



Executive Summary

City Council Regular Meeting: September 26, 2022

AGENDA ITEM: 2023 Proposed Levy	
PREPARED BY: Clarissa Hadler, City Administrator	AGENDA NO. 10.D.
ATTACHMENTS: Resolution	APPROVED BY: cgh
RECOMMENDED ACTION: Motion to approve a Resolution Setting the Proposed 2023 Levy and Setting the Date for the Truth in Taxation Hearing.	

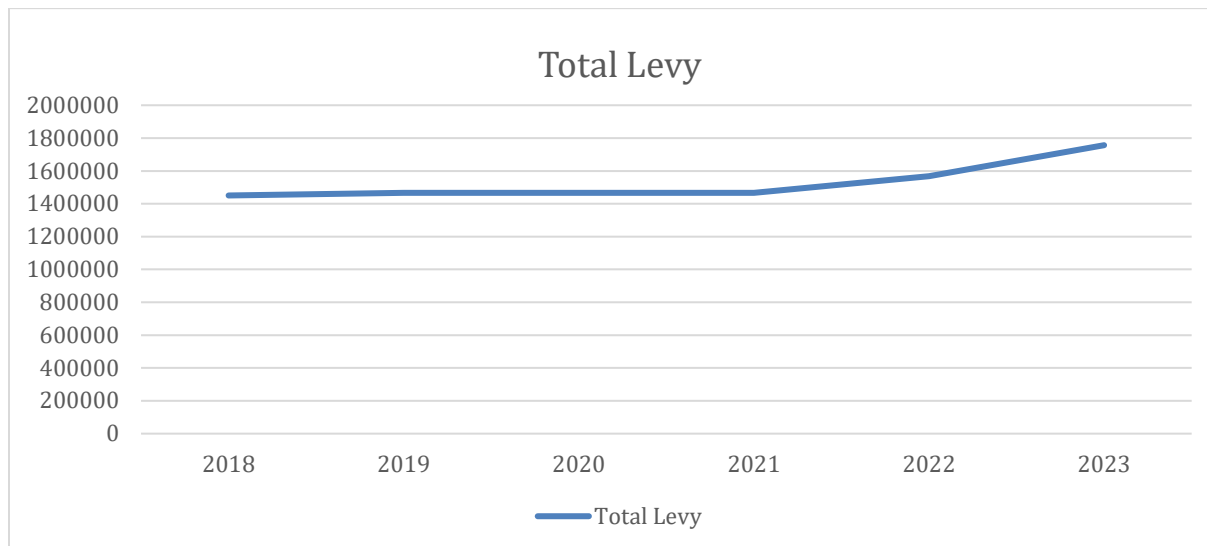
Minnesota Statute 275.065 Subdivision 1(a) requires that each year, cities shall adopt the proposed tax levy for taxes payable the following year and certify it to the county auditor by September 30. This proposed levy establishes a “ceiling” for the tax levy and allows the City the opportunity to reduce the levy after the ceiling is set until final certification in December.

Staff and Council have been working on the draft budget for several months and ongoing review of individual department’s operating and capital budgets will continue in the coming weeks. The CIP and final budget will be considered for final adoption by the City Council in December.

Staff has worked diligently to control operational budgets while presenting a balanced budget in which revenues are expected to match expenditures and which also includes funds to plan for future infrastructure and capital improvement needs.

The following tables summarize the recent levy history;

	2018	2019	2020	2021	2022	2023 Proposed
General + CIP	1,230,273	1,236,700	1,236,367	1,236,367	1,311,376	1,468,741
Debt Service	220,251	229,144	230,142	230,603	256,815	287,990
	1,450,524	1,465,844	1,466,509	1,466,970	1,568,191	1,756,732
<i>\$ Change</i>	<i>(36,510)</i>	<i>15,320</i>	<i>665</i>	<i>461</i>	<i>101,221</i>	<i>188,541</i>
<i>% Change</i>	<i>-2.46%</i>	<i>1.06%</i>	<i>0.05%</i>	<i>0.03%</i>	<i>6.9%</i>	<i>12.02%</i>
5 Year Average					1.12%	4.01%



Based on Hennepin County’s preliminary numbers for the city’s market value, net tax capacity, and fiscal disparities, we believe that the proposed 2023 Levy would maintain or possibly decrease our current local tax rate of approximately 54.7%. The final tax rate will be determined after we receive the final valuations and net tax capacity numbers from Hennepin County. The county auditor will be sending out notices of proposed property taxes to each taxpayer between November 10 – 24.

	2019	2020	2021	2022	2023 Proposed
Local Tax Rate	63.221%	58.571%	55.448%	54.72% ¹	55% ¹
Estimated Market Value ²	189,714,100	201,852,400	214,937,800	237,476,500	267,452,400
Tax Capacity ³	2,004,980	2,152,824	2,301,375	2,527,879	3,283,089
Median Value Home	234,000	245,000	254,000	278,000	325,000

1. Tax Rate for 2023 is currently estimated. Final tax rate will be determined by Hennepin County when they have final valuations and net tax capacity numbers.
2. Source – Estimated Market Values taken from Hennepin County Annual Assessment Reports
3. Tax Capacity will be adjusted for Fiscal Disparities. Final 2023 Hennepin County numbers are pending.

