

BAXTER CITY COUNCIL MINUTES
Budget and Levy Informational Meeting
November 25, 2014

Mayor Darrel Olson called the 2015 Budget and Tax Levy Informational Meeting to order at 6:00 p.m.

COUNCIL MEMBERS PRESENT: Mayor Darrel Olson and Council Members Jim Klein, Rob Moser, and Todd Holman

COUNCIL MEMBERS ABSENT: Mark Cross

STAFF PRESENT: City Administrator Gordon Heitke, Finance Director Jeremy Vacinek, and Assistant City Administrator Kelly Steele

Mayor Olson explained the purpose of the meeting is to review the 2015 budget and tax levy and to provide an opportunity for the public to ask questions. Mayor Olson further explained Finance Director Vacinek would provide a presentation.

Finance Director Vacinek explained his presentation will include information regarding new legislation affecting property taxes and the 2015 budget; a summary of market values and tax capacity; the proposed tax levy; the 2015 general, special revenue, capital project, debt service, and enterprise funds budget; and the steps to adopt the budget and tax levy.

Finance Director Vacinek explained the property tax rate calculations for residential and commercial properties are unchanged from 2014. The City of Baxter does not received local government aid from the State of Minnesota. The market value homestead credit was replaced with the market value exclusion program in 2011. The exclusion program reduces homesteaded property taxes by excluding a portion of the homestead property's value from taxation. In 2014, \$9.1 million in new market value was added to the City of Baxter. The new construction was distributed as 42.45% commercial, 21.31% residential, and 36.24% other residential. Based upon conservative estimates, in 2014 \$116,409 in new capacity was added to the city for 2015. Finance Director Vacinek provided historical new construction figures. The City's 2015 tax capacity rate slightly decreased to 53.234%. The 2015 budget proposes a \$93,700 levy increase, or 1.68% increase from 2014. The 2015 proposed levy of \$5,601,900 is \$48,100 lower than 2010 levy of \$5,650,000, or .85% lower than 2014 levy. During the same period, inflation has increased by 9.83%.

Finance Director Vacinek explained Crow Wing County sets the property valuations, not the City. The average residential valuation increased 8.4% and commercial/industrial valuations decreased .7%, providing for an overall increase of 5.3%. Due to residential valuations increasing faster than commercial valuations in the City, a shift in a portion of the property tax burden from commercial to residential is occurring in 2015. Crow Wing County reported overall countywide valuations increased about 1% on average for the year, while Baxter's valuations increased 5.3%, causing some of the overlapping tax burden from other jurisdictions to be paid by Baxter properties in 2015.

Finance Director Vacinek reviewed various revenue sources and explained property taxes comprise 41.5% of revenue. Sales tax revenues provide 17.4% of annual revenue. Expenditures by function were also reviewed. The total general fund revenue is \$5,346,300 and general fund expenditures is \$5,346,300, creating a balance 2015 budget. Finance Director Vacinek reviewed 2015 budget highlights including expenditures, and expenditures by department. Enterprise funds were reviewed and no utility rate adjustment is recommended. Debt service funds were reviewed.

Finance Director Vacinek explained the next steps are to adopt the 2015 budget and tax levy during the December 2, 2014 city council meeting. The city council meeting will begin at 7:00 p.m.

Mayor Olson opened the public hearing at 6:37 p.m. With there being no public comments on the 2015 budget and tax levy, the mayor closed the public hearing at 6:40 p.m.

The Council discussed if property valuations did not increase, property owners would have seen a decrease on their city property tax.

MOTION by Council Member Holman, seconded by Council Member Moser to adjourn at 6:48 p.m. Motion carries unanimously.

Approved by:

Respectfully submitted,

Darrel L. Olson
Mayor

Kelly Steele
Assistant City Administrator/Clerk