



## **Back to Basics:**

Minnesota's Budget & Property Tax Levy Process

---

# What We'll Cover Today...

---

## Budget

- Basics
- Creation
- Amendments
- Timeline

## Property tax levy

- Cities
- Counties

# What is a Budget?

---

Comprehensive financial plan for the upcoming year

Communication tool

Reflection of city plans, policies & goals

Adopted by elected officials

General Fund required by state statute

# Budget Considerations & Guidelines

---

- Balanced budget
- Financial policy adoption
  - ✓ Fund balance guidelines for General Fund
  - ✓ Working capital targets for enterprise funds
  - ✓ Revenue policy & fee schedule
- Credit rating | rating agencies
  - ✓ Operating reserves
    - Fund balance minimums for small communities

# Strategic Planning: Fiscal Sustainability

---

## Long-term financial planning

- 5- to 10-year capital plan
- Includes additional operational needs

## Single-year vs. multi-year budgeting

- Growing communities
- City size
- Complexity
- Budget amendments (availability of funds)

# Budgeting Resources

---

- League of Minnesota Cities
  - ✓ Law summaries
  - ✓ Budget handbook updates
- Minnesota Department of Revenue
- Government Finance Officers Association (GFOA)
- Fellow finance directors & other professionals



Back-to-Basics

# **BUILDING A BUDGET**

# Who are the Players?

---

- City Administrator / Manager
- Finance Staff
- Department Heads / Staff
- Councilmembers
- Constituents

*...Who are the Players in your Community?*

# General Fund Budget Formula

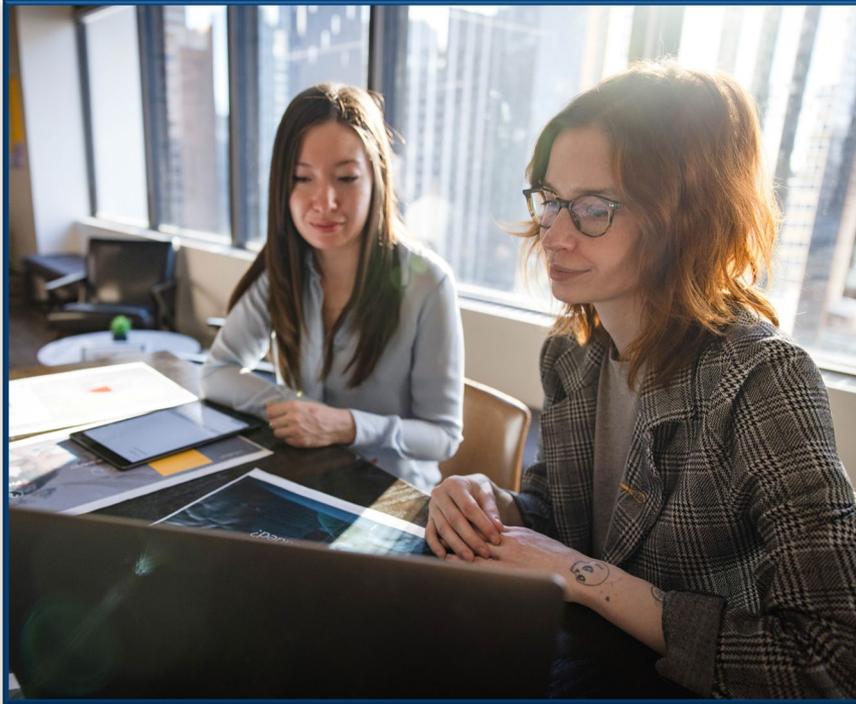
---

*Balanced budget is required...*

EXPENSES  OTHER REVENUE  PROPERTY  
 TAX LEVY

*...Property tax levy is the last puzzle piece*

# Step 1: Personnel Costs



WAGES  
(INCLUDING  
COLA)



