

4B. Consideration of adopting Resolution 2023-84 setting the 2024 preliminary tax levy

Prepared by: Finance Director	Meeting Date: 9/25/2023	<input type="checkbox"/> Consent Agenda Item <input checked="" type="checkbox"/> Regular Agenda Item
Reviewed by: N/A	Approved by: City Administrator	

ACTION REQUESTED

Motion to adopt Resolution 2023-84 setting the 2024 preliminary tax levy.

REFERENCE AND BACKGROUND

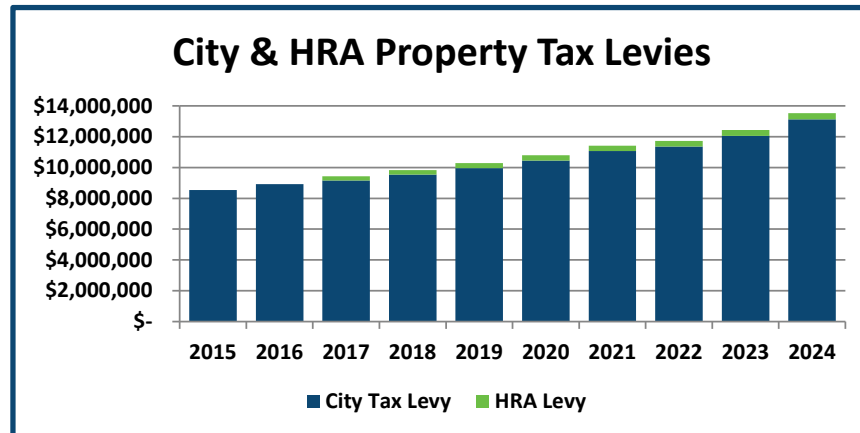
The City is required to certify a preliminary levy to the County Auditor/Treasurer on or before September 30 each year. The preliminary levy will be used for the Truth-In-Taxation notices sent to property owners in November. The final levy adopted in December can be lower but not higher than the preliminary levy.

Because a final tax capacity is not yet available from Wright County, staff are only able to estimate the tax capacity using known changes to the taxable market value: new construction (residential \$20.1M, commercial \$5.2M, apartments \$18.8M) and inflation in valuations (residential \$128.1M, commercial \$67.8M, apartments \$23.7M). Also, the taxable market value of the Xcel Nuclear Generating Plant had a preliminary increase of \$12M but was reduced \$47M for a net decrease of \$35M (4.6%) after Xcel contested their valuation and subsequently settled with the Department of Revenue on the adjustment.

After multiplying the market value changes by the average rate in each tax class (ranging from 1-2%), the City’s tax capacity is estimated to increase \$2.9M or about 8.5% from 2023. The decrease in the market value of Xcel translates to an estimated \$250,000 of property tax burden that will shift to other property taxpayers *even if* the City were to keep its levy the same as 2023. However, inflation impacts on providing existing city services and programs coupled with long-term strategic and financial planning require a levy increase.

Because Xcel’s value decreased, all other property types will see an increase in their property tax in relation to the levy increase. However, the amount of property tax increase is heavily dependent on each individual property’s change in valuation, so that may not be the case for every parcel within city limits. While striving to minimize the impact to taxpayers as much as reasonably possible, staff developed a draft 2024 budget, which includes Council input through the 4 workshops held in July – September. To fund that budget and plan for the future, the proposed city levy of \$13,134,000 is a \$1,084,000 (9.0%) increase from 2023.

The EDA levy was approved by the EDA at its meeting on August 9 and is being considered for approval by the Council on the agenda tonight. The 2024 EDA levy of \$451,000 levy is \$49,000 (12.2%) higher than the prior year for a total combined City and HRA increase of \$1,133,000 (9.1%). The EDA’s 2024 request is the approximate maximum amount allowed by statute. The total combined tax levy history and proposed 2023 preliminary levy are as follows:



A history of the city and HRA levies along with the proposed 2024 tax levies is shown below:

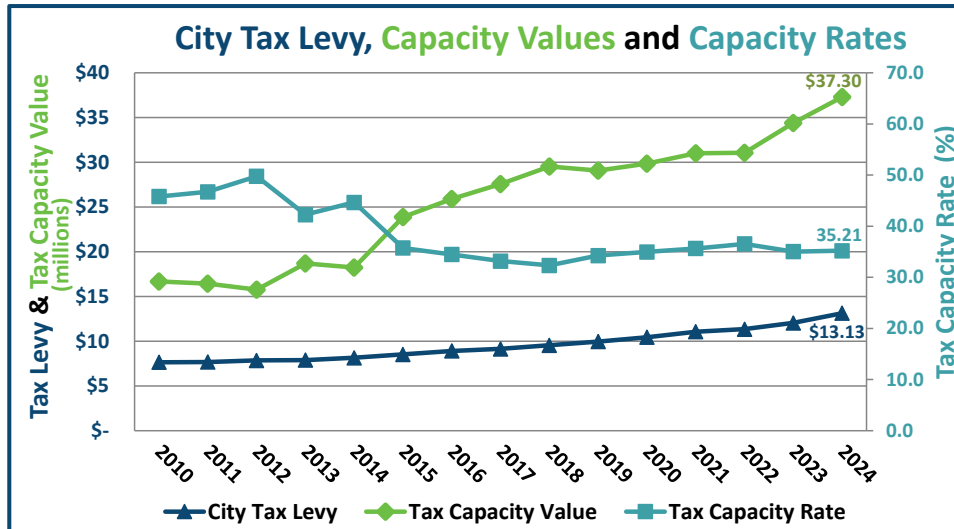
Fund	2021 Property Taxes	2022 Property Taxes	2023 Property Taxes	2024 Property Taxes	% Change	\$\$ Change
General Fund	\$7,169,000	\$7,475,000	\$8,060,000	\$8,745,000	8.5%	\$685,000
MCC - Operating	485,000	485,000	515,000	525,000	1.9%	10,000
Capital	578,221	1,081,600	1,475,419	1,837,825	24.6%	362,406
2020A GO Bonds	117,586	123,196	111,690	24,830	-77.8%	(86,860)
2019A GO Bonds	714,945	709,446	697,133	711,964	2.1%	14,831
2018A GO Bonds	448,077	451,812	444,232	439,337	-1.1%	(4,895)
2017A GO Bonds	430,097	427,367	299,532	326,842	9.1%	27,310
2016A GO Bonds	406,089	406,929	282,559	357,979	26.7%	75,420
2015B GO Bonds	201,115	192,650	164,435	165,223	0.5%	788
2014A GO Judgment Bonds	513,570	-	-	-	-	-
Total City Levy	\$11,063,700	\$11,353,000	\$12,050,000	\$13,134,000	9.0%	\$1,084,000

