

RESOLUTION NO. 2011 - 63

A RESOLUTION CERTIFYING FINAL TAX LEVY  
REQUIREMENTS FOR 2012 TO THE COUNTY OF ANOKA

WHEREAS, Chapter Seven, Section 7.02 of the Charter of the City of Fridley, grants the City the power to raise money by taxation pursuant to the laws of the State of Minnesota; and

WHEREAS, Minnesota Statute Chapter 275.07, subd. 1 requires the City to certify its final tax levy requirements to the County on or before five working days after December 20 in each year; and

NOW THEREFORE, BE IT RESOLVED, that the City of Fridley certify to the County of Anoka, State of Minnesota, the following final tax levy to be levied in 2011 for the year 2012:

GENERAL FUND

General Fund \$ 9,602,809

CAPITAL PROJECT FUND

Capital Improvement Fund - Parks Division 0

MARKET VALUE BASED REFERENDUM LEVY

Springbrook Nature Center \$ 320,200

BONDED INDEBTEDNESS

2005A GO Improvement Bonds (Streets 2005) 173,011  
2006A GO Improvement Bonds (Streets 2006) 203,800  
2007A GO Improvement Bonds (Streets 2007) 186,300  
2008A GO Improvement Bonds (Streets 2008) 146,271  
2010B GO Equipment Certificates (Equip 10&11) 71,348

TOTAL ALL FUNDS \$ 10,703,739

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF FRIDLEY THIS 12th DAY OF DECEMBER, 2011.

ATTEST:

\_\_\_\_\_  
SCOTT J. LUND - MAYOR

\_\_\_\_\_  
DEBRA A. SKOGEN - CITY CLERK

11/28/11

**RESOLUTION NO. 2011 - 64**

**A RESOLUTION ADOPTING THE 2012 FINAL BUDGET**

WHEREAS, Chapter 7, Section 7.04 of the City Charter provides that the City Manager shall prepare an annual budget; and

WHEREAS, the City Manager has prepared such document and the City Council has met several times for the purpose of discussing the budget; and

WHEREAS, the City Council has held a public meeting and has concluded the budget as prepared is appropriate;

NOW THEREFORE, BE IT RESOLVED that the following final budget be adopted and approved:

<u>GENERAL FUND</u>	<u>ESTIMATED REVENUE</u>	<u>APPROPRIATIONS</u>	
Taxes		Legislative:	
Current Ad Valorem	\$ 9,602,809	City Council	\$ 125,609
Delinquent, Penalties, Forfeited	121,500	City Management:	
Licenses and Permits		General Management	283,289
Licenses	255,000	Human Resources	205,135
Permits	457,150	Legal	417,490
Intergovernmental:		Finance:	
Federal	64,800	Elections	43,200
State: Local Government Aid	0	Accounting	688,108
All Other	739,282	Assessing	208,831
Charges for Services:		MIS	270,639
General Government	1,387,250	City Clerk/Records	157,721
Public Safety	276,480	Police:	
Public Works	37,000	Police	5,181,922
Community Development	11,500	Emergency Management	18,935
Recreation	226,400	Fire:	
Fines and Forfeits	175,000	Fire	1,188,711
Special Assessments	42,200	Rental Inspections	159,405
Interest on Investments	53,000	Public Works:	
Miscellaneous Revenues	145,500	Municipal Center	272,294
Other Financing Sources:		Engineering	539,316
Sales of General Fixed Assets	0	Lighting	248,500
Liquor Fund	350,000	Park Maintenance	955,138
Closed Debt Service Fund	250,000	Street Maintenance	1,069,651
		Garage	422,706
		Recreation:	
		Recreation	873,813
		Community Development	
		Building Inspection	320,937
		Planning	451,953
		Reserve:	
		Emergency	120,000
		Nondepartmental:	35,100
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>14,194,871</u>		
Fund Balance:			
General Fund Reserve	<u>63,532</u>		
<b>TOTAL GENERAL FUND</b>	<u>\$ 14,258,403</u>		<u>\$ 14,258,403</u>

