2013 *Proposed* Final Levy & Annual Budget

December 5th, 2012

Bruce Messelt
County Administrator

Truth-in-Taxation Hearing – FY 2013

What is the Purpose of Tonight's Hearing?

"Truth in taxation" (T-n-T) is a process which the legislature enacted in 1988 to enhance public participation in Minnesota's property tax system.

The main purpose of T-n-T is:

- To present a *proposed* **Final 2013 Levy** for Board and Community Consideration;
- To educate the Community on the County Budget and Prioritization Process;
- To encourage the Community to understand the local government's budget process and assist local officials set spending priorities; and
- To further refine the *proposed* **Final 2013 Levy & Annual Budget** prior to the December 31st deadline.

Truth-in-Taxation Hearing – FY 2013

TNT Presentation Outline

- 2013 Levy & Budget Context
- *Proposed* Final 2013 Budget Overview
- *Proposed* Final 2013 County Tax Levy
- Property Tax Information
- County Reserves & CPA Utilization
- Taxpayer Information

2013 Levy & Budget Context

Truth-in-Taxation Hearing – FY 2013

County Financing Basics

- **Where does the County get its Money?**
  - Property Taxes
  - State Aids & Earnings
  - Federal Grants
  - Charges for Services
- **Who Determines Budget Priorities?**
  - Federal Mandates
  - State Laws/Mandates
  - Agreements or Specific Program Requirements
  - County Board
  - Designated Agents

Truth-in-Taxation Hearing – FY 2013

Who Receives Your Tax Dollars?

	Income Taxes	Sales Taxes *	Property Taxes
Federal Gov't	$		
State Gov't	$	$	$
County Gov't			$
School District			$
City/Township			$

* State can authorize local sales tax with approval of citizens (with some exceptions)

Truth-in-Taxation Hearing – FY 2013

County Financial Report Card

- Unqualified 2011 Audit Opinion - State Auditor
  - 2012 Budget "On-Track" (quarterly updates)
- Strong Financial Policies
- *Minimally*-acceptable Fund Balances
- Annual Budgeting Process
  - Operating and Capital Improvement Budgeting
  - Review of Charges/Fee for Services
- Re-affirmed County Bond Rating (AA2 – Moody's)

Truth-in-Taxation Hearing – FY 2013

Long-Term Fiscal Challenge

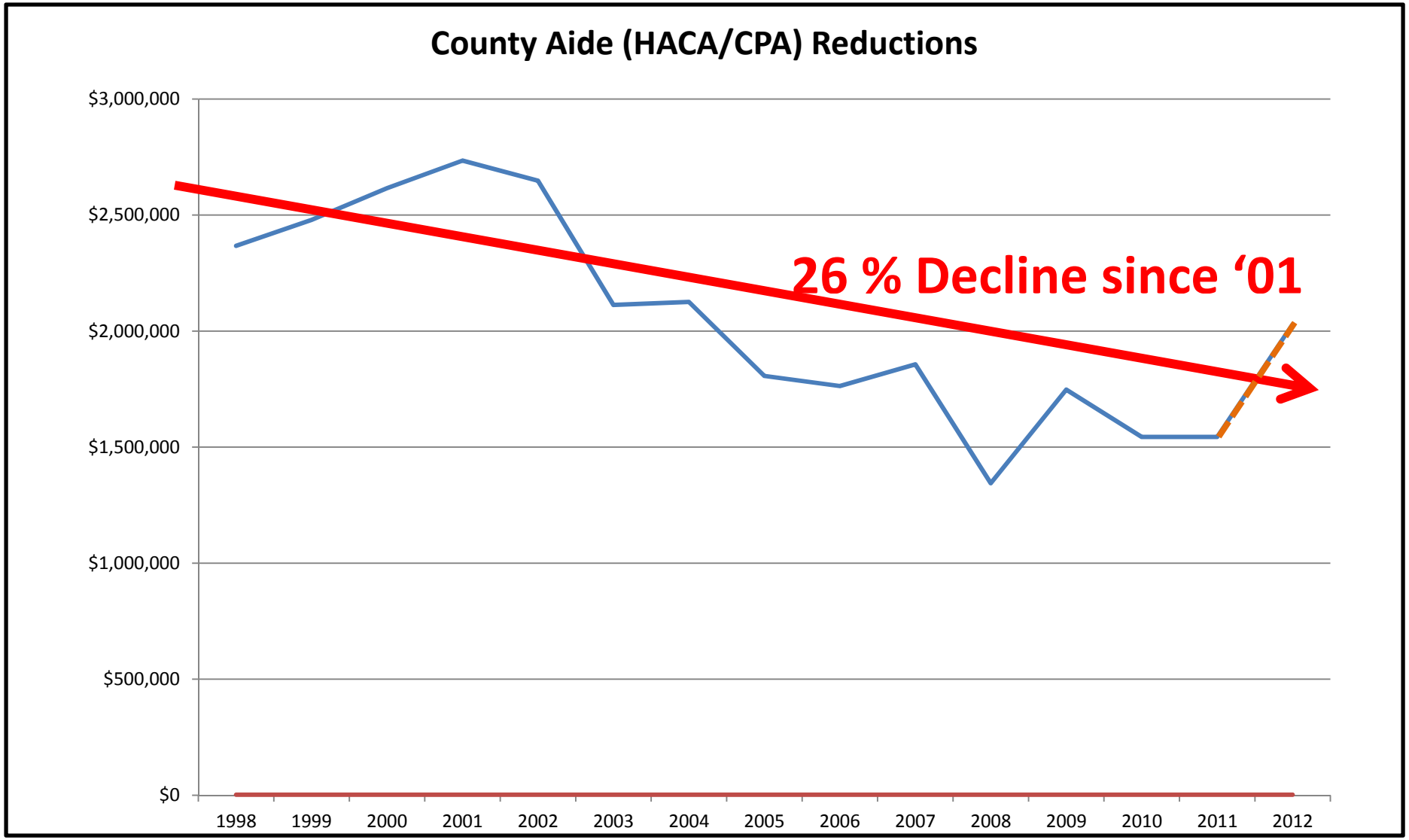
Fiscal Challenges:

- Declining Tax Base
  - Slow Economic Recovery
- State Budget Deficit
  - $1.1B+ for '13-'14
  - State Aid Reductions
- Changing Needs
  - Aging/More Diverse Pop.
- Rising Costs
  - Fuel, Supplies, Pers./H.C.
- Aging Infrastructure

County Response:

