

06/14/10 Update
Changes are in italics.

City of Northfield

Projected Property Tax Levy

*With the addition of new bonds for Public Safety facilities and the Library Expansion projects
As of May 28, 2010*

As the budget outlook and new facilities discussion proceed, there have been questions as to what the projected total property tax levy may look like. For the portion of the levy associated with the operating budget, the biggest questions involve the timing and amount of future state aid reductions coupled with how much of a levy increase will be used to offset the loss each year. For the portion of the property tax levy associated with bonded debt, there are a host of questions – what level of street reconstruction projects will occur over the next fifteen years? What portion of the projects will be financed through special assessments or other revenue rather than the levy?

For the major facilities, project costs are still estimates. What period of time will be set to pay the bonds off – 20 years, 25 years? Will the annual bond payments be level over the amortization period or will they be gradually increased and feathered as other bonds matured? The purpose of this projection is to provide an estimate of what future property tax levies may be. However, it is simply an estimate.

In the interests of simplicity, variables have been held to a minimum. As a projection, this offers “one” view as to what the levy may look like over the next 15 years.

Assumptions:

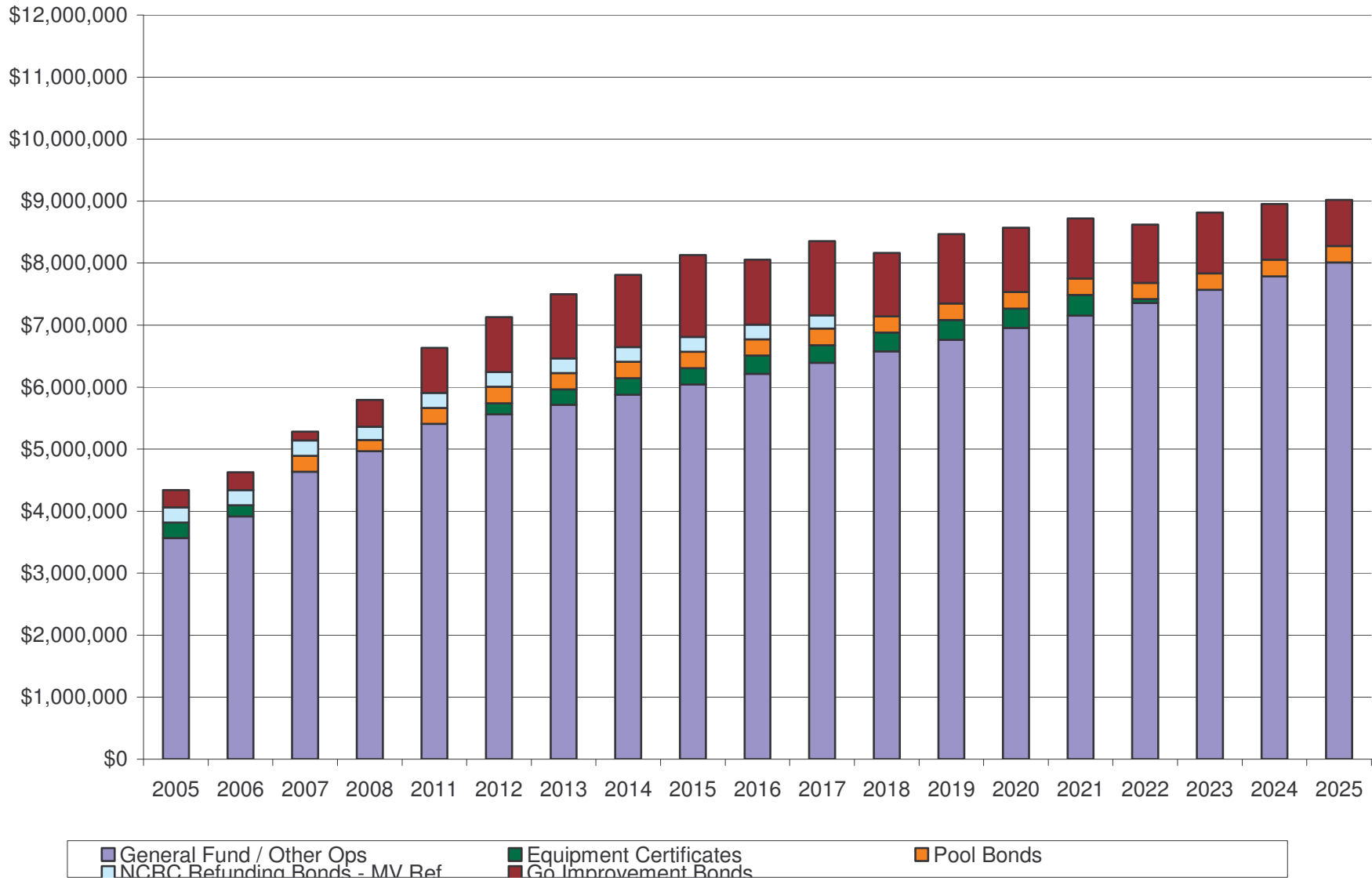
- EDA and HRA levies are excluded;
- General Fund operating levy increases by 3% each year;
- The other components of the operating levy – vehicles and equipment and parks – remain flat;
- Tax abatement levy of \$21,287 (for the HRA) is included in the General Fund / Other Ops levy category – this levy ends in 2013;