**SPECIAL REVENUE FUNDS**

Cable TV Fund	\$ 258,050
Grant Management Fund	104,890
Solid Waste Abatement Fund	418,381
Police Activity Fund	0
Springbrook NC Fund	412,100
Fund Balance	<u>72,568</u>

**TOTAL SPECIAL REVENUE FUNDS**      \$ 1,265,989

Cable TV Fund	\$ 342,145
Grant Management Fund	104,890
Solid Waste Abatement Fund	418,381
Police Activity Fund	0
Springbrook NC Fund	400,573
Fund Balance	<u>0</u>

\$ 1,265,989

**CAPITAL PROJECTS FUNDS**

<b>Capital Improvement Fund</b>	
Building Capital Improvement	\$ 763,877
Streets Capital Improvement	707,238
Parks Capital Improvement	29,624
Fund Balance	<u>(71,739)</u>

**Total Capital Improvement Fund**      \$ 1,429,000

<b>Capital Equipment Fund</b>	
Capital Equipment Notes	\$ 341,150
Fund Balance	<u>0</u>
	<u>341,150</u>

**TOTAL CAPITAL PROJECTS FUNDS**      \$ 1,770,150

**TOTAL ALL FUNDS**      \$ 17,294,542

Building Capital Improvement	\$ 410,000
Streets Capital Improvement	870,000
Parks Capital Improvement	149,000

\$ 1,429,000

General Fund Machinery      \$ 341,150

341,150

\$ 1,770,150

\$ 17,294,542

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF FRIDLEY THIS 12th DAY OF DECEMBER 2011.

ATTEST:

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SCOTT J. LUND - MAYOR

\_\_\_\_\_  
DEBRA A. SGOGEN - CITY CLERK

11/28/11

## TNT RATES FOR PAYABLE 2012

School District	Watershed District	2011 FINAL TC RATES	2012 TNT RATES	Composite Rate For C&I	
		%	%	%	
#11		109.023	109.857	121.2665	0.76%
		109.023	109.857	121.2665	0.76%
#13		103.700	112.765	123.1405	8.74%
	Rice Crk	105.298	115.057	124.6176	9.27%
#14		126.078	125.349	131.2500	-0.58%
		126.078	125.349	131.2500	-0.58%
	Rice Crk	127.676	127.641	132.7271	-0.03%
#16		119.052	124.347	130.6043	4.45%
		119.052	124.347	130.6043	4.45%
	Rice Crk	120.650	126.639	132.0814	4.96%

### Rates by Unit of Government

				% change	EMV	
#11		23.999	21.447	-10.634%	0.26994%	
#13		18.676	24.355	30.408%	0.17600%	Voter Approved Referendum Levy
#14		41.054	36.939	-10.023%	0.11044%	
#16		34.028	35.937	5.610%	0.17421%	
COUNTY		39.952	41.056	2.763%		
CITY		36.986	39.478	6.738%	EMV x 0.01404%	(Springbrook)
MET AGENCY		2.883	3.284	13.909%		
Transit						
Met Council						
Mosquito						
SPECIAL DIST W/RRA		4.738	4.124	-12.959%		
NSHD						
HRA						
LRT						
RADIO SYSTEM		0.424	0.468	10.377%		
RCWS		1.639	2.292	39.841%		
		0.041	0.000	-100.000%		
		0.041	0.000	-100.000%		

C & I Fiscal Disparities Formula:

Tax Capacity X **0.644430** X total tax capacity rate = Partial Tax  
 Plus: Tax Capacity X (fis c **0.355570** X **141.945** (area wide) = Total Tax

**PAY 2012 STATE GENERAL TAX RATE**

**52.0%**

State General Tax = Tax Capacity\* State General Tax Rate (applies to Commercial-Industrial Properties & Seasonal Rec)

