

City of Farmington
430 Third Street
Farmington, MN 55024

Mission Statement
*Through teamwork and cooperation,
the City of Farmington provides quality
services that preserve our proud past and
foster a promising future.*

AGENDA
CITY COUNCIL WORKSHOP
August 22, 2011
5:00 P.M.

- 1. CALL TO ORDER**
- 2. APPROVE AGENDA**
- 3. DISCUSS 2012 BUDGET**
- 4. ADJOURN**

PUBLIC INFORMATION STATEMENT

Council workshops are conducted as an informal work session, all discussions shall be considered fact-finding, hypothetical and unofficial critical thinking exercises, which do not reflect an official public position.

Council work session outcomes should not be construed by the attending public and/or reporting media as the articulation of a formal City policy position. Only official Council action normally taken at a regularly scheduled Council meeting should be considered as a formal expression of the City's position on any given matter.



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430 Third Street

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TO: Mayor, Councilmembers

FROM: Kevin Schorzman, Interim City Administrator
Teresa Walters, Finance Director

SUBJECT: 2012 Budget Workshop

DATE: August 22, 2011

BACKGROUND

At the July 27, 2011 workshop, the Council agreed to implement the following plans in an effort to reduce the City's future debt burden:

- \$150,000 to create an equipment replacement fund
- \$15,000 for Trail Maintenance
- \$25,000 for Park Redevelopment
- \$350,000 for Seal coating
- \$400,000 to cover Street Rehabilitation
- \$20,000 for computer equipment
- \$30,000 to plan for Fire equipment replacement
- \$20,000 to plan for Building maintenance
- \$25,000 to add a Part-time position in the Finance Department (A Full-time position was eliminated in 2011)
- \$50,000 to add two (2) Part-time Administration staff positions. (A Full-time position was eliminated in 2011)

At the Council meeting on August 15, 2011, Council requested a reduction to the interest revenue budget. The interest revenue has been reduced by \$120,000. In order to balance the budget, the levy was also increased by the same amount.

Council was also informed that, beginning in 2012, the Market Value Homestead Credit (MVHC) program and the associated reimbursement to local units of government for the reduction in homeowner property taxes will be eliminated. In place of the MVHC, homeowners will receive an exclusion of a portion of the market value of their house from property taxes. Although the homestead exclusion is computed in a mathematically similar manner to the repealed MVHC, the new system will provide homeowner relief by shifting taxes to all other

property rather than covering the property tax credit reduction with a state paid credit reimbursement.

UPDATE

Tax Capacity

Since our last meeting, we have been provided with additional information from the County. As anticipated, the County projects a decrease in our tax capacity from 2011, resulting in an increase in the total tax rate. The Tax capacity number includes an adjustment for MVHC and Fiscal Disparities. Because of the changes in the MVHC and Fiscal disparities, if we were to leave the levy the same as last year, some properties would still see an increase in their taxes. In addition to this, those residents with Homestead properties will see a significant decline in their taxable property values when compared to the Market value of the property. For example, if a non-homestead property has a market value of \$190,200 it will be taxed on the entire value. If a homestead property has a market value of \$190,200 it will be taxed on a reduced (taxable) value of \$160,100.

Fiscal Disparities

At the July 27th Council work session, Council decided to distribute any additional Fiscal Disparity revenue towards the EDA deficit. We now have our Fiscal Disparity Revenue numbers: We are looking at an increase of \$712,258 over the budgeted amount of \$1,304,003. The projected EDA deficit is approximately \$175,000. This leaves a balance of \$537,258.

DISCUSSION

- Council will be provided with a plan for future CIP and Capital expenditures so that debt can be reduced and possibly even eliminated in the future.
- Council will be provided with an explanation on the tax capacity decline and the impact on a Homestead vs. a Non-Homestead property.
- Council will need to decide how to distribute the additional \$537,258 in Fiscal Disparities. Please keep in mind that this should not be used for on-going needs since it could potentially be reduced the following year.