- GO improvement bonds are issued to pay the City's portion of the street reconstruction projects. For purposes of this projection, the pavement management program continues – generally at current levels (already curtailed due to staffing levels);
- It is assumed that equipment certificates will be issued for the two fire vehicles scheduled for purchase this year and in 2012. It is also assumed that these will be repaid over ten years;
- All existing debt levies show the full amount of the scheduled levies for 2011 and beyond. This means there has been no provision made for any projected surplus that would allow a rollback in any one year's levy amount (should be reviewed in a separate discussion with the 2011 debt service funds' budgets);
- The bond issue for the public safety facilities *is based upon the KKE Schematic Design Report dated June 15, 2010. The issue size is \$13,525,000 and includes cost of issuance and capitalized interest. It is assumed the bond would be sold in May or June of 2011 with the first property tax levy being collected in 2012.* It has also been assumed that the amortization period is 20 years and level annual principal and interest payments. The bond issue size could change in the near future as costs are pinned down. The annual debt service payments and corresponding tax levy could also change if a longer amortization period is chosen (up to 25 years) and / or a graduated and feathered repayment option is selected. The interest rate used is the current market rate plus 50 basis points;
- Nothing is included for contributions from other organization toward either the public safety facilities project or debt payments or the debt payments on the fire vehicles;
- The bond issue for the library expansion assumes an \$8,640,000 bond size sold in 2013. It is also amortized over 20 years with level annual principal and interest payments. The interest rate used is the current market rate plus 150 basis points (in consideration of the length of time between now and when the anticipated sale will occur);

