



Truth in Taxation 2022 Budget & Property Tax Levy

December 6, 2021

Truth in Taxation

- ▶ Required by MN Statute 275.065, subd. 7
- ▶ Purpose
 - ▶ Overview of 2022 Budget
 - ▶ Discussion of Levy for Taxes Payable in 2022
 - ▶ Impact to properties in Buffalo
 - ▶ Public Input

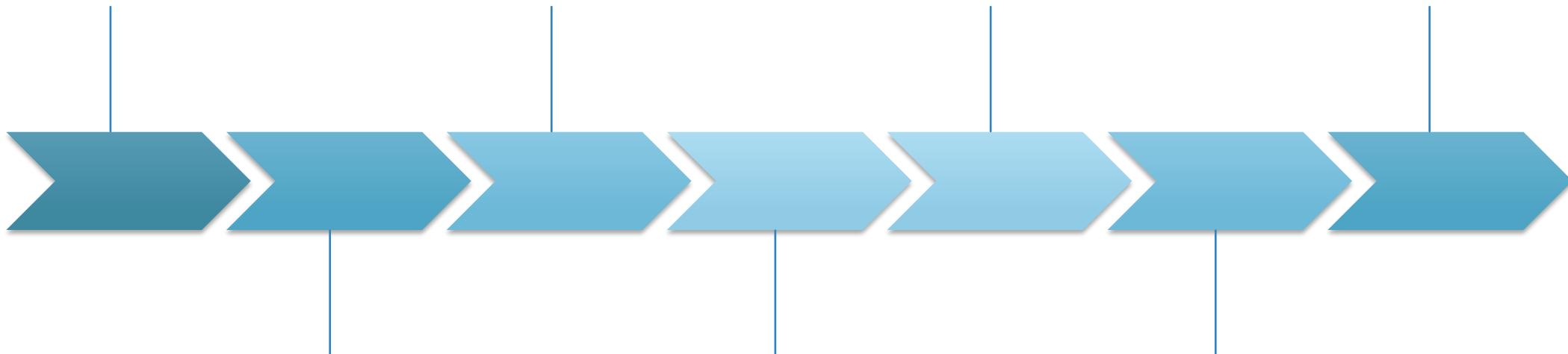
Timeline: Budget Process

June 2021
CIP* & budget worksheets
Distributed to staff.

September 2021
Council adopts preliminary
HRA & property tax levy

November 2021
Wright County mails Truth in
Taxation Statements to residents

January 2022
New Fiscal year begins



August 2021
City Administration & Finance
departments review, compile
& draft preliminary budgets
and CIP*

October 2021
City Council workshops with
staff to review draft budgets
and CIP*

1. Public Hearing, Council adopts 2022 property tax levy & budget
2. City certifies final 2022 tax levy with Wright County & files with MN Dept. of Revenue

*CIP = Capital Improvement Plan

Looking to 2022 - 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
 - ▶ Complete Comprehensive Plan

Looking to 2022 - 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
- ▶ Increased levy for streets maintenance Pavement Management Plan



Council Core Strategies

- ▶ Fostering a welcoming culture of engaged and active citizens.
- ▶ Maintain and improve public infrastructure.
- ▶ Fiscal Responsibility.
- ▶ Safe, secure and healthy community.
- ▶ Planned and sustainable growth.
- ▶ Supportive and balanced business environment.
- ▶ Collaborative, inclusive and high-functioning team.
- ▶ Continued evolution in the quality of life for Buffalo's diverse needs.

