

**CITY OF CRYSTAL
FREQUENTLY ASKED BUDGET QUESTIONS & ANSWERS
2012**

1. How does the recently adopted state budget affect the City budget?

One of the forms of aid that the State of Minnesota provided to cities was the Market Value Homestead Credit (MVHC). After the City adopted a property tax levy, Hennepin County calculated the MVHC and reduced the City's tax levy by that amount. The City's tax levy, after the MVHC reduction, would be collected from property tax payers. The State of Minnesota would then pay the MVHC to the City to make up for the fact that it wasn't collected as property taxes.

MVHC was eliminated as part of the deal that produced the state budget. This means that the City's property tax levy for 2012 will not be reduced by the MVHC and the entire property tax levy will be collected from property tax payers. Property tax payers will likely see a tax increase as a result.

The state replaced the MVHC with a new Market Value Exclusion (MVE). MVE excludes some of the value of homestead properties from the calculation of the tax bill. It simply shifts some of the tax burden from homestead to non-homestead properties. The MVE does not reduce the city's tax levy the way that the MVHC did. We aren't able to estimate how MVE will impact property tax bills.

The Minnesota Department of Revenue has an explanation of the change from MVHC to MVE on its website at http://taxes.state.mn.us/prop_refund/pages/index.aspx.

2. Does the recently announced state revenue forecast change things?

The November 2011 state revenue forecast projects a surplus in the state budget of 876 million dollars for the two year budget ending June 30, 2013. This is a substantial improvement over the previous forecast. However, it isn't money in the bank. It is just a forecast.

The state relies on income tax and sales tax collections that swing up or down with any change in the economy. All this forecast does in the short run is to take away the need for the state to make any additional cuts to its budget right now.

3. What is the City's adopted property tax levy for 2012?

	<u>2011</u>	<u>2012</u>	<u>Change</u>	<u>Percent</u>
General Fund	\$8,453,983	\$8,258,049	-\$195,934	-2.32%
Pool bonds debt service	207,400	211,600	4,200	2.03%
County Highway 81 debt service	<u>534,565</u>	<u>534,565</u>	<u>0</u>	<u>0.00%</u>
Total City Tax Levies	\$9,195,948	\$9,004,214	-\$191,734	-2.08%
Economic Development Authority	<u>274,000</u>	<u>270,000</u>	<u>-4,000</u>	<u>-1.46%</u>
Total All Tax Levies	\$9,469,948	\$9,274,214	-\$195,734	-2.07%

4. How will this affect my property taxes for 2012?

Despite the reduction in the City's tax levy, many properties will see an increase in the City portion of their property tax bill for 2012 due to the elimination of the Market Value Homestead Credit. Commercial, industrial, rental housing and high value homes are the properties most likely to see increases.

5. If my home or business's value is declining, shouldn't my property tax go down too?

The city's property tax levy is spread across all taxable property in the city. The total market value of all property in the city declined about 10% in the past year. If everyone's property value declined exactly 10% and the city levied the same total property taxes as the previous year, then everyone's tax bill would be the same as the previous year. However, some properties declined less than 10% and others declined more than 10%. Your tax bill will depend on how much your value declined compared to the 10% average decline.

6. What is the City's adopted budget for 2012?

The adopted budget for the General Fund for 2012 is \$12,150,040. This is an increase of \$216,377 or 1.81% from the adopted 2011 budget of \$11,933,663.

7. What are the changes in the General Fund budget?

- Increase of \$74,900 in transfers to capital improvement funds.
- Increase of \$64,000 in budget for motor fuels due to rising gas prices.
- Provides \$27,000 for community survey done every five years.
- Provides \$37,000 for the cost of the 2012 general election.

8. How much does the city spend per citizen per year?

If the adopted General Fund 2012 budget (\$12,150,040) is divided by the population of Crystal (estimated at 22,151), the result is that the city will spend \$548.51 per person per year, or \$1.50 per person per day in 2012.

9. What City services do I receive for my tax dollar?

Services supported by property taxes and the percentage of the city property tax going to fund each service are as follows:

- Police & fire protection 46.2%
- Street maintenance, park maintenance, building maintenance & forestry 22.2%
- General administration of the city 14.1%
- Debt service on bonds 7.9%
- Recreation programs 7.7%
- Economic redevelopment 1.9%

10. When will I find out what my 2012 tax bill will be?

Truth-in-Taxation statements showing the estimated taxes for every property were computed by Hennepin County based upon the preliminary tax levies passed by the city, county, and school district and mailed in mid-November. Tax statements with the final tax bill for 2012 will be mailed out by Hennepin County this winter.

11. How can I communicate my feelings to the City Council?

You may appear at the Citizen Input Hour at 6:00 P.M. on the third Tuesday of each month. You may contact the Council Members or staff at the following numbers:

ReNae Bowman	Mayor	531-2074	rjbowman3@comcast.net
David Anderson	Wards 1 & 2	531-1007	chriissy.serres@ci.crystal.mn.us
Mark Hoffmann	Ward 1	531-1006	MrkHoffmann@aol.com
Joseph Selton	Ward 2	535-3564	iamjcsjr@aol.com
John Budziszewski	Wards 3 & 4	531-1003	john.m.budziszewski@gmail.com
Janet Moore	Ward 3	531-1005	ontwinlakes@msn.com
Julie Deshler	Ward 4	531-1002	uuijad@aol.com
Anne Norris	City Manager	531-1140	anne.norris@ci.crystal.mn.us
Charles Hansen	Finance Dir.	531-1110	charles.hansen@ci.crystal.mn.us