- Program Changes
- Personnel Reductions
- Spend-down Reserves
- Deferred Activities
  - Programs/Staffing
  - Maintenance
  - Capital Projects
- Innovate/Collaborate

Truth-in-Taxation Hearing – FY 2013

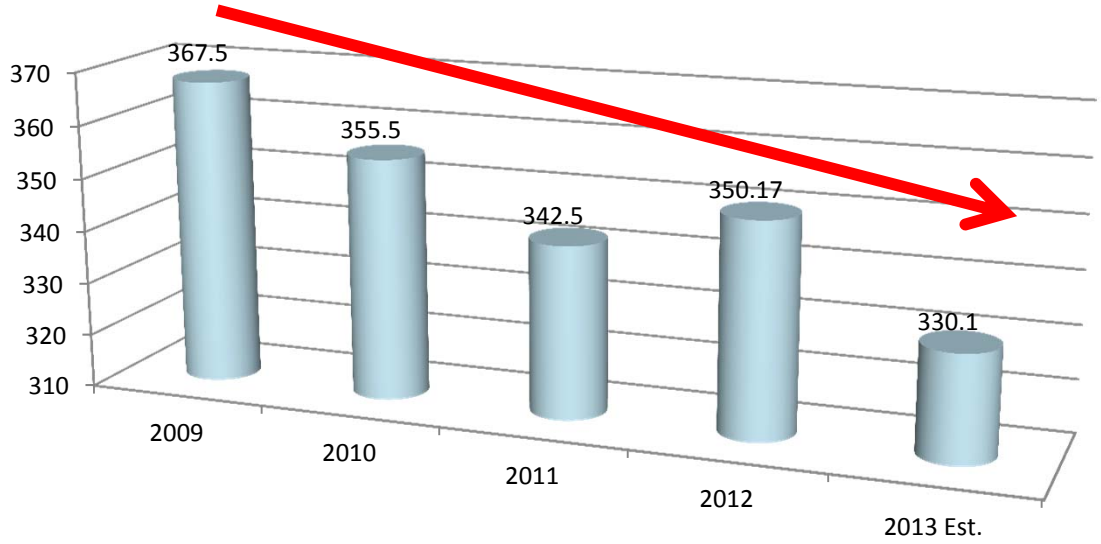


Truth-in-Taxation Hearing – FY 2013

County Staffing Reductions

(2009 – 2012)

Total County Employees



10% Decrease since 2009

*… and a **24%** Reduction in Force since 2006!*

Truth-in-Taxation Hearing – FY 2013

Proposed Final 2013 Budget Overview

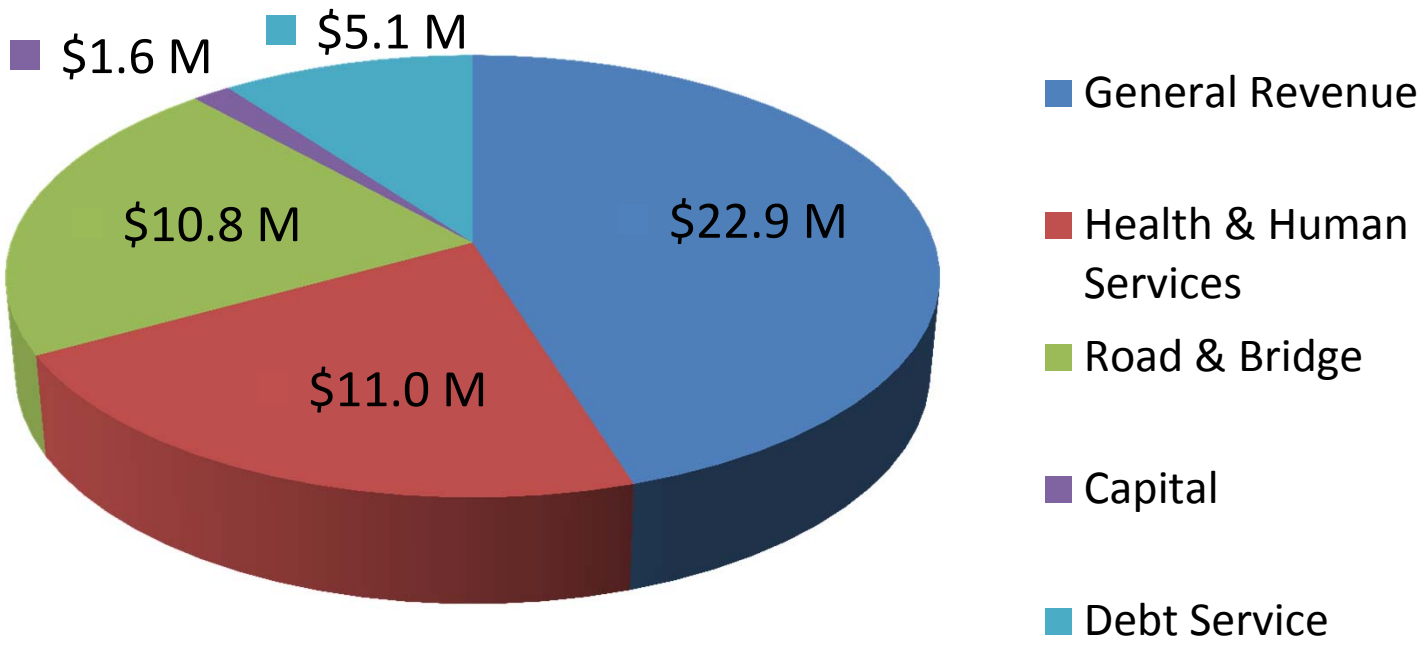
Truth-in-Taxation Hearing – FY 2013

***Proposed* Final 2013 County Budget**

- $ 51.7 Million Balanced Budget
  - 0.4% increase from 2012 Budget (non-levy expenditures)
  - Significant Program/Department Budget Reductions
- $ 270K Property Tax Levy Decrease (0.1%)
  - 4 Years w/o Levy Increase
- Reprogrammed Unpredictable State Aids - *Capital*
- Funding Needed Infrastructure Improvements
  - Major Facilities – Government Center
  - Key Vehicle Replacements