2022 Budget & Levy Summary

| 2022 Proposed Budget & Levy Summary | | |
|--|-----------------|-----------------------|
| | Pay 2022 | (%) Change |
| Total City Budget | \$48,927,161 | -0.65% |
| General Fund Budget | \$10,398,804 | 0.38% |
| City Tax Levy | \$9,421,342 | 6.35% |
| City Tax Rate | 58.15% | 7.18% |
| HRA Tax Levy | \$296,078 | 4.8% |

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

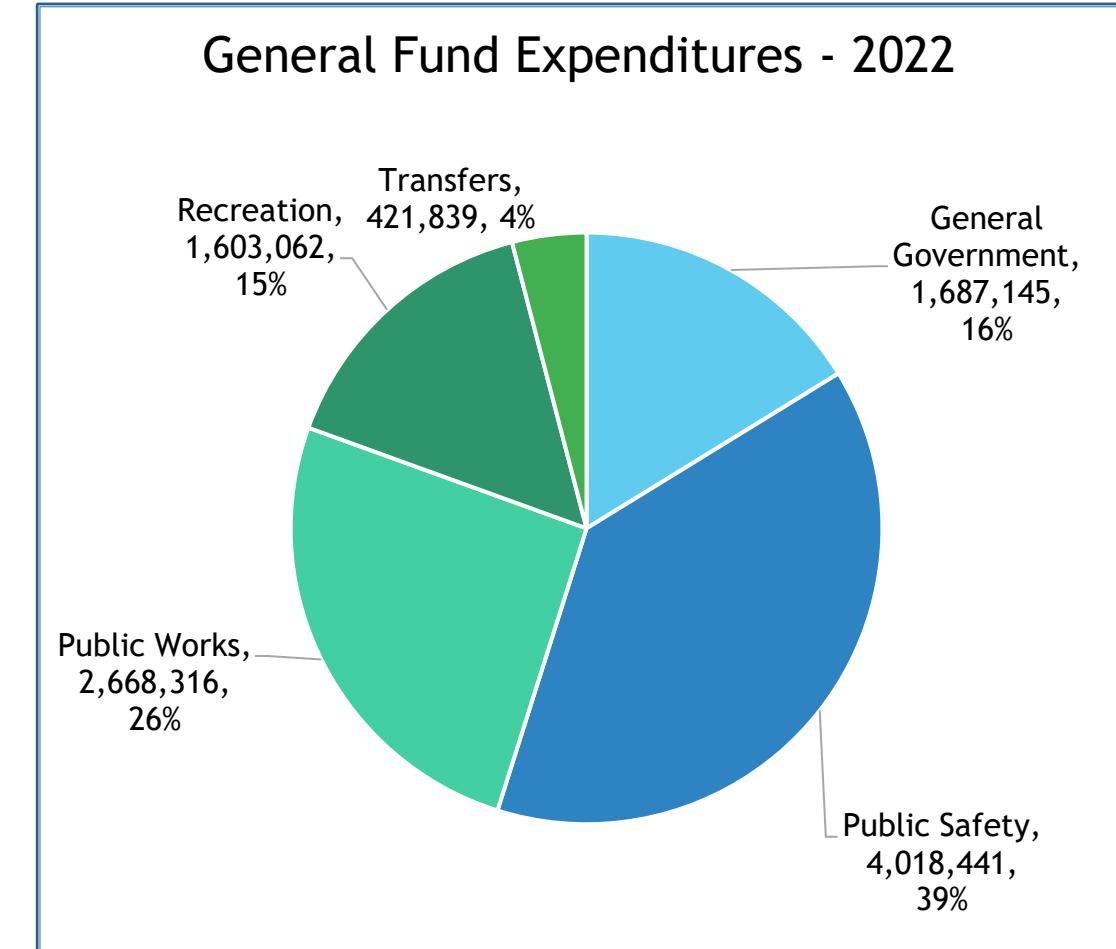
| | 2022 Proposed Budget | 2021 Adopted Budget | \$ Change | % Change | Notes |
|--|-------------------------|------------------------|----------------|-------------|-------|
| Revenues & Other Sources | | | | | |
| Taxes | 5,665,645 | 4,979,558 | 686,087 | 13.8% | |
| Licenses & Permits | 506,400 | 392,950 | 113,450 | 28.9% | |
| Intergovernmental | 1,407,545 | 1,335,639 | 71,906 | 5.4% | |
| Charges for Services | 1,712,575 | 1,630,500 | 82,075 | 5.0% | |
| Transfers In | 925,000 | 1,400,000 | (475,000) | -33.9% | |
| All Other | 264,750 | 620,750 | (356,000) | -57.3% | |
| Total Revenues & Other Sources | 10,481,915 | 10,359,397 | 122,518 | 1.2% | |
| Expenditures & Other Uses | | | | | |
| Personal Services | 4,898,132 | 4,383,255 | 514,877 | 11.7% | |
| Supplies | 1,006,790 | 970,795 | 35,995 | 3.7% | |
| Other Services & Charges | 3,771,431 | 3,308,611 | 462,820 | 14.0% | |
| Capital Outlay | - | 332,200 | (332,200) | -100.0% | |
| Debt Services | 300,611 | 197,744 | 102,867 | 52.0% | |
| Transfer to Other Funds | 421,839 | 1,116,992 | (695,153) | -62.2% | |
| Total Expenditures & Other Uses | 10,398,803 | 10,309,597 | 89,206 | 0.9% | |
| Net Change in Fund Balance | \$ 83,112.00 | \$ 49,800.00 | | | |