PERA | FICA |  
WORKERS'  
COMPENSATION



MARKET  
ADJUSTMENTS



UNION  
CONTRACTS



MEDICAL |  
DENTAL  
INSURANCE



STAFFING  
CHANGES

# Step 2: Budget Requests

---



INTERNAL  
DEPARTMENT  
DISCUSSIONS



PRIORITIZATION



POTENTIAL FOR  
COUNCIL FEEDBACK  
& INITIATIVES

# Step 3: Other Revenues

---



STATE AIDS



PROGRAM- &  
FEE-BASED  
REVENUES



FRANCHISE FEES



SALES TAXES  
(IF APPROVED BY  
LEGISLATURE)

# Step 4: Tax Levy

---



COUNCIL  
DIRECTION



TAX RATE  
IMPLICATIONS



IMPACT ON  
TAXPAYERS



LAW  
CHANGES



LEVY LIMITS

# Annual Budget Calendar: General

---

January-March

Goal Setting &  
Budget  
Direction



April-June

Staff  
Preparation &  
Review



July-December

City Council  
Work Sessions &  
Regular  
Meetings

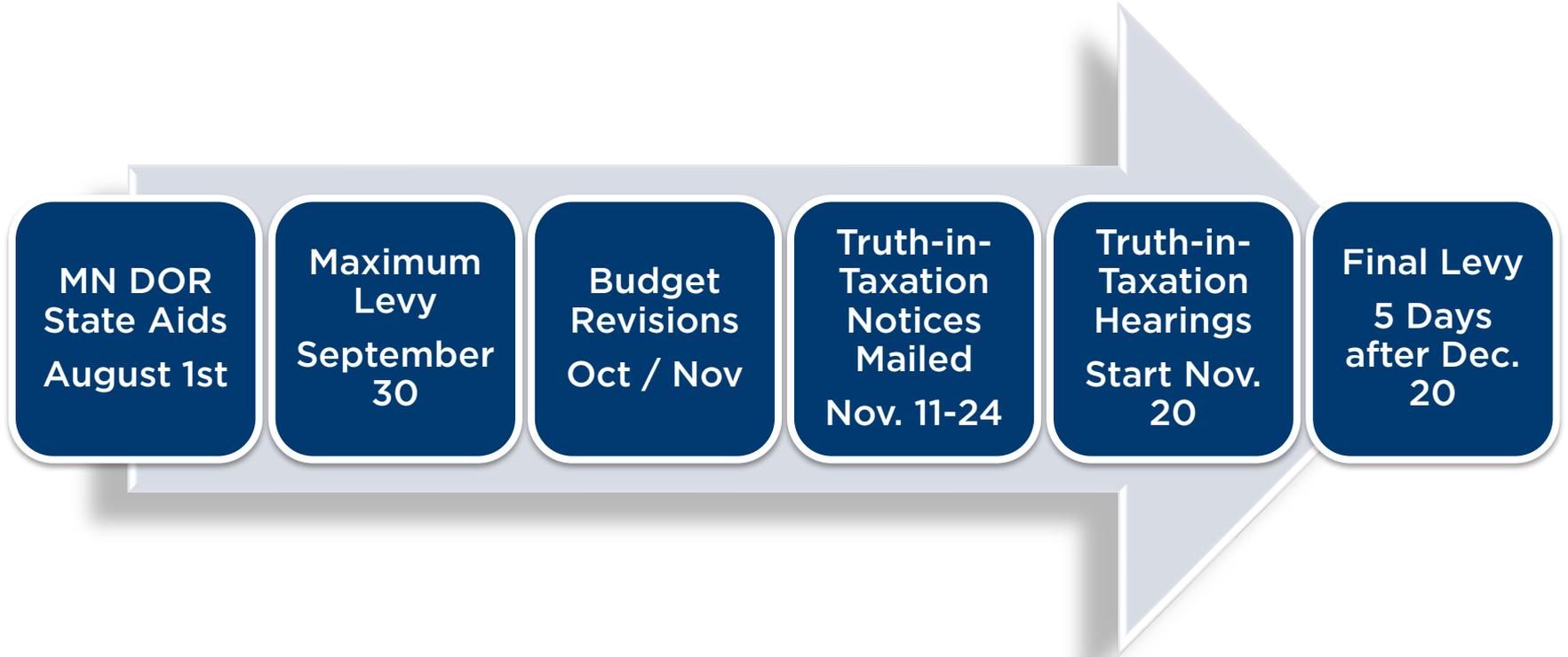
Develop & Refine  
Financial Management Plan