Truth-in-Taxation Hearing – FY 2013

Proposed Final 2013 County Budget

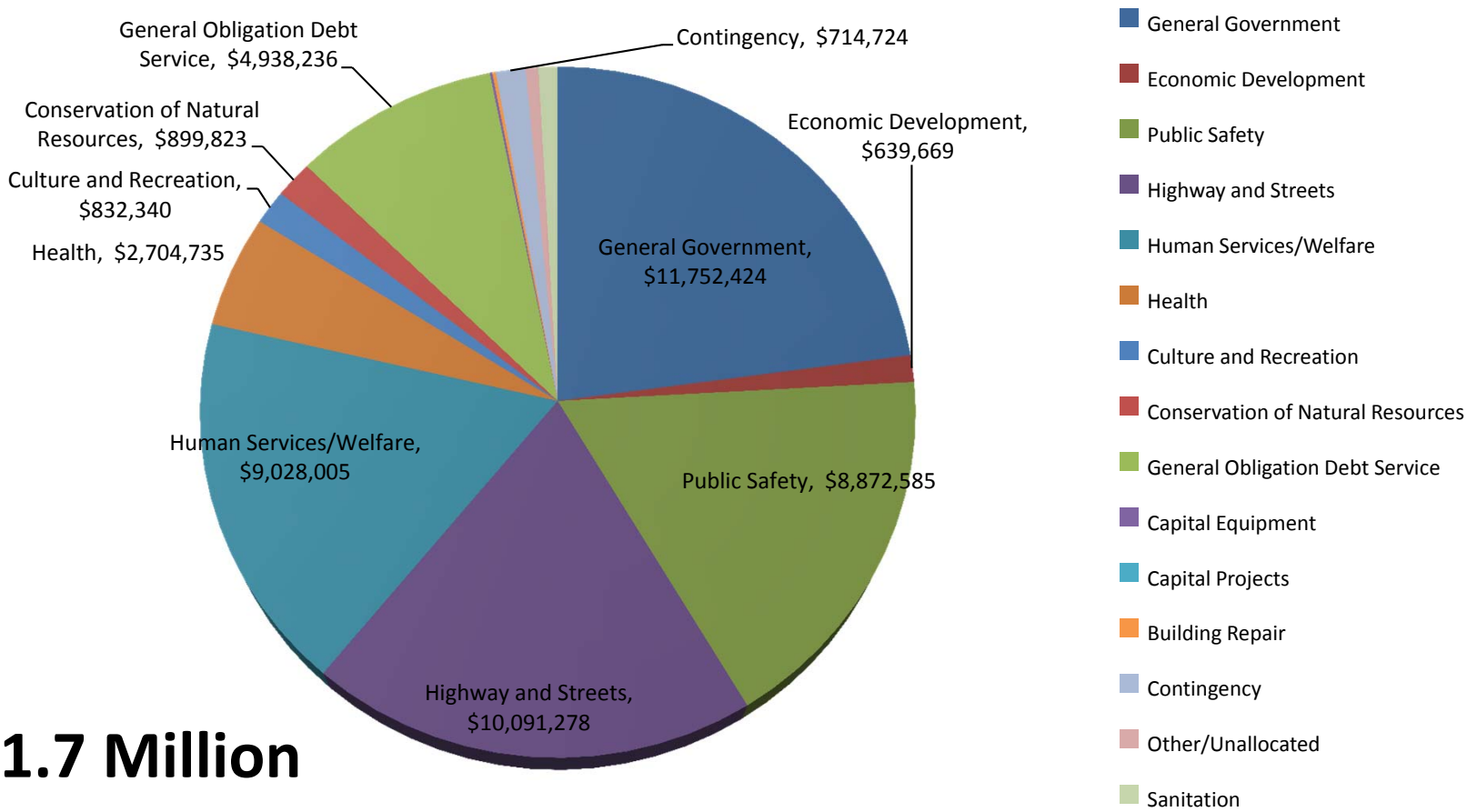


$ 51.7 Million

Truth-in-Taxation Hearing – FY 2013

Proposed Final 2013 County Budget

(by Function)



$ 51.7 Million

Truth-in-Taxation Hearing – FY 2013

- **<u>County-wide Comments</u>**:
  - Program Changes – HHC, Public Safety, MICS
  - Personnel Changes – Workforce Size & Compensation
- **<u>County Commissioners & Administration</u>**:
  - Tighter Budgets for Per Diems & Mileage
  - Reduction in Contingency ~ $800K
  - Increase support for Facilities & Maintenance
- **<u>Capital/Debt Service</u>:**
  - Maximize Debt Service Management/Reduction
  - Changes in PILT, MCIT Dividend, other activities
  - Assess LT Capital Needs – Esp. Facilities, Vehicles, IT

Truth-in-Taxation Hearing – FY 2013

- **<u>Auditor/Treasurer/Recorder/Assessor/Attorney</u>**:
  - Maintain Current Service Levels
  - Mandatory Service Provision Concerns
  - Some State Revenue/Fee for Service Support
  - Address Past Funding/Personnel Deficiencies
- **<u>Sheriff's Office</u>:**
  - Streamline/Maintain Current Service Levels
  - Gun Permits, Solid Waste Revenues, Civil Process Fees
  - Reduce FTEs/Coordinate New Gov't Security Function
  - Reduce some Non-Mandated Training & Services

Truth-in-Taxation Hearing – FY 2013

- **<u>Highway Department:</u>**
  - Materials Management – Supplies, Parts, Road Salt
  - Streamline Pavement Marking Program
  - Fewer Equipment Repairs (newer equipment)
  - Reduce Maintenance Contracted Services
  - Evaluate Engineering Contracted Services
- **<u>MICS</u>**:
  - Reduce Personnel Hardware & Software Support
  - Data Consumption Reduction (cell phones, internet)
  - Reconfigure data storage/redundant systems

Truth-in-Taxation Hearing – FY 2013

- **Environmental Services:**
  - Projected construction permit revenue increases
  - Partner with CCSO for Funding of Position
  - Continued funding of Parks
- **Health & Human Services Department:**
  - Reduce staffing & costs (HHC/retirements/open FTEs)
  - Recognizes increase activity in caring for persons in State Facility who are mentally ill and dangerous
  - Recognize Changes - Juvenile Beds & Child Foster Care
- **Outside Agency Support:**
  - Continue Partner Support – Libraries, SWCD & Extension
  - Other Agencies as Possible – Ag & Historical Societies