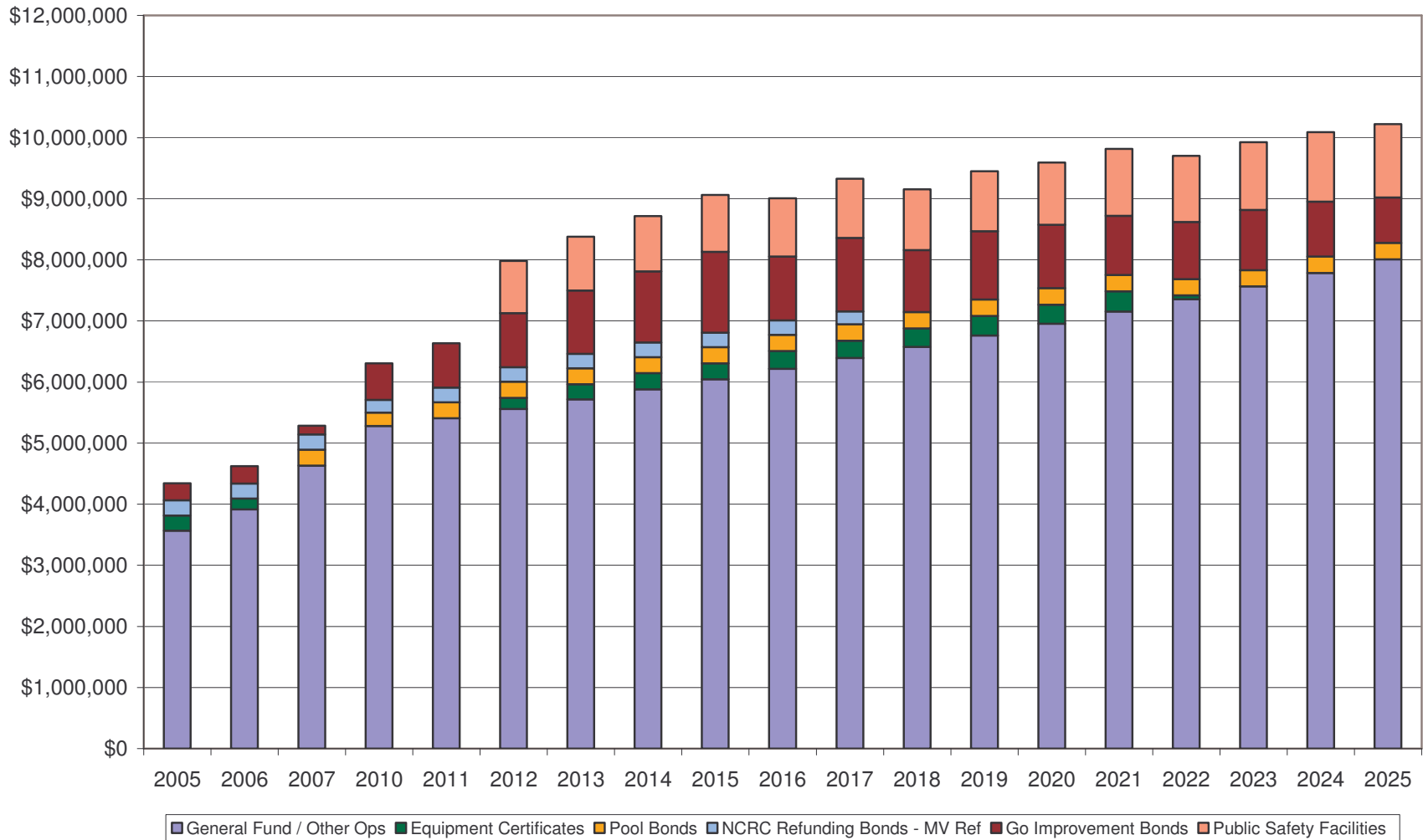
PROJECTED PROPERTY TAX LEVIES -

Three graphs are provided – one showing the projected property tax levy before the addition of any new bonded debt for the new facilities – but with future street projects (GO improvement bonds) and fire vehicles; one showing the projected property tax levy with the addition of the public safety facilities bonds (range); and one showing the projected property tax levy with both the public safety facilities bond and the library bond.