## CITY TAX ESTIMATES PAY 2012

FINAL ASSESSED 2010/PAYABLE 2011			TNT ASSESSED 2011/PAYABLE 2012			Change In City Tax	% Change In City Tax
Taxable Market Value	Tax Capacity	City Tax	Taxable Market Value	Tax Capacity	City Tax		
100,000	1,000	\$304	100,000	1,000	\$409	\$105	34.6%
110,000	1,100	\$345	110,000	1,100	\$450	\$105	30.5%
120,000	1,200	\$385	120,000	1,200	\$491	\$105	27.3%
140,000	1,400	\$467	140,000	1,400	\$572	\$105	22.5%
160,000	1,600	\$549	160,000	1,600	\$654	\$105	19.2%
180,000	1,800	\$631	180,000	1,800	\$736	\$105	16.7%
200,000	2,000	\$712	200,000	2,000	\$818	\$105	14.8%
250,000	2,500	\$917	250,000	2,500	\$1,022	\$105	11.5%
300,000	3,000	\$1,121	300,000	3,000	\$1,226	\$106	9.4%
350,000	3,500	\$1,325	350,000	3,500	\$1,431	\$106	8.0%
400,000	4,000	\$1,529	400,000	4,000	\$1,635	\$106	6.9%

Below Is The Calculation For The Average Home In Fridley

175,200	1,752	\$611	149,586	1,496	\$612	\$1	0.1%
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CITY TAX CAPACITY RATE: 36.986%  
(Final)

SNC Taxable MV rate: 0.01337%  
(Final)

CITY TAX CAPACITY RATE: 39.478%  
(TNT)

SNC Taxable MV rate: 0.01404%  
(TNT)

**PAYABLE 11  
RESIDENTAL  
CLASS RATES:**  
1% of first \$500,000  
1.25% > \$500,000

**PAYABLE 12  
RESIDENTAL  
CLASS RATES:**  
1% of first \$500,000  
1.25% > \$500,000

**BUDGET 2012**  
**City of Fridley**  
**Significant Minnesota Tax Policies**

All non-exempt property in Minnesota is subject to taxation by local taxing districts. The tax levied on a property is determined by computing its *tax capacity*, which is the property's taxable market value multiplied by the appropriate class rate. The *tax rate* is determined by the County Auditor, dividing each tax levy by the taxing jurisdiction's adjusted net tax capacity (NTC).

The assessor physically reviews properties at least once every five years.

Below are the class rates for the most common types of property.

<b>2011</b>		<b>2012</b>	
<u>Type of Property</u>	<u>Class Rates</u>	<u>Type of Property</u>	<u>Class Rates</u>
<b>Residential Homestead</b>		<b>Residential Homestead</b>	
First \$500,000	1.00%	First \$500,000	1.00%
Over \$500,000	1.25%	Over \$500,000	1.25%
<b>Residential Non-homestead</b>		<b>Residential Non-homestead</b>	
First \$500,000	1.00%	First \$500,000	1.00%
Over \$500,000	1.25%	Over \$500,000	1.25%
<b>Commercial/Industrial</b>		<b>Commercial/Industrial</b>	
First \$150,000	1.50%	First \$150,000	1.50%
Over \$150,000	2.00%	Over \$150,000	2.00%
<b>Rentals</b>		<b>Rentals</b>	
Apartments: Less than 4 units	1.25%	Apartments: Less than 4 units	1.25%
Apartments: 4+ units	1.25%	Apartments: 4+ units	1.25%
Low Income Rental Housing	0.75%	Low Income Rental Housing	0.75%

**Homestead Market Value Exclusion.** Meant to proportionately reduce the NTC-based property value & succeed the Market Value Homestead Credit (MVHC). The county auditor will determine the credit for each eligible property by multiplying the market value by 0.4%, with a maximum credit of \$30,400. The optimum credit of \$30,400 is afforded to properties valued at exactly \$76,000. The credit is phased out at a rate of .09% of the value over \$76,000. The result is that the credit becomes zero if the homestead has a market value of approximately \$413,800 or more.

**State General Tax.** Provides for the levy of a statewide tax on commercial-industrial and seasonal recreation properties. Provides for the state general tax to be levied at a uniform rate statewide, and within each county. Requires the commissioner of revenue to certify the rate by Nov. 1 each year.

