with taxes payable in 2012.

Year	Original Amount	Final Amount
2002	87,512,765	87,512,765
2003	85,539,919	65,425,091
2004	85,290,722	66,279,257
2005	82,636,505	65,087,094
2006	78,921,393	62,809,103
2007	75,935,548	75,935,548
2008	75,810,435	63,310,311
2009	76,770,261	57,204,103
2010	82,053,176	12,106,217
2011 est.	60,246,987	12,148,508

How it works for homeowners:

Much like in the MVHC program, homeowners will not have to take any action in order to benefit from the market value exclusion. It is applied automatically. The maximum exclusion will go to homes valued at $76,000 or less. The exclusion at that level is 40% of market value. For a $76,000 home, that means $30,400 of value is not taxable. In other words, all property taxes are applied only to the remaining $45,600 of market value. As home value increases, the portion of market value eligible for exclusion phases out and is at zero percent for homes valued at more than $413,778. Note that market values are determined in the year prior to the year in which taxes are paid. For example, values used to calculate taxes payable in 2011 were set in early 2010. Property owners will receive notices stating the value of their property for 2012 taxes early in the spring of 2012. That will be the first time that homestead owners see the amount of their value excluded.

Below is a sample calculation of total taxes due (city, county, and school district taxes) before and after the exclusion from the Department of Revenue:

Sample Home Market Value		$76,000	$150,000	$300,000	$450,000
Previous Law: MVHC					
	Net Tax Capacity (market value x 1% class rate)	$760	$1,500	$3,000	$4,500
	Gross Tax at rate of 105.81% (rate x tax capacity)	$804.16	$1,587.15	$3,174.30	$4,761.45
	Current MVHC	$304.00	$237.40	$102.40	$0
	Net Tax (total tax less credit)	*$500.16*	*$1,349.75*	*$3,071.90*	*$4,761.45*
New Law: Exclusion					
	Market Value Exclusion	$30,400	$23,740	$10,240	$0
	MV after exclusion	$45,600	$126,260	$289,760	$450,000
	Home Net Tax Capacity (market value x 1% class rate)	$456	$1,263	$2,898	$4,500
	MVHC Credit	$0	$0	$0	$0
	Net Tax at rate of 110.92% (rate x tax capacity)	*$505.80*	*$1,400.48*	*$3,214.02*	*$4,991.40*

*the total tax rates used in this example are statewide averages before and after the effects of the exclusion

What it means for cities

The immediate effect of the exclusion is a decrease in the tax base. The valuations used for calculating taxes owed in 2012 were set in early 2011. They won't be updated until early 2012 for taxes payable in 2013. So, a portion of homestead value will be excluded and values for other kinds of property will not be updated. The extent of the decrease in tax base depends on the portion of homestead property each city has.

The tax base decrease will mean that in order to generate the same amount of city property tax dollars as in 2011, city tax rates will have to go up. For example, if prior to the conversion a city's tax base was 1000 and its tax levy was 100, the tax rate would be 10%. Now, in that same city the tax base has been reduced 40% to 600. The city still needs to generate 100 in property taxes. The rate climbs to almost 17%. For many cities, it will likely be very difficult to hold levies flat given the repeated cuts to Local Government Aid (LGA) payments and to ongoing cost pressures, like the cost of healthcare, fuel and infrastructure maintenance.

The exclusion will result in a shift in tax burden from homestead properties to other kinds of property. The extent of this shift will be influenced by the portion of all homestead property made up of lower value homes. The more lower-value homes a city has as a portion of its tax base means more tax burden shifting.

In many communities, lower value homes will pay more in taxes even if the levy remains flat. This is because of the increase in tax rate necessary to generate the same amount of tax levy. This effect is more likely in cities where a high portion of property is lower value homes.

Property tax bills, of course, reflect the levy decisions and tax bases of not just the city, but also the county, the school district and any special districts. The tax bases of all local governments will be affected by the new exclusion program. A given city may not see a big decrease in its city tax base and therefore experience little shifting of city tax burden. The county containing that city may have a lot of lower-value homes and therefore experience a big tax base loss. That will affect property owners within the city.

Other issues to consider

The new HMVE program will interact with other aspects of the tax system, namely Tax Increment Financing (TIF), Local Government Aid (LGA), and market value levy limits. The interactions are described briefly below:

MVE and TIF: The new program will mean that current values of TIF properties will be adjusted but the Dept. of Revenue has indicated that the base year values will NOT be adjusted. This will result in a decrease in the increment captured and may cause problems for cities in paying off debt associated with the TIF district.

MVE and LGA: The current LGA formula takes city tax base into account in distributing the LGA appropriation. The exclusion will reduce tax capacity in each city. That will mean a reduction in the capacity side of the need vs. capacity comparison the formula makes.

MVE and market value levy limits: The Dept. of Revenue has indicated that market values for determining HRA and EDA levy limits and certain debt limits will be the values after the effects of the exclusion.

Resources

League of Minnesota Cities
http://www.lmc.org/page/1/property-tax-state-funding-fiscal-issues.jsp

2012 Budget Impacts

Preliminary Tax Levy

City Council adopted a preliminary levy increase of one percent for 2012.

- The preliminary levy can be raised, but not lowered before the council adopts the final budget in December.
- Council will meet on November 8 for a final budget study session. At that meeting, they plan to make further reductions to the 2012 budget in an effort to shrink the one percent increase in the preliminary levy to zero percent.

The past two years, the council has kept the levy flat or decreased the city levy.

- In 2011, the city levy increase was kept flat (i.e., zero percent increase).
- In 2010, the city levy **decreased** by 0.6 percent.

Proposed Budget

The past several years, the City Council has sought to strike a balance between providing quality core services and minimizing the tax impact on property owners. Like past years, the 2012 budget does not include new initiatives.

Of the proposed one percent increase in the 2012 preliminary levy, only about ½ percent (.55 percent) is for funding general operations. The reminder of the one percent increase covers special levies for infrastructure improvements, bond debt and the levy for the HRA.

The proposed 2012 budget eliminates five positions.

- With the 2012 cuts, the city will have eliminated more than 30 positions since 2009. This translates into a decrease in the city's full-time equivalent (FTE) workforce by more than 10 percent.

Effect on Property Owner

Calculating the effect on the median value home cannot be done reliably this year because too many factors are at play. Each home is a special case. Before we can generalize, we need to see how the state legislative changes play out. Among the factors at play are:

- Changes in state-mandated property tax relief program, i.e., elimination of market value homestead tax credit and new homestead market value exclusion.
- The wide variance in changing residential property values;
- Commercial-industrial (CI) values are still decreasing faster than some homes, which shifts more of the tax burden from CI to residential properties;

- The effect fiscal disparities, the metro-wide sharing pool of CI tax capacity, will have on Plymouth's tax base; and
- The shift of the Hennepin County and school district tax burden among suburbs as property in some communities hold value better than others.

Where Your Property Taxes Go

City receives about 27% of the property taxes paid by homeowners.

Of the portion the city receives, it is distributed as follows:

- Police 35%
- Public Works 18%
- Parks & Recreation 17%
- Support Services 13%
- Fire 9%
- Planning & Inspections 8%

Budget Hearing

- Budget Hearing set for 7 p.m. on Tuesday, December 13 at City Hall.
- Televised on cable channel 16 in Plymouth and streamed via the city website, plymouthmn.gov.