Develop & Refine Annual Budget  
(including CIP costs)

Develop & Refine Capital  
Improvement Plan

# Budget Process: Important Dates

---



# Budget Amendments

---



## When?

- Any time of the year



## How?

- By resolution



## Why?

- Unexpected events
  - ✓ Capital or operational expenses
  - ✓ Designated / restricted revenues & expenses
- Council / Board initiatives
- Materiality threshold
- Departmental legal level
- Availability of funds





Back-to-Basics

# PROPERTY TAX LEVY: CITY PERSPECTIVE

# What Makes Up The Property Tax Levy?

## Operating Levy

- General Fund
- Last puzzle piece for the budget
  - ✓ Expenditures less other revenue sources

## Debt Levy

- By bond issue
- 105% of debt service less other revenues
  - ✓ Special assessments
  - ✓ Utility Revenues
  - ✓ TIF
- Collect 1 year in advance
  - ✓ Ensures funds on hand for 2/1 payment
- Funds on hand to reduce levy
  - ✓ Requires special language in resolution

## Special Levy

- Funds other than General Fund
- Tax abatement (not related to debt service)
- HRA, EDA levies (if not separate resolutions)

# To County Auditor

---

- Preliminary Levy certified by September 30th
  - ✓ Must also include date & time of budget hearings
    - After November 24th & after 6pm
    - Include website & phone number
    - Publish in newspaper of record
- Final levy certified in December

# To County Auditor

- County may have a special form to fill out
- Report of Outstanding Indebtedness due February 1st



**FORM C - FINAL LEVY CERTIFICATION**

Submit District Resolution with Levy Form - Final Levy Cannot Exceed the Proposed Levy

|                          |  |                       |             |
|--------------------------|--|-----------------------|-------------|
| <b>Deadline:</b>         | <b>December 30, 2024</b>               | <b>Payable Year:</b>  | <b>2025</b> |
| <b>Taxing Dist Name:</b> | <b>- Select Your Taxing District -</b> | <b>Entity Number:</b> |             |

| Fund Number                               | Levy Category           | Budget | LGA | Other Resources | Final Certified Levy | % of Levy |
|---|-------------------------|--------|-----|-----------------|----------------------|-----------|
| <b>Tax Capacity Based Levy</b>            |                         |        |     |                 |                      |           |
| 3000                                      | REVENUE                 | 0      |     |                 | \$ -                 | 0.00%     |
| 3001                                      | DEBT SERVICE            | 0      |     |                 | \$ -                 | 0.00%     |
| 3004                                      | TAX ABATEMENT           | 0      |     |                 | \$ -                 | 0.00%     |
|   | - Select Levy Account - | 0      |     |                 | \$ -                 | 0.00%     |
|   | - Select Levy Account - | 0      |     |                 | \$ -                 | 0.00%     |
|   | - Select Levy Account - | 0      |     |                 | \$ -                 | 0.00%     |
| <b>Market Value Referendum Based Levy</b> |                         |        |     |                 |                      |           |
|   | - Select Levy Account - | 0      |     |                 | \$ -                 | 0.00%     |
| <b>Total Certified Final Levy</b>         |                         |        |     |                 |                      |           |
| <b>TOTAL TAX CAPACITY LEVY</b>            |                         | 0      | 0   | 0               | \$ -                 | 0.00%     |
| <b>TOTAL MKT VALUE REFERENDUM LEVY</b>    |                         | 0      | 0   | 0               | \$ -                 | 0.00%     |
| <b>TOTAL CERTIFIED FINAL LEVY</b>         |                         | 0      | 0   | 0               | \$ -                 | 0.00%     |