Truth-in-Taxation Hearing – FY 2013

Proposed Final 2013 County Tax Levy

Truth-in-Taxation Hearing – FY 2013

County Levy – Budgeted Revenues

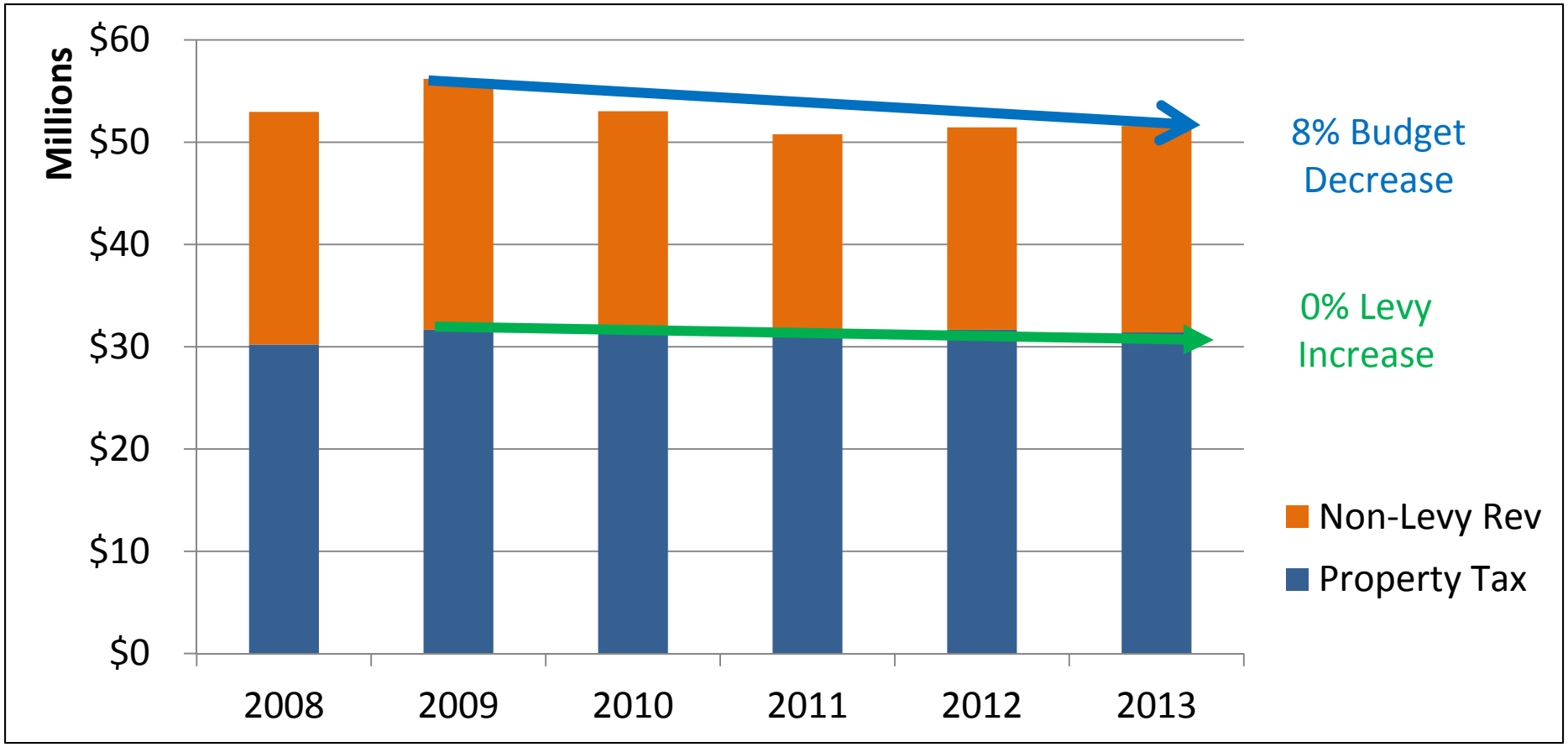
(2008 – 2013)

Year	Budgeted Expenditure	Non-Levy Revenue	Property Tax Levy	Levy % Inc/(Dec)
2008	$ 52,969,605	$ 22,746,180	$ 30,223,425	9.90%
2009	$ 56,195,728	$ 24,528,061	$ 31,667,667	4.78%
2010	$ 53,031,979	$ 21,364,312	$ 31,667,667	0%
2011	$ 50,767,693	$ 19,100,026	$ 31,667,667	0%
2012	$ 51,541,827	$ 19,788,475	$ 31,667,667	0%
***Proposed* 2013**	$ 51,716,303	$ 20,191,405	**$ 31,397,021**	**(0.1)%**

Truth-in-Taxation Hearing – FY 2013

County Levy – Budgeted Revenues

(2008 – 2013)



Truth-in-Taxation Hearing – FY 2013

Projected Tax Impacts (2013)

Residential							
2012 Value	2012 Tax Capacity	2012 County Share of Tax	7% 2013 Reduction	2013 Tax Capacity	2013 County Share of Tax	Tax Increase/ Decrease	% Increase/ Decrease
76,000	456	336.01	70,700	424	332.54	-3.47	-1.03%
100,000	718	529.07	93,000	641	502.73	-26.34	-4.98%
150,000	1,263	930.67	139,500	1,148	900.37	-30.30	-3.26%
200,000	1,808	1,332.26	186,000	1,655	1,298.01	-34.25	-2.57%
300,000	2,898	2,135.45	279,000	2,669	2,093.28	-42.17	-1.97%
450,000	4,500	3,315.92	418,500	4,185	3,282.28	-33.64	-1.01%

Commercial							
2012 Value	2012 Tax Capacity	2012 County Share of Tax	5% 2013 Reduction	2013 Tax Capacity	2013 County Share of Tax	Tax Increase/ Decrease	% Increase/ Decrease
100,000	1,500	1,105.31	95,000	1,425	1,117.62	12.31	1.11%
150,000	2,250	1,657.96	142,500	2,138	1,676.82	18.86	1.14%
200,000	3250	2,394.83	190,000	3050	2,392.10	-2.73	-0.11%
300,000	5250	3,868.57	285,000	4950	3,882.26	13.69	0.35%
450,000	8250	6,079.18	427,500	7800	6,117.51	38.33	0.63%
						Rate Difference	% Increase/ Decrease
	2012 Rate	0.7368706678		2013 Rate	0.7842955915	0.0474249237	6.44%

Truth-in-Taxation Hearing – FY 2013

Property Tax Information

Truth-in-Taxation Hearing – FY 2013

Who Uses Your Property Tax Dollar?

County	City/Twp	Schools	State	Others
43¢	24¢	24¢	6¢	3¢

Truth-in-Taxation Hearing – FY 2013

Why Did My Property Taxes Change?