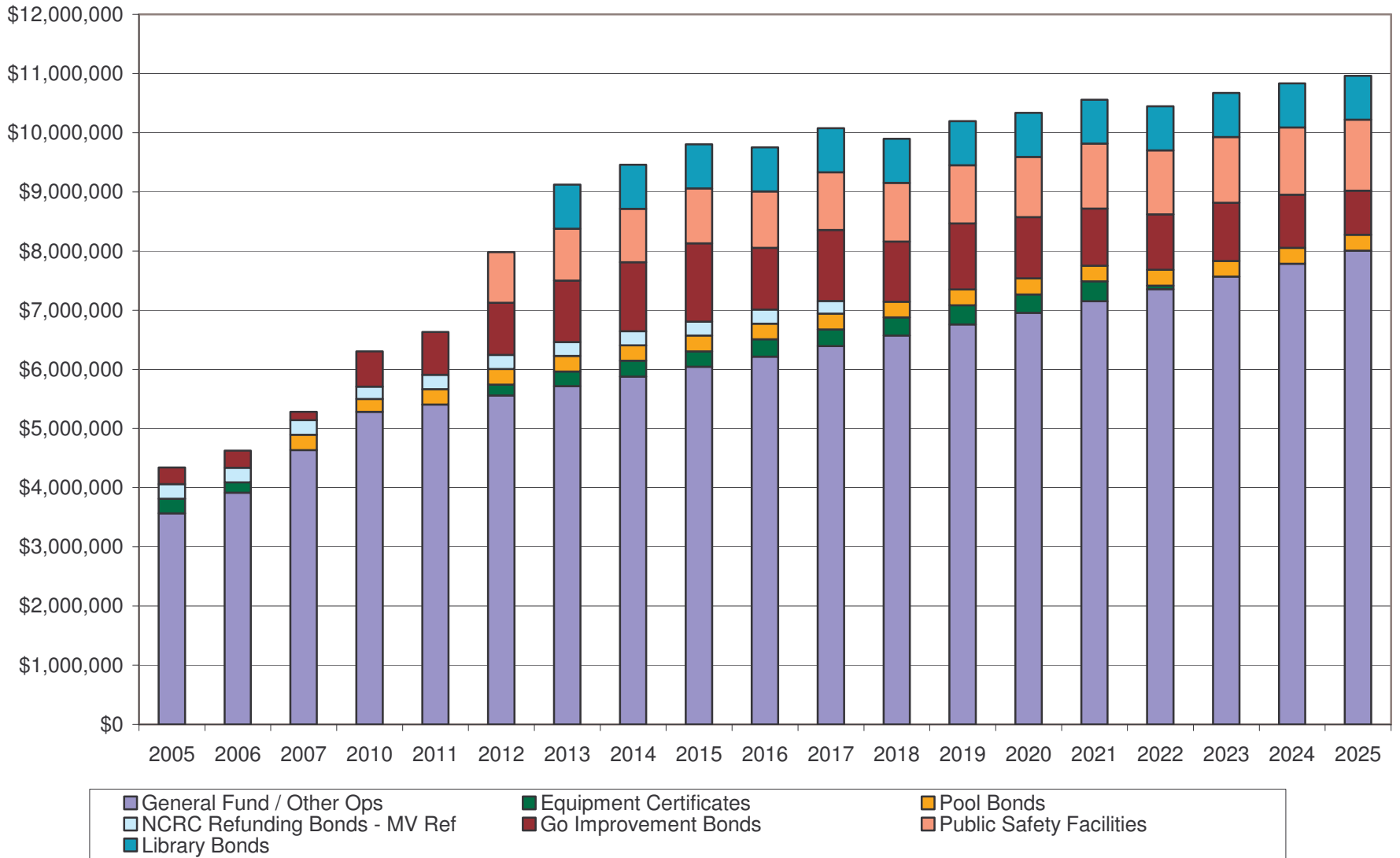
Projected Property Tax Levy - Before New Facilities Debt
with additional street improvement projects and fire vehicles financed in the future



**Projected Property Tax Levy with Public Safety Facilities Added
- 2010 Public Safety Facilities Bonds of \$12,425,000**



Projected Property Tax Levy with Public Safety (\$12,425,000) and Library Projects



PROJECTED TAX RATES & IMPACTS

In order to calculate the impact on individual property owners, the tax rate needs to be projected. In order to do this, the tax base needs to be estimated. Given our economy and, in particular, the housing market – it is extremely difficult to make assumptions for the tax base a few years out, let alone fifteen. What happens to the economy and real estate market is out of our control. Because of this we are limiting our “projection” of the tax base to information at hand.

We have used Dakota County’s preliminary tax base numbers for 2011 and then assuming no change in the tax base thereafter. This means no additional decline and no growth. Rice County’s preliminary tax base numbers for next year are not yet available. After speaking with Rice County officials, we have assumed an 11% decline in residential market values for next year and an 8% decline in commercial / industrial properties. For the following years, we assume no change. The only exception is adding in the captured value of any tax increment districts when they return expire:

District Name	Pay 2010 Captured Value	Year of Decertification
Municipal District #4	578,631	<i>2013</i>
Presidential Commons	98,356	2026
Hiley Neff	14,522	2028
Riverfront	212,769	2032
Total	904,278	

Only one of the active districts has a required decertification date in the near-term – Municipal District #4 (also referred to as the Master Development District) must be decertified by 12/31/2013. However, this district is also the largest, representing 64% of the total captured value in tax increment districts. It also represents 3.9% of the City’s total tax capacity for 2010.