As noted during budget workshops, select debt service funds continue to have a reduced levy in 2024 to reflect the use of prepaid assessments and sufficient tax levies in prior years to avoid the requirement for arbitrage rebates to be paid to the IRS. The 2025 levy for these bonds will need to be raised to ensure adequate resources to make bond payments in the future.

The chart on the following page demonstrates the relationship between the tax levy, tax capacity values and tax capacity rates, and it includes the recommended preliminary levy for 2024. The City tax levy and tax capacity value are plotted using the dollars shown on the left axis while the tax capacity rate is shown as a percentage using the right axis. The three are related as such:

$$\text{Tax Capacity Rate} = \frac{\text{Tax Levy}}{\text{Tax Capacity Value}}$$

Accordingly, the recommended levy would raise the current City tax capacity rate of 35.035% to 35.208%, a 0.5% increase. However, a \$300,000 home with an average residential increase in taxable market value of \$32,820 (10.94%) and a city tax payment increase of \$132 (13.0%).



Finally, preliminary estimates of tax capacity and tax capacity rates are subject to receipt of additional information from Wright County, which will occur prior to the adoption of the final levy at the Truth-In-Taxation (TNT) meeting in December.

- I. **Budget Impact:** \$13,134,000 in the General Fund, MCC Fund, Capital Projects Fund, and Debt Service Fund.
- II. **Staff Workload Impact:** None.
- III. **Comprehensive Plan Impact:** None.

STAFF RECOMMENDED ACTION

City staff recommends adopting Resolution 2023-84 setting the 2024 preliminary tax levy.

SUPPORTING DATA

- Resolution 2023-84

**CITY OF MONTICELLO
RESOLUTION NO 2023-84**

**RESOLUTION ADOPTING THE 2024 PRELIMINARY TAX LEVY AND AUTHORIZING
CANCELLATION OF CERTAIN DEFERRED TAX LEVIES**

WHEREAS, the Finance Director has prepared and submitted to the City Council a preliminary budget setting forth therein her estimated needs of the City of Monticello for operations and debt service for the fiscal year commencing January 1, 2024; and

WHEREAS, the City Council has reviewed the same and has made such changes therein as appear to be in the best interest of the City of Monticello; and

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MONTICELLO that there be and hereby is a preliminary levy for the fiscal year commencing January 1, 2024, and the following sums for the respective purposes indicated therein upon the taxable property of the City of Monticello, to wit:

	PRELIMINARY TAX LEVY
REVENUE	
General Fund	\$8,745,000
Community Center	\$525,000
OTHER FUNDS	
Debt Service	\$2,026,175
Capital Projects	\$1,837,825
TOTAL TAX LEVY	\$13,134,000

BE IT FURTHER RESOLVED, that the Auditor/Treasurer of Wright County is hereby authorized and directed, pursuant to the provisions of Section 475.61, Minnesota Statutes Annotated, to cancel or otherwise amend the levies for said indebtedness heretofore made to be levied in the year 2023 for collection in the year 2024 as follows:

Debt Service Levies	Bond Resolution	2024 Levy	Levy Added (Canceled)
G.O. Bonds, Series 2015B	\$200,223	\$165,223	(\$35,000)
G.O. Bonds, Series 2016A	\$407,979	\$357,979	(\$50,000)
G.O. Bonds, Series 2017A	\$236,842	\$136,842	(100,000)
G.O. Bonds, Series 2017A - Abatement	\$190,000	\$190,000	-
G.O. Bonds, Series 2018A	\$129,337	\$99,337	(\$30,000)
G.O. Bonds, Series 2018A - Abatement	\$340,000	\$340,000	-
G.O. Bonds, Series 2019A	\$656,965	\$636,964	(\$20,001)
G.O. Bonds, Series 2019A - Abatement	\$75,000	\$75,000	-
G.O. Bonds, Series 2020A	\$124,830	\$24,830	(\$100,000)
TOTAL	\$2,361,176	\$2,026,175	(\$335,001)

The above resolution was introduced by Councilmember _____, was duly seconded by Councilmember _____, with the following voting in favor thereof: ____.

The following voting in opposition: ____.

The Finance Director is hereby instructed to transmit a certified copy of this resolution to the County Auditor of Wright County, Minnesota.

ADOPTED BY the Monticello City Council this 25th day of September 2023.

CITY OF MONTICELLO

Lloyd Hilgart, Mayor

ATTEST:

Jennifer Schreiber, City Clerk