**Property Tax Deferred.** In 1993, the Minnesota legislature enacted a law commonly known as "This Old House" which exempts from the property tax for all or a portion of the value of improvements made to homes 45 years of age or older. Homestead property owners could exclude the property tax on those improvements for 10 years. After the 10 year period has expired, the exemption shall be added back as follows: 50% in the two subsequent assessment years if less than or equal to \$10,000; or 20% in the next five subsequent years if greater than \$10,000. There are limits to the dollar amount eligible for the tax exclusion: \$25,000 on homes 45 to 69 years old; and \$50,000 on homes 70 years or older. Only improvements adding \$5,000 or more of market value are eligible. The program concluded for improvements made through January 2, 2003.

# MINNESOTA • REVENUE

2012 LOCAL GOVERNMENT AID NOTICE

July 29, 2011

FRIDLEY CITY OF  
CLERK  
CITY HALL  
6431 UNIVERSITY AVE NE  
FRIDLEY, MN 55432

THE 2012 CERTIFIED LGA FOR YOUR CITY IS: \$ 759,414

Based on Special Session Laws 2011, Chapter 7, Article 6, Section 17, following is the determination of your 2012 local government aid. If you have any questions regarding this certification, you may contact Larry Bewley at [larry.bewley@state.mn.us](mailto:larry.bewley@state.mn.us) or at (651) 556-6096.

1. 2010 LGA after unallotments and reductions:	\$	759,414
2. 2011 Certified LGA:	\$	1,897,512
3. Lesser of 1 or 2:	\$	759,414
4. Certified 2012 LGA (same as 3):	\$	759,414

**CITY OF FRIDLEY, MINNESOTA**  
**TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

<u>Payable Year</u>	<u>City Certified Tax Levy</u>	<u>Percent Change</u>	<u>City</u>	<u>School District No. 11</u>	<u>School District No. 13</u>	<u>School District No. 14</u>	<u>School District No. 16</u>
2002	5,613,131	33.5%	29.906%	29.082%	38.614%	17.855%	25.985%
2003	5,825,855	3.8%	28.616%	26.941%	20.303%	29.966%	22.054%
2004	6,483,745	11.3%	30.248%	21.050%	22.833%	22.683%	21.421%
2005	8,067,949	24.4%	33.565%	21.492%	19.993%	21.606%	16.118%
2006	8,757,188	8.5%	31.941%	20.046%	19.571%	20.830%	17.437%
2007	9,200,426	5.1%	31.349%	19.353%	17.183%	24.175%	25.779%
2008	9,527,433	3.6%	30.324%	16.983%	15.942%	26.033%	26.213%
2009	9,472,787	-0.6%	28.640%	18.263%	23.411%	31.172%	27.155%
2010	10,120,162	6.8%	32.258%	19.939%	24.398%	38.795%	31.654%
2011	10,509,317	3.8%	36.986%	23.999%	18.676%	41.054%	34.028%
2012 TNT	10,703,739	1.85%	39.478%	21.447%	24.355%	36.939%	35.937%

12/3/11

**Total Tax Rate If You Live In:**

<b>County</b>	<b>Total Special Districts</b>	<b>School District No. 11</b>	<b>School District No. 13</b>	<b>School District No. 14</b>	<b>School District No. 16 (1)</b>	<b>Payable Year</b>
37.976%	7.528%	105.313%	115.198%	94.439%	102.639%	2002
37.714%	8.421%	102.483%	96.360%	105.925%	98.111%	2003
35.221%	8.167%	95.446%	97.758%	97.525%	96.346%	2004
33.080%	8.085%	96.945%	96.329%	97.942%	92.454%	2005
32.096%	7.411%	92.136%	92.813%	94.072%	90.679%	2006
30.696%	7.227%	88.666%	87.770%	94.762%	96.366%	2007
31.078%	8.183%	86.608%	87.135%	97.226%	97.406%	2008
32.078%	7.166%	86.183%	92.840%	100.601%	96.584%	2009
35.189%	7.541%	94.964%	100.897%	115.294%	108.153%	2010
39.952%	8.045%	109.023%	105.298%	127.676%	120.650%	2011
41.056%	7.876%	109.857%	115.057%	127.641%	126.639%	2012 TNT

The rates above by school district all include the Rice Creek watershed district.