The tax base projection is shown below:

TAX BASE PROJECTION

	2008	2009	2010	2011 Preliminary	2012 Projected	2013 Projected	2014 Projected
Total Taxable Market Values	1,403,273,326	1,432,338,524	1,373,149,700	1,239,511,750	1,239,511,750	1,239,511,750	1,244,251,775
Change from Prior Year - %	6.9%	2.1%	-4.1%	-9.7%	0%	0%	0%
Total Tax Capacities:							
Residential	9,782,168	9,884,946	9,303,859	8,280,562			
Non-homestead Residential	2,117,702	2,228,407	2,151,675	2,044,091			
Commercial / Industrial	4,266,574	4,387,040	4,393,288	4,174,157			
Agricultural	35,780	39,450	61,847	56,340			
Other	154,900	153,629	264,150	251,345			
Subtotal	16,357,124	16,693,472	16,174,819	14,806,495	14,806,495	14,806,495	14,806,495
Less: TIF Districts	(1,109,014)	(1,040,765)	(930,326)	(831,936)	(831,936)	(831,936)	(253,305)
Taxable Net Tax Capacity	15,248,110	15,652,707	15,244,493	13,974,560	13,974,560	13,974,560	14,553,191
Change from Prior Year - \$	991,813	404,597	(408,214)	(1,678,147)	-	-	578,631
- %	7.0%	2.7%	-2.6%	-10.7%	0.0%	0.0%	4.1%

PROJECTED CITY TAX RATES:

	2010	2011	2012	2013	2014	2015	2016
Projected TC rate without new facilities debt	40.3690	45.7516	49.2952	51.9831	52.0382	54.2540	53.7234
<i>Projected TC rate with public safety facilities(6/14/10)</i>		n/a	55.4089	58.2629	53.1457	55.5177	55.1408
<i>Projected TC rate with public safety facilities and library</i>		n/a	n/a	63.5857	63.3556	65.7571	65.3836
MV Referendum rate (NCRC)	0.0151	0.0194	0.0192	0.0190	0.0192	0.0189	0.0191

The projected tax capacity rates for the public safety facilities debt alone is 6.11 (2012), 6.28 (2013), 6.21 (2014), 6.38 (2015) and 6.54 (2016).

The projected tax capacity rates for the library project debt alone is 5.32 (2013), 5.10 (2014), 5.12 (2015) and 5.12 (2016).

IMPACT ON PROPERTY OWNERS:

The properties used in previous reports are used again for this projection. Pay 2011 values are not available from Rice County at this time, so the starting point is the Pay 2010 market values. The 2010 Legislature made some changes to the property class rates, which determines a property’s tax capacity. A summary of the changes is not available yet from the MN Department of Revenue so pre-2010 rates are used in the calculations.

The market values and calculated tax capacity of each property is shown below:

No.	Property Type	2010 MV	Property Class Rates	Tax Capacity (MV x class rates)	Projected Market Value - Pay 2011 (Assumed decline with class total)	Tax Capacity
1	Homestead Residential	230,000	1% on the first \$500,000, 1.5% thereafter	2,300	203,550 11.5% decline	2,036
2	Homestead Residential	345,000	1% on the first \$500,000, 1.5% thereafter	3,450	305,325 11.5% decline	3,053
3	Commercial / Industrial	230,900	1.5% on the first \$150,000, 2.0% thereafter	3,868	219,355 5% decline	3,637
4	Commercial / Industrial	459,100	1.5% on the first \$150,000, 2.0% thereafter	8,432	436,145 5% decline	7,973
5	Split - 50% C/I, 50% non-homestead residential	726,000	NH Residential - 1.25%, C/I - 1.5% on the first \$150,000, 2.0% thereafter	11,048	689,700 5% decline 5% decline	10,458
6	Commercial / Industrial	1,616,000	1.5% on the first \$150,000, 2.0% thereafter	31,570	1,535,200 5% decline	29,954
7	Commercial / Industrial	7,928,100	1.5% on the first \$150,000, 2.0% thereafter	157,812	7,531,695 5% decline	149,884