The Park Fund is now included in the General Fund eliminating transfer.

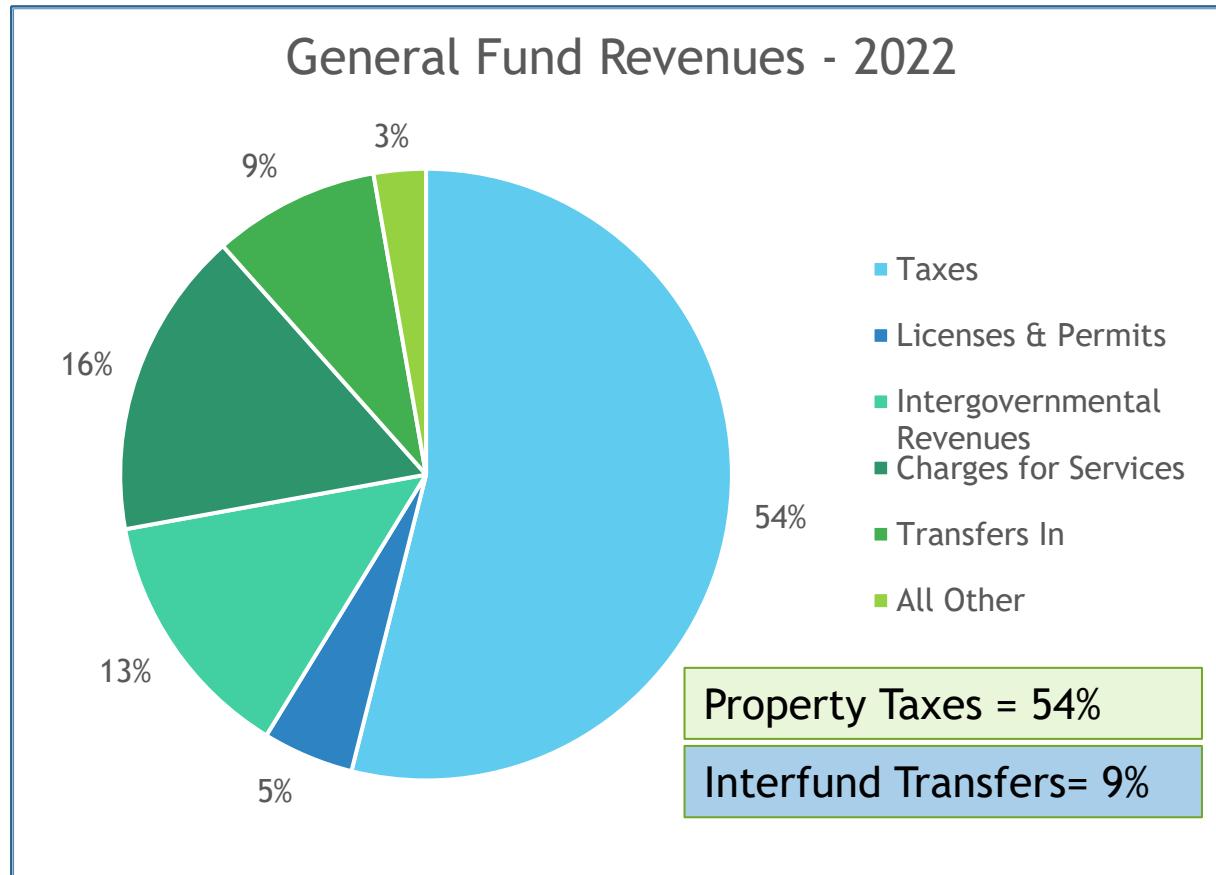
Account for Capital Equipment & Funding Sources is now in the Capital Equipment Fund.