## BUDGET 2012

City of Fridley  
State of Minnesota

### GLOSSARY

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- Accounting System.** The total structure of records and procedures which record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds, fund types, balanced account groups, or organizational components.
- Accrual Basis.** A basis of accounting in which transactions are recognized at the time they are incurred, opposed to when cash is received or spent.
- Activity.** Departmental efforts that contribute to the achievement of a specific set of program objectives; the smallest unit of the program budget.
- Agency Fund.** A fund consisting of resources received and held by the governmental unit as an agent for others.
- Appropriation.** A legal authorization to incur obligations and to make expenditures for specific purposes.
- Assessed Valuation.** The total value of all real and personal property in the city that was used as a basis for levying taxes.
- Asset.** Resources owned or held by a government which have a monetary value.
- Attrition.** A method of achieving a reduction in personnel by not refilling the positions vacated through resignation, reassignment, transfer, retirement, or means other than layoffs.
- Authorized Personnel.** Employee positions, which are authorized in the adopted budget, to be filled during the year.
- Budget.** A council approved plan for receiving and expending public funds. An estimate of expenditures and the proposed means of financing them.
- Budgetary Basis.** This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual.
- Budget Calendar.** The schedule of key dates which a government follows in the preparation and adoption of the budget.
- Budgetary Control.** The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.
- Budget Message.** A general discussion of the proposed budget presented in writing as part of the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations regarding the financial policy for the coming year.
- Capital Improvements.** Expenditures related to the acquisition, expansion or rehabilitation of a fixed asset and expenditures that increase the value for fixed assets.
- Capital Improvement Plan (CIP).** The five year schedule of capital improvement projects which encompass all funding sources and all organizational units of government.
- Capital Outlay.** Expenditures which result in the acquisition of or addition to fixed assets which have a value of \$5,000 or more and have a useful life of more than one year.
- Capital Projects.** Major construction, acquisition, or renovation activities that add value to a government's physical assets or significantly increase their useful life. Also called capital improvements.

**Cash Basis.** A basis of accounting in which transactions are recognized only when cash is increased or decreased.

**Class Rate.** Set by the Legislature, the rates are multiplied by the taxable market value to determine the tax capacity of a property.

**Constant or Real Dollars.** The presentation of dollar amounts adjusted for inflation to reflect the real purchasing power of money as compared to a certain point in time in the past.

**Consumer Price Index (CPI).** A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation).

**Contingency.** A budgetary reserve set-aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Contractual Services.** Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include utilities, rent, maintenance agreements, and professional consulting services.

**Cost-of-living Adjustment (COLA).** An increase in salaries to offset the adverse effect of inflation on compensation.

**Current Ad Valorem.** Taxes levied and becoming due during the current year, from the time the amount the tax levy becomes due until a penalty for non-payment is attached.

**Debt Service.** The planned accumulation of revenues and appropriation of expenditures for the retirement of long-term debt principal and interest.

**Deficit.** The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

**Delinquent Ad Valorem.** Taxes that remain unpaid on and after the date on which penalty for nonpayment is attached.

**Department.** The basic organizational unit of government which is functionally unique in its delivery of services.

**Depreciation.** Process of allocating the cost of a capital asset to the periods during which the asset used.

**Disbursement.** The expenditure of monies from an account.

**Effectuation Date.** The technical cutting of funds is called the effectuation of unallotment and it occurs when staff at Minnesota Management & Budget (MMB) adjusts the state's accounting system. The effectuation date, not the date that unallotment is announced, determines when special levy authority is triggered.

**Employee (or Fringe) Benefits.** Contributions made by a government to meet commitments or obligations for employee fringe benefits. Included is the government's share of costs for Social Security and the various pension, medical and life insurance plans.

**Encumbrance.** The commitment of appropriated funds to purchase an item or service.

**Enterprise Fund.** A fund that accounts for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Estimated Market Value.** The assessor's estimate of what property would be worth if sold on the open market. The market value is set on January 2 of the year before taxes are payable. This is the term used on all County statements & reports. Also sometimes referred to as **Market Value**. This is different than **Taxable Market Value**, which takes into account special programs in which the property may be enrolled such as Homestead Market Value Exclusion, Plat Law, Green Acres, etc.

