



## City of Inver Grove Heights

### **Budget and Property Tax Levies Frequently Asked Questions & Summary**

#### **Are property market values changing in 2017?**

2017 marks the third year of market value increases in the City of Inver Grove Heights. Overall, market values are up about 1.9% across the city. Residential values are up 2.1% and commercial values are down 0.5%.

#### **What preliminary budgets have been approved and what is the property tax rate increase going to be?**

On September 26, 2016 Council approved the preliminary 2017 budgets for the following funds: General, Recreation, Community Center, Economic Development Authority (EDA), Storm Water, Americans with Disabilities (ADA), Water, Sewer, Golf Course, Risk Management, Central Equipment, Central Stores, City Facilities and Technology Funds. Council also approved the General Operating Fund Levy as well as Debt Service levies and Watershed Management Taxing District Levy.

Generally, once the preliminary levies are approved they can generally only be decreased. The property tax rate for 2016 is 49.266% and the preliminary property tax rate for 2017 is 51.794%, an increase of 5.1%.

#### **What are the General Fund increases for 2017?**

The preliminary property tax operating levy for 2017 was set at \$17,123,000, an increase of \$1,225,200. This increase includes \$1,077,100 for continuation of current services and programs, \$148,100 for new requests including firefighter pay increase, staff training, street lights, code compliance software, building repairs and supplies.

#### **What are the Debt Service Levy Changes?**

Debt service levies are increasing by \$142,941 to \$2,200,392. The increase is primarily related to scheduled bond payment changes and available resources.

#### **What are the Watershed Management Taxing District (WMTD) Changes?**

The Simley Lake WMTD levy is decreasing \$24,712 to \$24,033 and the Cuneen Trail/College Trail WMTD final levy was in 2016. Only parcels within the WMTD are impacted by these levies.

#### **When will I see my 2017 property tax notice?**

Dakota County will be sending out proposed 2017 property tax notices in mid-November.

**When are future meetings regarding the budget?**

City Council will be meeting in work session on October 3, 2016 to discuss the 2017-2021 Capital Improvement Plan (CIP), Central Equipment replacement, Recreation Fund, Community Center Fund, Golf Course Fund, ADA Fund, EDA Fund and receive an update on TIF Funds. At the work session on November 7, 2016 Council will be discussing the Water Fund, Sewer Fund, Storm Water Fund, Risk Management Fund, Central Equipment Fund, Central Stores Fund, City Facilities Fund and Technology Funds. A second review of the CIP may also be held in November. Council will hold one final work session on December 5, 2016 to review the budgets and tax levies.

**When will the Council approve the final 2017 budget?**

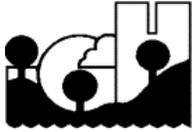
The City Council will act on the 2017 budget and property tax levies at its December 12, 2016 meeting at 7:00 p.m. The public is invited to attend and will be allowed to speak on the budget.

**What do some of these budget terms mean?**

There is a complete glossary of terms that are used in relation to the budget. Please see the pages to follow with detailed descriptions.

**For Additional Information**

A copy of the 2017 Preliminary Budget can be viewed at City Hall and is available online at [www.cityofinvergroveheights.org](http://www.cityofinvergroveheights.org). If you'd like to learn more about the budget please contact Kristi Smith, Finance Director with the City of Inver Grove Heights. She can be contacted at [ksmith@invergroveheights.org](mailto:ksmith@invergroveheights.org) or (651) 450-2521.



## CITY OF INVER GROVE HEIGHTS FINANCIAL GLOSSARY

**Assessment** – refers to a financial lien placed by the City against a property to pay for the property’s fair share of any street or utility improvement.

**Bonds** – a method of borrowing (similar to a loan) used by the City to finance the construction or reconstruction of City facilities or infrastructure. See also ‘Debt Service’.

**Bond Rating** – represents the credit worthiness of government bonds.

**Budget** – refers to the City’s planned use of available monies for the upcoming fiscal year. The budget is considered ‘balanced’ when expected revenues are equivalent to planned expenditures.

**Capital Improvement Plan (CIP)** - is a long-term projection of all planned capital replacement of City facilities, street and utility infrastructure, vehicles and rolling stock, and other improvements.

**Charges for Services** – include administrative charges between funds, recreation and community center program fees, user charges for water, sewer, storm drainage, and greens fees for the municipal golf course.

**Community Development** – includes planning, economic development, code enforcement and building inspections.

**Comprehensive Annual Financial Report (CAFR)** – comprises the financial report of the City that complies with accounting requirements promulgated by the Governmental Accounting Standards Board (GASB).

**Comprehensive Plan** – is a defined land use and zoning plan that was developed and adopted by the City Council.

**Debt Service** – refers to the principal and interest paid on bonds used to finance City facility and infrastructure improvement projects.