- Countywide Taxable Market Value Has Changed
  - ~ 6.44% Decrease from last year/smaller tax base
- Changes in **State Tax Laws/Programs**
  - Market Value Homestead Credit/Exclusion
  - Green Acres/Agricultural Classification
- Changes in **City/Township, School District** and **Special Taxing Districts** Taxes & Budgets
- Changes in **Individual Property** Information
  - Assessed Value Changes/Classification Changes

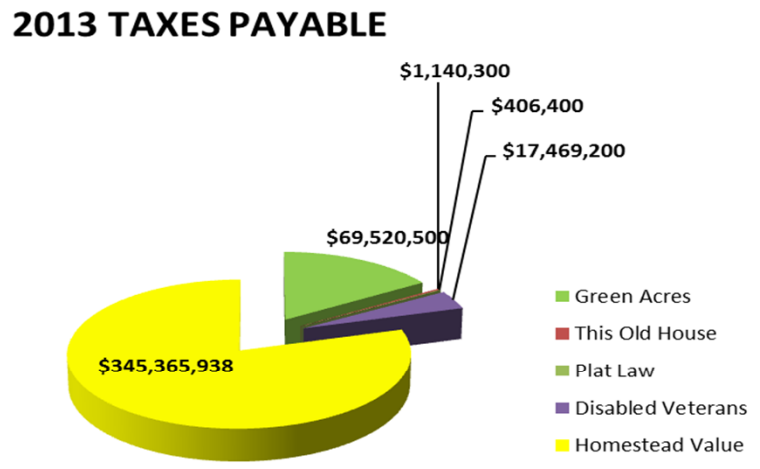
Truth-in-Taxation Hearing – FY 2013

What is the Market Value Homestead Exclusion?

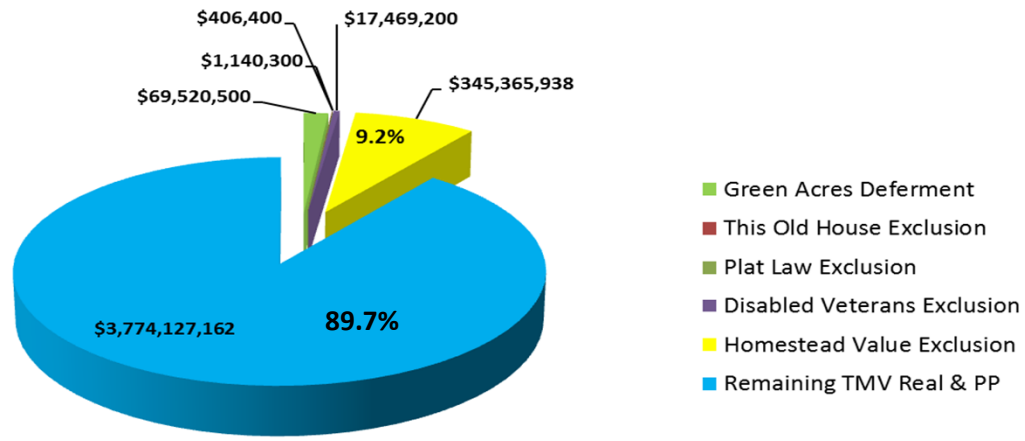
- A Change in **State Tax Law/Program**
  - Replaced State Funding to counties to reduce Tax Levy with direct Property Tax Exemption
  - Results in *shift* of Property Tax burden
    - To Non-Homestead Properties
    - To Commercial & Industrial Properties
    - To Agricultural Properties
    - To certain Homestead Properties
- The **County** did not increase its Levy Amount

Truth-in-Taxation Hearing – FY 2013

	PAY 2013 TAX BASE EXCLUSIONS					
EXCLUSIONS	**Amount Excluded**	**% Excl.**		**TOTAL EMV Real & Personal Property:**	**$ 4,208,029,500**	**% EMV**
Green Acres	$ 69,520,500	16.02%		Green Acres Deferment	$ 69,520,500	1.84%
This Old House	$ 1,140,300	0.26%		This Old House Exclusion	$ 1,140,300	0.03%
Plat Law	$ 406,400	0.09%		Plat Law Exclusion	$ 406,400	0.01%
Disabled Veterans	$ 17,469,200	4.03%		Disabled Veterans Exclusion	$ 17,469,200	0.46%
Homestead Value	$ 345,365,938	79.60%		Homestead Value Exclusion	$ 345,365,938	9.15%
TOTAL EXCLUSIONS	**$ 433,902,338**			**Remaining TMV Real & PP**	**$ 3,774,127,162**	89.69%