**Expenditures.** The payment of cash on the transfer of property or services for the purposes of acquiring an asset, service or settling a loss.

**Expense.** Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest or other charges.

**Fees.** A general term used for any fixed charge levied by government associated with providing a service permitting an activity, or imposing a fine or penalty. Major types of fees include business and non-business licenses, fines, and user charges.

**Fiscal Year.** A twelve-month period designated as the operating year for accounting and budgeting purposed in an organization.

**Fixed Assets.** Assets of long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

**Fund.** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

**Fund Balance.** The excess of an entity's assets over its liabilities.

**GAAP.** Generally Accepted Accounting Principles. Uniform minimum standards for financial accounting and recording encompassing the conventions, rules, and procedures that define accepted accounting principles.

**General Fund.** The fund used to account for all financial resources except those required to be accounted for in another fund.

**Goal.** A long-range desirable development attained by time-phased objectives designed to implement a strategy.

**Grant.** A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments.

**Homestead Market Value Exclusion,** new beginning 2012, it replaces the MVHC. This new system will shift taxes among properties within each community, especially to C&I, apartments and other properties that will not receive the benefit of the homestead market value exclusion. (That would be properties over 413,800). Each city's tax base will be reduced and the city's tax rate will rise to obtain the same property tax levy.

**Housing and Redevelopment Authority (HRA).** The HRA is a separate legal entity but is under the control of the City and its Council who appoint the Commissions. It was established to account for economic development and tax increment financing activities. It is a discretely presented component of the City CAFR.

**Infrastructure.** The physical assets of a government (e.g., streets, water, sewer, parks and public buildings).

**Interfund Transfers.** The movement of monies between funds of the same governmental entity.

**Intergovernmental Revenues.** Funds received from Federal, state and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes.

**Investment.** Securities permitted by law are purchased and held for the production of income in the form of interest.

**Levy.** To impose taxes for the support of government activities.

**Levy Limitation.** The maximum amount permitted to be levied by a taxing jurisdiction as established by Minnesota Statutes.

**Line Item Budget.** A budget prepared along departmental lines that focuses on what is to be bought.

**Local Government Aid (LGA).** An intergovernmental revenue from the State to provide tax relief to local units of government. It replaces most of the individual taxes, such as cigarette, liquor and income taxes that were previously distributed to local governments.

It was originally established in 1971 as a per capita revenue sharing/property tax relief program that initially replaced the exempt property reimbursement program and the sales tax per capita aids. In 1973, the LGA program was expanded as cities lost other miscellaneous revenues. Since the LGA program was created, the formula has been amended or changed frequently.

**Market Value.** The assessor's estimate of what property would be worth if sold on the open market. The market value is set on January 2 of the year before taxes are payable. On statements & reports from the County this is referred to as "Estimated Market Value"

This is different than **Taxable Market Value**, which takes into account special programs in which the property may be enrolled such as Homestead Market Value Exclusion, Plat Law, Green Acres, etc.

**Net Tax Capacity,** The total tax capacity used to determine the tax rate.

**Objective.** Something to be accomplished in specific & measurable terms and that is achievable within specific time frame.

**Obligations.** Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

**Operating Revenue.** Funds that the government receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services.

**Operating Expenses.** The cost for personnel, materials and equipment required for a department to function.

**Personal Property.** Refers to all detached or detachable, movable property including furniture and other personal belongings, as well as commercial inventories & equipment a business uses to reduce income. Virtually all personal property is exempt from taxation.

**Personal Services.** Expenditures for salaries, wages, and fringe benefits of the City's employees.

**Prior-Year Encumbrances.** Obligations from previous fiscal years in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation for which a part of the appropriation is reserved. They cease to be encumbrances when the obligations are paid or other wise terminated.

**Property Class.** The classification assigned to each parcel of property based on the use of the property. For example, owner-occupied residential property is classified as homestead.