**Depreciation** – is the systematic allocation of the cost of an asset over its useful life.

**Enterprise Operations** – includes, water, sewer, and golf course operations.

**Fines & Forfeits** – include fines paid for traffic violations and criminal offenses occurring within the City limits.

**Fiscal Disparities** – local units of government in the Twin Cities metropolitan area and on the iron range participate in property tax base sharing programs. A portion of the growth in commercial and industrial property value of each city and township is contributed to a tax base sharing pool. Each entity then receives a distribution of property value from the pool based on market value and population in each city.

**Fund Balance** – represents the cumulative reserves (surplus monies) that have been realized within the City’s general and special-purpose operations and may be available for future appropriations.



## CITY OF INVER GROVE HEIGHTS FINANCIAL GLOSSARY

**General Government** – refers to those programs and services that are associated with general centralized City functions. They include, but are not limited to: Mayor & Council, Administration, Elections and Finance expenditures.

**Governmental Funds** – refers to the fund group that is used to account for the City's general operations. These operations are normally supported by taxes and intergovernmental revenues.

**Homestead Market Value Exclusion (HMVE)** – beginning in 2012, eligible homesteads will pay property taxes on only a portion of the value of their homes. The maximum exclusion, 40% of the value, occurs at home value of \$76,000 and phases out as home value grows.

**Inflation** – is a general measure of the change in prices and/or the costs of providing programs and services.

**Infrastructure** – refers to City facilities, streets, street lights, parks, and water and sewer utilities that have a useful life of at least ten (10) years.

**Interest Earnings** – include investment earnings on cash reserves.

**Inter-fund Charges** – represent administrative support charges that are assessed by internal service functions against other city functions to more accurately represent the true cost of providing City programs and services.

**Intergovernmental Revenue** – includes Federal, State, or local monies received from other public entities.

**Internal Service Funds** – refers to funds that are used to account for the financing of goods or services provided by one department to other departments of the city, on a cost reimbursement basis. They include, but are not limited to: Compensated Absences, Risk Management, Central Equipment, Central Stores, City Facilities and Technology.

**Joint Powers Agreements (JPA)** – are agreements entered into by public entities that are mutually beneficial. The JPA typically involves a contractual relationship whereby one entity provides a service to another in exchange for payment.

**Licenses & Permits** – include business licenses, building-related permits and fees, and animal licenses.

**Local Government Aid (LGA)** – a state government revenue sharing program for cities and townships that is intended to provide an alternative to the property tax. Inver Grove Heights does not receive any LGA.

**Local Tax Rate** – is the rate used to compute taxes for each parcel of property. Local tax rate is computed by dividing the certified levy (after reduction for fiscal disparities distribution levy and disparity reduction) by the taxable tax capacity.

**Market Value** – is an assessor's estimate of what property would be worth on the open market if sold. The market value is set on January 2 of the year before taxes are payable.



## CITY OF INVER GROVE HEIGHTS FINANCIAL GLOSSARY

**Net Assets** – represents the cumulative reserves (surplus monies) that have been realized within the City’s business-type operations (proprietary funds) and may be available for future appropriations.

**Operating Fund** – refers to a fund type that typically accounts for the on-going and day-to-day activities of specific programs or services. The General Fund is the primary operating fund of the City.

**Parks** – includes maintenance of the City’s parks facilities.

**Pavement Management Program** – refers to the City’s long-range plan for repairing and reconstructing local streets.

**Personnel** – includes the wage, benefit, and insurance costs of employees.

**Public Safety** – includes the costs associated with providing police and fire protection.

**Public Works** – includes public works, engineering, streets, and street lighting functions of the City.

**Property Tax Levy** – is the tax imposed by a local unit of government. The tax is established on or around December 28 of the year preceding the year the levy will be paid by taxpayers.

**Reserves** – monies held in interest-bearing accounts that are set aside for some future purpose, but are not necessarily needed in the current fiscal year. Reserves are also referred to as ‘fund balance’ or ‘net assets’ or ‘sinking funds’.

**Special Assessment** – a charge made against certain properties to defray all or part of the cost of a specific capital improvement that benefits primarily those properties.

**Tax Capacity** – is the valuation of property based on market value and statutory class rates. The property tax for each parcel is based on its tax capacity.

**Tax Lien** – is a lien imposed by law upon a property to secure payment.

**Total Tax Capacity** – is the amount computed by first totaling the tax capacities of all parcels of property within a city. Adjustments for fiscal disparities, tax increment and a portion of the powerline value are made to this total since not all tax capacity is available for general tax purposes.

**Truth-in-Taxation** – The “Taxation and notification law” which required local governments to set estimated levies, inform taxpayers about the impacts, and announce which of their regularly scheduled council meetings will include a discussion of the budget and levy. Taxpayer input is taken at that meeting.

**Tax Increment Financing (TIF)** – a method of financing by which improvements made in a designated area are paid by the taxes generated from the added value of the improvements.

**User Fees** – refers to charges paid by end users for the purchase of City services. User fees are typically associated with recreational programs and water and sewer services.