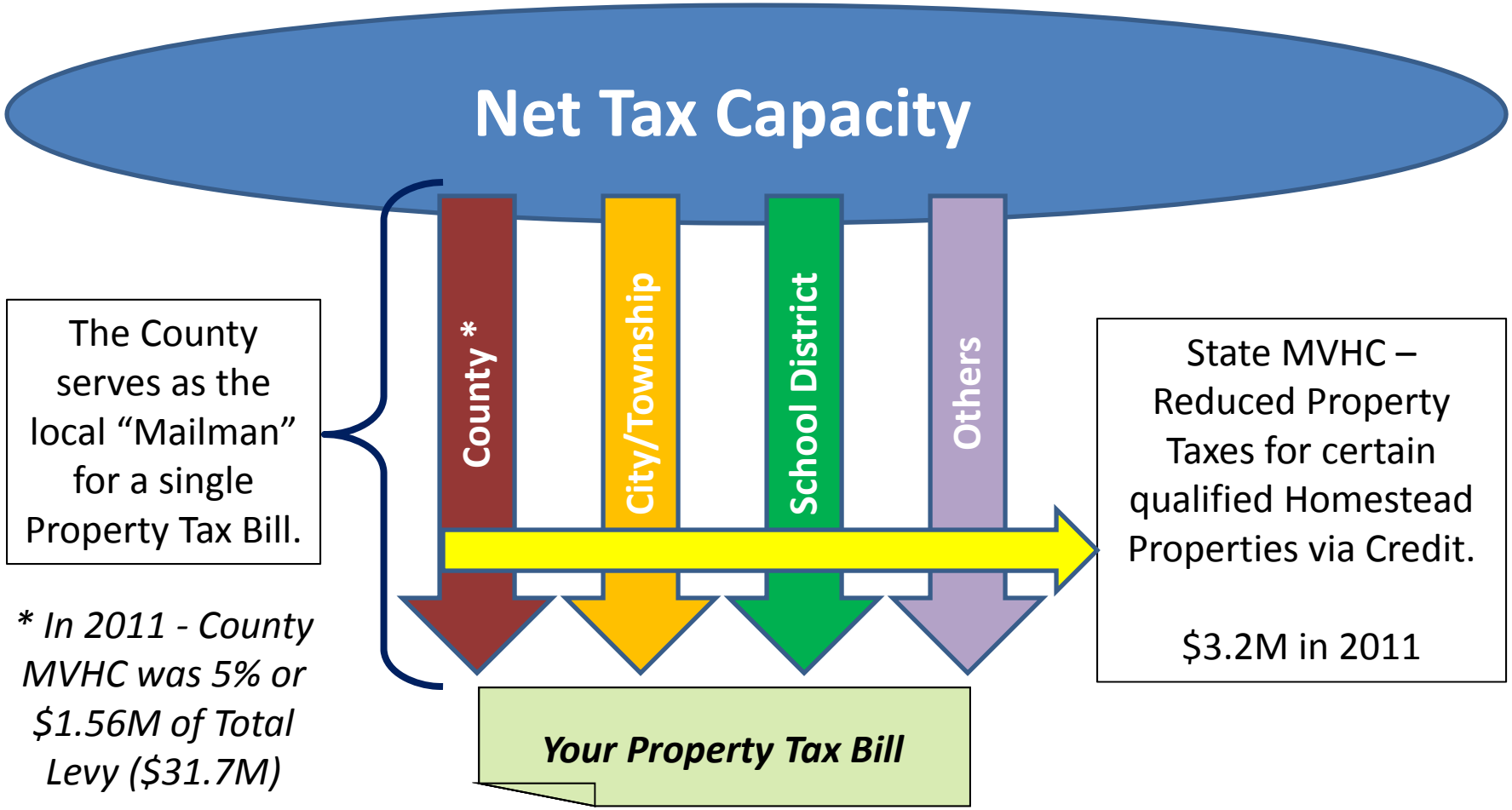
VALUE EXCLUSIONS FROM MARKET VALUE



CONVERSION FROM FULL TO TAXABLE MARKET VALUE

Truth-in-Taxation Hearing – FY 2013

Previous Property Tax System (MVHC)



The County serves as the local "Mailman" for a single Property Tax Bill.

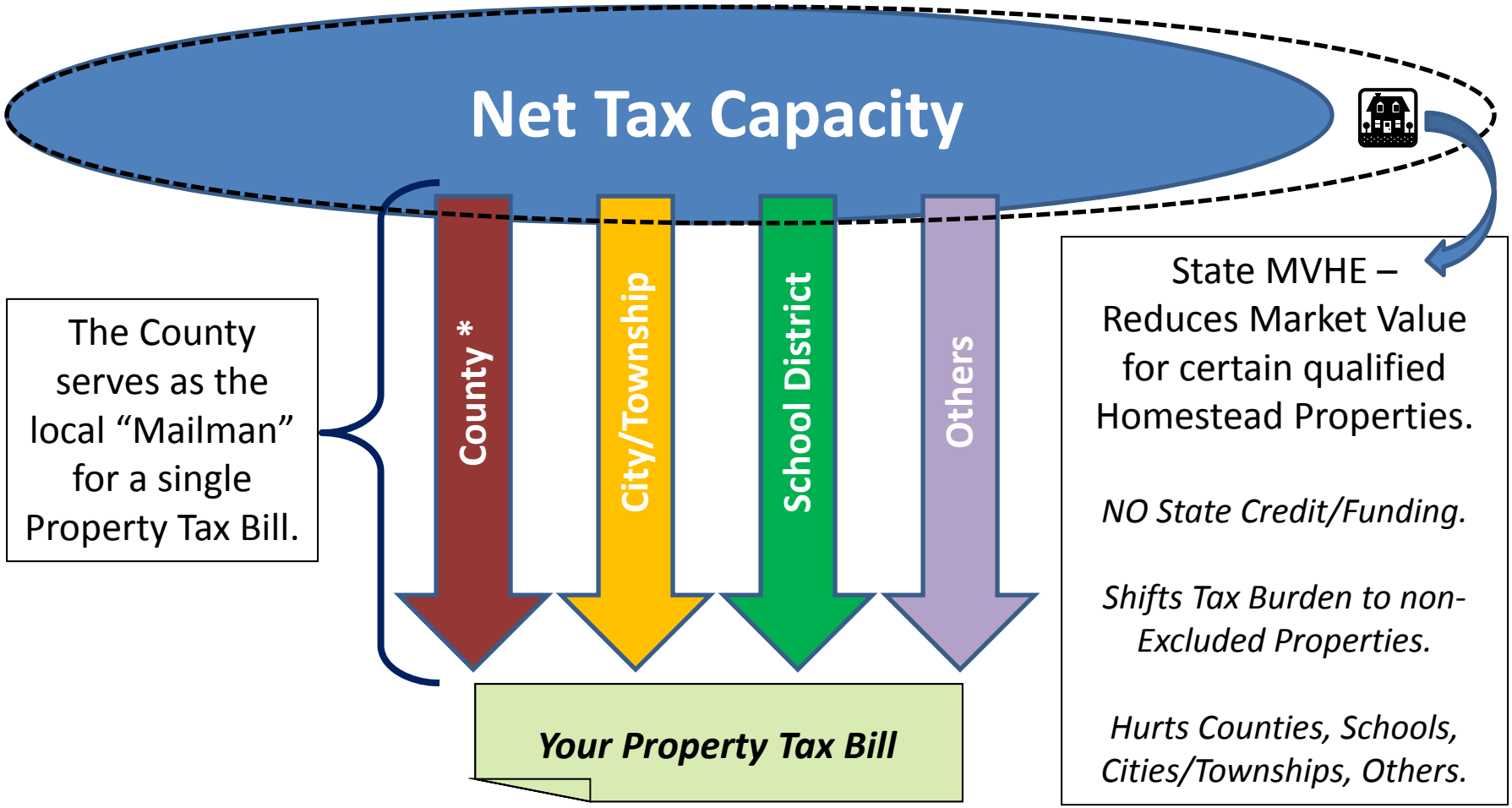
** In 2011 - County MVHC was 5% or $1.56M of Total Levy ($31.7M)*

State MVHC – Reduced Property Taxes for certain qualified Homestead Properties via Credit.

$3.2M in 2011

Truth-in-Taxation Hearing – FY 2013

Current Property Tax System (MVHE)



The County serves as the local "Mailman" for a single Property Tax Bill.