RESULTING CITY TAXES:

Property example #1, residential homestead valued at \$230,000 in 2010 with a decline in value to \$203,550 in 2011. Property will pay \$963 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 971	\$ 1,043	\$ 1,097	\$ 1,098	\$ 1,143	\$ 1,133
Additional City taxes with public safety facilities debt	-	124	128	126	130	133
Additional City taxes with library project debt	-	-	108	104	104	104
Total projected City taxes	\$ 971	\$ 1,167	\$ 1,333	\$ 1,329	\$ 1,377	\$ 1,370

Property example #2, residential homestead valued at \$345,000 in 2010 with a decline in value to \$305,325 in 2011. Property will pay \$1,445 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 1,456	\$ 1,564	\$ 1,645	\$ 1,647	\$ 1,714	\$ 1,699
Additional City taxes with public safety facilities debt	-	187	192	190	195	200
Additional City taxes with library project debt	-	-	163	156	156	156
Total projected City taxes	\$ 1,456	\$ 1,750	\$ 1,999	\$ 1,993	\$ 2,065	\$ 2,055

Property example #3, commercial property valued at \$230,900 in 2010 with a decline in value to \$219,355 in 2011. Property will pay \$1,445 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 1,707	\$ 1,835	\$ 1,932	\$ 1,935	\$ 2,015	\$ 1,996
Additional City taxes with public safety facilities debt	-	222	228	226	232	238
Additional City taxes with library project debt	-	-	194	186	186	186
Total projected City taxes	\$ 1,707	\$ 2,057	\$ 2,354	\$ 2,346	\$ 2,433	\$ 2,420

Property example #4, commercial property valued at \$459,100 in 2010 a decline in value to \$436,145 in 2011. Property will pay \$3,473 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 3,732	\$ 4,014	\$ 4,227	\$ 4,232	\$ 4,408	\$ 4,367
Additional City taxes with public safety facilities debt	-	487	501	495	509	521
Additional City taxes with library project debt	-	-	424	407	408	408
Total projected City taxes	\$ 3,732	\$ 4,501	\$ 5,153	\$ 5,135	\$ 5,325	\$ 5,296

Property example #5, combined commercial and non-homestead residential property valued at \$726,000 in 2010 a decline in value to \$689,700 in 2011. Property will pay \$3,513 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 4,918	\$ 5,287	\$ 5,567	\$ 5,574	\$ 5,804	\$ 5,750
Additional City taxes with public safety facilities debt	-	639	657	650	668	684
Additional City taxes with library project debt	-	-	557	534	535	536
Total projected City taxes	\$ 4,918	\$ 5,927	\$ 6,781	\$ 6,758	\$ 7,007	\$ 6,969

Property example #6, commercial property valued at \$1,616,000 in 2010 a decline in value to \$1,535,200 in 2011. Property will pay \$12,988 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 14,002	\$ 15,061	\$ 15,863	\$ 15,882	\$ 16,542	\$ 16,385
Additional City taxes with public safety facilities debt	-	1,831	1,881	1,861	1,912	1,959
Additional City taxes with library project debt	-	-	1,594	1,529	1,534	1,534
Total projected City taxes	\$ 14,002	\$ 16,892	\$ 19,338	\$ 19,272	\$ 19,987	\$ 19,878

Property example #7, commercial property valued at \$7,928,100 in 2010 a decline in value to \$7,531,695 in 2011. Property will pay \$64,902 in City taxes in 2010. The projected increase in the City taxes is shown below with the different facility debt scenarios:

	Projected City Taxes					
	2011	2012	2013	2014	2015	2016
Projected City Tax bill with no new facilities debt	\$ 70,033	\$ 75,331	\$ 79,346	\$ 79,440	\$ 82,743	\$ 81,960
Additional City taxes with public safety facilities debt	-	9,164	9,412	9,312	9,568	9,801
Additional City taxes with library project debt	-	-	7,978	7,651	7,674	7,676
Total projected City taxes	<u>\$ 70,033</u>	<u>\$ 84,495</u>	<u>\$ 96,736</u>	<u>\$ 96,403</u>	<u>\$ 99,984</u>	<u>\$ 99,437</u>