# To State of Minnesota

---

## Department of Revenue

- Annual Certification of Truth-in-Taxation Compliance form
- Due by December 28th

## Office of the State Auditor

- Summary Budget Form
- Due by February 1st



Back-to-Basics

# PROPERTY TAX LEVY: COUNTY PERSPECTIVE

---

# County Review: Preliminary & Final

---

Was levy received on time?

Was signed resolution included each time?

Is debt levy complete?

- ✓ *County auditor is required to levy on your behalf if debt levy is missed*
- ✓ *Tie back to Bond Register*
- ✓ *Review resolution language for changes in debt levy*

# Preliminary Levy

---

- Counties, Cities, Towns, most Special Taxing Districts
- Failure to certify
  - ✓ County will use last year's final levy
  - ✓ This becomes the maximum levy
- County certifies all levies to MN DOR by October 8th

*Received by  
September  
30th*

# Maximum Levy

---

## Exceptions:

- Voter approved levies or bonds after certification
- Increases due to natural disasters, tort judgements, or emergency debt certificates

## Excludes:

- Townships
- Special taxing districts other than regional libraries & metropolitan special taxing districts
- Used to calculate preliminary taxes and mail out Notice of Proposed Property Taxes

# Final Levy

---

Received within  
5 working days  
after December  
20th each year

Failure to  
certify

Used to  
calculate taxes  
& mail out final  
tax statements

County certifies  
all final levies to  
MN DOR by  
January 15th

- ✓ *County will use  
last year's levy,  
not proposed levy*

# Finally Done!!

---

Take a deep breath...

Go for a long walk...



...and get ready to start the  
process all over again!

# Your Presenters

---



**Josh Feldman**

Finance Director, City of Eagan

[jfeldman@cityofeagan.com](mailto:jfeldman@cityofeagan.com)

(651) 675-5019



**Jeanne Vogt**

Senior Fiscal Consultant

[jvogt@ehlers-inc.com](mailto:jvogt@ehlers-inc.com)

(651) 697-8571

# Important Disclosures

---

Ehlers is the joint marketing name of the following affiliated businesses (collectively, the “Affiliates”): Ehlers & Associates, Inc. (“EA”), a municipal advisor registered with the Municipal Securities Rulemaking Board (“MSRB”) and the Securities and Exchange Commission (“SEC”); Ehlers Investment Partners, LLC (“EIP”), an SEC registered investment adviser; and Bond Trust Services Corporation (“BTS”), a holder of a limited banking charter issued by the State of Minnesota.

Where an activity requires registration as a municipal advisor pursuant to Section 15B of the Exchange Act of 1934 (Financial Management Planning and Debt Issuance & Management), such activity is or will be performed by EA; where an activity requires registration as an investment adviser pursuant to the Investment Advisers Act of 1940 (Investments and Treasury Management), such activity is or will be performed by EIP; and where an activity requires licensing as a bank pursuant to applicable state law (paying agent services shown under Debt Issuance & Management), such activity is or will be performed by BTS. Activities not requiring registration may be performed by any Affiliate.

This communication does not constitute an offer or solicitation for the purchase or sale of any investment (including without limitation, any municipal financial product, municipal security, or other security) or agreement with respect to any investment strategy or program. This communication is offered without charge to clients, friends, and prospective clients of the Affiliates as a source of general information about the services Ehlers provides. This communication is neither advice nor a recommendation by any Affiliate to any person with respect to any municipal financial product, municipal security, or other security, as such terms are defined pursuant to Section 15B of the Exchange Act of 1934 and rules of the MSRB. This communication does not constitute investment advice by any Affiliate that purports to meet the objectives or needs of any person pursuant to the Investment Advisers Act of 1940 or applicable state law.