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.

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

Enterprise Fund Contributions:
\$900,000 - Electric Utility
\$ 25,000 - Liquor Fund

Components of City's Levy

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| Program or Service | 2021 Levy | 2022 Levy | \$ Increase (Decrease) | % Increase (Decrease) |
|---------------------|------------------|------------------|------------------------|-----------------------|
| General Fund | 4,727,035 | 4,831,470 | 104,435 | 2.21% |
| Street Improvement | - | 500,000 | 500,000 | 100.0% |
| Debt Service | 3,606,099 | 3,549,037 | (57,062) | -1.58% |
| Library | 84,659 | 76,672 | (7,987) | -9.43% |
| Lease Purchase | 421,593 | 444,995 | 23,402 | 5.55% |
| Tax Abatement (EDA) | 19,791 | 19,168 | (623) | -3.15% |
| Total | 8,859,177 | 9,421,342 | 562,165 | 6.35% |

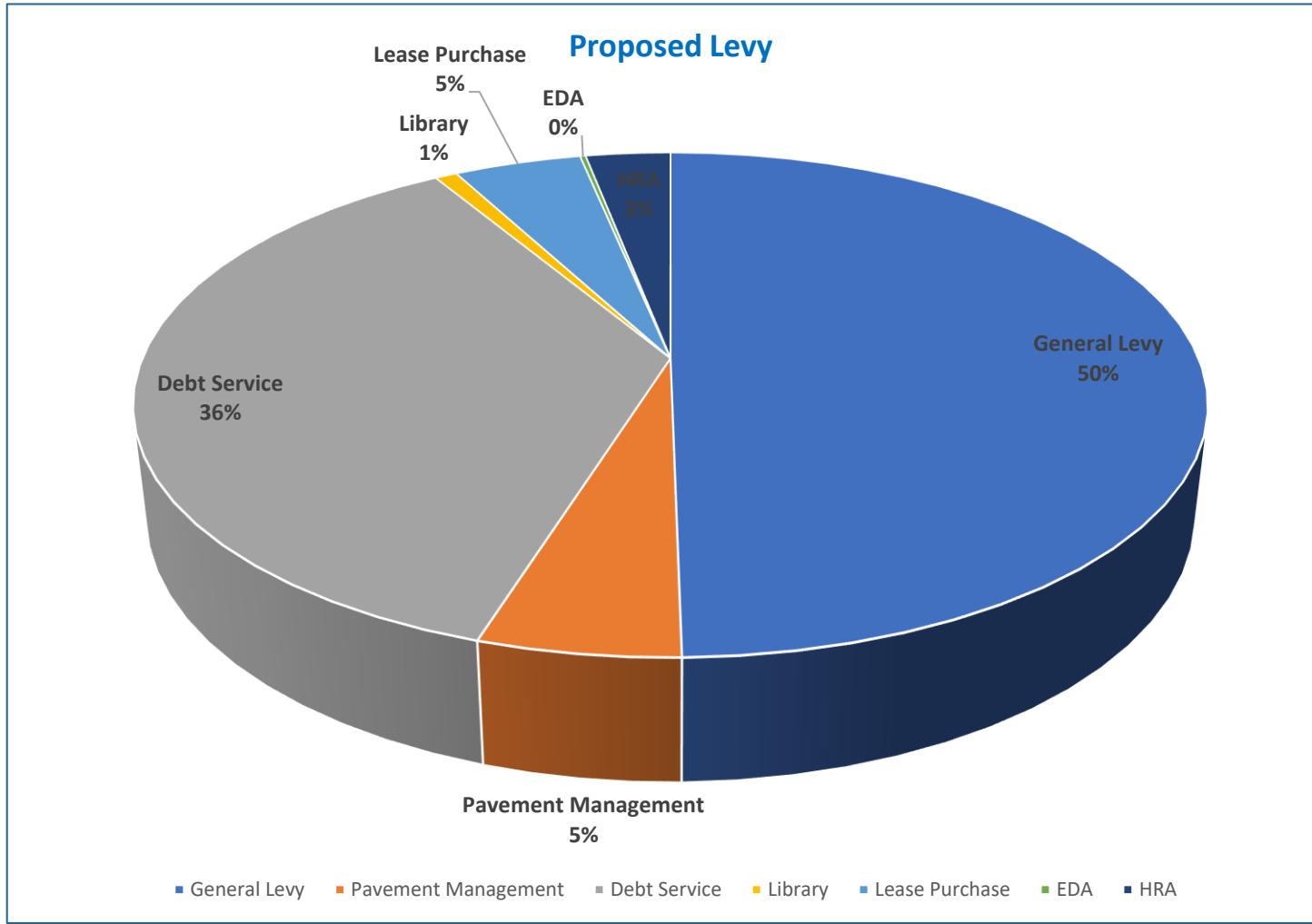
Reduced Debt Service
Levy by additional
\$100,000 for cash on
hand.