State MVHE – Reduces Market Value for certain qualified Homestead Properties.

NO State Credit/Funding.

Shifts Tax Burden to non-Excluded Properties.

Hurts Counties, Schools, Cities/Townships, Others.

County Reserves & CPA Utilization

Truth-in-Taxation Hearing – FY 2013

Considerations in Managing Reserves

- State Auditor Requirements
  - 35% to 50% of Fund Operating Revenues *or*
  - No less than 5 months of Operating Expenditures
- County Fiscal and Fund Reserve Policies
  - Affects Bond Rating and Interest Rates (AA2)
  - Unexpected Events (CPA cuts ~ $ 2M)
  - Emergency Reserves

Truth-in-Taxation Hearing – FY 2013

Status of County Reserve Funds

	2010 Fund Balance [1]	2010 Designated/ Reserved	2010 Undesignated	2011 Fund Balance [2]	2011 Designated/ Reserved	2011 Undesignated	*Preliminary* 2012 Designated/ Reserve [3]	*Preliminary* 2012 Undesignated	Needed for Cash Flow Minimum*	Needed for Cash Flow Maximum*
General	$ 11,483,299	$ 2,466,847	$ 9,016,452	$ 12,435,254	$ 2,682,605	$ 9,752,649	$ 850,000	$ 8,902,649	$ 8,026,039	$ 11,465,770
Highway	$ 1,866,766	$ 1,047,801	$ 818,965	$ 4,796,915	$ 2,481,539	$ 2,315,376	$ -	$ 2,315,376	$ 5,176,697	$ 7,395,282
HHS	$ 7,781,484	$ 59,949	$ 7,721,535	$ 9,660,275	$ 369,125	$ 9,291,150	$ 1,974,000	$ 7,317,150	$ 4,769,561	$ 6,813,659
Building Repair	$ 287,473	$ -	$ 287,473	$ 319,020	$ -	$ 319,020	$ -	$ 319,020	$ 27,104	$ 48,298
Capital Equip.	$ 2,113,334	$ -	$ 2,113,334	$ 1,456,955	$ -	$ 1,456,955	$ -	$ 1,456,955	$ 48,060	$ 68,657
Total	$ 23,532,356	$ 3,574,597	**$ 19,957,759**	$ 28,668,419	$ 5,533,269	**$ 23,135,150**	$ 2,824,000	**$ 20,311,150**	**$ 18,047,461**	**$ 25,791,666**

1 *Based upon 12/31/2009 Audit Report*

2 *Based upon 12/31/2010 Audit Report*

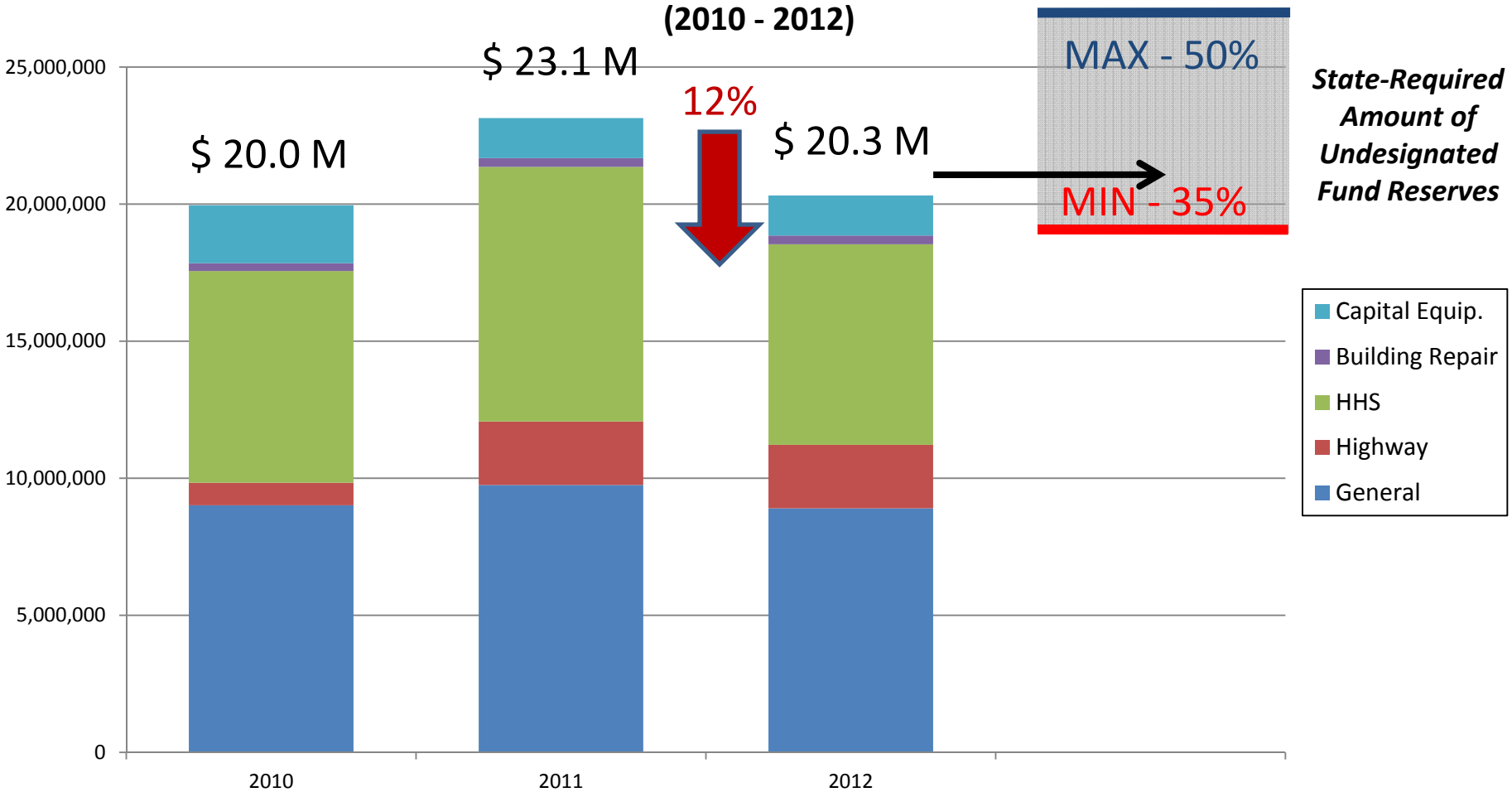
3 *Designated for Use for 2011 Capital Spending Plan*

*The Office of the State Auditor recommends that at year-end local governments maintain an unreserved fund balance in their general fund and special revenue funds of approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenditures, which should provide the local government with adequate funds until the next property tax revenue collection cycle. The adequacy of unreserved fund balance should be assessed based on an individual local government's own circumstances. If the local government's unreserved fund balance is less than or greater than the 35 to 50 percent recommended above the local government should be able to explain the reason for the difference.