**Property Tax Levy.** The amount of dollars to be collected from the taxable property within a taxing district. ie. taxes owed.

**Proposed Budget.** The recommended City Budget submitted by the City Manager to the City Council in August.

**Real Property.** Is the land itself plus all buildings, improvements, and other fixtures on the land. Also see "Personal Property".

**Reserve.** An account used to indicate that a portion of fund equity is legally restricted for a specific purpose or not available for appropriation and subsequent spending.

**Resolution.** A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

**Resources.** Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances.

**Retained Earnings.** The accumulated earnings of an Enterprise Fund which have been retained in the fund.

**Revenue.** Funds that the government receives as income. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, and interest income.

**Special Revenue Fund.** A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**Supplemental Appropriation.** An additional appropriation made by the governing body after the budget year or biennium has started.

**Tax Capacity.** The valuation of real and personal property in the taxing jurisdiction that is based on market value multiplied by the applicable class rate. (Also sometimes referred to as "Taxable Value")

**Taxable Tax Capacity.** The sum of the tax capacities of all parcels in the taxing jurisdiction after adjustment for fiscal disparities, tax increment and other property not available for general tax purposes.

**Taxable Market Value (TMV),** refers to the amount of value that is actually used in calculating property taxes. This can differ from EMV due to special programs the property may be enrolled in such as HMVE. (Sometimes referred to as "Taxable Value")

**Tax Rate.** The tax levy divided by the Taxable Tax Capacity.

**Tax Owed.** The tax rate x the tax capacity = tax owed

**Tax Increment Financing (TIF).** Tax increment financing is a tool used by cities to finance certain types of real estate development costs. The primary purposes of TIF are to attract private investment that will: 1) redevelop blighted areas, 2) provide housing for low and moderate income individuals and families, or 3) result in increased employment opportunities and tax base.

**Transfers In/Out.** Amounts transferred from one fund to another to assist in financing the services for the recipient fund.

**Truth in Taxation.** A program adopted by the State Legislature that requires local governments to provide notice of their proposed budgets and levies. They are then required to hold public hearings to inform the citizens and give them the opportunity to provide input on spending and taxing levels.

**Unencumbered Balance.** The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes.

**Unreserved fund Balance.** The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

**Recap of tax terms:**

**Estimated Market Value (EMV)**, the value determined by the assessor as the price the property would likely sell for on the open market is called the estimated market value. This value is determined each year on January 2<sup>nd</sup>. (EMV is used on all county Reports)  
(Sometimes referred to as "Market Value")

**Taxable Market Value (TMV)**, the value that is actually used in calculating property taxes. This can differ from EMV due to special programs the property may be enrolled in such as HMVE (see below).  
(Sometimes referred to as "Taxable Value")

**Tax Capacity**, each classification of property has a unique classification rate (Class Rate) which is set by the Minnesota Legislature. They may change these classifications rates to accomplish various tax policy objectives. Tax Capacity is calculated as follows: Taxable Market Value (TMV) X Class Rate = Tax Capacity.

**Net Tax Capacity (NTC)**, the sum of the tax capacities of all parcels in the taxing jurisdiction after adjustment for fiscal disparities, tax increment and other property not available for general tax purposes.  
(Sometimes referred to as "Total Taxable Value")

**Tax Rate**, The Tax Levy divided by Net tax Capacity.

**Tax Owed**, Tax Rate X the Tax Capacity.

**Homestead Market Value Exclusion (HMVE)**, new beginning 2012, it replaces the MVHC. It is meant to reduce the taxable market value and replaces the MVHC. Properties up to \$413,800 are eligible by multiplying the EMV by 0.4%, with a maximum credit of \$30,400. The optimum credit of \$30,400 is afforded to properties valued at \$76,000. The credit is phased out at a rate of .09% of the value over \$76,000. This new system will shift taxes among properties within each community, especially to C&I, apartments and other properties that will not receive the benefit of the homestead market value exclusion. (That would be properties over 413,800). Each city's tax base will be reduced and the city's tax rate will rise to obtain the same property tax levy.

**BUDGET 2012**

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