H
R
A

| Program or Service | 2021 Levy | 2022 Levy | \$ Increase (Decrease) | % Increase (Decrease) |
|--------------------|----------------|----------------|------------------------|-----------------------|
| General Fund | 282,578 | 296,078 | 13,500 | 4.78% |
| Total | 282,578 | 296,078 | 13,500 | 4.78% |

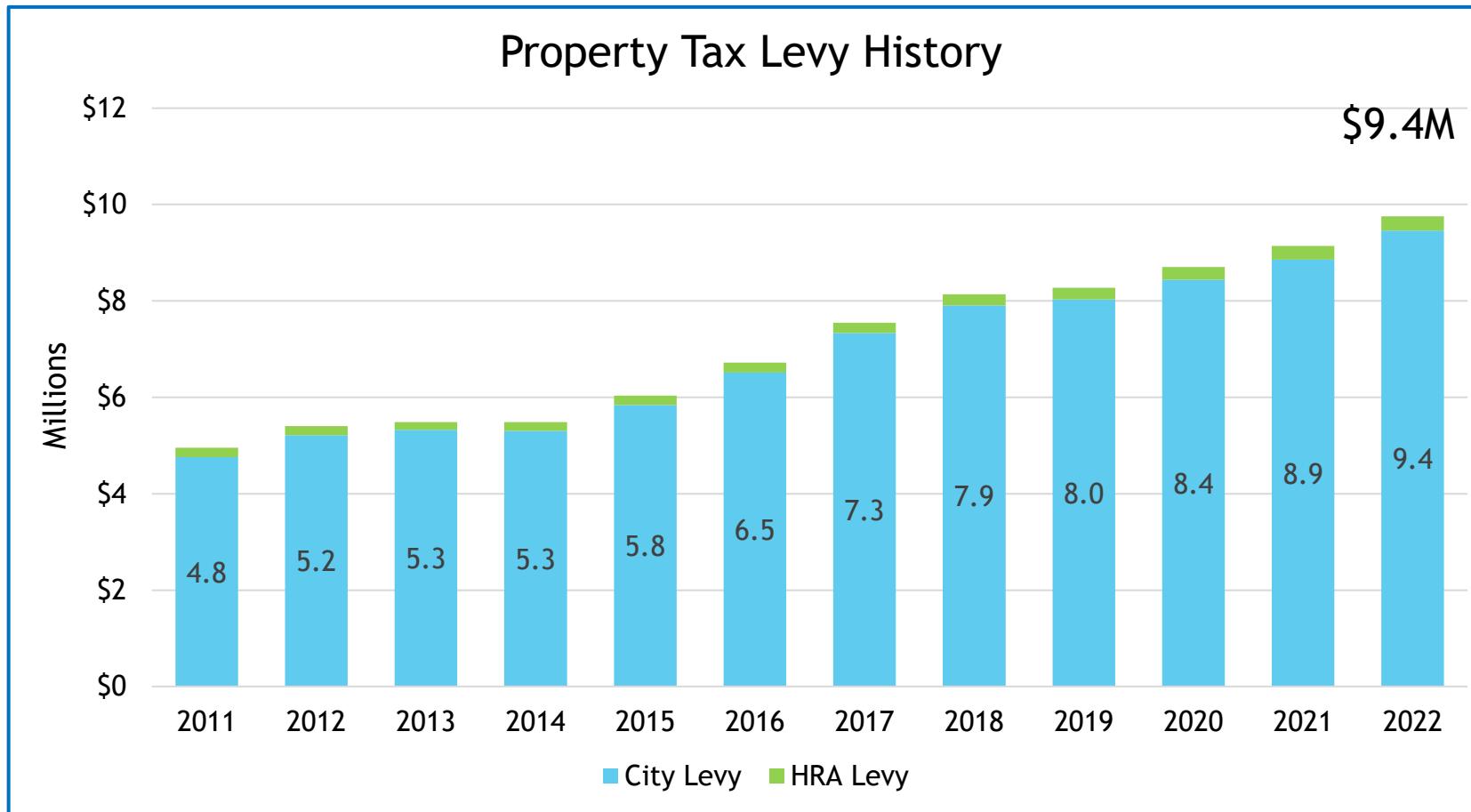
Not to exceed
0.0185% of Estimated
Market Value.
MN Statute 469.033