Truth-in-Taxation Hearing – FY 2013

County Undesignated Fund Balances

(2010 - 2012)



Truth-in-Taxation Hearing – FY 2013

Considerations in Managing Reserves – ***Cont.***

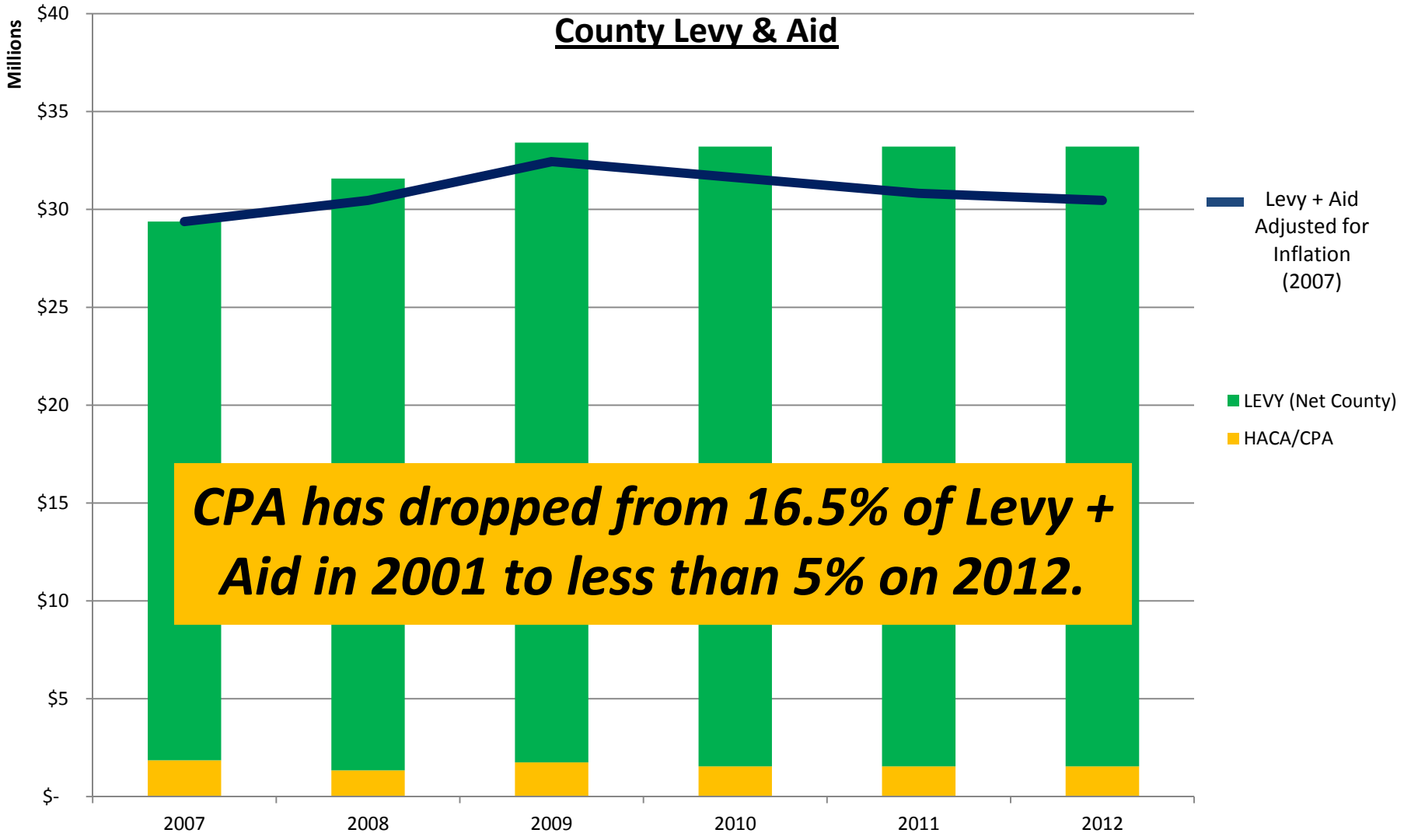
- GASB Considerations
  - Cash Flow: Property Tax Collections semi-annually
  - New Fund Designations for GASB-54
- Type of Spend-Down Uses
  - Specific Restrictions (Highway, HHS, Grants, etc.)
  - "One time" uses – Public Safety Capital versus General Government Operations
  - "Burning the Furniture to Heat the House"

Truth-in-Taxation Hearing – FY 2013

Considerations with County Program Aid (CPA)

- CPA - Consolidated State Redistributive Program designed to reduce Property Tax Burden
- Based upon two Formulas (approx. 50%/50%):
  - County Need – Age, Food Stamps, Part I Crimes
  - Tax-base Equalization (to help tax poor counties)
- Historically Difficult to Use for Operating Budgets
  - Volatile, rarely fully funded, often unalloted/rescinded
  - Distributed after budgeting completed/during FY

Truth-in-Taxation Hearing – FY 2013



CPA has dropped from 16.5% of Levy + Aid in 2001 to less than 5% on 2012.

Truth-in-Taxation Hearing – FY 2013

County Program Aid (CPA) *cont.*

- Chisago County Uses of CPA
  - Funds County Capital Improvement Program
  - Replaces use of Levy $$ for CIP *(supplant not supplement)*

- 2012 Use of CPA (as opposed to Levy $$): $1.329M
  - Building Security Improvements and Repairs - $400K
  - MICS Critical Equipment & Software - $300K
  - Public Works/Highway Equipment - $300K
  - Sheriff's Vehicles and Motor Pool Vehicles - $225K
  - Other Capital Improvements - $104K

Truth-in-Taxation Hearing – FY 2013

Taxpayer Information

Truth-in-Taxation Hearing – FY 2013

What Can I Do About My Tax Bill?

- Get the Correct Information
  - Verify accuracy of your taxing information
  - Understand the multiple variables at play
- Contact Each Taxing Jurisdiction regarding its respective decisions and impacts on your property
- Consider Applying for Property Tax Relief