The memo and reports from the August 29, 2022 Budget Workshop provide details of some of the various strategies for and impacts on the 2023 Budget. That packet can be downloaded at; <https://evogov.s3.us-west-2.amazonaws.com/meetings/168/attachments/13625.pdf>.

Residential Market Values & Tax Capacity

Of note for 2022 Assessments (2023 Taxes Payable), is the remarkable increase in the Single-Family Residential (SFR) home values. The Median Value Home increased from \$278,000 to \$325,000, or 17%. However, while total of SFR tax capacity has jumped over 17%, other categories are rising at a slower rate. Particularly, our second-largest class of properties, Commercial/Industrial (C/I) only grew around 5%.

Jurisdiction / State Class	2021 EMV	2022 EMV	% Change	2021 NTC	2022 NTC	% Change
Maple Plain	237,476,500	267,452,400	12.6%	2,929,177	3,283,089	12.1%
1A Residential Homestead	132,086,000	152,171,000	15.2%	1,257,527	1,477,343	17.48%
1B Residential Blind / Disabled	789,000	909,000	15.2%	6,658	7,966	19.65%
2B Rural Vacant Land	176,300	187,400	6.3%	1,763	1,874	6.30%
3A Commercial / Industrial	61,023,000	63,927,000	4.8%	1,169,935	1,227,925	4.96%
4A Apartment	23,859,000	26,365,000	10.5%	298,241	329,567	10.50%
4B Residential Miscellaneous	2,307,200	2,499,000	8.3%	28,845	31,243	8.31%
4BB Residential Non-Homestead	14,775,000	18,653,000	26.2%	147,750	186,613	26.30%
4D Low-Income Rental	2,461,000	2,741,000	11.4%	18,458	20,558	11.38%

This means that if we increase the levy by the overall increase in Tax Capacity of 12% -- thereby maintaining our tax rate -- SFR properties will take on a greater share of that increase than commercial. So a 12% increase in the levy may mean a 17% increase to a SFR property owner, and only a 5% increase to a C/I property owner.

Compounding this issue is the fact that the calculation for the Market Value Exclusion, which determines a SFR property's tax capacity, decreases the Exclusion as a percentage of the EMV as the value increases. This is reflected in the effective percentage change in taxes for a Median Value Home (MVH) in 2021 vs. 2022.

	2021 Assess. / Pay 2022	2022 Assess. / Pay 2023	Change
Total Levy	1,568,191	1,756,732	12%
Median Value Home	278,000	325,000	17%
Taxable Market Value	265,780	317,010	19%
Tax Capacity	2,658	3,170	19%
City Tax (54.72% tax rate)	1,454	1,735	19%
			\$280/yr.
			\$23.36/mo.

In addition, a home that increased a rate greater than the Median will bare a greater share of the increase than one that increased at a slower rate. This happens every year, but it's more intense in years when we see such large increases in values.

One should also note that C/I properties do pay twice as much per dollar of Taxable Value as SFR, due to the class rates being 2% and 1% respectively.

**CITY OF MAPLE PLAIN
HENNEPIN COUNTY, MINNESOTA**

RESOLUTION NO. 2022 - _____

**RESOLUTION APPROVING 2023 PROPOSED PROPERTY TAX LEVY
AND SETTING THE DATE FOR THE TRUTH IN TAXATION HEARING**

WHEREAS, the City of Maple Plain is required by State law to approve a resolution setting forth an annual tax levy to the Hennepin County Auditor; and

WHEREAS, Minnesota Statutes require approval of a proposed property tax levy on or before September 30th of each year; and

WHEREAS, the City Council has reviewed draft budget documents.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Maple Plain, Hennepin County, Minnesota, that the following sums of money be levied for collection in 2023 upon the taxable property in said City of Maple Plain for the following purposes:

Fund/Account	Proposed Levy Amount
General	\$ 1,435,741
CIP	\$ 33,000
Debt Service	\$ 287,990
TOTAL	\$ 1,756,732

BE IT FURTHER RESOLVED, that the City Council of the City of Maple Plain will conduct a Public Hearing for the purpose of presenting the proposed 2023 Budget and Levy to the general public and to comply with Truth in Taxation laws as set by the Minnesota State Legislature, and that the hearing shall take place on December 5, 2022, at 7:00 PM, in the Council Chambers at the City Hall.

BE IT FURTHER RESOLVED that the City Administrator is hereby authorized and directed to transmit this information to the County Auditor of Hennepin County, Minnesota and the Minnesota Department of Revenue, if applicable, in the format requested as required by law.

Adopted by the Maple Plain City Council on September 26, 2022.

Julie Maas-Kusske, Mayor

Attest:

Clarissa Hadler, City Administrator

CERTIFICATION

I hereby certify that the foregoing is a true and correct copy of Resolution 2022 - _____ presented to and adopted by the City Council of Maple Plain at a duly authorized meeting thereof, held on the 26th day of September, 2022, as disclosed by the records of said City in my possession.

Clarissa Hadler, City Administrator