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 – 36%
 - Lease Purchases – 5%
- A small amount is used to fund operations at the Buffalo Library.
- A small amount is for the 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 - \$9,421,342
- \$562,165 more than 2021 Levy
- Increase primarily due to Pavement Management Plan.

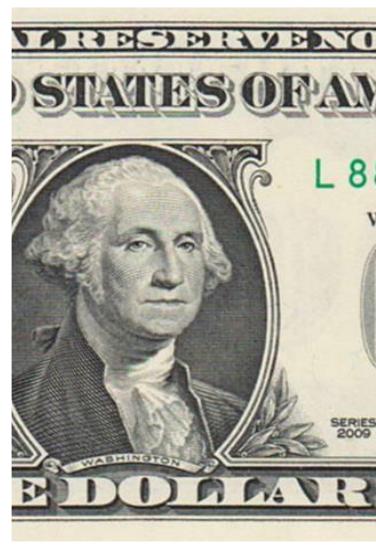
Property taxes at work in our community



Who gets your property tax dollar?



City of Buffalo \$0.40



Wright County \$0.29



School District \$0.31

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

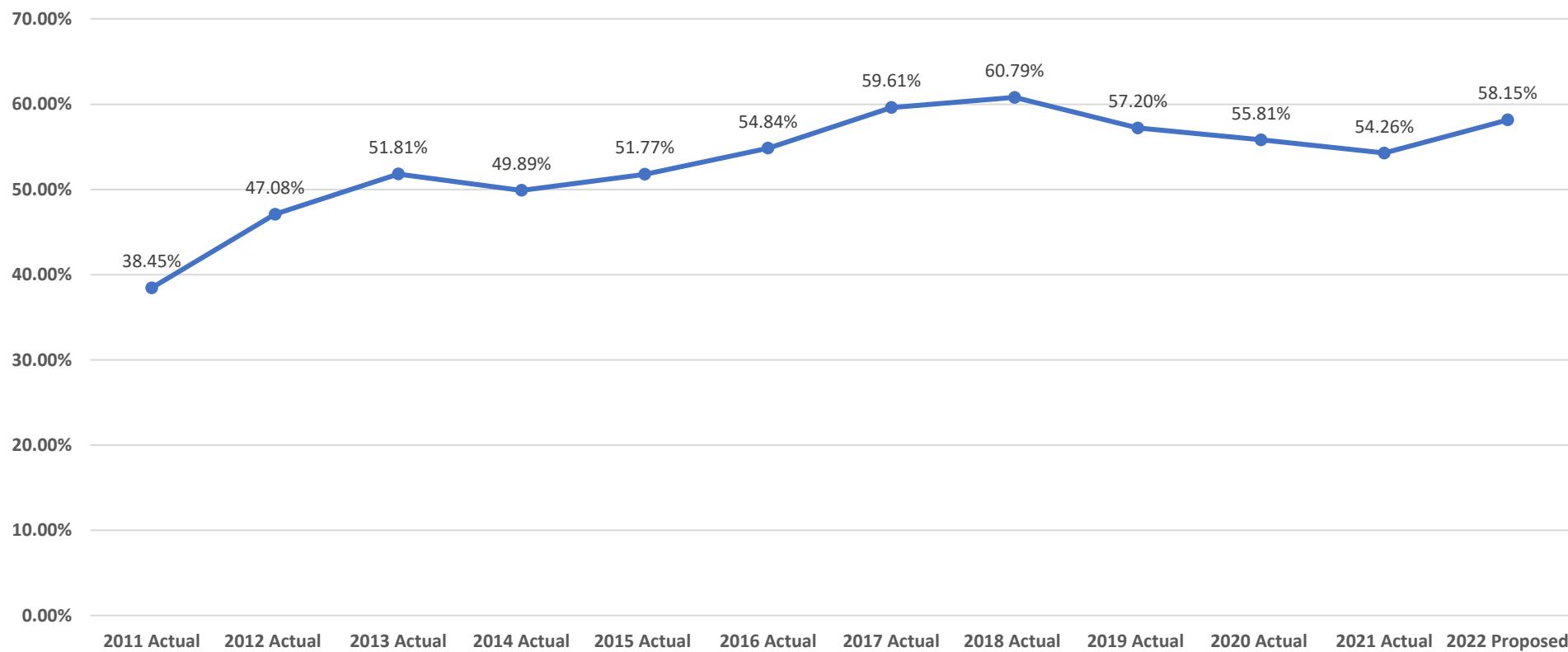


| Class | EMV* Change |
|--------------|-------------|
| Residential | +5.70% |
| Commercial | +.56% |
| Industrial | +5.62% |
| Agricultural | +2.08% |

