

TO: Honorable Mayor Robinson and Members of the City Council

FROM: Ronald S. Johnson, City Administrator

SUBJECT: 2016 Proposed Final Budget/Levy- Workshop Meeting (Prior to Dec 1 Adoption Meeting)

DATE: November 13, 2015

City Council conducted a budget workshop on September 1, providing direction to staff regarding a proposed levy to be submitted to the Council at the September 15 meeting. A proposed levy increase of 6.5% was presented and approved at the September 15 meeting with the understanding that the final levy adopted in December could be lower than this but couldn't be any higher. Prior to the necessary approval of the final levy/budget on December 1, the following information is hereby presented:

The levy presented reflects an increase of 3.8% although, as shown in the materials that follow, this levy increase will result in a city (local) tax rate increase much lower than 3.8%. Attached is the 2016 proposed Final Budget. Below is a budget summary.

2016 BUDGET SUMMARY

General Fund

Expenditures -	\$3,066,805
Revenues without Taxes -	\$1,672,738
Use of General Fund Reserves -	\$ 30,000
	Levy - \$1,364,067

Fire Department

Expenditures -	\$248,044
Revenues without Taxes -	\$132,121
	Levy - \$115,923

Library

Expenditures -	\$442,375
Revenues without Taxes -	\$119,850
	Levy - \$322,525

Planning & Economic Development

Expenditures -	\$138,375
Revenues without Taxes -	\$0
	Levy - \$138,375

2011 G.O. Improvement Bond

Expenditures -	\$230,625
Revenues without Taxes -	\$127,225
	Levy - \$89,000

2012 G.O. Ref. Bond

Expenditures -	\$515,525
Revenues without Taxes -	\$230,900
	Levy - \$208,000

2013 East Side I Bond

Expenditures -	\$203,550
Revenues without Taxes -	\$131,025
	Levy - \$90,300

2016 LEVY DETAIL

General Levy -	\$1,940,890
Bond Levy -	\$ 392,050
Total 2016 Levy -	\$2,332,940
2015 Levy -	\$2,246,709
Increase -	\$ 86,231 3.8%

Some highlights included in the 2016 levy/budget are as follows:

- An increase of approximately 5.5% in the cost of health insurance premiums
- 3% COLA increase plus steps if applicable
- 3% increase in transfers to the Capital Funds
- Adding a part-time person for City Hall staff starting approximately May 1st
- Local Government Aid (LGA) increase of \$3,227
- According to Goodhue County, the City of Cannon Falls' tax capacity increased from \$3,663,544 to \$3,783,223- an increase of 3.27%- helping offset the levy increase of 3.8%

With a \$2,332,940 levy and tax capacity of \$3,783,223 the 2016 tax rate is 61.665%.
(City's Tax Levy /City's Taxable Tax Capacity = City Tax Rate)

The current (2015) city tax rate is 61.326%
(levy of \$2,246,709 divided by tax capacity of \$3,663,554)

What does an increase in the tax capacity from 61.326% to 61.665% mean to a homeowner with a home valued at \$200,000, for instance?

First- Calculate the property's tax capacity- which is market value x tax class rate (class rate for homestead residential property up to \$500,000 value is 1%) or

\$200,000 (mkt value) x .01 (class rate) = \$2,000 (property's tax capacity)

Next- Calculate city portion of property tax- which is the parcel's tax capacity x the city tax rate, or

\$2,000 (parcel tax capacity) x 61.665% or .61665 (city tax rate)= \$1,233.40 (city portion of property tax)

The city portion of the property tax the prior year (at city tax rate of 61.326%) would have been \$1,226.52- **a difference of \$6.88.**

For comparison purposes, information on (2015) tax rates for cities in our region is being provided as follows:

2015 Tax Rate Comparisons- Regional Cities

	Taxable Tax Capacity	Average City Tax Rate	Average Total NTC Rate	City Net Levy
Byron	\$ 4,041,762	64.39%	163.43%	\$ 2,619,108
<i>Cannon Falls</i>	\$ 3,663,544	61.33%	128.17%	\$ 2,246,705
Farmington	\$ 14,912,219	61.46%	148.26%	\$ 9,164,305
Goodhue	\$ 604,059	69.73%	132.03%	\$ 421,235
Hastings	\$ 15,430,376	62.58%	118.29%	\$ 9,656,483
Kasson	\$ 3,105,928	81.06%	170.58%	\$ 2,517,696
Kenyon	\$ 798,520	93.95%	155.39%	\$ 750,759
Lake City	\$ 4,250,796	71.60%	138.40%	\$ 3,053,563
Northfield	\$ 12,620,647	56.68%	132.25%	\$ 7,166,706
Pine Island	\$ 2,195,917	73.54%	160.02%	\$ 1,614,899
Red Wing	\$ 26,100,282	65.85%	123.82%	\$ 17,193,124
Rochester	\$ 106,744,753	49.97%	126.42%	\$ 53,341,574
Stewartville	\$ 3,660,487	58.77%	143.75%	\$ 2,151,305
Wabasha	\$ 2,087,739	74.25%	138.48%	\$ 1,550,104
Zumbrota	\$ 2,540,080	61.48%	126.17%	\$ 1,567,323
Avg of these cities		67.11%	140.36%	