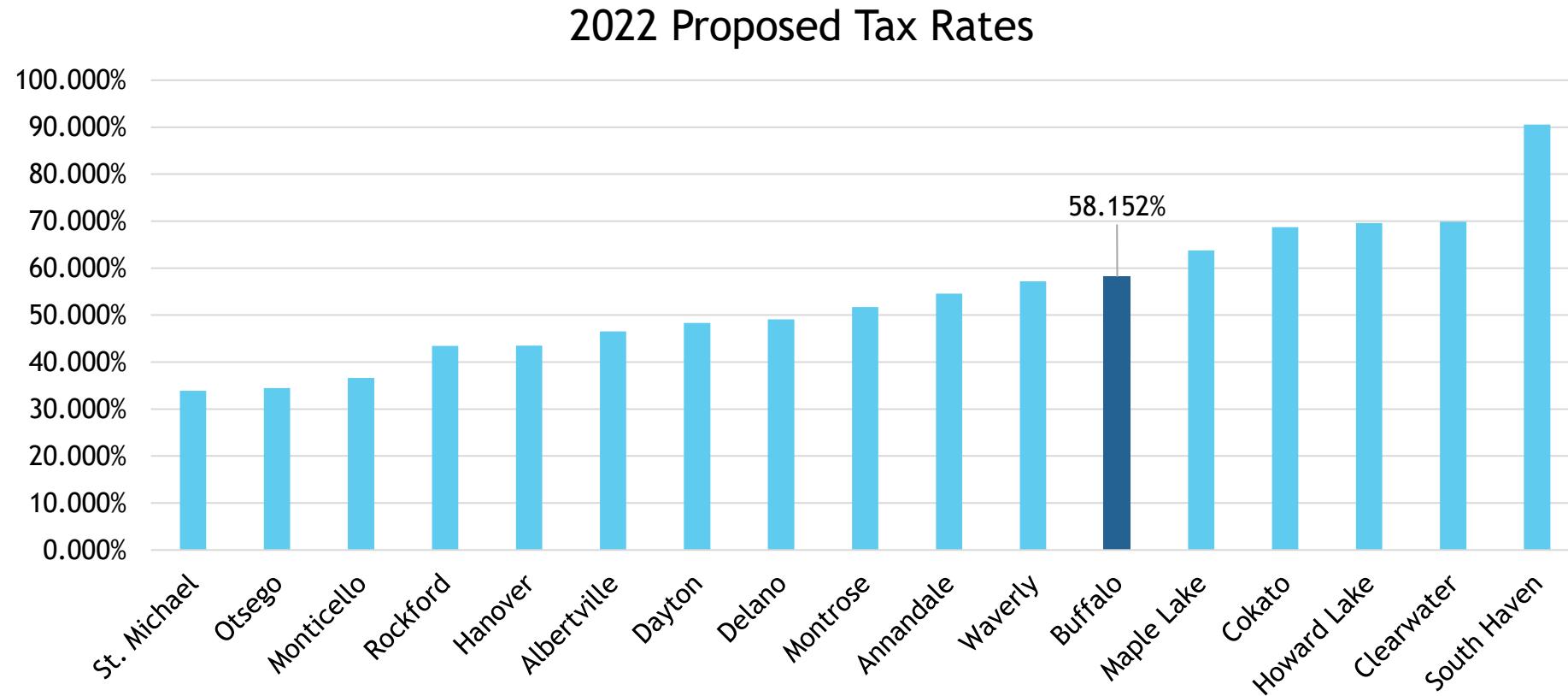
- ▶ New residential & commercial properties
- ▶ Increased valuation of existing residential & commercial properties

Tax Capacity Growth Estimated at +4.9%

Buffalo Tax Rate = City Levy/Tax Capacity



Comparison - Cities in Wright County



*Data from Wright County

Sample 2022 Tax Calculation

| Tax Calculation Based on \$252,000 Home | | | | |
|--|-----------------|-----------------|-------------|--|
| | Payable 2021 | Payable 2022 | % Change | Comments |
| Estimated Taxable Market Value (EVM) | 254,700.00 | 252,300.00 | -0.9% | |
| Homestead Market Value Exclusion | (14,300.00) | (14,500.00) | | Maximim Benefit = \$30,400, Phased out at \$413,800 |
| Taxable Market Value | 240,400.00 | 237,800.00 | | Market Value - Homestead MV Exclusion |
| Class Rate - Set by Legislature | x 1% | x 1% | | x Class Rate (1% up to \$499,000 - 1.25% over \$500,000) |
| Tax Capacity | 2,404.00 | 2,378.00 | | EVM x Class Rate = Tax Capacity |
| City of Buffalo Tax Rate | x .54256 | x .58152 | 7.2% | Tax Levy / Tax Capacity x 100 |
| | 1,304.31 | 1,382.85 | | Multiply Tax Capacity by Local Tax Rate = Base Rate |
| Less Credits | - | - | | |
| + Referendum Levy Amounts | - | - | | |
| +State General Tax (If applicable) | - | - | | |
| City of Buffalo Estimated Taxes | \$ 1,304.31 | \$ 1,382.85 | 6.0% | |

\$78 increase or \$6.50/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 20,2021



City Council to accept Public Input

2. Future Council Action - December 20,2021:



- Adopt the 2022 Annual Operating Budgets
- Set the Final Tax Levy for Payable 2022
- Adopt the 2022-2025 Capital Improvement Plan (CIP)
- Adopt the 2022 Utility rates
- Adopt the 2022 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 2022 Budget will be available on the City's Website.

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

Questions or Comments?